

FOOD FOR THOUGHT

This is the electronic version of a magazine published by the Mesoamerican Initiative on Trade, Integration and Sustainable Development (CID, by its initials in Spanish).

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Let us exclude food...

Maize, beans, rice and milk are basic agricultural products for the Central American economies, because they ensure that the population is fed and keep the campesino productive cycle going, upon which millions of poor families depend for survival. If these products were to remain unprotected under the Free Trade Agreement between Central America and the United States (CAFTA), this small farmer economy would disappear little by little and unemployment would increase in rural areas.

The negotiations leading toward a Free Trade Agreement have for a backdrop agricultural and agribusiness sectors that find themselves engulfed in a profound crisis. Agricultural producers are concerned that they will have to compete with commodities produced under the broad shelter of subsidies that are the foundation of US agricultural policy.

For this reason CAFTA must include clauses that provide for asymmetrical treatment in favour of the Central American countries, so as to create conditions for fair and equitable competition. To simply open up the region to the influx of US agricultural products, when that country has a more integrated productive structure, greater access to technological resources, and strong federal and state financial support, may in the medium term lead to the disappearance of entire areas of the agricultural production fabric in the Central American region.

We therefore demand that sensitive agricultural commodities and sectors be excluded from CAFTA. The agricultural products that are economically and culturally sensitive are characterised by their contribution to the generation of employment, their contribution to added value, their integration in productive chains, their contribution to food security and their social implications.

The Mesoamerican Initiative on Trade, Integration and Sustainable Development (CID) is an effort to co-ordinate and articulate civil society organisations that share objectives and strategies geared toward influencing the processes of integration and democratising trade policies within a framework of sustainable development. Thus CID has developed proposals in the framework of the CAFTA negotiations that contribute to retrieving the social agenda and seek to maximise opportunities,

while simultaneously minimising the risks faced by the region in this process of negotiation and work to favour the more vulnerable groups.

MS-Central America shares the concerns put forth by CID as regards the possible repercussions CAFTA or other trade agreements may have upon the campesino or small farmer sector. For this reason MS-Central America has accompanied CID in the production of this publication, in an effort to create a wider space for opinion and discussion.

If prices drop, Juan goes bankrupt

When we asked Juan Aragón if he would be willing to sell a pound of pinto beans for one córdoba, he remained silent for almost a minute and then said firmly: “I wouldn’t continue planting.” Juan has been growing beans for 58 years on the land near the San Fernando farm between San Marcos and Jinotepe in Nicaragua. He began at nine years of age, helping his father, but for Juan this business is becoming more difficult with each passing day. “We already make nothing on beans, as we can’t get a good price anywhere. The most we get paid are 250 córdobas (USD 16) per hundredweight”, declares this small farmer from the province of Carazo.

The possibility that pinto beans may soon be worth only 1 córdoba a pound, or 100 córdobas (USD 6.6) per hundredweight is real, at least if pinto beans come into Nicaragua from the US once the Free Trade Agreement between Central America and that country is signed.

At one of the corners of his house, Juan washes a handful of beans, to get rid of a whitish outside layer. This is what keeps the beans free of insects, though it is not poisonous. Juan learnt this little bit of chemistry when he helped his father as a child. They would sieve ashes, mix them with crushed chili peppers and spread this over the recently harvested beans. “This keeps the bean healthy and the weevil never even comes close, the chili pepper is so strong they stay away”, explained Juan. “I never studied, but I come from down the ravine, I’ve had to struggle all my life”, says the 67-year old man, implying that he knows the difficulties and pitfalls that a farmer faces in his uphill effort to subsist. He is also aware that traders are the ones who profit most from the beans harvested by small producers. “They come and offer you 200 or even 250 córdobas, because later on, when beans become scarce, they can sell a hundredweight for up to 450 córdobas (USD 30).”

“We already make nothing on beans, as we can’t get a good price anywhere. The most we get paid are 250 córdobas (USD 16) per hundredweight”

In early 2003 it was suggested to Juan that he should grow black beans, which fetches a good price outside the country. However, Juan fears that in the end a trader who has capital at hand will make the real profit. He will buy cheap and export dear. But Juan also thinks that “pinto beans are what people like most around here, and when many farmers are growing black beans, there will be less pinto beans, and we’ll be able to sell it at a better price.

