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Imports Put Damper on Holiday Season for Some Mexican Industries

by LADB Staff

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Legal and illegal imports of holiday-related products continue to put a damper on Christmas sales for many industries that normally thrive during the season. The most evident problems are in the Mexican toy industry, which every year has to compete with imports smuggled into the country from China. These imports are generally sold in the black market (see SourceMex, 2001-12-12). Christmas trees and turkeys, two other items that have become traditional symbols of Mexico in modern times, are also facing stiff competition from imports.

The competition from China is not limited to toys, but to all sorts of items imported legally and illegally from that country. The Asociacion Mexicana de Fabricantes de Articulos para Regalo y Decoracion (AMFAR) estimates that seven out of every ten items that will be given as presents during this year's holiday season will have originated in China. These items range from decorative candles, frames and vases to electronics, televisions, and brand-name clothes, said AMFAR.

In anticipation of the Chinese competition, many Mexican retailers began holiday-related sales earlier than normal this year, which could help boost sales by 40% over last year. Even with the increase over last year, Mexican producers say they are unable to compete with the Chinese products. "Some smuggled holiday-related items began entering the country five months ago," said AMFAR president Maribel Fernandez. "These contraband items are sold at cheaper prices because they do not pay taxes."

Imports comprise two-thirds of Christmas trees sold in Mexico

Christmas tree imports are especially controversial because local producers say they have the potential to supply most of the domestic demand if given the sufficient federal and state government support. Mexican consumers are expected to buy 2.4 million Christmas trees this year, of which 1.6 million or two-thirds of the total sales will be imported. "These Christmas tree imports have resulted in a significant loss of revenues for our country, perhaps about 500 million pesos (US\$44.5 million) per year," said Carlos Sedano, director of the Mexico state government's forest promotion organization Probosque.

Some growers are pushing for President Vicente Fox's administration to expand the program by which the Secretaria del Medio Ambiente y Recursos Naturales (SEMARNAT) provides landowners with subsidies of 6,000 pesos (US\$534) per hectare each year to grow Christmas trees. Agriculture officials at the US Embassy in Mexico City said the majority of the Christmas trees imported by Mexico originate in Oregon, although a small number of trees come from other US states and from Canada.

Statistics published by the Oregon Department of Agriculture indicate that Mexico accounts for 9% of the state's revenues from sales of Christmas trees. One Oregon-based company, Silver Mountain,

said it earns 20% of its profits from shipments to Mexico. Mexico state has led the effort to develop a Christmas tree industry in Mexico with a program that was launched in 1992. Under the initiative, the state set aside about 2,800 hectares to develop Christmas tree plantations. Productivity from these plantations was limited initially because of the extended growth cycles of Christmas trees. Some of the trees that were planted in the early 1990s were not sold until later that decade. "We have about 10 million trees established at this point, but we can only harvest a small portion because they take about five, six, or seven years to reach full maturity," said Mexico state forestry official Santiago Zepeda.

In addition to Mexico state, Christmas trees are grown at plantations in Puebla, Veracruz, Nuevo Leon, and Coahuila states, said Santiago. The importation of Christmas trees has raised some phytosanitary concerns for the forestry industry. Some growers are worried that the imports could bring infestations of twig weevils, pine shoot beetles, European pine shoot moths and a mold known as sudden oak death.

In 2003, Mexico turned back about 3,000 Douglas fir trees infested with twig weevils, said Jose Luis Luege Tamargo, director of the Procuraduria Federal de Proteccion al Medio Ambiente (PROFEPA). Because of the concerns, incoming trees are inspected thoroughly at 14 crossing points along the US-Mexico border, at the seaports of Manzanillo and Veracruz, and at the various airports to ensure that they do not introduce unwanted pests or molds into the country. Luege said some pests imported from other countries have in the past "infested whole forests in Mexico," although none were believed to have arrived with the annual flood of Christmas trees across Mexico's northern border.

Turkey production, sales down this year

The poultry industry, which normally increases turkey sales significantly during the holiday season, is reporting a decline of 15% in production this year because of competition from US and Chilean imports. According to the Union Nacional de Avicultores (UNA), about 95% of the turkey consumption in Mexico occurs during December and early January.

UNA officials have raised concerns that much of the demand during the holiday season will be met by turkey imports, primarily from Chile. Stores are expected to sell about 2 million foreign turkeys, one-fourth of which will come from inventories. The presence of large inventories of frozen turkeys, many of which were imported during the year, prevented poultry producers from expanding their production, thus depriving them of sales during the holiday season, UNA officials said.

UNA estimates Mexico's turkey production at only 11,645 metric tons this year, compared with 13,700 mt in 2003. "This is our worst season yet," said Francisco Javier Luken, who heads UNA's turkey section. "Imports from the US, Chile, and Brazil have increased by 19% over the past four years, while our domestic production has declined by 15% since 2003." Luken said the industry will remind consumers that a share of the cheaper imports are not as fresh as Mexican turkeys because they have been stored in freezers for some time. "Even though [imports] are cheaper, it is important to note to the consumer that 500,000 MT of old turkey will be sold during the holiday season," said Luken.

UNA and industry officials also blame their predicament in part on the high costs of feed and inputs in Mexico relative to those in the US and South America. This allows foreigners to sell their product

25% cheaper in Mexico than the domestic competition. "They have a much lower cost of production than we do, and that is why they offer more competitive prices," said Jose Ivan Parson, director of Chihuahua-based Pavos Parson.

Parson said the North American Free Trade Agreement (NAFTA), a bilateral trade agreement with Chile, and a tariff-reduction accord with Brazil have benefited the poultry industries in those countries but have done little to help Mexican producers. While Chile, Brazil and the US easily export their products to Mexico, they have imposed barriers on imports of Mexican turkey. "This is a case of unfair trade," Parson told the Chihuahua-based newspaper El Tiempo.

Parson said increased competition from the US under NAFTA has contributed to a decline of more than one-third in his company's production relative to 1993. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Dec. 8, reported at 11.23 pesos per US\$1.00] (Sources: Associated Press, 11/09/04; The Herald-Mexico City, 11/10/04; El Tiempo-Chihuahua, E-Once Noticias, 11/18/04; El Diario-Ciudad Juarez, 11/25/04; Diario Amanecer, 11/29/04; Notimex, 11/26/04, 12/01/04; La Jornada, Unomasuno, 12/02/04; El Universal, 11/10/04, 12/03/04; The Guadalajara Reporter, 12/03/04; La Cronica de Hoy, 12/02/04, 12/06/04)

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