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Mexican Grain, Oilseed Imports to Reach Record Levels in 1998

by LADB Staff

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The Secretaria de Agricultura, Ganaderia y Desarrollo Rural (SAGAR) has forecast production of grains and oilseeds at only 30 million metric tons this year, a decline of about 3% from 1997. A SAGAR report published in late August attributed the reduced output to extremely dry conditions in central and northern states during the planting season, which prevented farmers from planting at least 500,000 hectares of crops during the spring-summer cycle.

Because of reduced production, SAGAR has projected Mexico's imports of grains and oilseeds at a record 13.4 million MT in 1998, an increase of 17% from last year. SAGAR said the cost of grain and oilseed imports could total US\$2.3 billion. Despite the increased volume, the cost of imports would be similar to last year's levels because of a decline in global commodity prices, SAGAR said. Some agricultural organizations such as the Congreso Agrario Permanente (CAP) expect imports to increase even higher than the SAGAR projections.

"Our agricultural sector is in a very sorry state," said CAP national coordinator Francisco Ovalle Vaquera. "For the first time in history, imports could total 14 million MT." CAP represents such diverse organizations as the Confederacion Nacional Campesina (CNC), the Central Independiente de Obreros Agricolas y Campesinos (CIOAC), and Union Nacional de Trabajadores Agricolas (UNTA).

In an interview with the weekly news magazine *Proceso*, Ovalle said every 5 million MT of grain that is imported results in the loss of about 300,000 jobs in Mexico. Ovalle acknowledged that this year's severe drought is a major factor in the increased imports, which will surpass the 1996 record of 11.3 million MT. At the same time, the CAP leader blamed the production shortfall on President Ernesto Zedillo's "inadequate policies" for the agriculture sector. Ovalle said the administration's neglect of the agriculture sector is reflected in the sharp decline in loans provided by the Banco Nacional de Credito Rural (BANRURAL).

BANRURAL loans this year covered only about 1 million ha of farm land, compared with 7 million ha before Zedillo took office in 1994. Ovalle cited estimates from the Banco de Mexico (central bank), which showed that overdue debt for the agriculture, forestry, and fisheries sector had increased to 24 billion pesos (US\$2.4 billion) this year, compared with 18 billion pesos (US\$1.8 billion) in 1997.

In addition to overdue debt, Mexican farmers are also saddled with a sharp decline in grain prices in the past two years. SAGAR estimates the price of basic grains has declined by as much as 40% this year. For example, corn was selling for about 800 pesos (US\$80) per MT in August, compared with about 1,800 pesos per MT (US\$180) in 1996. Small-scale farmers suffer most from drought

The impact of the drought on Mexico's corn production is expected to be devastating for smaller producers.

Emilio Lopez Gamez, an agricultural specialist at Universidad Autonoma de Chapingo, said at least 1.2 million subsistence farmers and smaller producers were unable to grow a corn crop because of drought conditions this year. These producers, who cultivate on average about 3 ha. of land, account for roughly half of Mexico's 2.4 million corn growers. Lopez said conditions were particularly severe for small-scale producers in the central states of Morelos, Guanajuato, San Luis Potosi, Queretaro, Hidalgo, Puebla; the western states of Oaxaca, Guerrero, Sinaloa; and the northern states of Zacatecas, Coahuila, and Chihuahua.

The SAGAR report did not offer a breakdown of imports for this year, although corn is expected to account for a large percentage of the purchases. The US company Farmers Commodities Corp. has forecast Mexico's corn imports for this year as high as 8 million MT, or four times the initial estimates of 2 million MT. Curtis Goulding, Farmers Commodities Corp. specialist on Latin America, said the US has an ample supply of corn to sell Mexico at cheap prices because of its huge crop this year.

Goulding said the economic crisis in the Pacific Rim countries has reduced demand for corn from that region, further increasing the US supply available for export to Mexico and other Latin American countries. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 2, reported at 9.96 pesos per US\$1.00] (Sources: El Universal, 08/11/98; Novedades, 08/17/98; El Economista, 08/26/98; Proceso, 08/30/98; Excelsior, El Nacional, 09/01/98)

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