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Cotton production declines sharply in key growing area

Cotton output in Mexico's largest cotton-producing area is expected to fall sharply from last year's levels because of extremely dry conditions. Carlos Destenave Mejia, an official with the Secretaria de Ganaderia, Agricultura, y Desarollo Rural (SAGAR), said the cotton crop in La Laguna region of Durango and Coahuila states will reach 37,000 bales, only one- third of the output reported in the same cycle last year. Destenave attributed the reduced production to an extended drought in northern Mexico the past two years, which depleted water supplies in area reservoirs. The Mexican government declared a drought disaster in several states this year, including Durango and Coahuila, because of the continuing lack of rain (see SourceMex, 1999-05-26).

The reduced production left 26,000 temporary agricultural workers without employment this year. Isidro Nunez Camargo, an officer for the (Confederacion Nacional Campesina, CNC) in Gomez Palacio, Durango state, said special assistance promised by the federal government has failed to materialize. But reduced cotton production in La Laguna and nearby regions has failed to compensate for sharply lower prices at the global level. Ricardo Chacon Martinez, a SAGAR representative in La Laguna, said many local producers have opted to store 26,000 bales of cotton to await higher prices. S

ome of this cotton has remained in storage for nine months. The uneven quality of Mexican cotton, which has forced many domestic textile producers to resort to imports, is also a concern. To deal with this situation, the Secretaria de Comercio y Fomento Industrial (SECOFI) announced the creation of the Consejo Mexicano del Algodon to expand production of high-quality cotton. SECOFI said Mexican production has averaged about 1.9 million bales of cotton per year, compared with the domestic textile industry needs of 2.2 million bales.

Legislators protest increase in price of subsidized milk

In early August, the government's milk distribution agency Leche Industrializada Conasupo (LICONSA) increased the price of subsidized milk to 3.00 pesos (US$0.32) per liter, drawing strong protests from Mexican legislators.

In a unanimous resolution, a joint committee (Comision Permanente) representing all parties in the Chamber of Deputies and Senate, urged President Ernesto Zedillo's administration (SHCP) to rescind the increase and maintain prices at 2.50 pesos (US$0.27) per liter at least through the end of 1999. Deputy Gerardo Buganza of the center-right Partido Accion Nacional (PAN) and a member of the Comision Permanente, questioned why LICONSA implemented the increase when the 1999 budget approved by the Congress in December allocated sufficient funds to keep subsidies intact for the government's food programs.

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The joint committee took the action on recommendation from the social-development committee (Comision de Desarrollo Social) of the Chamber of Deputies. Deputy Clara Brugada Molina of the center-left Partido de la Revolucion Democratica (PRD) and a member of the social development committee, said the increase of 50 centavos (US$0.05) per liter would make milk unaffordable for millions of low-income families, who often are unable to meet their nutritional needs.

The LICONSA price increase has already reduced demand for subsidized milk. A few days after the price increase, many distributors were reporting that less LICONSA milk was being sold because buyers could not afford to purchase the four- liter allotments, which cost 12 pesos (US$1.27), said the daily newspaper El Universal.

Final decision on meat-dumping case due in early 2000

The Secretaria de Comercio y Fomento Industrial (SECOFI) plans to hand down a final decision on its anti-dumping case against US meat exporters by early February 2000. SECOFI imposed temporary duties ranging from 3% to 106% on beef products originating from the four largest US meatpackers (see SourceMex, 1999-08-04). Temporary duties for smaller US packing operations will be determined after Sept. 13, the deadline for turning over relevant marketing data to SECOFI.

Trade Secretary Herminio Blanco said SECOFI will use the next six months to consider testimony from Mexican and US producers. "We will check and validate what we already have or correct the preliminary quotas," Blanco said.

Blanco said the tariffs were based on more than 600,000 transactions in the second half of 1997. The US meat industry, meanwhile, has threatened to file a complaint on the Mexican action before the World Trade Organization (WTO). "We will vigorously defend our case, possibly even taking the matter before the WTO," said Gilberto Lozano, director of the US Meat Export Federation's office in Mexico City. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 11, reported at 9.42 pesos per US$1.00] (Sources: Novedades, 03/08/99, 08/05/99, 08/06/99; Excelsior, 08/05/99, 08/06/99; Reuters, 08/05/99, 08/09/99; El Universal, 07/22/99, 08/06/99, 08/10/99, 08/11/99; Scripps Howard News Service, 08/10/99)

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