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LADB Staff

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by LADB Staff
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Government allocates 200 million pesos for drought relief

In mid-September, the federal government announced the allocation of 200 million pesos (US $25.5 million) to assist farmers whose grain crops were damaged by drought this year. Agriculture Secretary Francisco Labastida Ochoa made the announcement during a tour of drought-damaged areas in Tlaxcala state. According to Labastida, the lack of rain damaged roughly 700,000 hectares of agricultural land in seven states this season.

In addition to Tlaxcala, agricultural regions in Chiapas, Guerrero, Puebla, Oaxaca, Hidalgo, and Chihuahua will receive drought relief. Between 300,000 and 1 million ha of the 20 million ha of land planted in basic grains in Mexico each year is lost because of drought and other climatic conditions.

Labastida said the government will allocate a large portion of the drought assistance to create temporary jobs for farmers and their employees, who were unable to obtain sufficient income because of production shortfalls. On the other hand, Labastida told reporters the damage caused by the drought is not large enough to prevent Mexico from attaining a record production in basic grains and other foodstuffs this year. "We continue to project total production of basic grains and soybeans at 33 million metric tons," Labastida told reporters.

The government's production estimates for this year are about 6% higher than last year's production of about 31 million MT. Labastida said the increased production will allow Mexico to reduce its imports of grain and other foodstuffs to between 4 million and 5 million MT. Mexico imported 7 million MT in 1996.

SECOFI imposes temporary duties on imports of US apples

In early September, the Secretaria de Comercio y Fomento Industrial (SECOFI) announced a preliminary duty of 101% on imports of US golden delicious and red delicious apples. In announcing the duties, SECOFI said US producers were exporting the apples to Mexico at below-market prices, thus harming Mexican apple producers. The SECOFI ruling is based on a complaint filed earlier this year by the Union Agricola Regional del Estado de Chihuahua.

According to the ruling, sufficient evidence existed to prove that large-scale imports of low-priced US apples contributed to reduced apple production in Mexico, which in turn affected jobs, employment, and profits for the Mexican fruit industry. According to government statistics, Mexican apple orchards cover about 47,000 ha, primarily in six states. The orchards produce about 175,000 MT annually. US apple growers immediately protested the Mexican government's decision, which they say is based on inaccurate data. "We maintain that the facts will show that our industry offers apples for sale in Mexico at the same price sold to Toronto, Hong Kong, and Washington, DC," said Kraig Naasz, vice president of the Northwest Horticultural Council, which is based in Washington state.

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Naasz pledged to fight the ruling, first in negotiations with Secofi and then possibly in talks with US Commerce officials. According to Naasz, the tariff of 101% increases the cost of apples to US $22 per box from the pre-tariff level of US$10. In response to protests from US exporters, SECOFI said pricing information from US exporters was "unreliable," and the dumping levels are based on SECOFI's own calculations. Roughly 90% of all US apple exports to Mexico originate in Washington state. During January-August, Washington state shipped about 5.5 million cartons of apples to Mexico.

In a related matter, Mexico's Union de Fruticultores (Unifrut) accused US producers of surpassing the low-tariff export quota allowed under the North American Free Trade Agreement (NAFTA). According to Unifrut, US producers exported 121,000 MT of apples to Mexico in 1996 under lower duties, which is 120% above the 55,000 MT limit permitted under NAFTA. The NAFTA timetable calls for duties on apples to be eliminated totally by the year 2003.

Exports of processed foods to rise sharply this year

Mexico's exports of processed foods are expected to total US$400 million by year-end 1997, an increase of US$110 million compared with 1996. According to statistics compiled by the Camara Nacional de la Industria Procesadora de Alimentos (CNIPA), a high percentage of Mexican processed-food exports are being shipped to the US market.

Speaking at a forum organized by Mexico's foreign trade bank (Banco Nacional de Comercio Exterior, BANCOMEXT), CNIPA president Alejandro Martinez credited NAFTA for opening the US market to Mexican food products. "Our exports are increasing at such a rapid pace that sales of Mexican hot salsa in the US have surpassed sales of ketchup," said Martinez. He noted that more than 80% of the processed-food industry's exports are shipped to the US market.

According to Martinez, the Mexican processed-food industry increased exports to 20% of its total production in 1996, or more than twice the 9.4% rate reported in 1994, which was the year NAFTA took effect. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 24, reported at 7.82 pesos per US$1.00] (Sources: El Universal, 09/01/97; Reuter, 09/02/97; El Financiero International, 09/08/97; Associated Press-Dow Jones news service, 09/18/97; El Economista, La Jornada, Novedades, 09/18/97 Excelsior, 09/19/97)

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