



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Consejo Mexicano de Porcicultura

Enrique Dominguez

The Rice and Meyer comments coincide when giving value to free trade, and at the time touching some concepts of a structural nature in the pork sector in Mexico, and referring little to their own countries. Substantial changes have been observed in Mexico's market structure, as indicated by my colleagues from NPPC and the Canadian Pork Council. To a large extent we have consolidated the procurement of grain and soybean meal both in the domestic market and in the United States and Canada. At the same time, great progress has been made in the consolidation of pork marketing. In some regions of the country, the integration has been vertical involving the best producers in the world.

As a result of the major economic setback in the Mexican banking system, the modernizing process of the pork industry stopped in 1995 and took the economic disaster to an important number of producers. The slaughter and processing of pork has been strongly concentrated as a consequence of the lack of commercial modernization. At the packers and meat processors level, this concentration has been alarming and to a great degree supported by meat imports (without paying import duties) which the government delivered in a discretionary way to a couple of countries, thus creating a problem that is analyzed from a perspective of corruption and economic competence.

Mexican producers never expected protection within NAFTA due to any lack of productivity. They merely demanded equality in the access and cost of inputs as a new trade partner. However, three structural problems arose which we hope will be understood, and in this case, analyzed from a conciliatory perspective within the framework of NAFTA-WTO.

1. The market structure of pork, as well as the perception of quality, is different in each country. This allows some cuts to subsidize others with a residual value since they are not demanded in the original market. These products have a different price/ quality per-

ception in the Mexican market, thus harming the price structure in our market.

2. Recently, prices in the U.S. market, due to structural conditions, have shown predatory levels derived from the lack of slaughter capacity, and due to the lack of barriers these products enter the Mexican market independently of the volume of imports of pork. These predatory prices can be legally compensated under the NAFTA-WTO.
3. The industry's high concentration due to the economic level is a great concern. Our experience has proven that costs and profitability are not necessarily associated with the size of farms. In this sense, each country has the right to decide what is considered best for its producers.

We are a country with a pork deficit, and the market conditions are favorable, as demonstrated by the level of imports of meats. Nevertheless, the Mexican producer is concerned, not about the volume of imports, but about prices below the normal value that are imposed in their market as a consequence of free trade. With the tremendous drop in prices in December 1998, Mexican producers sought protection against the threat of damages. The legal procedures (associated with this trade action) required documentation of imports, securing testimonies of damages, and the presentation of a formal request for investigation. The legal time agreed for these proceedings at NAFTA and WTO are extenuating and finally, no one was satisfied. I consider that we, as producer organizations, should have a better way to use our time and our money in legal proceedings if we could implement a real system to resolve disputes.

Facing a new federal administration, we are working hand in hand on sanitary issues regulations, and on the need to establish quality standards which will in some way be equal, as far as possible, with those of our NAFTA partners. It has taken a long time, but we will gradually seek better understanding in these work areas, following examples that have achieved progress.

After accepting the terms of the negotiations, and what can be considered as compensated within the agreement, we must seek alternate mechanisms to resolve conflicts. Our governments have already subscribed the terms, each Senate has agreed, and we are interested in strengthening a growing and constructive relationship. Let us now initiate this committee to solve disputes so that producer organizations can find the time and economic resources to support producers in each of our countries.