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Tomato exports to US decline, but avocado shipments up

Mexican growers have been forced to limit tomato exports to the US market because of larger-than-expected US supplies. In contrast, exports of avocados are running far ahead of last year's levels but have fallen short of the quota allowed by the US government during the short November-February season. Growers in Sinaloa state have been forced to return several shipments of tomatoes because of a larger-than- expected supply in the US market. Basilio Gatzionis Torres, president of the Confederacion Nacional de Productores de Hortalizas, said growers in northern and central Florida have produced more tomatoes than originally anticipated.

At the start of this year, Mexican growers expected increased demand for their produce because of possible freeze damage to the Florida tomato crop and even increased their planted area (see SourceMex, 1999-01-13). But Florida growers were able to turn out about 200,000 boxes of tomatoes daily, reducing demand for Mexican produce. Because of the smaller demand, Gatzionis Torres said Sinaloa tomato growers are concentrating more on quality than on quantity in their tomato shipments to the US market. As a result, shipments are running about 22% below year-ago levels.

Gatzionis said the limit in shipments to the US is also an attempt to comply with an agreement reached with the US government in 1996. Under the accord, Mexico agreed to sell tomatoes in the US at the same price as US produce (see SourceMex, 1996-10-16). By reducing shipments to the US market, Mexico is attempting to regulate supply to ensure that its tomatoes are not sold at prices below those offered by Florida growers.

Exports of avocados have increased from year-ago levels but have fallen short of the quota established by the US government. Statistics compiled by the Secretaria de Agricultura, Gandareria y Desarrollo Rural (SAGAR) indicate Mexican avocado exports to the US reached 9.785 million metric tons during the 1998-1999 season, compared with slightly more than 6 million MT in 1997-1998. Under an agreement between the US and Mexican governments, Mexico is allowed to ship up to 12 million MT of avocados to 19 US states, primarily in the northeast (see SourceMex, 1996-10-16).

Prior to the agreement, 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 into California and other avocado- growing states. Miguel Ansareo Mogollon, a SAGAR representative in Michoacan state, said avocado exports this year have brought US$20 million in revenues to Mexican growers, compared with only US$13 million in 1997-1998.

Mexico surpasses China as largest textile exporter to US

Mexico surpassed China as the major exporter of textiles and apparel to the US during 1998, both in value and volume. The US Department of Commerce said the value of Mexican textile and apparel

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exports to the US market reached US$7.5 billion last year, an increase of almost US$1.5 billion from 1997. In contrast, China's shipments of these products to the US market was US$5.9 billion in 1998, a slight decline from US$6 billion exported the previous year. In volume, Mexico exported about 3.5 billion sq meters of textiles and clothing to the US market last year, an increase of about 17% from 1997.

The Commerce Department said Mexico accounted for 13.7% of the 25.9 billion sq meters of textiles and apparel imported by the US last year. Mexico and China are expected to remain the major suppliers of US clothing in the coming years. But textile- industry analysts believe the competitive position of the two countries will depend on outside factors. For example, China's ability to export textiles to the US will depend on the extent of the recovery of Asian economies this year. China's decline in textile exports last year was attributed in part to that country's refusal to devalue its currency during the region's 1998 financial crisis. "China wasn't as competitively priced," said Julia Hughes, vice president of international trade and government relations for the US Association of Importers of Textiles and Apparel.

Mexico's competitive position might be affected by the government's elimination of the tax exemption on the maquiladora industry's imports of materials and components, including yarn, clothing, and textiles. The maquiladora sector accounts for a high percentage of the increase in textile and apparel exports to the US last year. Enrique Mercado, president of the Camara Nacional de la Industria Textil (CANAINTEX), said the government's decision to tax imports by the maquiladora sector has already reduced the textile industry's exports by about 12% to 15% this year.

Mercado said the tax increases the final cost of the exported product. CANAINTEX has urged Trade Secretary Herminio Blanco to intervene to eliminate the tax. But Blanco told the textile producers' organization that decision would ultimately rest in the hands of the Secretaria de Hacienda y Credito Publico (SHCP).

Cattle producers press for action against US meat imports

Mexican livestock producers have renewed their request to the federal government to act promptly against imports of inexpensive US beef, which continues to displace domestic meat sales. An estimate by the Union Ganadera de Durango said US imports now account for 49% of all beef sold in Mexico. The Confederacion Nacional Ganadera (CNG) and other meat- industry groups last year asked the Secretaria de Comercio y Fomento Industrial (SECOFI) to investigate US beef and pork imports (see SourceMex, 1998-11-04).

SECOFI, which accepted the request to investigate in October 1998, has yet to issue a ruling. SECOFI and SAGAR officials say imposing restrictions on US imports would be difficult because of market-opening provisions contained in the North American Free Trade Agreement (NAFTA). "We believe that free trade has certainly been good for us, and we don't want to impede the free flow of trade," Trade Secretary Blanco said in an interview with the Journal of Commerce in November 1998. But Blanco also alluded to legislation in both the US and Mexico that allows the respective governments to take action against imports sold at below-market prices. The CNG and other meat-industry groups said they expect SECOFI to rule in their favor, since evidence is overwhelming that low-priced US imports have damaged the Mexican meat industry.

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One CNG study suggests that the profitability of Mexican cattle producers has declined from 14% before NAFTA went into effect in 1994 to zero in 1997. The CNG has forecast imports of US beef at least at 200,000 MT in 1999, compared with 167,000 MT in 1998. "We need the government to take action against this growing problem," said CNG president Gustavo Torres. (Sources: The Journal of Commerce, 11/02/98; El Universal, 03/03/99, 03/08/99; Excelsior, 01/20/99; 02/05/99, 03/03/99, 03/10/99)

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