6-25-2008

Calderon Takes Steps to Avert Food Crisis; Critics Say Actions Insufficient

LADB Staff

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

Recommended Citation

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.
Calderon Takes Steps to Avert Food Crisis; Critics Say Actions Insufficient

by LADB Staff
Category/Department: Mexico
Published: 2008-06-25

President Felipe Calderon's administration has taken a series of steps to ease the impact of a global food crisis on Mexico, including eliminating import tariffs on basic commodities and agreeing with the food industry to freeze the costs of about 150 processed-food items. But critics say these actions will do little to ease a crisis that threatens the well-being of a large segment of the population, particularly low-income Mexicans.

By some estimates, consumer prices have increased by 50% since June 2007. While the government has managed to slow down the increase in tortilla prices because of agreements with the private sector (see SourceMex, 2007-04-18 and 2008-04-16), prices for other goods are on the rise. Partly because of pressure from the Congress, Mexico is strongly considering creating a strategic food reserve (see SourceMex, 2008-05-07).

Import tariffs eliminated on key commodities

In late May, Calderon announced a temporary decision to eliminate import tariffs on several commodities to help boost domestic supplies and avert sharp increases in the cost of food. The tariffs were dropped for products such as corn, rice, wheat, sorghum, beans, soybean meal, and other products. Under the North American Free Trade Agreement (NAFTA), these products already enter Mexico from the US and Canada without tariffs, so the government's decision cuts import taxes from other countries.

"We want to be able to bring these basic products to Mexico from any part of the world at the best price for Mexican consumers," Calderon said after announcing the measures. "For my government, food security is an issue for the state."

Some private analysts were supportive of the measure. "[Mexico] can obtain grain from Australia, New Zealand, and Argentina at prices that are more competitive than those offered by the US," said Sergio Gomez, director of the consulting company Inteligencia Comercial. Still, the cost of transporting the commodities to Mexico might offset the lower prices offered by non-NAFTA countries.

Conversely, concern is growing that Mexico's reliance on imports could undermine the domestic agriculture sector, particularly small-scale producers. The World Bank, in a recent report, said Mexico's food imports amounted to US$5.45 billion in the first quarter of this year, about US$1.2 billion above the total recorded in January-March 2007. "Far from cutting back on its dependence on imports, Mexico will double its trade imbalance for foodstuffs in 2008," said the bank.

Some analysts suggested that the government protect domestic producers by imposing limits on the foodstuffs imported by the large commercial operations. "These large food companies have
to sacrifice some of their earnings to help keep our domestic-agriculture sector strong," said the Centro de Analisis Multidisciplinario (CAM), based at the Universidad Nacional Autonoma de Mexico (UNAM). In conjunction with its tariff announcement, the Calderon government said it would help some of the lowest-income families cope with higher food prices by offering a monthly cash payment of 120 pesos (US$11.60). The program is expected to help about 5.28 million families at a cost of about 4 billion pesos (US$389 million).

Government, food companies agree to freeze some prices

As an additional step to help address high food prices, the government announced in mid-June that it had reached an agreement with the food industry on a program of price controls on processed foods. Under the accord, reached with the Confederacion Nacional de Camaras Industriales (CONCAMIN), prices will be frozen on 150 food items until the end of 2008. The items include processed beans, cooking oil, canned tuna, and fruit juices.

"It is a measure that will positively and directly benefit millions of Mexicans....This reflects the commitment Mexican business people have to the country and to price stability," said President Calderon. "There were serious risks of further food-price rises in the coming months and this announcement has all but eliminated those risks," said Luis Flores, senior economist at Grupo Ixe in Mexico City.

Analysts said the agreement with Mexico's leading food manufacturers could prompt the Banco de Mexico (central bank) to keep interest rates at their current level of 7.5%. The price controls were met with some skepticism, with the Mexico City daily newspaper El Universal pointing out that demand is already low for many items, including soy products, ketchup, vegetable juices, and dry soups.

Some economists said the price controls would have an uneven impact on the business sector, with large companies like Grupo Herdez able to absorb increased costs, while smaller manufacturers would be hurt more. "No one really expects these prices to be fixed for such a long time," said economist Rogelio Ramirez de la O, who was an adviser to center-left candidate Andres Manuel Lopez Obrador during the 2006 presidential campaign. The World Bank offered an opposite argument, not necessarily directed at Mexico but at Latin American countries in general.

In comments to reporters in Ottawa, Canada, World Bank official Pamela Cox warned countries in the region against indiscriminately using price controls to help ease food crises because they could hinder long-term economic growth. "We do not oppose subsidies, but they have to be focused, effective, efficient, and financially viable," said Cox, the organization's vice president for Latin America and the Caribbean.

