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Hog producers have joined the chorus of voices in Mexico clamoring for the government to act to reverse the negative impact of the North American Free Trade Agreement (NAFTA) on the Mexican agriculture sector. A large influx of pork and other meats, high costs for feed and fuel, and a lack of government supports through the years have sent the hog industry into a near crisis.

Unrestricted meat imports hurt domestic sales

The hog industry is facing two separate but related problems. The first is the heavy influx of pork products and other meats from the US, which has squeezed many Mexican producers out of the domestic market. The Confederacion de Porcicultores Mexicanos (CONFEPOR) said the competition from unrestricted imports of US meat caused losses of 10 billion pesos (US$934 million) for the industry in 2007, and the economic damage could be greater in 2008. "In the last decade, the volume of pork coming from overseas has increased by 1,600%," said CONEMFOR spokesperson Vicente Garcia Vazquez during a meeting with Agriculture Secretary Alberto Cardenas and Economy Secretary Eduardo Sojo. "For the first time in 30 or 40 years, the price of pork in our country is below that of the global market," said CONEMFOR director Enrique Dominguez. "We are having to contend with a saturation of imported meat and are having difficulties selling our own product."

In addition to pork, imports of other low-priced meats such as chicken and beef are squeezing producers out of their market in Mexico. These meat products are unfairly subsidized and are frequently of poor quality. "The influx of beef and chicken from the US, which is primarily shipped to the large cities, has increased by 60% in recent years," said the Mexico City daily newspaper La Cronica de Hoy, quoting a study from the Centro de Analisis Multidisciplinario (CAM). Mario Quintanilla, an official with the Union Ganadera Regional de Porcicultores de Nuevo Leon, said the US decided to dump its pork in Mexico because of its inability to ship the product to China and Russia, which have imposed health restrictions on the US product. "Today we have a huge inventory of hogs and a large amount of meat in storage that we are unable to sell," Quintanilla said in an interview with the Mexico City daily newspaper Reforma.

High cost of feed, inputs also contribute to problems

A second concern is the sharp increase in the prices of feed and fuel, which has greatly increased the cost of production. The high costs have worsened the problems created by imports, which by some estimates have forced out of business about 85% of the hog producers operating in Mexico before the implementation of NAFTA, said the CAM, affiliated with the Universidad Nacional Autonoma de Mexico (UNAM). In theory, the elimination of tariffs on corn under NAFTA in 2008 was expected to benefit livestock and poultry producers because it would have reduced the cost of
feed. Instead, producers must now contend with high feed costs because of a shortage of grain in the domestic market. The crisis facing the hog industry led CONEMFOR officials to press President Felipe Calderon's administration to implement emergency measures to halt US meat imports. Under NAFTA, member countries are allowed to invoke emergency safeguards temporarily if one of its industries is overwhelmed by a surge in imports.

Agriculture Secretary Alberto Cardenas had already raised the possibility that Mexico might use this option in the case of corn (SourceMex, January 23, 2008). The agriculture official made the comments in response to concerns that the elimination of duties on corn and three other commodities, effective Jan. 1, 2008, would undermine the markets for those products in Mexico. The expected surge in corn imports has not happened because of the strong demand in the US by producers of ethanol fuel (SourceMex, January 10, 2007, January 31, 2007 and September 05, 2007).

Instead, the slowdown in imports of yellow corn has greatly increased the cost of feed in Mexico, contributing to the problems facing the cattle, hog, and poultry industries. "The government must recognize that the hog industry has been a major market for grain, primarily of domestic origin," said Garcia. "But the cost of this product is easily 40% higher than in the US." Garcia said costs for all inputs, primarily feed, have been increasing since the middle of 2006. "An increase of 70% in the cost of grain has taken us out of the game, and domestic production has fallen by 35% to 40%," said the CONEMFOR official. The Calderon administration has not decided whether it will implement emergency safeguards, but the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) has developed a new program to provide subsidies to the industry, primarily for feed purchases and for slaughter operations.

Hog producers also captured the attention of the Mexican Congress, which approved a nonbinding resolution in November 2007 to urge the Calderon administration to take steps to protect the domestic industry. This caused alarm among US meat producers, including the National Meat Association (NMA), which expressed concern that the Mexican government would "undertake several administrative actions that could seriously jeopardize exports of US pork to Mexico." The association said the Mexican government appears to be heeding the request from the legislators. "Mexican authorities are reviewing the list of US plants and establishments approved to export US pork to Mexico with the objective of removing from the list entities that consolidate pork consignments for onward export to Mexico," said the NMA.

**Report cites inefficiencies in hog industry**

Some critics argue that the government should not offer blanket assistance to the entire hog industry but only to those companies that have an opportunity to compete in the domestic and global markets. "This is a brutally honest opinion," said Enrique de la Madrid, an official with the government agricultural-lending institution Financiera Rural, which put together a report on the Mexican hog industry, including pork-processing operations. "When there are structural changes and the rules of the game are different, government assistance should be directed to those enterprises that have adjusted to the new scheme and not those that haven't adapted to the new rules." The agency's report criticized the industry for not adapting its production process to boost its exports through Mexico's free-trade agreements (FTAs), not only with the US but also with other
Latin American countries, the European Union (EU), and Japan. Financiera Rural also criticized the lack of sanitary standards in the industry.

By some estimates, said the agency's report, about 47% of the pork sold in Mexico fails to meet the minimum sanitary requirements. CONEFPOR took issue with the Financiera Rural study, disputing allegations that the industry has failed to make the proper investments. "[This report] makes assertions based on false premises," said the organization. Furthermore, noted CONEFOR, the Mexican industry's inability to export to the US market is not caused by its shortcomings but by the overly strict sanitary standards required by the US government. The organization asserted that Financiera Rural official Luis de la Calle, who once was part of the government's trade-negotiating team, failed to press the US for conditions that would create better access for Mexican pork to the US. "Far from benefiting our country, he pushed a policy that promoted trade in only one direction [north to south]," said CONEFOR. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb. 27, reported at 10.70 pesos per US$1.00]