

1-22-1997

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### Recommended Citation

LADB Staff. "Council Projects Agriculture Trade Deficit to Narrow to US\$200 Million in 1997." (1997).  
<https://digitalrepository.unm.edu/sourcemex/3683>

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## **Council Projects Agriculture Trade Deficit to Narrow to US \$200 Million in 1997**

*by LADB Staff*

*Category/Department: Mexico*

*Published: 1997-01-22*

In its annual report, the national agricultural council (Consejo Nacional Agropecuario, CNA) predicted that Mexico's agricultural trade deficit will narrow to US\$200 million during 1997, compared with a deficit of US\$1.5 billion in 1996. At a press conference detailing the report, CNA president Miguel Castro Sanchez said the combination of extremely high prices for grain, oilseed, and vegetable-oil imports in the first quarter of last year and the reduced value of exports contributed to the explosion of the agricultural trade deficit to US\$1.5 billion last year, compared with a surplus of US\$764 million in 1995. The CNA's statistics are supported by a report released by the Agriculture Secretariat (SAGDR) in mid-January, which showed that the value of agricultural imports grew by 96% in the eight-month period from January-August 1996, compared with January-August 1995.

During the same period, the value of farm exports declined by 16%. According to the SAGDR report, the combination of increased imports and reduced exports resulted in an agricultural trade deficit of US\$818 million in January- August, compared with a surplus of US\$1.12 billion for January-August 1995. Preliminary import figures report the higher cost of grains brought the total value of imports to US\$2 billion in 1996, which was twice as high as in 1995. "Grain and vegetable-oil prices were extraordinarily high during the first quarter of last year, while the value of our exports faltered with an 8% decline in the price of coffee, a 12% drop in the price of certain vegetables, and reduced cattle exports," said Castro. The CNA attributed the decline in livestock exports last year to reduced livestock numbers in northern states, which were affected by an extended drought (see SourceMex, 06/14/95 and 06/12/96).

In fact, livestock exports grew significantly in 1995, as cattle producers were forced to export their animals because of a lack of feed. The CNA report said grain imports surged to 9.8 billion MT in 1996 from 6.5 billion MT in 1995, but are expected to decline again to 6 billion MT in 1997. The increase in grain imports is also attributed in part to the drought in northern Mexico, which was especially severe during 1995. Another factor is the enactment of the North American Free Trade Agreement (NAFTA), which gradually eased restrictions on US grain imports, even allowing some US corn to enter the country duty-free (see SourceMex, 01/10/96, 06/12/96).

Despite the recent growth in imports, however, the CNA projects total production of basic foodstuffs to continue to increase in coming years. For 1997, the CNA has forecast output of grain and oilseeds at 29.8 million MT, compared with 28.4 million MT in 1996 and 28.1 million MT in 1995. The CNA leader projected the agricultural sector will attain a GDP growth of 2% to 2.5% in 1997, which will help Mexico continue to recover from the sharp decline of 3.8% in the agricultural sector in 1995. (Sources: Reuter, 12/18/96; The News, 12/19/96; Associated Press-Dow Jones News Service, Excelsior, 01/06/97; El Universal, 12/19/96, 01/13/97, 01/15/97; La Jornada, 01/14/97, 01/15/97)

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