A few days ago a man came and told me that he buys beans at 200 córdobas (USD 13), and that after storing them for a while he can sell at 330 córdobas (USD 22).”

For Juan the only possibility for selling a hundredweight of pinto beans at 300 córdobas (USD 20) is to go early in the morning to the market in the towns of Diriamba or Jinotepe and sell them at 3 córdobas per pound, hoping to sell all by the end of the day. Another way of making more money is to cook two pounds of beans at home each day and then sell small portions at 2 córdobas apiece. In this way his family would gather perhaps 20 córdobas, a little over a dollar.

As basic grains agriculture is essentially a matter of subsistence, Juan Aragón’s children have migrated.

One works in Costa Rica and the other in Managua. However, he says that in the province of Carazo there are now more campesinos growing beans. “It’s a question of need” he explains. “It used to be that poor people harvested coffee, because there were more coffee farms and they hadn’t been deforested.” He then describes yet another problem: while there are more people who want to plant crops, there is now less land available. “We’ve been offered land for rent in Nandaime, but we’d have to go live there part of the year... that makes it more difficult.”

To survive

- Juan Aragón harvests on average 25 hundredweights per manzana during the first agricultural cycle.
- He leaves five hundredweights for family consumption (11 members). Among all they eat three pounds of beans a day, and thus live on the five hundredweights of beans for five-and-a-half months. Juan also stores away one hundredweight as seed for the next planting cycle.
- At 250 córdobas apiece, the 25 hundredweights of beans would fetch on average 6,250 córdobas. Once his production costs of 2,840 córdobas are covered, Juan's gross profit for after three months work might be about 3,410 córdobas (USD 227).
- If we set apart his family's consumption of beans and the bag left for seeds, Juan's financial income would be 1,910 córdobas (USD 127).
- Thus Juan will have made on average 21 córdobas (USD 1.4) per day during the three months in which he worked growing beans on one manzana of land.

Black beans, pinto beans

No tariff reduction should be negotiated unless the internal subsidies existing in the US are eliminated.

A tariff should be set for intermediate to final products based on maize, beans and rice.

Black beans

In their negotiations with the United States, Central American farmers are proposing a 30% tariff on black beans, to be reduced over a fifteen-year period. Nicaragua can produce and export black beans because it has propitious land and climate for this crop. Its closest markets would be Costa Rica and Guatemala, which request 24,000 and 16,000 tons per year, respectively.

Other black bean buyers are Mexico, the United States and Canada. According to calculations made by the Nicaraguan Institute of Agricultural Technology (INTA), Nicaraguan producers could sell a hundredweight of black beans at C\$ 315

córdobas (USD 21). In 2002 Nicaragua exported 1.4 million dollars worth of black beans. This is a significant increase, if we consider that in 2000 black bean exports brought in a mere USD 313,000.

Pinto beans

Pinto bean production in Nicaragua was of 3.9 million hundredweights for the 2001-2002 agricultural cycle. This is 100,000 bags more than the year before. Average national yields were of 11.93 hundredweights per manzana. Exports of pinto beans have increased sharply, from 7.5 million dollars in 2001 to 18.4 million in 2002. According to data made available by the Exports Transactions Centre (CETREX) the most important buyers of Nicaraguan pinto beans were El Salvador and Costa Rica.

Without rice, there is no gallo pinto

By Amado Ordóñez, Sinforiano Cáceres, Nicaragua

WThe Omar Torrijos Herrera co-operative is made up of 36 campesino families, for a total of some 210 persons. They produce both irrigated and upland rice on an area of 520 manzanas in the community of El Horno, Matagalpa, a province in northern Nicaragua.

The life of these campesinos is becoming ever more difficult, and both their poverty and sense of uncertainty are on the rise. The president of the co-operative, Ruperto Membreño, who has only a primary school education, says that it used to be the case that the family workforce would participate in rice production, which was profitable enough to

support payments for the health care and education of the families.

This system served to fill the gap left by governmental policies and programmes in rural Nicaragua, where services are precarious and access difficult, particularly for the poor.

