



# The agricultural sector and trade integration

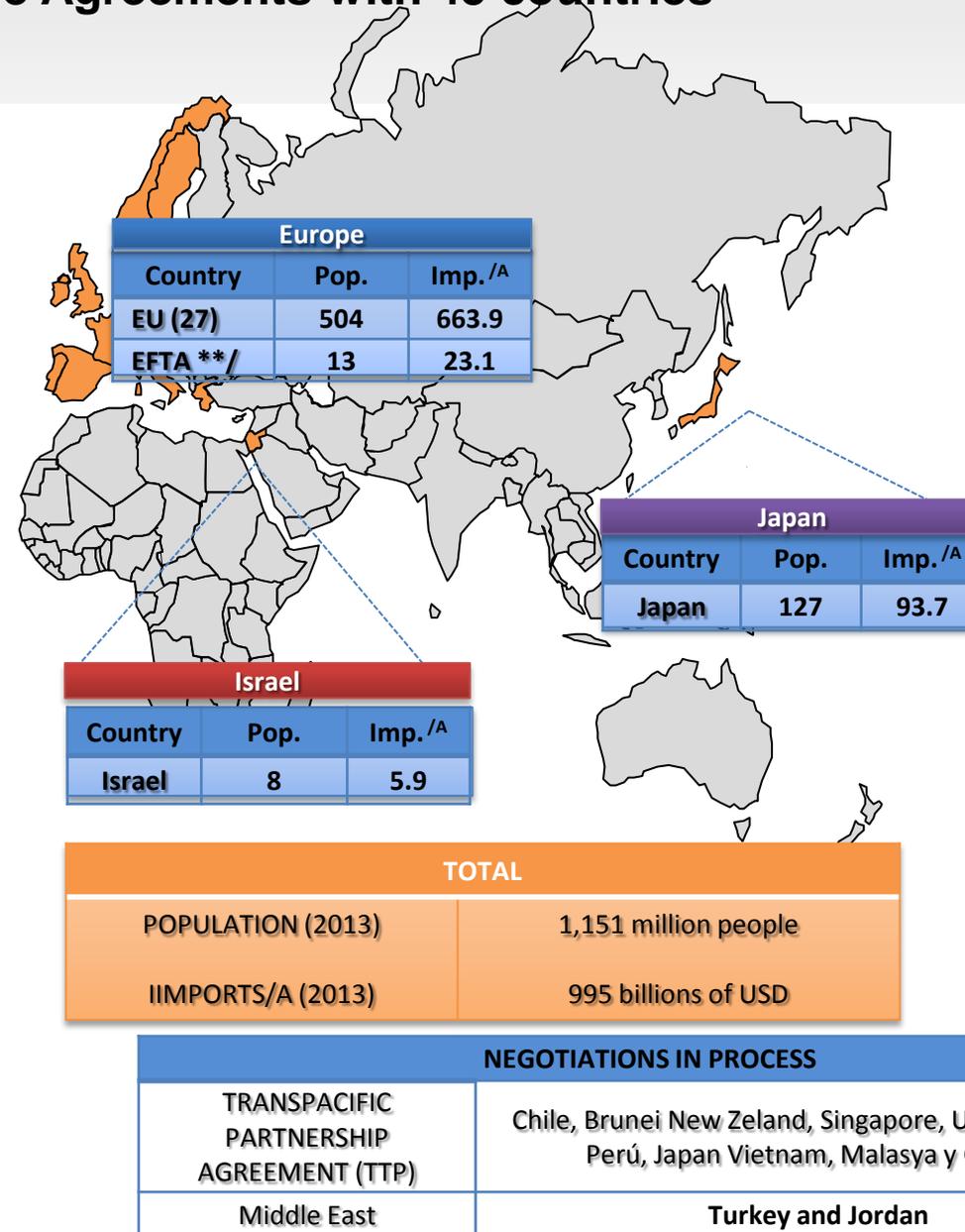
