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Mexican agriculture is facing a variety of crises, with factors like low international prices and US trade decisions creating difficulties for producers of such commodities as coffee, rice, and grapes. Coffee growers are having to deal with surplus production in the near term, which has contributed to a global slump in prices. Rice producers must contend with cheap US imports, which are linked to the implementation of the North American Free Trade Agreement (NAFTA). Grape growers face possible new US import barriers, while avocado producers are seeking to expand access to the US.

Coffee council raises production estimate for 2001-2002

The Consejo Mexicano del Cafe (CMC) is projecting a larger-than-anticipated harvest of 5.5 million 27-kg sacks in the 2001-2002 season, which will contribute to a slump in export prices for Mexican coffee, at least in the near term. "We will have a huge harvest, perhaps 5.5 million sacks, although it's difficult at this time to make an exact forecast," said CMC executive director Javier Mora. The latest CMC forecast, which is 22% above earlier projections, compares with estimated production of 4.5 million sacks for the 2000-2001 season, which ends in September.

Some Mexican producers are anticipating a much-earlier- than-normal start to the 2001-2002 harvest season, as many coffee trees in major producing states like Chiapas are bearing fruit sooner than expected because of timely rains. Tomas Edelmann, manager of a 290-hectare coffee plantation in Chiapas, said the early flowering means the harvest will begin in July, compared with a November start for the previous season. Chiapas accounts for about one-third of the total coffee production in Mexico. "We had not even finished collecting the 2000-2001 harvest when some of our trees started flowering around Jan. 20," said Edelmann.

The early start of the coffee season means the Mexican harvest will coincide with that in parts of South America, particularly Brazil. A large supply could cause coffee prices, already at an eight-year low, to slump further. To make matters worse, demand for coffee has been low in the first part of 2001.

Statistics by the Guatemalan coffee organization Asociacion Nacional del Cafe (ANACAFE) said coffee exports from seven Latin American exporters, including Mexico, totaled only 1.68 million sacks in April of this year, compared with 2.24 million sacks in the same month in 2000. The seven exporting nations are Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Peru.

Surge in US rice imports displaces domestic production

The Mexican rice industry is facing a growing threat from US imports, which have gained a huge share of the domestic market since the implementation of NAFTA in 1994. A study published in May by the Centro de Investigaciones Economicas, Sociales y Tecnologicas de la Agroindustria y de la Agricultura Mundial (CIESTAAM) showed that US imports now account for 60% of the rice

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consumed in Mexico. CIESTAAM, based at the Universidad Autonoma Chapingo in Mexico state, said US producers have been able to flood the Mexican market because of a sharp reduction in tariffs under NAFTA. Mexican tariffs on US rice were reduced to between 2% and 4% under NAFTA, compared with 9% to 18% before the agreement went into effect.

The surge in US imports since 1994 has coincided with a sharp decline in the Mexican rice industry. The CIESTAAM study said Mexican rice production totaled only 447,800 metric tons last year, a decline of about 47% compared with 808,000 MT in 1985. During the same period, the amount of land devoted to rice declined to 83,000 ha, down from 216,000 ha. The study said US producers not only benefit from the lower tariffs but also from US government subsidies, which have lowered the cost of production significantly.

The US rice subsidies have raised concerns among Mexican agricultural groups like the Confederacion Nacional Campesina (CNC), which in May asked President Vicente Fox to file an anti-dumping complaint against the US with the appropriate trade authorities. In the interim, CNC leader Heladio Ramirez urged the Fox administration to provide Mexican rice growers with subsidies to support and stimulate domestic production.

Ramirez said the CNC is also pushing the Fox administration to renegotiate NAFTA to exclude rice from the accord. "Imports should be complementary and not replace domestic production," he said. The CIESTAAM study said a third factor that has given US producers a strong advantage is the strength of the peso versus the US dollar, which has allowed US producers to sell their rice in Mexico at US$182.35 per MT, compared with the world average selling price of US$265.21.