Ruperto explains that “rice growing went into crisis with the increase in dumping, which has led to a constant drop in prices, causing many co-operatives and individual producers to go bankrupt.” As a consequence, there is ever more emigration to nearby cities or to Costa Rica, where the campesinos seek temporary jobs in an effort to remake their lives.

Roberto Corea, manager of the co-operative, explains that while production costs were

rising and prices were falling, poverty was more palpable in the homes of these campesinos.

Further, as the land is hoarded by fewer and fewer rich persons, there is less food security, incomes drop

and rice production becomes less profitable. More and more campesinos are losing access to education, health and stable self-employment.

The basic diet of Nicaraguans, and particularly in the countryside, is gallopinto, a mixture of rice and beans, usually accompanied by a maize tortilla. Thus the crisis in the rice sector also implies a crisis for the most popular staple food dish in Nicaragua.

Therefore the president of the co-operative is proposing that international trade work in favour of small producers in the less developed countries, and not only for those that produce rice, but also maize, which is similarly overprotected by the United States.

Production in Central America

	Produces	Imports
Guatemala	10%	90%
El Salvador	30%	70%
Costa Rica	70%	30%
Nicaragua	70%	30%
Honduras	10%	90%

For the poorest 20% of the population, rice consumption represents 13% of their monthly expenditures.

Rice

It is proposed that rice be included in the negotiations and the tariff reduction programme only if an upward tariff unification can be negotiated at the World Trade Organisation (WTO).

It is further proposed that there be a 90% tariff for imports on rice beyond the established quotas. The level of subsidies for rice production in the United States is of USD 232 per metric ton, which allows producers to sell at USD 108 per metric ton placed at port – put otherwise, the subsidy exceeds 200%.

Antonio:

“Let in only the rice that is needed”
Salvadoran rice producers and mill owners do not fear the FTA, as long as imports don't exceed the difference between what the isthmus produces and what it consumes.

By Evelin Galdámez, journalist with El Diario de Hoy, El Salvador

Rice growers in El Salvador are not asking for subsidies nor the closure of the Central American market, but rather that they be allowed to continue producing. “The FTA doesn't worry me. What does worry me, however, is the government's follow-up to the negotiations”, says Antonio Godoy, a 48-year-old Salvadoran campesino who began working on his father's plot when he was five. Today, Godoy owns three manzanas, but he is so good at his work that he usually rents an additional three manzanas so as to increase production and thus his income. Normally, a campesino might expect to produce 125 hundredweights of rice per manzana, but Antonio surpasses that average and harvests up to 157 hundredweights.

With his vast experience, he has not only learned to use combines to harvest rice, but also how to carry out transactions on the stock market.

Given that as of 2000, producers and rice mill owners came to an agreement intended to favour national production, farmers have had to learn to offer their harvest through a stock broker. This means they must be up to date on prices as quoted on the international market and policies tending to open markets up. He is aware that Central America and the United States will sign an FTA very soon, but this has not dampened his enthusiasm to keep on working. To the contrary, he has joined other producers in the country and the region to request that negotiators allow them to continue to grow rice. “I don't want the government to close down the market, but rather to allow into the country only enough rice to cover the deficit. Anything beyond that would be subject to tariffs”. This is his position, which

he claims is the consensus reached with his colleagues. Godoy seems to know what he's talking about, as the Central American Rice Federation (FECARROZ) has requested that governments allow in enough rice to make up for the deficit, and that the remainder be subject to a high tariff, thus avoiding that imports displace local production. This petition is not whimsical, as Central American rice growers produce approximately half of the amount consumed in the region (500,000 tons).

If negotiators in the region do not protect local products, the agricultural sector would decline further still, leading to greater unemployment and worsening the levels of poverty already endemic in rural areas.

Life goes on

While negotiations advance and trusting that negotiators will take his opinions into account, Godoy continues to raise his four children and to help out his wife, Felipa del Socorro, with the store they've installed at his house. “I don't rely solely on my harvest, that's why my wife also works. She's a seamstress and has a small sewing workshop at which she makes dresses. Together, these generate enough income to cover some of our living expenses”, he says.

