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Mexico Bans Imports of U.S. Cattle, Beef After Discovery of Mad Cow Disease

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The discovery of bovine spongiform encephalopathy (BSE), more commonly known as mad cow disease, in a cow in Washington state prompted the Mexican government to impose a full embargo on imports of US meat, exacerbating some trade tensions that already existed between the two countries over beef imports.

The Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) imposed the embargo on Dec. 24, one day after BSE was discovered in a single cow in Washington state. The disease causes deterioration of the brains of cattle. Humans who eat meat from animals infected with BSE are feared to be at risk of contracting an equally fatal form of the brain-wasting disease, variant Creutzfeldt-Jakob disease. This is the third time in recent years that Mexico has imposed restrictions related to mad cow disease.

In 2001, Mexico joined the US and Canada in a temporary ban on imports of Brazilian beef. At that time, there were concerns that some Brazilian products might have come in contact with beef imported from European countries, where some cases of the disease had been reported (see SourceMex, 2001-02-07).

In May 2003, Mexico joined the US in imposing an embargo on imports of beef and cattle from Canada following the discovery of BSE in a single calf in a herd in the province of Alberta. Mexico lifted the embargo gradually, ending most restrictions by the end of the year. The most recent case of BSE in Washington state was also traced to Alberta.

Decision pleases Mexican cattle industry

The recent decision to impose the restrictions on US beef and cattle imports pleased the Mexican cattle and beef industries, which have long complained about the loss of market share since the inception of the North American Free trade Agreement (NAFTA). "This situation opens the possibility for our industry to recover the 40% of the domestic market that we lost since the start of NAFTA," said Juan Barrio Aguirre, president of the Asociacion Mexicana de Engordadores de Ganado Bovino (AMEG).

The US shipped 106,000 head of cattle to Mexico in 2002. Mexico was the largest buyer of US beef that year in volume, importing almost 385,000 metric tons. The Mexican beef industry's reaction to the restrictions against the US were much stronger than those imposed against Canada in 2003. At that time, producer organizations had little or no comment even though Canada is Mexico's second-largest beef supplier. Canada exported 72,000 MT of beef products to Mexico in 2002.

The strong resentment against the US is perhaps rooted in perceptions that US competitors have been shipping products of lower quality into Mexico at cut-rate prices, undercutting Mexican
producers. The industry complaint prompted the administration of former President Ernesto Zedillo to impose countervailing duties on imports of US beef in 2000 (see SourceMex, 1999-08-04 and 2000-05-03).

The Mexican government's decision to impose the restrictions on US beef imports prompted officials from the US Department of Agriculture (USDA) to travel to Mexico in early January to meet with Agriculture Secretary Javier Usabiaga Arroyo to attempt to negotiate a timetable to lift the embargo.

Usabiaga and other Mexican officials did not give the US visitors any commitments on possible dates to lift the embargo. The USDA officials said the purpose of the trip was partly to explain the sanitary-control measures implemented by US health authorities. "We would like the Mexicans to lift the ban, to open the market as quickly as they feel comfortable doing that," agriculture undersecretary J.B. Penn told reporters after meeting with Mexican officials. "We do expect them to need some time to evaluate the information."

Despite their hopes that the BSE-related restrictions would become more permanent, Mexican livestock organizations acknowledged that the Fox government would eventually have to lift the embargo partially or fully, as was the case with Canada in 2003.

Industry officials urged Usabiaga, however, not to cave in to pressures from the US government to lift the embargo on US meat imports before South Korea, Japan, Russia, China, and other countries that also imposed an embargo on US beef ended their restrictions.

"We are aware that there are pressures from the US government for Mexico to lift the suspension on US beef imports before any of the other countries," said AMEG's Barrio Aguirre. "If this happens, we run the risk that the US would try to reduce its inventories by sending us beef at less-than-fair market value."

Responding to these concerns, Usabiaga said that the discussions with USDA officials were only technical in nature and that there was no pressure from the US government. "In the area of health, there can't be any pressures, only facts," said the Mexican agriculture secretary.

**Restaurants, retailers concerned about domestic shortages**

The sudden closure of the Mexican market to US beef raised some concerns about a short-term shortage of beef and a spike in prices at the retail level. The greatest concerns were raised by the restaurant industry, which feared that prices would surge after the one-month inventory kept by many of the country's restaurants began to run out. "This is production we had before the appearance of mad cow disease," said Francisco Tellez, president of the Nuevo Leon state chapter of the Camara de la Industria de Restaurantes y Alimentos Condimentados (CANIRAC).

CANIRAC's concerns became a reality in mid-January, when meat prices started to increase by 40% in the northern areas of Mexico to 100% in Mexico City. "Meat is a very important product in the Mexican diet," said Eugenio Salinas Morales, president of the Consejo Mexicano de Carne. An
informal survey by the Mexico City daily newspaper Unomasuno showed the price of beef at 70 pesos (US$6.38) per kg in the Mexican capital as of Jan. 20, compared with just 50 pesos (US$4.55) at the beginning of the month.

The Mexican cattle industry, however, sought to reassure Mexican consumers that supplies would be ample and that prices would not remain high over the long run. "We started to increase slaughter levels on Dec. 24, the same day that the embargo against US beef was announced," said Gustavo Torres, director of the Confederacion Nacional Ganadera (CNG).

But Salinas Morales questioned whether Mexican producers have the means to supply the amounts needed to meet the demands of the food-service industry. "They do not have the necessary volume required by these restaurants," he said. Officials at the government's food inspection agency (Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria, SENSICA) said other countries could temporarily fill the void left by the US if a beef shortage developed in Mexico.

SENSICA director Javier Trujillo declined to predict how long the restrictions would remain in place. "(The ban) will remain in effect until (the US) gives us sufficient information to justify lifting it," Trujillo said. To appease Mexico and other trade partners, US health authorities have implemented strict inspection procedures at dairy- and beef-cattle ranches. In addition, the USDA has destroyed 449 Holstein cows from the herd in Washington state that produced the infected animal.

Usabiaga was also noncommittal about ending the embargo during a press conference in Washington, following a mid-January meeting with counterparts Ann Veneman from the US and Bob Speller of Canada. "The Mexican border will be open to US beef as soon as the United States implements the measures that they have offered to implement and that satisfies the Mexican officials," said the Mexican agriculture secretary.

Sources said one topic discussed at the meeting was the possibility of developing uniform beef production rules, including creating a set of stricter standards regarding cattle feed. Cattle stricken by BSE in Europe and North America are thought to have contracted the disease through animal feed, which contained risky materials like cattle brains, spines, and other parts of the nervous system. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 21, reported at 10.97 pesos per US$1.00] (Sources: The Dallas Morning News, 01/06/04; Associated Press, 01/06/04, 01/08/04; Notimex, The Herald, 01/06-08/04; El Financiero, 01/08/04; El Sol de Mexico, 05/22/03, 10/03/03, 01/07-09/04; La Jornada, 05/22/03, 01/06-09/04, 01/13/04; Agencia de noticias Proceso, 01/08/04, 01/13/04; Los Angeles Times, 01/13/04; El Universal, 05/22/03, 01/06/04, 01/08/04, 01/09/04, 01/13/04, 01/14/04; Milenio Diario, 01/06/04, 01/07/04, 01/09/04, 01/14/04; Reuters, 07/08/03, 07/14/03, 08/11/03, 11/10/03, 01/04/04, 01/06/04, 01/16/04; La Cronica de Hoy, 05/22/03, 01/07/04, 01/21/04; Unomasuno, 01/08/04, 01/21/04)