



*“Working Together to Make Trade Work”*

## **NAEGA MAP Trip Report – NAEGA-APPAMEX Forum – Cancun, Mexico – May 2019**

### **Name of Traveler:**

Ryan Olson, NAEGA Director of Operations

Arnaud Petit, NAEGA MAP Volunteer; Executive Director, International Grains Council

**Dates of Travel:** May 22-24, 2019

### **Purpose of Travel:**

Consistent with advancing NAEGA UES objectives Ryan Olson, NAEGA Director of Operations and Arnaud Petit, NAEGA MAP Volunteer and Executive Director of the International Grains Council (IGC) travelled to Cancun, Mexico on May 22-24, 2019. In Cancun, Mr. Olson and Mr. Petit advanced NAEGA’s UES objectives and IGTC policy files through participation in the 26th Annual NAEGA-APPAMEX Forum. Co-hosted by NAEGA, the forum featured presentations on international grain and oilseeds markets and updates on the future of agricultural trade in the context of several regional agreements such as the North American Free Trade Agreement (NAFTA) and the North American Plant Protection Organization (NAPPO). The forum included contributions from both the current Mexican administration with the attendance of Undersecretary of Agriculture Miguel Garcia Winder.

During the forum, Mr. Olson provided remarks at the opening ceremony, gave a presentation on Leading Trade Policies in the Global Economies and represented the International Grain Trade Coalition (IGTC) on multilateral regulatory issues. Mr. Petit provided an overview of world grain markets from the perspective of the IGC. Other presentations occurring discussed relevant topics such as the multilateral regulatory framework applied to agricultural commodities and the existence of nontariff barriers, sustainability as a marketing competitiveness factor, and perspectives on agricultural trade in Mexico under the new administration.

### **Summary of Findings/Conclusions/Accomplishment**

The 26<sup>th</sup> Annual NAEGA-APPAMEX Forum was held this year in conjunction with the Mexican National Council of Feed Manufacturers and Animal Nutrition (CONAFAB). The forum was attended by nearly 160 participants, including representatives of the grain import industry, feed millers and end-users. Representatives of the Government of Mexico were also in attendance, including Dr. Miguel Garcia Winder from the Secretariat of Agriculture, Livestock and Rural Development (SAGARPA) and personnel from the National Service for Agrifood Health, Safety and Quality (SENASICA).

#### *Mexican Engagement on the USMCA Agreement*

Throughout the conference, Mr. Olson engaged with U.S. and Mexican representatives on the U.S. and Mexican trade policy agendas and the U.S.-Mexico-Canada Agreement. Mexican industry expressed concern about the uncertainty surrounding U.S. trade policies and indicated their concern that they could again be caught up in U.S. efforts to protect national security or intellectual property through tariff actions. Conference participants were pleased to see the U.S. and Mexico were able to conclude a steel and aluminum agreement that will see the removal of tariffs on



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Mexican steel and aluminum and retaliatory tariffs on U.S. goods. However, there was a feeling that the tariffs were unnecessary from the start, as Mexico does not represent a national security threat to the United States.

The steel and aluminum agreement, along with the passage of labor reforms by the Mexican government, should allow the Mexican legislature to move forward with passage and ratification of the USMCA agreement. However, industry is still concerned that U.S. actions related to the ending of the U.S.-Mexico tomato agreement and the introduction of legislation in the U.S. Congress related to seasonal produce anti-dumping investigation, could inhibit passage in both Mexico and the United States.

*Engagement with the new administration of President Andres Manuel Lopez Obrador*

Critical to NAEGA’s ongoing engagement in Mexico and partnership with APPAMEX is engagement with the new government of President Andres Manuel Lopez Obrador. During the forum, the Mexican Government was represented by Undersecretary of Agriculture Dr. Miguel Garcia Winder and Dr. Jorge Paredes of SENASICA.

Mr. Garcia Winder gave a presentation on the morning of May 23 on the government’s National Agriculture Plan 2019-2030 (Planeación Agroalimentaria Nacional). The government is rolling out its National Agriculture Plan as a new initiative to boost rural incomes, increase productivity and combat climate change. The objective of the plan is to increase the national production of strategic crops by launching regional actions that increase the productivity and competitiveness while maintaining sustainability and inclusiveness. The plan involves identifying strategic production areas for five crops: corn, soy, barley, wheat and sorghum. Within these regions the government plans to provide support to farmers with a vision to increase agricultural productivity by 2.10 percent annually in 2024. Through these initiatives they hope to:

1. Support sustainability and the conservation of biodiversity;
2. Develop regions economically and socially and reduce levels of poverty in agricultural producers by at least 30 percent;
3. Provide national agricultural guarantees for the population to increase food security.