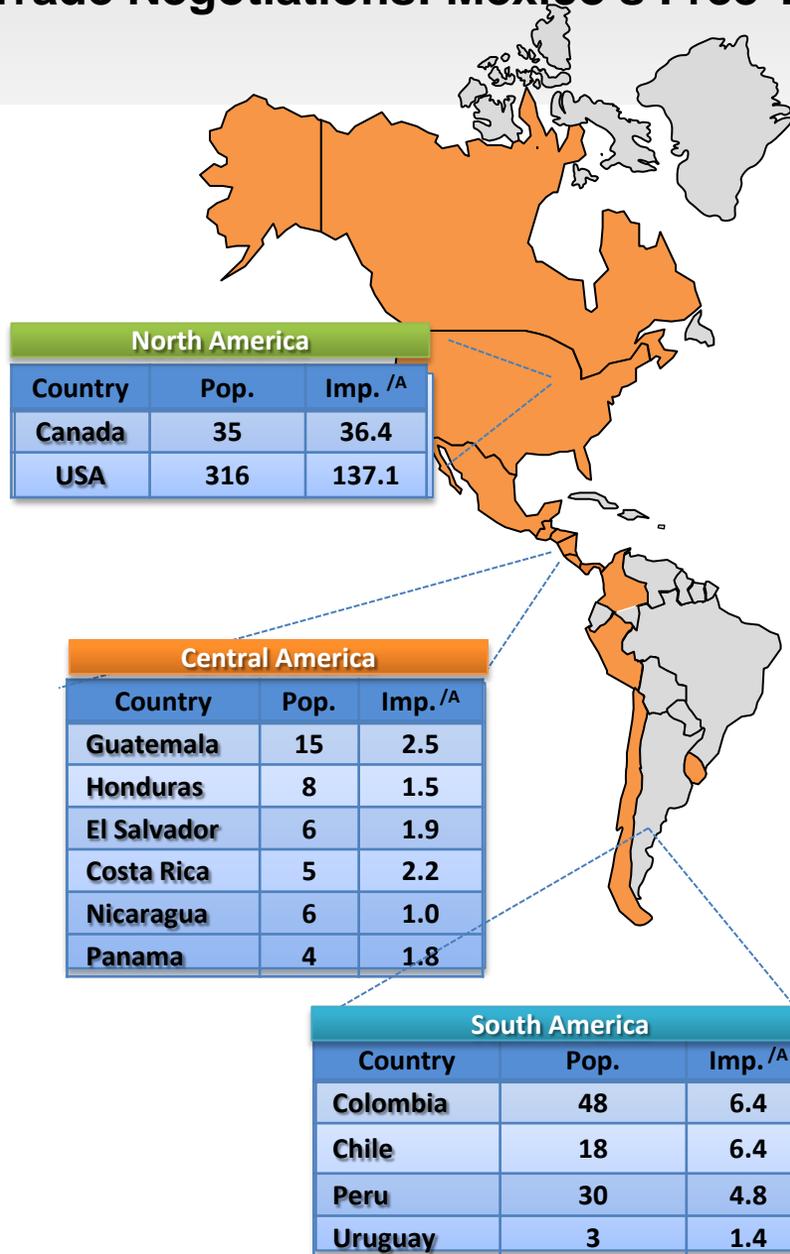
**SAGARPA**