As the profits from rice growing are small, the Godoy family has also been obliged to seek out the establishment of a basic goods store at their home. With these three sources of income, Antonio and Felipa can pay for the studies of their children, feed them well and inherit them a better future. Antonio hopes that the United States will reconsider its agricultural offer and grant benefits to Central America.

The sellers

The opinion of rice producers tend to be seconded by rice processors and distributors, as they too stand to lose if negotiators are unable to guarantee special treatment for this crop.

Since in all Central American nations there are shortfalls as concerns rice production, the USA has granted import quotas, mostly without paying tariffs and with very low taxes.

For this reason, Salvadoran rice mill owners buy this staple food from local farmers as well as from the United States, and then proceed to distribute it or resell it in bulk to wholesalers.

Were the US government to remove the shortfall quota for and place a tariff on rice, importers would lose their incentive and there might be a risk that triangulations would increase, as the product would enter by way of the country with the lowest tariff rate. But if rather than assigning taxes the market is opened up entirely, there could be an oversupply in the region, which would undermine production and displace rice grown domestically as a result of agricultural and export subsidies granted by the US government to its farmers. If that happens, farmers and rice mill owners would be unable to compete with imported

“We are hoping the government won't completely abandon agriculture and that it seeks special treatment for our products”

Antonio Godoy
Rice farmer

products, and would find themselves forced to change their occupation.

For Wilfredo Guerra, general manager of the Gumersal Agribusiness Co., were the market to be flooded with American rice, he would be forced to close the company and dismiss some 200 workers. What's more, he would have to stop buying from local farmers, as he would be unable to compete with the supply provided by the US.

“But even with a rice invasion, I don't fear the FTA, as I could become a distributor of the incoming product and get by quite well. My real fear is for the farmers and agriculture in our country, who would be seriously affected by such a development”, he remarked.

Guerra has a large portfolio of clients, covering 25% of the demand for rice in El Salvador. He has good credit support, infrastructure and several distribution routes. Thus he would be in a position to continue to sell rice, regardless of who his suppliers are.

“We ask that rice processed in the United States pay a high tariff, so it doesn't displace our internal supply”

Wilfredo Guerra
Rice processor

Rice processors want the FTA negotiators to ensure that this product, sensitive as it is to the region, receive preferential treatment.

Eulogio:



f governments don't invest, there will be more emigration"

By Jill Replogle, Inforpress Centroamericana

Eulogio Balán Bay is 78 years old, most of which he has spent working the land in Guatemala on his own parcel in San Martín Jilotepeque in the highlands of the province of Chimaltenango. Balán is a subsistence farmer who uses most of his five-and-a-half manzanas to grow maize, vegetables and fruit for family consumption. However, it wasn't always this way. San Martín Jilotepeque is one of the areas that was rich in coffee until a few years ago, when international coffee prices plummeted, forcing many coffee growers of all sizes to switch to other crops and lay off most of their farm workers. Eulogio is a member of a co-operative of coffee growers in San Martín that at one point was very successful. However, due to low prices many of his friends have pulled up their coffee bushes and substituted them for other export crops. Changes in the market are nothing new for Balán. His strategy therefore is to diversify so as to face these changes. "I don't grow only coffee, or only maize, but instead a bit of everything", he explained.

This is much the same strategy used by many farmers in the area, who formerly grew wheat, potatoes and traditional vegetables such as courgette (a type of squash) and chayote. In the past three or four years many farmers have begun to grow non-traditional vegetables for the foreign market, such as French string beans, Chinese peas and tender corn cobs. Eulogio's son Celso Balán is also a farmer. He described how profits from these products can be far higher than those for traditional products, but that prices and successful harvests vary considerably.

Celso used the French string beans as an example of a vegetable that at present is popular among farmers in San Martín. Small producers may make between 1,200 and

10,000 quetzals (USD 1,264) per cuerda (441 m²) planted with the pulse, which is a

profit margin substantially higher than that which can be made from the same area planted with maize.