Following the presentation of Dr. Miguel Garcia Winder, Dr. Jorge Paredes of SENASICA addressed the audience on SENASICA’s efforts to improve food quality and inspection standards. SENASICA has five strategic priorities, including:

1. Sanitary regulation;
2. National protection from pests and exotic diseases;
3. Combating currently present pests and diseases;
4. Agri-food, aquaculture and fishing safety;
5. Promotion of sanitation standards.

As the administration begins to execute against these priorities, it is focusing on aligning regulations and standards with international agreements and practices and increasing sanitary inspection standards for meat inspection to improve food quality.

*NAEGA, IGC and IGTC Presentations*



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On Friday, May 24 Mr. Olson and Mr. Petit presented before the general session. In addition, Katy Lee, Secretariat of the International Grain Trade Coalition, presented virtually from Brussels, Belgium. Their presentations included:

1. Ms. Lee on *High Trade Impact of Multilateral Regulatory Issues and eDocs Systems*
2. Mr. Olson on *Leading Trade Policies in the Global Economies*
3. Mr. Petit on *Outstanding World Grains Markets*

Ms. Lee began the set of morning presentations with a discussion of the IGTC’s policy priorities and initiatives. These include: maximum residue levels, new plant breeding innovations, the Cartagena Biosafety Protocol, the IPPC’s ePhyto solution, low level presence and innovations in electronic documentation in trade. In particular, the IGTC is seeking Mexican industry participation, through APPAMEX in collecting case studies on the pilot phases of the IPPC’s ePhyto initiative. The ePhyto Industry Advisory Group (IAG), which is headed by the U.S. Grains Council’s Alejandra Danielson Castillo, is seeking the identification of "case studies" to review industry experiences with the pilot of the ePhyto solution. The "case studies" will be used to identify relationships between the exchange of ePhyto and the logistics of the products and help identify bottlenecks that must be remedied.

Following Ms. Lee’s presentation, Mr. Olson presented on *Leading Trade Policies in the Global Economies*. During his presentation, Mr. Olson discussed the prospects for USMCA passage and provided an update on the U.S.-China trade discussions. USMCA passage looks more promising following the steel and aluminum tariffs compromise, passage of the Mexican labor reforms, and the submission of the USITC report, which indicated broad gains for the U.S. economy from the agreement. However, passage this year remains uncertain, and the Trump Administration still faces some procedural hurdles related to Trade Promotion Authority process. Meanwhile, the more the deal is delayed, the greater chance it will be conflated with the 2020 U.S. presidential election.

The U.S.-China trade negotiations are currently on hold, with no planned negotiating rounds. Meanwhile, the Trump Administration is proceeding with a notice and comment period on an additional 25 percent tariff on over \$300 billion worth of goods. If this tariff is put in place, it would mean nearly 100 percent of U.S. imports from China will be taxed.

Mr. Petit provided the last presentation of the morning on world grain markets. His comments highlighted that:

1. Global grain demand is rising, but production is growing faster.
2. Market uncertainty is a major issue and trade disputes could have a significant effect on global markets.
3. Record stocks in wheat and soybeans could reduce production in the coming years.
4. Corn demand could be at a peak, but tighter supply and the availability of alternatives could cut into growth.
5. Grain markets are down significantly over the last year.
6. Brazil has been able to make up for China’s soybean imports during the U.S.-China trade dispute, but whether this is sustainable is uncertain.



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### **Recommendations**

- *NAEGA should continue to pursue close ties and communication with the new administration of President Andres Manuel Lopez Obrador:* The administration seems committed to trade and economic openness and is eager to engage on efforts to modernize and enhance Mexico’s agriculture sector, including import intensive markets.
- *NAEGA should invite Secretary of Agriculture Victor Villalobos or his deputy, Undersecretary Miguel Garcia Winder, to address grain trade leaders in Washington:* Previous attempts to invite members of the Mexican administration should be enhanced as USMCA passage moves forward.
- *APPAMEX remains a critical vehicle for industry representation in Mexico:* NAEGA should empower APPAMEX wherever possible and promote the voices of the import industry in Mexico at multilateral levels, including at the IGTC.

### **Attachments**

- *Agenda – 26<sup>th</sup> NAEGA-APPAMEX Forum*
- *Presentation – High Trade Impact of Multilateral Regulatory Issues and eDocs Systems*
- *Presentation – Leading Trade Policies in the Global Economies*
- *Presentation – Outstanding World Grain Markets*