SECRETARÍA DE AGRICULTURA,  
GANADERÍA, DESARROLLO RURAL,  
PESCA Y ALIMENTACIÓN



General Coordination of International Affairs

# Trade Negotiations: Mexico's Free Trade Agreements with 45 countries



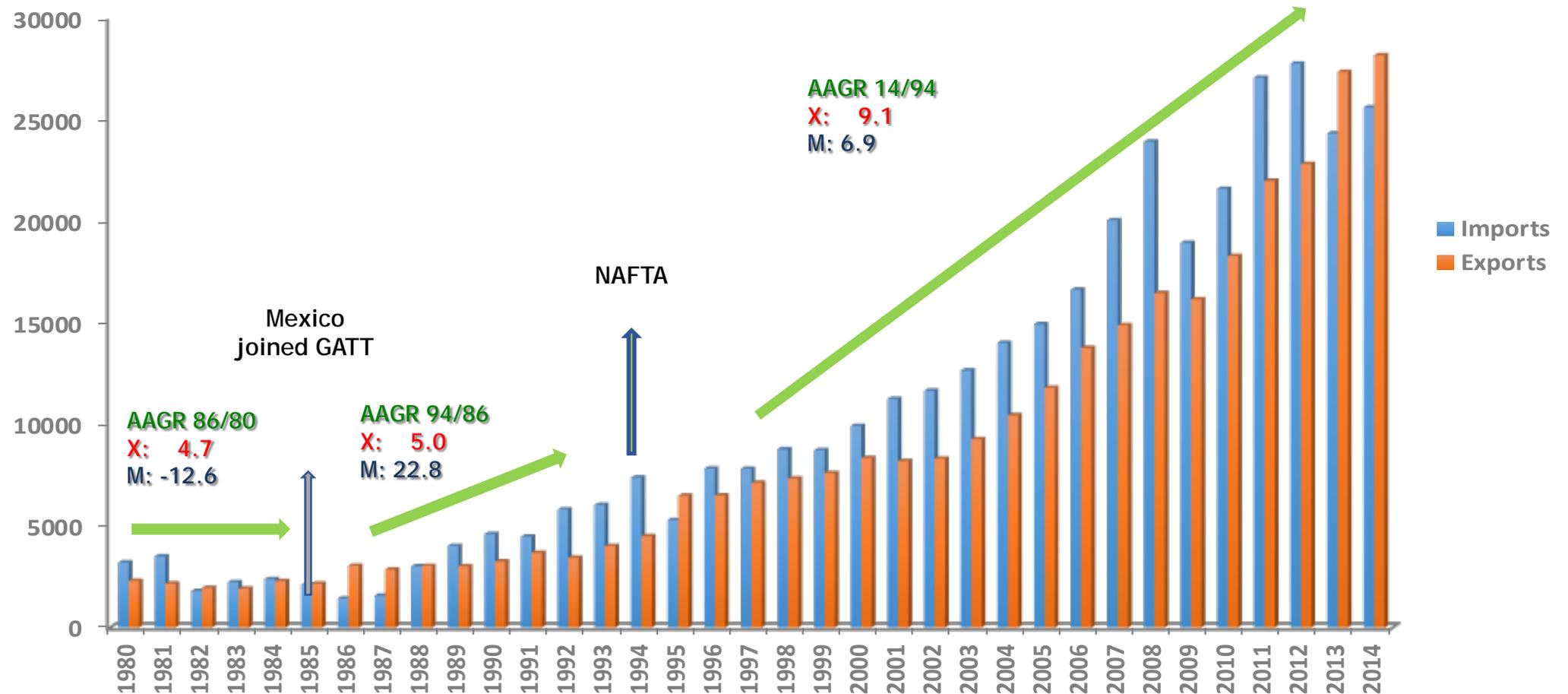
- In 1986, Mexico began to open up its trade with the accession to the GATT (World Trade Organization).
- In 1994, the NAFTA entered into force. To date, Mexico has signed 11 trade agreements.
- Mexico's network of trade agreements represents a potential market of 1,151 millions of persons in 44 countries and agri-food imports for 995 billion of dollars.

Notes:  
Population: World Bank  
\*\* / Iceland, Liechtenstein, Norway and Switzerland. Source: World Bank and World Trade Organization.  
A / Food Imports OMC

# 1980-2011 AGRI-FOOD AND FISHERIES TRADE



- After the entry into force of the North America Free Trade Agreement (NAFTA) in 1994, Mexican trade on agri-food and fisheries increased and became more dynamic.



# AGRI-FOOD AND FISHERIES TRADE BALANCE ( MILLIONS OF DOLLARS)

## Mexico - World

	1994-1999	2000-2004	2005-2009	2010-2013	2014	AAGR % 14/94	Var. % 14/13
<b>Agri-food and fisheries trade balance</b>	-1,043	-2,987	-4,279	-4,096	-2,569		
Exports	6,593	8,914	14,621	21,857	25,614	9.7	5.3
Imports	7,636	11,902	18,900	25,952	28,183	8.0	3.0

1/ Includes food, beverages and tobacco, chemical products, textiles and leather and other agriculture manufactures. AAGR. (Annual Average Growth Rate)  
Source: Mexico's Central Bank

## Mexico - United States

	1994-1999	2000-2004	2005-2009	2010-2013	2014	AAGR % 14/94	Var. % 14/13
<b>Agri-food and fisheries trade balance</b>	-519	-1,456	-1,964	-1,682	91		
Exports	5,197	7,274	11,670	17,102	20,528	9.1	6.6
Imports	5,716	8,730	13,634	18,784	20,437	8.2	4.1

