10-9-2003

Guatemala Losing Heritage as CAFTA Grows

LADB Staff

LADB Latin America Data Base
News & Educational Services
NotiCen
LADB Article Id: 52590
ISSN: 1089-1560

Guatemala Losing Heritage as CAFTA Grows

by LADB Staff
Category/Department: Guatemala
Published: 2003-10-09

The first people were made of corn. That is the fundamental fact of life as the ancient Mayans saw it. Now, some of their descendants face the prospect of being destroyed by corn, or by the economics of corn. Since 1996, imports of yellow corn to Guatemala have increased from 248,276 metric tons to 548,000 MT in 2002. 1996 was the year in which fixed import tariffs on corn were replaced with a system that permitted imports with a tariff of only 5%. The increase in imports brought about by lowering the tariffs has left local producers unable to compete.

During the first semester of 2003, yellow corn imported from the US was marketed at US$120 per MT, tariffs and tax included. Comparable corn grown in Guatemala cost US$206 per MT. The result of that difference over time has been that, in 1996, Guatemala produced approximately 227,000 MT. The estimate for this year is about 5,900 MT.

The local product has all but disappeared, according to Milton Gonzalez, director of the Coordinadora Nacional de Productores de Granos Basicos (CONAGRAB). The main consumer of yellow corn is the aviculture industry. The principal importers are members of the Asociacion Nacional de Avicultores (ANAVI), including some of the largest companies in Guatemala: Purina, Nestle, and Avicola Villalobos, one of the Multi-Inversiones companies belonging to the Gutierrez-Bosch families. Gonzalez said that these powerful companies have generated incredibly high profits through the tariff-quota system that allows them to pay only 5% in import tax. Above the quota they must pay 35%.

The quota for yellow corn established under World Trade Organization (WTO) rules was fixed at 88,670 MT. But since 1996, that quota has grown to 362,000 MT. Figures from the Ministerio de Agricultura, Ganadaria, y Agricultura (MAGA), obtained by Inforpress Centroamericana, indicate that, from 1995 to 1998, local production of yellow corn has diminished in proportion to the increase in the import quota. Moreover, official figures in Guatemala indicate that, in 1999, 326,000 MT of yellow corn was imported. But US Commerce Department figures show that the US exported 396,000 MT to Guatemala during that period.

US Embassy spokesman Ryan Rowlands told Inforpress that Guatemalans sometimes take advantage of the zero tariff that El Salvador imposes on US yellow corn by routing shipments through El Salvador. Just how the corn entered Guatemala was not made clear, but, in 1999, 50,000 MT was imported from El Salvador through legitimate channels, leaving 20,000 MT unaccounted for. The implication was that the Guatemalan importers had further reduced their costs.

Quotas replaced with flat tariff

In an attempt to save the corn growers from total annihilation at the hands of the greedy chicken feeders, the government, between October 2002 and April 2003, replaced the quota system with a

LADB Article Id: 52590
ISSN: 1089-1560

flat 15% tariff. MAGA grain specialist Edgar Escobar said the point of the change was to warn the importers of the possible consequences of failing or refusing to negotiate an agreement to support the local producers. The chicken people got the point.

On Oct. 1, their representatives met with MAGA officials and representatives of small and medium corn producers to discuss a plan to help the corn growers. Under the plan, the importers will buy the entire national production of yellow corn at a price of US$185 per MT. That is about 30% higher than the average US$126 they currently pay for the US import and about 34% over the grower's cost of production. In addition, the importers will pay a premium of 1.5% of their import purchases to be used to support local production. The deal, however, is for two years. Gonzalez said that is not long enough to reach even half the pre-1996 production figures. The corn producers may have been propped up just to be knocked down again. Their relief from the manipulations of their profit-hungry customers comes just in time for them to face the possibility of being swatted down by the Central America Free Trade Agreement (CAFTA).

Infinitely more voracious than the chicken people, US trade negotiators have saved agricultural issues for last in the series of negotiating rounds that began in January and are scheduled to end this December. Following the early October visit to the region by US Trade Representative Robert Zoellick, Central America has been put on notice that the US is prepared to exclude any country from the deal that doesn't toe their line (see NotiCen, 2003-10-03). And the line on yellow corn is that the US wants tariffs dropped immediately.

Guatemala wants this product, sensitive both culturally and economically, to be taken off the CAFTA table. Gonzalez said that, while the government has been helpful technically in the effort to save the industry, he doesn't know what they will do in this situation. It may be, he said, that the agreement the government brokered between the corn producers and the chicken producers is too little too late, that the industry is doomed anyway. Given the power of the individuals, families, and corporations within the aviculture sector, and the windfall that US demands represent for them, yellow corn could disappear from the mountainsides of Guatemala.

Fears spread throughout region

A frankly frightened Central American agricultural sector met in Guatemala on Oct. 8 to discuss how to defend its interests against a US economic juggernaut that looked a lot friendlier on the far horizon than it does now that it is rolling through their streets. Scared by Zoellick's statement that his country would not tolerate the exclusion of products, their fears increased as they began to realize that some official negotiators had begun to appear to support Zoellick's position.

Marco Venicio Ruiz, Costa Rican private negotiator, has charged that El Salvador has shown a marked tendency to toe the US line to curry favor for President Francisco Flores' ambition to become secretary-general of the Organization of American States (OAS), and for US support for his party in national elections coming up in March. Regional rice growers now fear that US demands to sell processed rice in their markets will ruin the region's processing industry. Dairy producers have demanded that their negotiators respect the position of the Federacion Centroamericana del Sector Lacteo (Fecalac), which calls for the exclusion of fluid milk, yogurt, cream, and some cheeses.

LADB Article Id: 52590
ISSN: 1089-1560

Fecalac now says that, if these products are not excluded, they will ask for the total exclusion of dairy products.

The aviculturists who were so willing to sacrifice the corn producers are now quaking in their own boots in anticipation of US chicken parts raining down on their markets. They are asking their governments not to negotiate further with the US until they get favorable treatment within the negotiations.

Alejandro Hernandez, executive director of the Camara de Avicultores de Costa Rica, said the US wants a 35,000-ton duty-free quota from each of the countries. The pig producers have not agreed on their position, which lies somewhere between total exclusion and quotas. Zoellick tried to calm fears last week by pointing out that schedules for lifting tariffs can be extended for as long as 15 years for the most sensitive products, and that the US has offered to make available programs to improve competitiveness of local products.

-- End --