According to the Baláns, producers in San Martín may make 11 quetzals (USD 1.40) for a pound of French string beans, while maize is sold at between 60 and 70 quetzals (USD 7.58 and 8.84, respectively) per hundredweight. The former clearly represents an income more than 15 times that of the latter. However, Celso stressed that this is much less than what a vegetable grower could make if he/she didn't have to sell their product through intermediaries. He said that for every 11 quetzals made by the farmer, the intermediary makes between 16 and 17 quetzals, or more than 60% on the profit of the former: "Producers in San Martín are forced to use intermediaries because they have no direct access to the market, and this is the kind of situation in which producers make the least amount."

He went on to explain that to take advantage of the international market a producer would need to plant 200 or more cuerdas and in addition be able to comply with the high quantity quotas and plant health regulations for exports, which in practice imply overly high expenditures for a small producer.

Further, export vegetables require a high investment during the planting period. In the example of the French string beans, it is necessary to invest 800 quetzals (USD 101) per cuerda in certified seeds, fertiliser, labour and insecticides. As Celso puts it: "The only thing you don't need to buy is the land." In San Martín there are between ten and twelve thousand non-traditional producers. Over the past few years there has been much talk about growing non-

traditional vegetables and other products intended for export. This was promoted by the government and many international assistance agencies who work in agriculture. However, in 2002 Guatemala exported to the United States only 37% of the amount in vegetables and legumes it had exported in 1999. Meanwhile, imports tripled over the same period. Eulogio had never heard of the Free Trade Agreement, but his son had attended a few workshops on the issue in the municipality. “some say it will hurt us, others that it will help, I’ve heard only from the two extremes”, he commented.

It’s hard to compete

Celso indicated that many small producers are worried because the quality of Guatemalan products is inferior to that of other countries signatory to the FTA. It might therefore be difficult to compete if the markets are freed up. His father, in turn, seemed unconcerned by the possibility of opening the Guatemalan market to US goods. “One always has to be thinking about how to get used to these changes,” said Eulogio. “If they stopped buying my chayote, I’d just plant something else.”

For Celso, the CAFTA could represent a

“To take advantage of the international market a producer would need to plant 200 or more cuerdas (441 m2) and in addition be able to comply with the high quantity quotas and plant health regulations for exports, which in practice imply overly high expenditures for a small producer”

Sensitive vegetables

We request free trade except for fresh and processed potatoes, fresh and processed onions, and fresh and processed tomatoes. These are products that we ask be included in the sensitive products basket.

larger market, but only if there is true access for small producers. “The important thing is to eliminate the intermediary from the trade

chain,” he declared. He added that one of the problems in San Martín is the lack of collection centres with an open-air market. As long as these don’t exist, small producers will have no choice but to sell to intermediaries.

It is also necessary to facilitate the participation of small producers in the export market, including measures to improve their products without this implying major costs that are outside the bounds of their economic reality.

If local governments don’t make the necessary efforts to guarantee that small and medium producers share in the benefits of free trade, it is likely that a phenomenon well-known to Guatemalans will increase: migration. Balán described how many youths had left the farms in the San Martín area in search for other alternatives to make a living.

“The best part of the land has been abandoned”, said Balán, with a gesture toward the green hills around him. “Young people today go to work in Guatemala City, or they’re off to the USA. They come back with cars and money, spend it quickly and then they leave again”.

Still, he considers it a positive development that those who emigrate send money to their families in San Martín for the purchase of

their own land, as it contributes to food security and the possibilities of expanding production.

A priority: our daily bread

Proposal from the Mesoamerican Trade, Integration and Sustainable Development Initiative (CID)

When it comes to the trade opening with the United States, Central American farmers are at a clear disadvantage. This would hinder their making any profits. Ideally, therefore, they should be accorded preferential treatment, as it is difficult for them to compete as equals, given that their productive systems are less developed.

Countries in Central America should maintain policies that promote food security, employment and rural development, while producing food for both the domestic and foreign markets. The Free Trade negotiations with the United States should take for their starting point the establishment of an agricultural foods policy whose long term objective should be to further rural development.

For this reason we propose to exclude from tariff reduction processes those commodities and products that are sensitive and of the highest interest to the population.

There are many small and medium producers who sell only on the domestic market, but their activity is important because besides creating jobs, they offer products to the population that have a nutritional value at accessible prices.