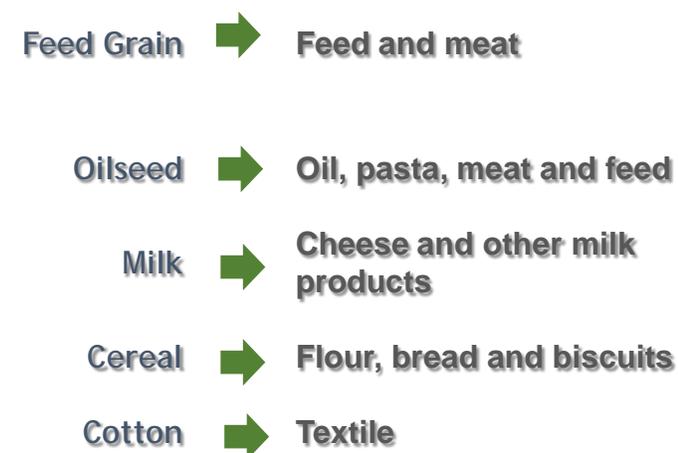
1/ Includes food, beverages and tobacco, chemical products, textiles and leather and other agriculture manufactures. AAGR. (Annual Average Growth Rate)  
Source: Mexico's Ministry of Economics

# MAIN AGRI-FOOD AND FISHERIES EXPORTS AND IMPORTS (AVERAGE 2010- 2014)

Exports	
Product	Millions of Dollars
<b>Vegetable</b>	5,077
Tomatoes	1,808
Cucumber	360
Pepper	770
Others	2,139
<b>Alcoholic Beverages</b>	3,206
Beer	2,129
Tequila	921
Others	156
<b>Fruits</b>	3,774
Avocado	1,106
Berries	913
Others	1,755
<b>Sugar and candy</b>	1,666
Gum and cacao Candy	541
Sugar	986
Others	139
<b>Sea Products</b>	854
Shrimps	293
Others	561
<b>Cattle</b>	640
Cattle Products	1,091
Cattle meat	625
Pork meat	370
<b>Others</b>	97
Subtotal	16,309
Others	6,298
<b>Total</b>	22,608

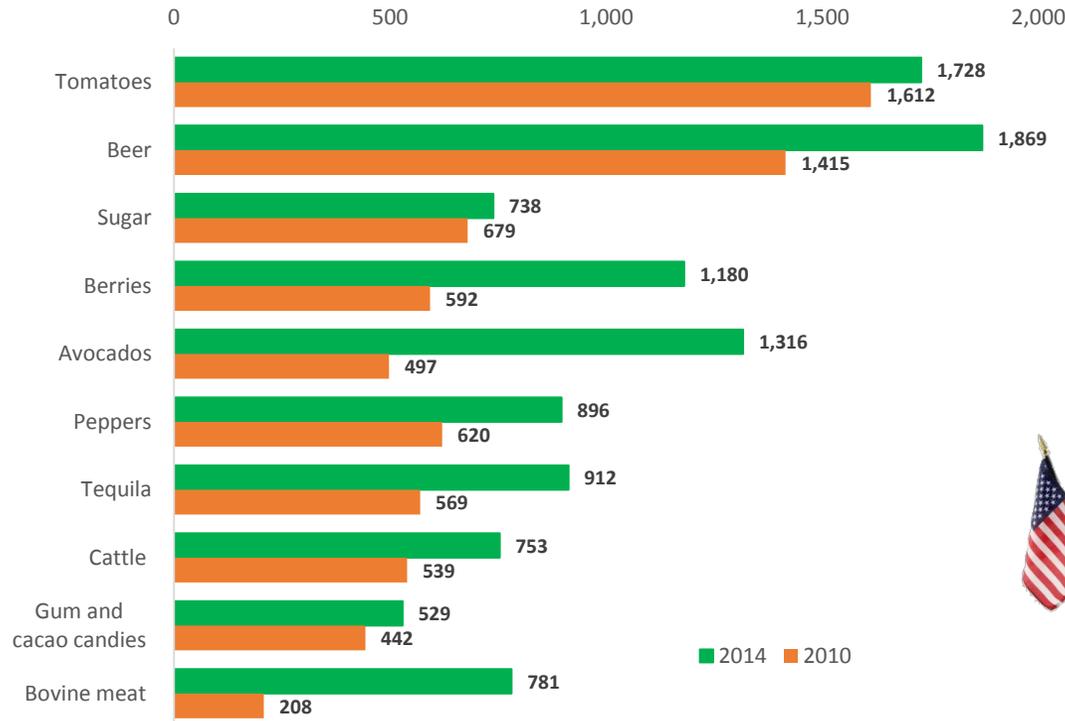
Imports	
Product	Millions of Dollars
<b>Meat</b>	3,750
Cattle meat	898
Pork meat	1,129
Poultry meat	1,091
Others meat	633
<b>Feed Grains</b>	2,500
Yellow corn	2,025
Sorghum	390
Others	86
<b>Oilseeds</b>	3,092
Soybean	1,897
Canola	833
Others	362
<b>Milk products</b>	1,673
Powder milk	747
Milk prep.	420
Others	506
<b>Cereals</b>	2,083
Wheat	1,268
Rice	381
Others	434
<b>Animal Food</b>	1,453
Soybean pasta	568
Others	885
<b>Cotton</b>	559
<b>Subtotal</b>	15,111
Others	11,288
<b>TOTAL</b>	26,398

