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Imports Of Corn, Beans & Rice Hurting Small-scale Farmers

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Small-scale farmers in Mexico continued facing a near-crisis situation at the beginning of 2000 because of the steady growth in imports of corn, beans, rice, and other basic foodstuffs. The increased imports are attributed primarily to the free-trade policies implemented by President Ernesto Zedillo and his predecessor Carlos Salinas de Gortari, which led to the negotiation of the North American Free Trade Agreement (NAFTA). Those policies promoted the phaseout of import barriers to basic foodstuffs, particularly corn, and the elimination of government subsidies to producers. Statistics released by agricultural organizations and government agencies show that imports, particularly from the US but also from other countries, have increasingly displaced domestically produced crops. For example, Mexican corn imports from the US totaled 5.6 million metric tons in 1999, accounting for 25% of the country's total corn consumption, the US Agriculture Department (USDA) said recently. In contrast, US corn imports represented just 2% of Mexico's total consumption in 1993, the year before NAFTA was implemented. Similarly, the Federacion Nacional de Productores de Arroz (FNPA) reports that Mexico now imports about 57% of the rice consumed in the country. Mexico was totally self-sufficient in rice in the 1960s, and imported only 0.28% of its rice needs as recently as 1989, said the FNPA, an affiliate of the Confederacion Nacional Campesina (CNC). Mexico recently surpassed Canada, Turkey, Saudi Arabia, and Haiti to become the second-largest market for US rice, the FNPA report, based on statistics compiled by the Universidad Autonoma de Chapingo (UAC), said. Bean producers are also having to compete with imports. In a report released in mid-January, Victor Suarez of the Asociacion Nacional de Empresas Comercializadoras (ANEC) said farmers in Sinaloa, Nayarit, Durango, Chihuahua, and Zacatecas produced 1.2 million MT of beans, sufficient to meet consumer needs in Mexico. The total production in those five states, however, was supplemented with duty-free imports of 100,000 MT of beans from the US and Argentina, which created a huge domestic surplus. Bean producers are having to pay 70 pesos (US$7.45) per MT to keep about 200,000 stored in warehouses. The government's decision to eliminate the foodstuffs agency Compania Nacional de Subsistencias Populares (CONASUPO) left many farmers without the means to market and store their corn, beans, and other basic crops. Facing the prospect of paying high storage fees and an estimated production of 90,000 MT in 1999-2000, farmers in Sinaloa took the unprecedented step of hauling large amounts of beans to Mexico City to sell directly to consumers on the streets. Even in states such as Durango and Zacatecas, where bean production declined significantly because of extreme drought conditions in 1999, farmers are receiving very low prices for their crops because overall supplies in Mexico are high due to imports. The Union Estatal de Productores de Frijol (UEPF) in Durango estimates that at least 75% of the beans harvested in the spring-summer cycle of 1999 are still in warehouses. The increased supplies have generally not resulted in lower prices for Mexican consumers. A study conducted by ANEC showed the index for the basic basket of consumer goods has increased by 240% between January 1994, when NAFTA was first implemented, and December 1998. The continuing increases in prices have forced consumers to tighten their belts. ANEC said domestic consumption of corn and beans declined by 10% in 1999, primarily because of high prices.
Corn-import policies affect tortilla prices

The increases in consumer prices since 1994 are particularly evident in tortilla prices, a basic staple in the Mexican diet. Between 1994 and 1998, tortilla prices increased by 350%, with corn meal and corn dough rising between 220% and 320%. "We have to wonder who benefits from importing corn as opposed to increasing domestic production," said researcher Alejandro Nadal of Colegio de Mexico in an interview with the Mexico City daily newspaper La Jornada. Under terms of NAFTA, Mexico agreed to allow 2.5 million MT of US corn to enter the country duty free in 1994 and to gradually increase the ceiling until 2008, when all quotas would be repealed. Theoretically, Mexico is allowed to impose import duties on any corn imports above the annual quota. But in recent years, the government has not imposed those duties because of a domestic production shortfall, even though the policy has come under strong criticism in the Mexican Congress (see SourceMex, August 5, 1998, April 21, 1999, September 29, 1999). While the lower production has been related in part to drought conditions in some parts of the country, many Mexican farmers are producing smaller corn crops because they cannot compete with US imports, which US farmers produce at lower costs. A Senate study showed that Mexican farmers receive only 1,300 pesos (US$138.30) per MT for their corn, only slightly higher than the 1,000 pesos (US$106.38) paid for US corn imports. Some officials in Mexico have asked the government to invoke special measures to protect corn producers, including seeking a repeal of the NAFTA provisions that deal with corn. Alfredo Fernandez, a deputy state agriculture secretary in Guanajuato, said the government should award protections to its corn producers similar to those Japan offers its rice farmers. "There is no way to compete with our American friends when they are driving a car and we are going on foot," Fernandez told the Los Angeles Times.

Latest increase in tortilla prices draws protests

High tortilla prices are also the result of the government's decision to eliminate all price controls and subsidies for tortillas, effective in January 1999 (see SourceMex, January 6, 1999). In January 2000, tortilla retailers increased prices to about 4.00 pesos (US$0.42) per kg in Mexico City and as high as 5.50 pesos (US$0.59) in other parts of the country. In contrast, tortillas were selling as low as 2.60 to 2.90 pesos (US$0.27 to US$0.31) per kg as recently as October 1998. The latest increase in tortilla prices drew protests from labor unions and legislators from the three major political parties, including the governing Partido Revolucionario Institucional (PRI). Legislators and labor leaders said the price hikes will increase the hardships to Mexican workers, who received a very small increase in the minimum wage for 2000. Earlier this month, the Comision Nacional de Salarios Minimos set the increase in the minimum wage for 2000 at only 10% (see SourceMex, January 12, 2000). "This increase in tortilla prices has pulverized the recent increases in the minimum wage," said Nezahualcoyotl de la Vega, a spokesperson for the Congreso del Trabajo (CT), which in the past has been affiliated with the PRI. The independent Union Nacional de Trabajadores (UNT) is already planning a massive demonstration for early February in the Zocalo, Mexico City's central square, to protest the tortilla-price increases. The government initially declined to intervene in the case, saying prices would eventually come down. "We have not detected any abnormal movement in prices," said a spokesperson for the Secretaría de Comercio y Fomento Industrial (SECOFI). "To the contrary, we are beginning to see real competition among the producers of corn meal and tortillas." But two days after the tortilla price increase went into effect, officials from SECOFI, the Banco de Mexico (central bank) and the government's anti-monopoly agency (Comision Federal
de Competencia, CFC) said they would investigate whether the price increases were influenced by monopolistic practices by the business association Club Cadena Maiz- Tortilla. "No association or coalition is allowed to recommend or implement the type of price increases announced by Club Cadena Maiz-Tortilla," said Blanco in an interview with the official news agency Notimex. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 19, reported at 9.40 pesos per US$1.00] (Sources: El Universal, 01/13/00; Los Angeles Times, 01/17/00; Reforma, Reuters, Notimex, 01/18/00; Excelsior, Novedades, El Economista, 01/18/00, 01/19/00; La Jornada, 01/10/00, 01/11/00, 01/12/00, 01/14/00, 01/17-19/00; The News, 01/19/00)

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