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Apple Producers Protest Elimination of Countervailing Duties

by LADB Staff

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The elimination of some duties and an increase in contraband has begun to take a toll on producers of agricultural products such as apples and pineapples. President Vicente Fox's administration ended duties of 46% on imports of golden and red delicious apples from Washington state, effective Feb. 28, sparking protests from agricultural producers in Chihuahua, who fear the loss of jobs and their share of sales in the domestic market.

The countervailing duty on the two apple varieties was first imposed in 1997 after the Mexican government accused US producers of selling their apples in Mexico at below-market value (see SourceMex, 1997-09-24 and 1998-04-01). That preliminary duty on the apples was set at 101%. The government later finalized the duty at only 46% in 2002.

The decision to eliminate the duty this year followed meetings between officials from Washington state and the Mexican government. The issue was brought up during Washington state trade missions to Mexico in 1999 and 2004. Both were led by former Washington Gov. Gary Locke.

Mexico will continue to levy duties on apple imports from other US regions. This is expected to have little impact on Mexican producers, since the majority of Mexico's apple imports originate in Washington state. "Already, Mexico is Washington's top foreign market for apples, but the elimination of duties on the Reds and Goldens will keep paving the way for an even more lucrative trading relationship," said The Seattle Times.

To protest the elimination of the duty, the Frente Democratico Campesino (FDC), El Barzon, and the Confederacion Nacional Campesina (CNC) organized a protest in front of the offices of the Secretaria de Economia (SE) in Chihuahua City. More than 2,500 apple growers took part in the protest.

FDC adviser Victor Quintana said the duty is needed because production is subsidized in the US, putting Mexican producers at a disadvantage. For example, he said the production cost of a box of apples is only US\$8 in Washington state, compared with US\$14 in Mexico. "Our producers do not receive any sort of financial support," said Quintana.

Enrique Bautista, president of the private company Unifrut, said the elimination of the duty could not have come at a worse time, with apple producers in the state expecting a record crop of 18 million boxes this season. "We have placed 60% of the harvest in refrigerators," said Bautista. "We cannot sell the apples on the domestic market because, with the elimination of the duties, our prices are no longer competitive."

Pineapple producers hammered by illegal imports

Pineapple producers must also contend with imports of canned product, most of which is brought into the country illegally from Thailand and the Philippines. A small amount of illegal imports of processed pineapple also enters Mexico from Kenya, Costa Rica, and Brazil. Jose Antonio Rodriguez Avalos, director of the Union Nacional de Productores de Pina, said the illegal imports have caused the price of pineapple in Mexico to decline to about 300 pesos (US\$26.80) per metric ton, compared with 700 pesos (US\$62.50) per MT just a few years ago. Rodriguez blamed the situation in part on wholesalers and retailers who arrange for the illegal imports. "They are able to sell these products with ease because of their low price," said Rodriguez.

The flood of foreign pineapple has displaced sales equivalent to about 300,000 boxes per year, directly affecting the livelihood of 32,000 families in the states of Oaxaca, Veracruz, Tabasco, Quintana Roo, and Nayarit. Rodriguez said the situation would become even worse in the coming months because the Mexican government has decided to reduce duties on legal pineapple imports. Mexico is planning to lower duties on pineapples from their current rate of 45% to 30% in October and 20% in 2006.

"I urge the Secretaria de Economia not to lower duties without first determining how to support the affected producers," said Rodriguez. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 6, reported at 11.20 pesos per US\$1.00] (Sources: El Universal, 08/13/02; La Cronica de Hoy, 07/07/04; The Seattle Times, 01/06/05; La Jornada, 02/21/05, 02/22/05; Notimex, 02/20/05, 03/30/05)

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