We demand they be protected because their enterprises provide employment, are part of the productive chain and contribute to the food security of all Central Americans.

In the Free Trade Agreements the various Central American countries negotiated bilaterally with Mexico, some agricultural products were excluded, but based on criteria such as the influence and interests of sectors holding monopolies. But now it is necessary to design compensation and complementarity proposals for the agricultural sector.

The most successful economic integration processes over the past few decades have demonstrated that, in good measure, success has come in the wake of the establishment of institutional mechanisms that promoted technology transfer and the mobilisation of resources from the more developed countries toward the less developed ones in the same economic block.

Thus countries initially at a disadvantage were able to adjust to the rigours of competition (as occurred in the European Union, where less developed countries such as Spain, Portugal and Ireland received such support).

A FTA with the United States, one of the most protected and powerful economies in the world, must include a broad programme of complementary policies that also involves international co-operation in general.

Additional proposals

In the region's agricultural productive structure there are essentially two types of agriculture. One is for subsistence or "self-consumption" purposes, and is widely used by the poor population living in rural areas. The other is traditional agriculture, and these include small, medium and large farmers who produce surplus products to be sold on the local, national, regional and international markets.

There are many small and medium producers who sell only on the domestic market, but their activity is important because besides creating jobs, they offer products to the population that have a nutritional value at accessible prices.

If producers can get money by which to add value to their products, they will increase job stability and the capacity for consumption in Central America.

For this type of agriculture and producers we propose to establish a “green fund” or “development fund” that would include a set of programmes and measures. Among these measures is the channelling of financial resources that would allow for the reorganisation and modernisation of the agricultural foods sector; technological and entrepreneurial updating; substantial improvements in the training of the workforce; the development of financial markets; the strengthening of public and private capacity at institutions linked to the sector; and substantial improvements in the productive and social infrastructure, as well as its territorial decentralisation.

Customs Union

The creation of a Customs Union in Central America will demand the co-ordination of agricultural and foreign trade policies in the area. Central America needs a common strategic objective in the negotiations that is geared toward promoting a Central American Agricultural Policy that ensures food security and sovereignty, competitiveness in the regional agricultural foods sector, and open participation by the private sector and small and medium enterprises. It is important to improve and update plant and animal health measures for those agricultural and livestock products that pose the greatest health risk. This implies putting into practice technical norms regarding quality and labelling for fresh and refrigerated agricultural and livestock products. This will help to defend the marketing and consumption of agricultural products originating in the region vis-à-vis unfair competition with similar commodities that are of inferior quality and/or include raw materials that have been genetically modified. We request there be an increase in tariffs for a list of products, until they reach an equal level throughout Central America. This is possible if there is regional capacity to supply agricultural and livestock products. Tariffs would be lowered in a co-ordinated and harmonised manner when dealing with raw materials or inputs to agricultural production that are running scarce in the region. Central

If producers can get the money by which to produce with added value, they will increase job stability and thereby the capacity for consumption in Central America.

The region needs co-operation programmes to expand the production intended for the Latin ethnic market in the United States, where millions of Central Americans will be able to buy commodities from their countries of origin, such as cheese, beans or maize tortillas.

America requires co-operation programmes to expand the production intended for the Latin ethnic market in the United States, where millions of Central Americans will be able to buy commodities from their countries of origin, such as cheese, beans or maize tortillas. We propose the establishment, development and management of a single market in which commodities move about freely. This can only be done within the framework of a Customs Union operating under common standards for the administration of foreign trade at its regional borders. This is the only way in which to create a common trade policy and implement an integral economic development policy that would promote a common agricultural market and further the co-ordination of economic and monetary policies. Customs must apply uniform control systems and gather reliable trade statistics. As integration evolves toward a Customs Union and becomes a single market, all internal economic borders between member states would be abolished, and controls would exist only at the region’s external borders.

To have in place a harmonised and efficient customs control system is of fundamental importance because usually there is no “second chance” for stopping fraudulent commercial practices. The region’s external borders are the only possibility for intervention between the point of entry and the final destination of the imported commodity.

