



# TERRUM

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by Mario Molina

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**"DILIGITE JUSTITIAM QUI JUDICATIS TERRAM:" "Ye who judge the earth, give diligent love to justice"**

# New Reforms for Mexico's Agro-Industry.

by Mario Molina.

**D**uring the ceremony to commemorate 99 years since proclamation of the Federal Agrarian Law, President Enrique Peña announced his intention to start on major reforms to the judicial framework of the Agro-Industry of Mexico.

In words of President Peña, this reform will make this Mexican field more just, productive, profitable and sustainable.

Probably a mere coincidence, if this statement crystallizes into formal policies, it will happen 20 years after the most important change to the agricultural industry of our country: The entry into force of the North American Free Trade Agreement (NAFTA) in 1994.

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Even though substantial modifications were made to the sector's applicable legislation during the early 90's (for example the amendment to the article 27 of the Federal Constitution in 1992<sup>1</sup> and the creation of PROCAMPO<sup>2</sup> in 1993), it wasn't until chapter 7 of NAFTA was implemented that the current rules for the agricultural trade between Mexico, U.S.A and Canada were shaped<sup>3</sup>.

Unfortunately, only a relatively small section of this industry received most of its benefits.

According to the United States Department of Agriculture, Mexican agricultural exports to the U.S.A. have grown an impressive 476% since NAFTA was implemented; however, these numbers are slanted to a large extent to the elite group of powerful growers dedicated to the winter fresh-produce markets. Such tendency shows the marked competitive advantages of our country in those sectors, which ultimately will certainly end up changing the current overwhelming share between cultivated land used for grains versus the one used for vegetables and fruits.

In order to assist the vast majority of growers involved in the production of grains, once again a new reform is proposed, and it is intended to reflect seven strategies as listed by the Federal Government:

- Support to the small producers;
- Increase the availability of Mexican fertilizers;
- Facilitate the use of improved seeds and ensure the quality of produce;
- Increase watering in all regions of the country;
- Offer more credit and financial services for agriculture;
- Synchronize supply and demand for agricultural products;
- A modern legal framework to invigorate agro-business.

1.- Upon President Carlos Salinas's initiative, the article 27 of the Mexican Federal Constitution was amended in order to allow the privatization of ejido land.

2.- PROCAMPO is a federal program of direct fixed payments for 15 years to farmers who produced corn, beans, wheat and other grains between 1990 and 1993.

3.- Three separated bilateral agreements denominated Market Access Sections.

Some of these are historically complicated and it is foreseeable that the government's participation would only make them more difficult to solve, but it is fair to say that they capture the most essential priorities of the industry.

"Previous attempts of other administrations on this subject make us believe that little of, or even none of the agrarian legislation will be modified. Instead budget adjustments and new Ministry of Agriculture programs are expected."

After an intense year of major reforms where no agricultural matters were taken into account, now that the secondary legislation to implement those reforms is being discussed, the table appears to be set for these changes to be easily approved in whatever form they are presented to Congress.

Nonetheless, the Federal Government has not clarified yet if these strategies will be contained in a specific package of legislation or will hinge on others already passed.

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In any case, the success of this intended reform will not only depend on the specific details that the lawmakers manage to include, but most importantly on the agreements that the growers manage to reach in each division of the agro-industrial supply chain

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## **Mexican agribusiness reports sales of around 160 million pesos in a leading international trade fair for organic products.**

As part of the goal of opening and consolidating the niche market for Mexican food products, SAGARPA through Agency Services Marketing and Development of Agricultural Markets (ASERCA) and General International Affairs, supported the participation of agribusiness Baja California, Colima, Distrito Federal, Jalisco, Estado de Mexico, Michoacan, Morelos, Tamaulipas, Veracruz and Yucatan. SAGARPA supported the participation of 15 national agribusinesses in BioFach 2014, which claimed more than 240 business appointments. Mexican producers reported having detected interest in non-traditional markets such as Dubai, Kuwait, Malaysia and India. Sales of about 160 million pesos were reported by the 15 Mexican agribusinesses attending the international fair BioFach 2014, supported by the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food ( SAGARPA). *Mexbest. 24/02/2014.*