- Mexico is a major exporter of value added products for final consumption: vegetables, fruits, beverages and processed food.
- Imports are mainly focused in intermediate inputs for different production chains:

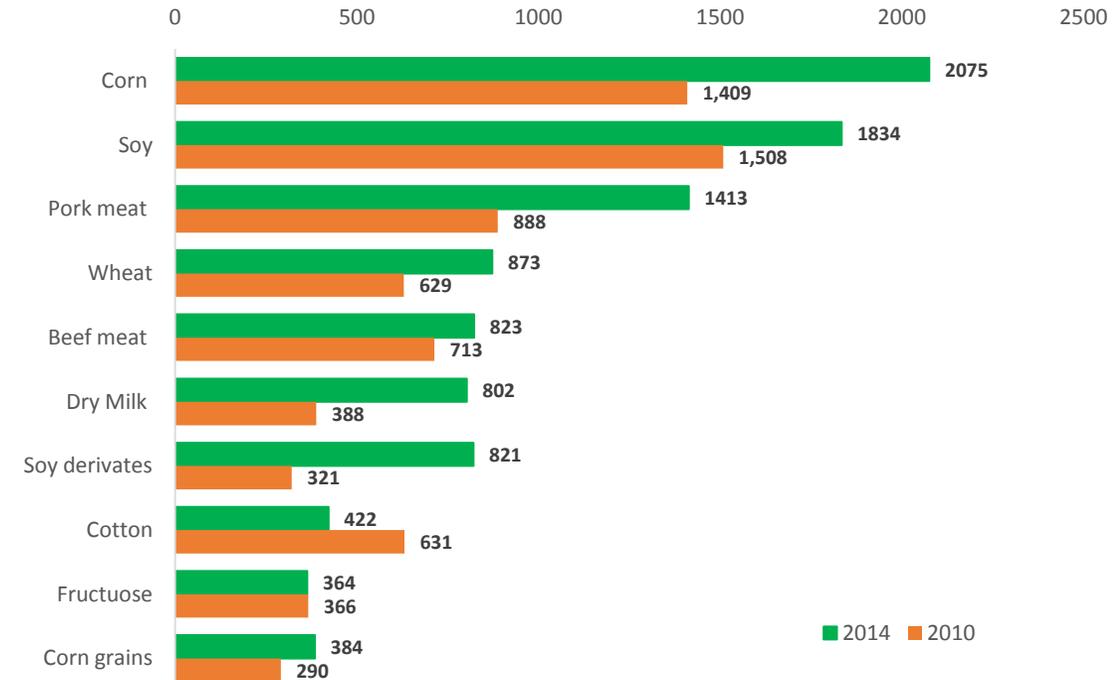


# Agrifood and fisheries trade: Mexico - United States (Million dollars )

## MAIN EXPORTS OF MEXICO TO THE UNITED STATES 2010/2014



## MAIN IMPORTS OF MEXICO FROM UNITED STATES 2010/2014



Source: SAGARPA with information of Secretaría de Economía

### Challenges for North America Region

- 20 years after NAFTA entry into force the main opportunities to boost regional trade will be customs facilitation, regulation harmonization, and schemes of mutual recognition.
- North America competitiveness is the cornerstone for a greater integration into a regional value chain.