The birthplace of maize, now imports maize

In Guatemala maize has been displaced in the market and in production, due to the high levels of maize imports, mostly from the United States.

By Jill Replogle, Inforpress Centroamericana

Adelino Pérez Díaz, farmer and representative of the Quetzaltepeque Sustainable Integrated Development Association (ADISQUE) in the province of Chiquimula, says that at the FTA negotiations the producer's opinions are not taken into account, as a result of which farmers will most likely lose out. Uncertainty is growing among farmers because this time negotiations are with a country that grants large subsidies to its agricultural sector and refuses to eliminate them.

Central American production is in no position to compete with the United States as a result of these subsidies, comments Adelino.

He says that to date he lacks information on how the negotiations are going, and thinks that producers will depend upon the standards and norms agreed to in the negotiations.

However, long before the CAFTA negotiations began, producers had felt the effects of the trade opening with the United States. One of the main agricultural products, maize, has been displaced in the market and in production, due mainly to high levels of imported maize.

Foreign maize

In 1994 Guatemala was importing 22.8 million dollars worth of maize from the US. These imports increased and accelerated over the next few years, until it had more than tripled by 2002, when it reached 72.1 million dollars, according to Bank of Guatemala (BANGUAT) reports. During the years studied, the balance of trade has been favourable to the US by 366 million dollars.

A number of analysts have agreed that the flood of maize imported to Guatemala is the outcome of US food security policy, where subsidies to farmers cause surpluses. Once supply is covered, that which is "left over" is exported to other countries, including Central America, at low prices.

Adelino says it is important that people deal with the maize issue and the imports situation, because "if we don't say how much Guatemalans produce, then more maize will be imported from other sources, and this causes our small producers to sell at low prices, while costs remain high, because they always use chemical products, and these never drop in price, they only go up."

During the 2001/2002 agricultural cycle the amount of maize imported from the USA was of 11 million hundredweights, almost

Hunger is a scourge

In 102 of the 331 municipalities in Guatemala, the population suffers from severe malnutrition. There are more than 149,000 children with extreme malnutrition, 15,000 of which are at risk of dying of starvation. "We don't have food for our kids .. Just these tortillas and sometimes cornmeal gruel, that is all we can give them", repeat the mothers in the municipalities of Jocotán, Camotán and Olopa, in Chiquimula province, where hunger has hit hardest.

There, as the dry season advances, the risk of dying from starvation increases for thousands of people. "The famine is real", wrote the Prensa Libre newspaper a few months back, pointing out that Guatemala is a country in which there is great poverty despite its wealth in resources. It is a country of 11 million inhabitants "in which no one should die of hunger."

half the production of Guatemala. "I don't know what all this maize is used for, but I think it is used by agribusinesses such as MASECA, which makes tortillas and other maize products, and that is what people buy. Maybe it's because they think that imported products are better, but people should know

that these commercial tortillas are not the

Maize Comes First!

For the Central American population, and the campesinos in particular, the consumption of maize is of primary importance, as it is a cultural tradition fraught with religious significance. Mexico and Central America will have to produce 14 million tonnes of maize by the year 2020.

Thus Nicaragua will have to move from the present 283,000 tonnes per year to 582,000 tonnes; Guatemala must produce 2,2 million tonnes, doubling its present production of 1,1 million; El Salvador must increase production from today's 604,000 tonnes to 1,1 million; and Honduras will have to produce 1,2 million tonnes, up from 653,000.

same thing as eating a tortilla made of real maize. This MASECA flour doesn't have its process in the soil, although it has quality. The tradition of people growing their own natural maize is of itself valuable."

It has been proven that despite the high import rate, the amount of maize produced in Guatemala is sufficient for the consumption of its population, and even to help cover demand in other Central American countries.

Intermediaries call the shots

Price is another of the factors that influence maize production and trade. The value of a hundredweight fluctuates between five and seven dollars. According to Adelino, the lack of clarity regarding prices has to do

Yellow maize and white maize

No tariff negotiation for these products should be negotiated if the domestic subsidy system in the United States is not eliminated. We demand the identification and labelling of genetically modified maize. The United States subsidises one third of the costs of production for each metric tonne of maize harvested by its farmers.

with the intermediaries who set them.