Critics say longer-term approach needed

The strongest criticisms came from the opposition political parties, which criticized Calderon's actions as insufficient and urged the president to take more comprehensive long-term steps to help Mexicans cope with the price increases. The Partido Revolucionario Institucional (PRI) said the Calderon government should be doing more to provide direct assistance to citizens, given Mexico's record-high earnings from oil exports. "The government is obligated to take steps beyond
controlling the price of basic goods," said Sen. Manlio Fabio Beltrones, the PRI floor leader in the upper house. Beltrones said some of those funds should also go to measures designed to promote long-term economic growth. Similar comments came from PRI legislators in the lower house. "More than a plan to hold down the cost of food, Mexico requires a strategic plan for agriculture," said PRI Deputy Cesar Duarte Juarez.

The center-left Partido de la Revolucion Democratica (PRD) unveiled a campaign known as "cacerolas vacias (empty pots)," which proposes to create a food bond for Mexico's poorest citizens. The plan, presented by PRD Deputy Javier Gonzalez Garza, would be incorporated into the proposal for the 2009 budget, which the Congress will begin debating in a few months.

Former PRD Deputy Alfonso Ramirez Cuellar, who helped Gonzalez Garza and other PRD officials develop the proposal, accused the Calderon government of making only token efforts to address Mexico's food crisis. "The measures taken thus far are not comprehensive and will not help improve the situation for campesinos and blue-collar workers in our country," said Ramirez Cuellar.

**Debate resurfaces regarding genetically modified crops**

Amid the concerns about a possible food crisis in Mexico, the debate over genetically modified (GM) crops has resurfaced. Mexico's Congress has approved legislation allowing experimental planting of genetically modified corn in certain controlled areas, but implementing the law has been put off until the government can agree on how to regulate the plantings (see SourceMex, 2006-10-25 and 2007-01-31).

The Calderon government is considering applications from at least three farm operations to plant GM corn. But officials said any decisions on whether to proceed with the pilot program would be made independently from the global food situation. "The world food crisis will have no bearing on whether permits are granted to grow genetically modified corn," said Enrique Sanchez Cruz, director of the Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria (SENASICA). The agency is a unit of the Secretaría de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA).

In early June, Carlos Salazar, secretary-general of the Confederacion Nacional de Productores Agricolas de Maiz de Mexico (CNPAMM), one of the country's largest corn-producing groups, said his organization would be open to a four-year pilot program to grow genetically modified corn on selected plots in Mexico. "The object of any anti-crisis measure should be to guarantee that we have sufficient supplies at the domestic level," Salazar said at a conference addressing the food crisis. "We would support any efforts on the part of President Calderon to promote genetically modified corn."

Rene Fonseca, director of analysis at the Consejo Nacional Agropecuario (CNA), also suggested that Mexico should consider using GM crops as part of a medium- and long-term strategy to promote food security, along with improved technology and modernization of Mexico's agriculture sector. "We are in the midst of a crisis," said Fonseca. "Without downplaying the immediate problems, we also need to look toward the future."
But there is strong resistance in Mexico to using GM corn, primarily because of the danger that altered seeds could mix with and eventually destroy native varieties, which many Mexicans consider the country's cultural patrimony. Many organizations that represent small-scale farmers oppose introducing GM corn. "The federal government must take all necessary actions throughout the country to conserve our genetic heritage," said Max Correa Hernandez, secretary-general of the Central Campesina Cardenista (CCC).

Environmental organizations, particularly Greenpeace, also continue to press their case that the risks of growing altered corn outweigh the benefits. "Genetically modified crops are a false solution," Gerd Leopold, director of Greenpeace International, told the Mexico City daily newspaper Reforma. "The use of these crops will not resolve the current crisis resulting from high food prices." Leopold said his organization is worried that the Calderon government might approve the use of altered crops. "We are very concerned that this government does not see the serious implications of promoting genetically modified crops, particularly corn."

But opponents may be powerless to stop the spread of altered corn in Mexico because some farmers have already planted GM varieties without permits. These farmers have not been prosecuted because of the legal limbo of the Mexican law governing planting genetically modified crops. Congress has approved their use, but the executive branch has not set parameters on how the legislation would be implemented.

Greenpeace says that genetically modified corn has already been detected in states like Chihuahua, Sinaloa, Tamaulipas, Oaxaca, Michoacan, and the Federal District. There are some reports that this type of corn has appeared in some parts of Puebla state. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 25, reported at 10.26 pesos per US$1.00]

-- End --