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Fox, Legislators Agree to Restrict Bean Imports to Reduce Domestic Surplus

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President Vicente Fox's administration and a handful of legislators have developed a plan to restrict imports of beans this year as long as surpluses exist on the domestic market. The plan was announced in late March by representatives of the Secretaria de Ganaderia, Agricultura, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) and federal legislators with ties to the Confederacion Nacional Campesina (CNC).

Under the plan, the two sides agreed to avert domestic shortages by releasing about 120,000 metric tons of beans held in storage since 2003. In conjunction with the release, the government will provide about 800 million pesos (US$72.5 million) to help producers and cooperatives bring the warehoused beans to market.

Deputy Cruz Lopez Aguilar said the special marketing subsidies would allow producers to receive a fair price for their beans. "Unlike other commodities, beans are not traded on futures markets or other international exchanges," said Lopez Aguilar, who is also a CNC officer. This is not the first time that the Mexican government has restricted bean imports.

In March 2003, the Fox administration imposed an embargo on black and pinto bean imports from the US, Canada, and Nicaragua to prevent smuggling beans into Mexico via triangulation. China and Peru were shipping their beans into Mexico through Nicaragua (see NotiCen, 2003-03-13), the US, and Canada to avoid paying higher tariffs (see SourceMex, 2003-03-12).

Some legislators are concerned that triangulation of beans and other agriculture commodities remains a major problem for Mexico. CAP estimates that 40% of the beans consumed in the country may have entered the country illegally.

A joint report published in early March by the budget committee (Comision de Presupuesto) and the public accounts committee (Comision de Cuenta Publica) in the Chamber of Deputies indicates that third countries are continuing to ship their products into Mexico through the US and Canada. "[These products] enter Mexico free of tariffs and are even able to bypass phytosanitary controls," said the report.

The report said the practice is continuing because of corruption among customs agents, who willingly accept bribes from importers. In addition to beans, other commodities like corn, powdered milk, rice, cotton, chicken, and coffee are smuggled in large quantities into Mexico.

The prevalence of contraband and triangulation has had a deep impact on domestic production, with smuggled commodities displacing domestic production. The committee speculates that the
illegal imports have prevented farmers from planting at least 1.6 million hectares of corn, beans, rice, and cotton over the past 10 years in agriculture-oriented states like Veracruz, Oaxaca, Morelos, Michoacan, Queretaro, Puebla, and Guanajuato. "The contraband of foodstuffs not only is an unfair trade practice for domestic producers but also potentially endangers our domestic production because health inspections are bypassed," said the reports. Additionally, commodities smuggling could be costing the federal treasury about US$2 billion in import taxes annually, according to some estimates. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on March 24, reported at 11.03 pesos per US$1.00] (Sources: La Cronica de Hoy, El Independiente, Milenio Diario, 03/01/04; El Sol de Mexico, 03/03/04; Notimex, 03/02/04, 03/09/04, 03/22/04; Agencia de noticias Proceso, 03/22/04; El Financiero, 03/23/04)

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