

U.S. Planting Seeds Take Root in Mexico

By *Alfredo Gayou and Pablo Orozco*

U.S. exports of planting seeds to Mexico have been increasing steadily since calendar 1999, reaching a record export level of almost \$267 million in 2002 (64,500 metric tons). Grass, field crop and vegetable seeds are among the best sellers.

High domestic production costs have led prudent Mexican producers to plant mostly imported seeds. From 1999 to 2002, Mexican planting seed production took a precipitous drop, from 14,312 to 8,327 tons.

During this same time, Mexican planting seed acreage declined only 5 percent, down to 52,465 hectares (1 hectare=2.471 acres). Adverse weather conditions, withdrawal of the Mexican government from seed production and the competition from U.S. imports compounded the woes of planting seed producers, causing further production falls.

The government-run seed company, PRONASE, is closing its doors after two years of non-production, liquidating its seed inventory.

In 2002, U.S. imports made up 65.1 percent of the total seeds planted by Mexican farmers. The closest competition comes principally from China (5 percent) and Brazil (4.4 percent).

U.S. Companies in Supply Chain

Most planting seeds are imported and distributed by large companies, some of which are U.S.-owned. Mexican distribu-

tion channels are not well developed. Most seed distribution is on a regional basis conducted by companies that assist their clients with technical support. Just a few companies, usually large multinationals, have national coverage.

Seed distributors usually sell to dealers who sell to farmers. Retailers, including the large supermarkets, typically buy from Mexican seed companies, or even local dealers if their volume is small.

National planting seed associations consist of Mexican producers, distributors and general supplier trade associations.

Business Culture

It is best to visit Mexico to understand the market. Speaking Spanish is important. Talk to buyers, retailers, distributors and others in the business. Conduct mar-

ket research and find appropriate business contacts, thoroughly reviewing Mexican import regulations.

Trade shows provide a highly effective way to become familiar with local distributors, agents and buyers and also to check out the competition.

Though there are no tariffs, thanks to NAFTA (the North American Free Trade Agreement), Mexico has a 15-percent VAT (value-added tax) collected upon entry. Customs brokers use the final figure (value+tax) to calculate their fees, which are usually 0.5 percent.

Consumer Ed for Biotech

Despite adverse publicity regarding products derived from biotechnology, they will continue to drive the Mexican seed market. Mexico's evolving regulatory



environment for biotech seeds and crops will affect variety approval and marketing prospects, and U.S. exporters should keep abreast of Mexican regulatory developments.

As consumer choice expands, consumer education about variety characteristics will also play an important role in marketing seeds.

U.S. exports of seeds to Mexico continue to benefit from revised seed regulations. The seed standard regulation has lowered restrictions on seed trade, while seed variety regulations have given seed researchers and developers more protection of property rights in Mexico.

During 2001 and 2002, the Mexican government has controlled entry of certain genetic and cloning material.

Under NAFTA, Mexican imports of planting seeds do not require special import permits. However, all varieties sold in Mexico, whether locally produced or imported, must be registered.

Mexican regulations classify seeds as *originals* (initial source, under control of developer); *basics* (seeds reproduced from originals that maintain variety purity and highest genetic identity grade); and *registered* (seeds produced from basic seeds).

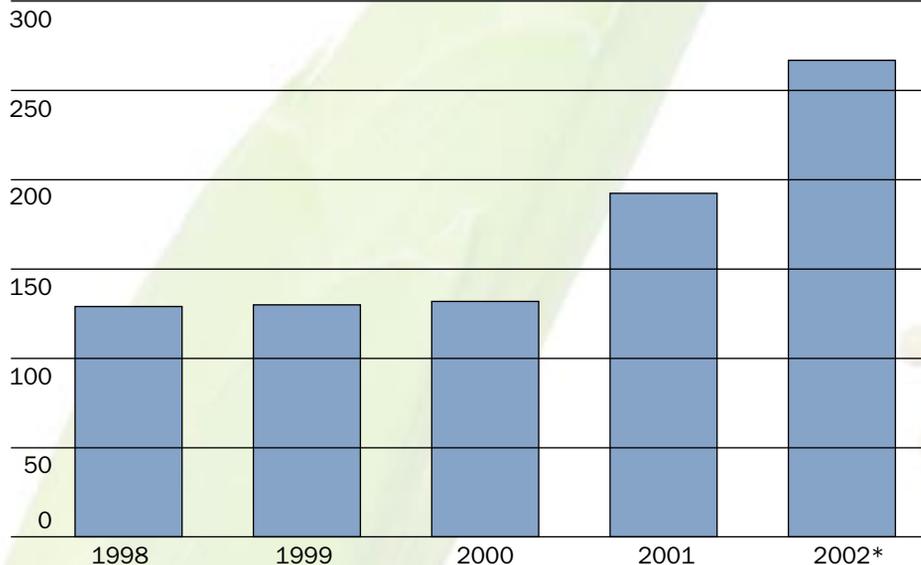
Registered seeds must retain a specific purity grade and maintain their genetic identity. The grade is certified by SNICS (the National Inspection and Certification Service for Seeds agency).

Only seeds registered by SNICS may be sold by variety name. This limits access to the seed market while maintaining attractive price levels.

The basic customs entry document should be presented with the commercial invoice (in Spanish), a bill of lading and the sanitary certificate from the United States. Products qualifying for the

Mexico Ripe for U.S. Planting Seeds

\$ Million



*Upward trending U.S. sales reached record high of \$266.9 million.

NAFTA certificate of origin will receive preferential treatment.

Mexican customs is very strict regarding procedures. A competent broker can ease the passage of goods through the documentation process.

Labeling in Spanish

Labels must be affixed to each package of the imported product prior to entering the country. All information must be in Spanish and include:

- Country of origin
- Importer's name, address and taxation number
- Commercial or brand name
- Exporter's name and address
- Product description in English
- Ingredients
- Producer's name and address
- Product description
- Preparation and handling instructions

- Expiration date
- Special warnings, if needed
- Net weight in metric units

Cargo unloading fees vary depending on weight, number of pieces, type of merchandise and location. Though usually set by pre-established tables, shippers should compare prices whenever possible. ■

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For details, see FAS Report MX3316. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.