- In May 2013, Presidents Enrique Peña Nieto and Barack Obama created the **U.S. – Mexico High Level Working Group**. The goal of this initiative is to foster a more dynamic economic relationship between Mexico and the U.S.
- Following the first meeting of the HLWG in September 2013, a working plan was created **including three main pillars**:
  - ✓ Promotion of **competitiveness** and connectivity
  - ✓ **Strengthening economic growth**, productivity, entrepreneurship and innovation
  - ✓ Partnership for a regional and global leadership
- The HLWG **works in joint actions to facilitate the mobilization of agricultural products at the border** and enhance the bilateral cooperation in areas such as biotechnology and information.



# Meeting of the North American Ministers of Agriculture (Canada, U.S. and Mexico)

- The Secretary of the USDA, Thomas Vilsack, the Ministry of Agriculture and Food of Canada, Gerry Ritz, and the Secretary of Agriculture of Mexico, Enrique Martínez y Martínez, met during the 1st Mexican Global Agricultural Outlook in May 2014.
- The Ministers of Agriculture agreed on the need to consolidate the North-American regional market through cooperation in areas beyond tariff elimination.
- Increasing trade flows should require:
  - ✓ Harmonization of Sanitary and Phytosanitary, trade and food safety regulations.
  - ✓ Investment in infrastructure projects to improve logistics at the border.
- The Consultative Committee on Agriculture, the NABI and other working groups are initiatives that are fostering cooperation and achieving common goals such as trade facilitation.



# INTERNATIONAL TRADE NEGOTIATIONS



# The Pacific Alliance: an Opportunity for Mexico

- The Pacific Alliance (PA) is a mechanism of economic and trade integration between **Chile, Colombia, Mexico and Peru.**

- The PA includes a cooperation component and commitments in the areas of citizen's mobility; investment flows; as well as trade. Already, 92% of the trade is duty free among the four PA's members. The remaining 8% category of tariffs will have a phase out period ranging from 3 to 17 years.

- In addition to the founding members of the Alliance, there are observers such as **China, Costa Rica, Panama, Canada, Uruguay, Guatemala, Japan, Australia, Nueva Zealand and Spain.**

- **In the 9th Pacific Alliance Summit, held in June 2014, Presidents of the Country Members reaffirmed the objective of reach out to Asia – Pacific in forms of expanding trade, investment and cooperation.**

- **Presidents of the PA members agreed to boost agricultural trade as well as to identify third market countries particularly in Asia such as China, Singapore, Korea and Japan.** Furthermore, seasonality and counter-cyclical production of food products, generates complementarity with Chile, Colombia and Peru

- From June 2014 to June 2015, Mexico has the *pro tempore Presidency* of the PA.

## Founding Members



## Observers



# The Trans-Pacific Partnership (TPP)

- The TPP is a trade liberalization and economic integration initiative in the Asia-Pacific region. Australia, Brunei Darussalam, Canada, Chile, the United States, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam are the negotiating partners.
- Negotiations are expected to be concluded this year.

## Opportunities

- ❖ Preferential access to new markets / diversification of exports.
- ❖ An opportunity to deepen the bilateral negotiation with Japan.
- ❖ Accumulation / integration of value chains.
- ❖ Promotion of Investment.
- ❖ Diminish / reduce preferential markets erosion.
- ❖ Market opportunities for processed foods, fruits, vegetables, and alcoholic beverages..

## Challenges

- ❖ Increase competitiveness of products and services.
- ❖ Sensitivities in products such as sugar, dairy, coffee and meat.
- ❖ Japan's reluctance to open its agricultural market.





- 1 Restructuring** and simplifying agricultural laws and regulations.
- 2 Aligning** supply and demand. Creating a Dashboard that will provide accurate and updated market information for producers and consumers and take timely policy decisions.
- 3 Fostering** small-holders productivity through the integration of production value chains (agroclusters) and development of agro-industrial parks.
- 4 Increasing** credit for producers at affordable rates and development of new insurance schemes.
- 5 Extending** the use of innovation technologies, transferring of R&D and adapting extensionism for producer's needs.
- 6 Facilitating** the use of inputs, particularly seeds and fertilizers, and the machinery adoption.
- 7 Strengthening** sanitary and food safety standards.