NAFTA not only had an impact on Mexican production but also displaced imports of rice from other countries. The CIESTAAM study said US rice accounted for only 26% of Mexico's total rice imports in 1992 but climbed to 90% by 1995.

Mexico seeking to expand avocado exports to US

Presidents Fox of Mexico and George W. Bush of the US have reached an informal agreement that could allow avocado growers from all Mexican states to ship their produce to a 19- state US territory. Under an agreement implemented in 1997, the US government agreed to allow limited imports of Mexican avocados to 19 US states. That agreement was put in place after the Mexican government threatened to bring action against the US for its ban on avocado imports that had been in place since 1914 (see SourceMex, 1997-10-29).

The US initially imposed the limit because of concerns that imports could introduce pests that could harm the avocado crop in California. The ban was partially lifted after many states, including the top avocado producers of Michoacan, were able to prove that they could comply with US sanitary standards. But the agreement excluded 12 Mexican states that were unable to prove their compliance with the regulations imposed by the US Department of Agriculture (USDA).

Fox said he has received assurances from Bush that the US government would conduct a review of the 12 states to determine whether they comply with US sanitary standards. The agreement would

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have little impact on overall avocado exports to the US, since Michoacan state which accounts for two- thirds of the avocados produced in Mexico is already certified.

The Mexican government, meanwhile, is expected to continue to push for the US to amend the agreement to allow Mexico to ship avocados throughout the US. In November 2000, the administration of outgoing President Ernesto Zedillo said Mexico would explore requesting a NAFTA-dispute resolution panel to force the US government to allow Mexican avocados to be shipped to all US states (see SourceMex, 2000-11-15).

At that time, representatives from the Secretaria de Comercio y Fomento Industrial (SECOFI) said the limit on imports of Mexican avocados was a nontariff barrier. SECOFI has since been replaced by the Secretaria de Economia (SE), which continues to have jurisdiction on trade disputes. Fox has not followed through with the proposal, but is keeping the pressure on the US to open its market to Mexican avocados. In addition to seeking to ship avocados to all US states, Mexico is also pushing to extend the export period by two months.

Under the 1997 agreement, avocados can only be shipped to the 19 states, primarily in the eastern US, between November and February. Mexico has boosted avocado exports to the US even under the current structure. Exports for the 2000-2001 season that ended in February were forecast at 15,000 MT, compared with 12,000 MT the previous year (see SourceMex, 2000-11-15).

US launches anti-dumping investigation on Mexican grapes

The US Department of Commerce (DOC) has triggered an anti-dumping investigation against Mexico and Chile for allegedly exporting grapes to the US at below-market value during 2000. The decision is based on a complaint by the Desert Grape Growers League, which represents growers in Coachella Valley, California. The group alleges that Mexico and Chile were exporting their spring-season table grapes to the US at below cost, which caused total US grape imports during the April-June season to balloon to 149.4 million kilos last year from 115.6 million kilos in 1999.

Mexico was alleged to have exported its grapes to the US with a dumping margin of 38.9%. The dumping margin for Chilean grapes was estimated at 23% to 99.4%. The Commerce decision to accept the complaint from the California grape growers means the investigation now goes to the US International Trade Commission (ITC), which is expected to present a preliminary decision by June 4. If the ITC rules that the Chilean and Mexican spring-season grape imports have caused significant harm to the California grape industry, the investigation would return to the DOC, which would then issue a separate ruling by Sept. 26.

The final decision is not expected until January. Mexico exported 85 MT of spring-season grapes to the US in 2000 at a value of US$137 million, while Chilean exports of 59 MT were valued at US$45 million. (Sources: Reforma, 05/02/01; Dow Jones News Wires, 05/06/01; El Economista, Excelsior, 05/07/01; CNI en Linea, 05/03/01, 05/09/01; Notimex, 05/03/01, 05/09/01, 05/10/01; Novedades, 05/10/01; El Universal, 05/12/01; Reuters, 05/07/01 05/10/01, 05/15/01)

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