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Mexican tequila distillers facing South Africa competition

The Mexican tequila industry, facing possible competition from South Africa, is pushing for a global recognition of tequila and mezcal as uniquely Mexican products. According to the Consejo Regulador del Tequila (CRT), the 15-nation European Union (EU) has agreed to recognize the property rights of Mexican tequila manufacturers, but other major consumer nations, such as Taiwan and Japan, have yet to take the same step. The EU offered the designation earlier this year in exchange for a Mexican agreement to accept the same recognition for other European spirits (see SourceMex, 02/12/97).

The EU designation in effect eliminated competition from "tequila vasco," a spirit distilled in Spain. The EU is the only major tequila-consuming region that has offered strong protection for Mexican tequila. According to the CRT, lack of protection elsewhere could allow countries such as South Africa to begin a "tequila war" with Mexico. The CRT said South Africa, with climactic conditions that are similar to Mexico, has vast reserves of the blue agave plant used to produce tequila.

According to some estimates, South Africa has a 39-year supply of the plant, known there as garingboom. In contrast, Mexico is expected to face a shortage of agave in the coming years, which could have a major impact on small and medium-sized tequila distillers in Mexico. The shortage is caused by overexploitation of agave plants, which has resulted in excess production of tequila. "We see the possibility that supplies normally available to small companies will tighten by 20% to 30%," said CRT director Ramon Gonzalez. According to Gonzalez, the period of tight agave supplies could last about three years, or until the next generation of plants is ready for use.

Meanwhile, the South African company Tequila and Mezcal Distillers Ltd. has already announced plans to construct an agave distillery in the Graaff-Reinet district near the Cape of Good Hope. Company sources said the plant which is scheduled to begin production in the year 2000 will manufacture 240,000 liters of alcohol per month. However, most of the production will be an industrial byproduct, with one-tenth of the output devoted to tequila.

Mexico, facing the possibility of losing global market sales of tequila to South Africa, has announced plans to challenge the South African venture before the proper trade authorities in Johannesburg and Geneva. David Ivarra, a spokesperson for the Mexican Embassy in Johannesburg, said the first step in the process is for President Ernesto Zedillo's administration to appeal to the South African government to recognize its responsibilities under global trade rules. "Under rules of the World Trade Organization, it would be illegal to produce a beverage in South Africa and call it tequila," Ivarra told Reuters news service.

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SECOFI imposes duties on imports of Chinese chemical

During October, the Secretaria de Comercio y Fomento Industrial (SECOFI) formalized countervailing duties of 117% on imports from Chine of the chemical antibiotic furazolidone. This chemical is mixed with livestock and poultry feed to control diseases such as salmonellosis and shigellosis. The decision to impose the duties is based on an investigation conducted in 1995. In a ruling published in the federal register (Diario Oficial) in late October, SECOFI said imports of the product from China increased by 515% in 1995 at a time when domestic demand was down about 22% because of the economic crisis that followed the 1994 peso devaluation.

According to SECOFI, the surge in imports allowed China to increase its share of the Mexican furazolidone market to 44% during 1995, which not only reduced the market share for Mexican manufacturers but also depressed domestic prices. Because of the reduced market share, Quimica Ecosistemas the principal manufacturer of furazolidone in Mexico was utilizing only 19% of its installed production capacity.

Meanwhile, Mexican bicycle manufacturers have also asked SECOFI to investigate whether China is engaging in unfair trade practices through its exports of bicycles to Mexico. Jesus Fares Kuri, president of the Asociacion Nacional de Fabricantes de Bicicletas, said SECOFI and Mexican customs officials have been unable to stop illegal imports of Chinese bicycles, which frequently enter the country as imports from Pakistan, South Korea, Taiwan, and the US. According to Fares Kuri, Chinese bicycles are sold at much lower prices than Mexican bicycles but also are of much lower quality. A SECOFI report published in May of this year indicated that almost one of every five complaints of unfair trade practices involves products from China.

Mexican growers to begin limited avocado exports to US

For the first time in 80 years, Mexican agricultural producers will be allowed to export avocados to the US under an agreement brokered by US President Bill Clinton and Mexican President Ernesto Zedillo. The US had maintained an embargo on Mexican avocados since 1914, arguing that the restrictions were necessary to ensure that harmful pests were not introduced to California and other avocado-growing states. The Mexican government, arguing that the pests had been eradicated, threatened to take the matter to the World Trade Organization (WTO). Rather than have international trade authorities issue a ruling on the dispute, the two governments negotiated a compromise.

Under a plan announced in late October 1996, the US agreed to allow annual shipments of Mexican avocados to 19 states in the eastern US for a four-month period between November and February (see SourceMex, 10/16/96). Even though the plan was finalized in October 1996, the agreement was not scheduled to take effect until November of this year.

According to Enrique Bautista, former president of the Comision del Aguacate del Estado de Michoacan, avocado exports to the US could total 8,000 to 10,000 metric tons this year, which is about 1% of Mexico's total production. Bautista said the Mexican government will seek to expand avocado exports to other zones beyond the 19 states covered by the agreement. "The US market is

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very promising if we succeed in expanding sales to other regions," said Bautista, who is also chair of the agriculture committee (Comision de Agricultura) in the Chamber of Deputies.

Michoacan which accounts for more than 80% of Mexico's total avocado production earns about 750 million pesos (US$96.74 million) in revenue from avocado production and marketing annually. However, any effort to expand avocado sales in the US will almost certainly meet strong opposition from producers in California. According to the California growers, US Department of Agriculture (USDA) studies do not show conclusive evidence that Mexican avocado producers have fully eradicated all harmful pests (see SourceMex, 02/05/97). [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Oct. 20, reported at 7.75 pesos per US$1.00] (Sources: La Jornada, 05/07/97; Reuter, 10/07/97; The News, 10/03/97, 10/08/97; Notimex, 10/12/97; El Economista, 10/13/97, 10/15/97, 10/24/97; El Nacional, 10/24/97; El Universal, 10/21/97; Proceso, 10/26/97)

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