## **Telecom Rights assure Foreign Investment.**

Gerardo Ruiz Esparza, head of the Secretary of Communication and Transportation, has stated that President Enrique Peña Nieto will publish a bylaw on the telecommunication reform. The bylaw must, in order to fulfill the objective of the reform, grant higher participation from other industry representatives. Promoting competition and assuring the proper rights, will affect the arrival of millions of dollars from foreign investment, thus setting the standards for a major economic boost. *Reforma. 27/02/2014.*

## **Glut of Mexican asparagus depresses the market.**

The large volumes of Mexican asparagus have driven market prices so low that some California asparagus growers are disking their fields to delay the start of the season rather than picking. James Paul, director of sales and marketing for Stockton, Calif.-based Greg Paul Produce Sales Inc., blamed the depressed prices on a glut of asparagus coming out of Mexico's Caborca region. The U.S. Department of Agriculture on February 24, reported 2,108 40,000-pound units of asparagus have crossed at Calexico, Calif., compared to 1,255 40,000-pound units last year at the same time. Growers in that Caborca, who typically begin picking about mid-January, tried to hold off production on the front end so they could capitalize on this year's late Easter season, he said.

*The Packer. 27/02/2014.*

## **Government spending for Mexico.**

Fernando Aportela, sub-secretary for Tax Administration Policy, has stated that a primary objective for this year is to accelerate and boost economic policy. The government must, and will increase public spending in order to achieve bigger standards in government spending with the purpose of reactivating the economy and achieve additional growth. The prediction for an increase in government spending, if effective, will boost the Mexican economy, that did not grow as much as predicted in 2013. *El Financiero. 28/02/2014.*

## **Mexico Peso Falls as Ukraine Crisis Sinks Emerging-Market Assets.**

Mexico's peso fell for the first time in three sessions as mounting tension between the U.S. and Russia over the conflict in Ukraine fueled a selloff in emerging-market assets. The peso slipped 0.6 percent to 13.3325 per dollar at 4 p.m. in Mexico City, the lowest on a closing basis since Feb. 19. Yields on benchmark peso bonds, maturing in 2024 increased one basis point, 0.01 percentage point to 6.36 percent, according to data compiled by Bloomberg. Mexico's currency fell along with most of its emerging-market counterparts as geopolitical tensions rose after Russia's parliament granted President Vladimir Putin the authority to send troops into Ukraine last week. The upheaval in the former Soviet republic is prompting investors to seek out the safest assets, according to Roberto Galvan, a trader at Intercam Casa de Bolsa SA. *Bloomberg. 28/02/2014.*

## **The price increases of avocado and lemon caused by Michoacán conflict.**

The problem of insecurity recorded in Tierra Caliente, Michoacán, has a direct impact on the price of avocado and lemons said the National Confederation of Associations of Dealers Supply Centers (CONACCA). "The problems in Tierra Caliente of Michoacán have been effecting the price of avocado, lemons and bananas, while other products are out of season," said the leader of the confederacy, Arturo Fernández Martínez. He said that in the 64 supply centers in the country, the seed lemon per kilogram costs between 30 and 35 pesos, while the seedless type is offered at 25 pesos per kilo. He clarified that the price of 50 pesos per kilogram of citrus is found only in supermarkets and street markets where it is sold at retail, so he recommended consumers to go to the supply centers where he said - food , fruits and vegetables are cheaper. *Milenio Noticias. 28/02/2014.*

## **Pemex will invest 28 billion dollars in 2014.**

Petroleos Mexicanos (Pemex) said it will in 2014, invest a record number of nearly 28 billion dollars, of which 85 percent will be allocated to exploration and production of crude oil and gas. The CEO of the company, Emilio Lozoya Austin, said that despite this historical figure, Pemex needs to invest more than \$60 billion a year to develop the full potential of resources in this country. *28/02/2014.*

*In this month extract was prepared by Vera García, Patricia González, Mauricio Castillo, José Manuel Muñoz and Miguel Ruelas.*

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