## Higher productivity and profitability



## A more resilient and sustainable sector



## Socially responsible

- ✓ **Decreasing** the cost of electricity and fertilizers.
- ✓ **Incorporating small-holders** in profitable projects.
- ✓ **Reducing bureaucracy.**
- ✓ Providing more people with **access to financial products** and services.
- ✓ Promoting the **transition to clean energy** and using more renewable sources.
- ✓ Developing **new programs to facilitate mitigation and adaptation to climate change** (insurance, satellite information, water conservation, among others).
- ✓ **Creating more jobs** in the production, distribution and selling of agri-food products.
- ✓ **Integrating youth and women** to productive agri-food activities.
- ✓ **Diminishing the inequality and poverty** in the rural areas.

## Potential considerations

- Mexico is expanding its trade preferences through the Transpacific Partnership (TPP) and the Pacific Alliance (PA), accessing more markets and becoming a reliable supplier of safe, healthy and quality food products.
- The TPP and the Pacific Alliance will open new opportunities in the Asian market.
- Promoting a deeper integration in the North American market requires strengthening actions on Sanitary and Phyto-sanitary measures (SPS), customs facilitation and creation of infrastructure for trade logistics.
- Increasing agricultural productivity, strengthening sanitary and food safety measures and fostering trade promotion are key for accessing the world market in several products.
- Due to its political and macroeconomic stability, low inflation, qualified labor force, and a comprehensive series of structural reforms, Mexico has become one of the most competitive destinations for international investment flows.
- There are several opportunities to increase investment in the Mexican agri-food sector, particularly in processing of fruits and vegetables, development of logistic networks, green energy and the provision of technical services.
- The role of border cities, such as San Diego and Tijuana, must strengthen cooperation and join strategies to promote them as an unified region.



# Memorandum of Understanding between SAGARPA and the CDFA



- SAGARPA and CDFA **share a rich and common agricultural history** that benefits the economies in Mexico and the State of California.
- SAGARPA promotes the comprehensive development of the livestock, agricultural and fisheries sectors and provides for the sustainable use of its resources for balanced growth among economic regions to **strengthen productivity and competitiveness of agriculture products** in new markets.
- CDFA serves the citizens of California by promoting and protecting a safe, healthy food supply, and **enhancing local and global agricultural trade**, through efficient management, innovation, and sound science with a commitment to environmental stewardship.
- The importance of **agricultural production, trade and research** is a priority among the Partners, to provide farmers and ranchers both in Mexico and the State of California the resources to be sustainable, productive and successful in the market place.

# Objectives of the Memorandum of Understanding between SAGARPA and the CDFA



- Strengthen communication between the Parties to **foster greater cooperation**
- Promote the exchange of information in areas of **conventional and organic production;**
- Promote the exchange of information in areas of **livestock breeding and beef trade;**
- Promote **joint ventures, joint investments and added value chains;**
- Cooperate on **food safety issues, cross border inspections and transportation logistics;**
- Explore trade opportunities for **exporting to third markets** as NAFTA and North American Region Enterprises;
- Promote cooperation in **agricultural workforce development;**
- Promote cooperation in **climate change adaptation for farmers and ranchers.**

## Agreed upon actions



- Quarterly conference calls to provide general updates on animal and plant health issues;
- CDFA will coordinate with the University of California, Division of Agricultural and Natural Resources, to host a Forum on California's Cooperative Extension Services;
- Convene a meeting of the California State Board of Food and Agriculture at the San Ysidro Port of Entry to discuss cross-border agricultural inspection and shipment issues;
- CDFA in coordination with the California Certified Organic Farmers (CCOF) will develop an education tour to review California standards, certification process/inspection and production practices;
- Developing a pilot program allowing for the equivalency in USDA grading for US raised cattle, harvested in Mexico;
- Develop cross-border consumer educational materials, focusing on sanitary issues, to help mitigate/detect the spread the invasive pests and diseases; Host a Forum at the Border's Governors Conference in 2015;
- Organize a Tri-National Symposium focusing on climate change adaptation for farmers and ranchers;



# Thank You

