

1-26-2005

# Sugar Cane Growers Protest Fox's Plan to Change Pricing Mechanisms

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

---

## Recommended Citation

LADB Staff. "Sugar Cane Growers Protest Fox's Plan to Change Pricing Mechanisms." (2005). <https://digitalrepository.unm.edu/sourcemex/4823>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## **Sugar Cane Growers Protest Fox's Plan to Change Pricing Mechanisms**

*by LADB Staff*

*Category/Department: Mexico*

*Published: 2005-01-26*

Mexican sugar-producer organizations are up in arms about the government's decision to eliminate the 30-year-old sugar decree (Decreto Canero) and replace it with a system more closely tied to the free market. The decree, enacted in the mid-1970s, guarantees cane producers a 57% return on the final cost of sugar on the market and fixed payment schedules. President Vicente Fox's administration replaced the decree with a yet-to-be-determined price mechanism that will be drafted by a multisector committee (Comite Nacional Sistema-Producto Cana de Azucar).

The new mechanism will take effect before the next harvest in November. The Fox government said the changes are needed to improve Mexico's competitive position before sugar-import tariffs are fully eliminated under the North American Free Trade Agreement (NAFTA) in 2008.

The Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) said the move from a fixed-price to a market mechanism will help promote efficiency and competitiveness in the sugar industry. Furthermore, said SAGARPA, the move opens the door for the industry to modernize. "This gives the sugar sector a measure of legal certainty...allowing for the industry to survive beyond 2008," said SAGARPA.

In recent years, the Mexican sugar industry has been hammered by a global oversupply and weak prices and an inefficient and corrupt system of mills (see SourceMex, 1999-08-11 and 2000-03-01). Competition from imports of US high-fructose corn syrup (HFCS) and the US refusal to meet its NAFTA commitments to buy Mexico's excess sugar production have also hurt the industry (see SourceMex, 1998-09-16, 2000-05-31, 2004-07-13).

### ***Labor groups say changes will hurt, not help, growers***

Labor groups representing sugar workers argue that the changes implemented by the Fox administration will hurt, not help, producers in the long run. They contend that thousands of Mexicans who depend on the sugar industry for a living could lose their livelihood. "[This decision] puts Mexican producers at a serious disadvantage, affecting the livelihood of more than 440,000 individuals who produce, harvest, and transport sugar," said Heladio Ramirez Lopez, president of the Confederacion Nacional Campesina (CNC).

Ramirez's concern was echoed by Carlos Blackaller Ayala, president of the Union Nacional de Productores Rurales (UNPR). "This move leaves the sugar sector defenseless," said Blackaller. Sugar growers said the Fox government's decision was unexpected. "Overnight, they've changed the rules on us," cane grower Juan Guzman told Reuters. Ramirez, Blackaller, and Daniel Perez Valdez, leader of the Union Nacional de Productores de Cana de Azucar (UNPCA), criticized the Fox government for not even warning the industry that the changes were coming. "This was a case of a 'surprise aggression' on the part of the administration," said Ramirez.

The Fox government has had a love-hate relationship with sugar producers. In 2001, producers supported the government's decision to expropriate nearly half the country's sugar mills after cane growers launched national strikes to protest the repeated failure of mills to pay for cane in a timely fashion (see SourceMex, 2001-09-05). The Fox government, through the rural-development bank (Financiera Rural), is allocating about 1 billion pesos (US\$88 million) for sugar producers this year, an increase from 620 million pesos (US\$55 million), said the agency's director Jose Antonio Meade Kuribrena.

The UNPCA, UNPR, and the CNC said the government is now abandoning them in the name of efficiency. The UNPCA has called on sugar producers around the country to express their opposition to the new policy by taking over sugar-storage warehouses and organizing protests in front of SAGARPA headquarters in Mexico City. Ramirez said the changes are typical of the Fox government's pattern of ignoring the needs of sugar producers. "This move attempts to eliminate the historic gains attained by cane producers, especially those related to the sale of their harvests," said Ramirez.

Critics say government may sell mills to foreign investors The CNC is also accusing the Fox government of deregulating the sugar industry to increase the attractiveness of domestic sugar mills to foreign investors. "Foreign Relations Secretary Ernesto Derbez met with representatives of the Canadian government to discuss this possibility," CNC spokespersons told the Mexico City daily newspaper La Jornada. The animosities between the sugar-producing organizations and the Fox government were not sufficient to keep producers from participating in discussions to set a base sugar price for the remainder of the 2004-2005 growing season.

In late January, a special committee comprising representatives from SAGARPA, the Secretaria de Economia (SE), the Camara Nacional la Industria Azucarera y Alcoholera (CNIAA), the CNPR, and the UNPCA easily reached an agreement to set the price for the rest of the 2004-2005 growing season at 5,759 pesos (US\$512) per metric ton. This is about 7% higher than the previous price. Sugar producers had been seeking an 8% to 10% increase to cover the increase in fuel and other inputs. In contrast, the mills had proposed only a 4% increase. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 26, reported at 11.25 pesos per US\$1.00] (Sources: Agencia de noticias Proceso, 01/17/05, 01/19/05, 01/20/05; El Financiero, 01/20/05; Reuters, 01/22/05; La Cronica de Hoy, 01/23-25/05; La Jornada de Morelos, 01/25/05; La Jornada, 01/18-20/05, 01/26/05; Notimex, 01/18-20/05, 01/25/05, 01/26/05; El Universal, 01/26/05)

-- End --