Producers are at their mercy, and must sell so as to pay their credits or any other debts. They therefore sell their maize, and at that moment it is the intermediary who sets the market price, because he now has the maize. This is a problem that exists because there is no regulating entity.

One of the weaknesses of Guatemalan farmers is the lack of organisation to sell directly to other companies, thus avoiding that intermediaries should pocket a good part of the profits.

"I don't know what all this maize is used for, but I think it is used by agribusinesses such as MASECA, which makes tortillas and other maize products, and that is what people buy. Maybe it's because they think that imported products are better, but people should know that these commercial tortillas are not the same thing as eating a tortilla made of real maize. This MASECA flour doesn't have its process in the soil, although it has quality. The tradition of people growing their own natural maize is of itself valuable."

Another problem is related to the reduction of the harvested product. During the 1987/88 agricultural cycle the amount of maize harvested in Guatemala was of 26.4 million hundredweights, while by the 2001/2002 period it had been reduced to 22.9 million hundredweights, a 13.4 % reduction over this fourteen-year time span.

Adelino says that over the past two years many farmers have stopped growing maize for sale and limit themselves to planting enough for self-consumption. They continue to become ever more impoverished, because from their harvest they get enough for daily consumption, but must also buy other things that do not come from the land: "This leaves them even poorer," he concluded.

"If we don't say how much [maize] Guatemalans produce, then more maize will be imported from other sources, and this causes our small producers to sell at low prices, while costs remain high, because they always use chemical

products, and these never drop in price, they only go up"

Abel fears that the US will send us too much milk

The Costa Ricans signed an FTA with Mexico and have experienced difficulties introducing milk to that country

By Elí Josué Bravo, Costa Rica

Abel Víquez is a 43-year-old dairy farmer in the province of Alajuela. He sells his product to the Dos Pinos company, one of the largest firms in Costa Rica. On his eighteen manzana farm Víquez has fifty cows, of which 23 produce milk. The farm belongs to eight brothers and was acquired “by the sweat of our brows”, as he puts it. Since he was a boy Víquez has been involved in the production and marketing of milk. He began by selling at the Alajuela market, but when business went sour a year ago, he decided to buy five shares of the Dos Pinos company and “improve our standard of living”.

Working with him is a young farmhand from León, Nicaragua. Víquez doesn't know what his fate will be once the Free Trade Agreement is signed. But he has fresh in his mind the difficulties faced by Costa Rica to introduce milk and its by-products to Mexico since 2002, when the two countries signed a Free Trade Agreement.

How is milk production coming along in Costa Rica?

Right now dairy farming is safer than many other products, such as coffee and sugar cane, for example.

When is the best season for production and marketing?

It depends. The dry season crisis is now behind us. This year the rains came early, pastures are greening, and we are moving into a period of high production. During the rainy season we produce about 400 litres of milk per day, up from 300 litres when the weather is dry.

What benefits do you get from Dos Pinos?

Besides marketing milk in a secure market, the company provides us with cheaper inputs, credits and technical assistance. In return we must produce quality milk.

At what price do you sell a litre of milk?

It can be sold two ways, what we call committed and uncommitted milk. The committed milk we sell at 110 colones (USD 0.27) per litre, while uncommitted milk goes for 83 colones (USD 0.21). With my five shares in the Dos Pinos cooperative, the minimum they demand is 1,400 litres of milk per week. That is committed milk. The rest is sold as uncommitted milk.

How much do you invest and what do you make?

I don't quantify what I invest and what I make. My income helps me to keep the farm going, I can feed the herd and my family, it isn't very much.

What do you know about the Free Trade Agreement between Central America and the United States?

Just what I've heard in the media, some opinions in favour, others against. I read a magazine published by the Chamber of Dairy Farmers and I see they are negotiating to protect the sector. As far as I know, to compete you need to have quality and be efficient in milk production.

How are you doing in Costa Rica, compared to the other countries?

A little better off in this field. I've been told that in Nicaragua, Honduras and Guatemala they've advanced in dairy production, but are not as technified as we are. In this regard Dos Pinos has helped us.

What do your dairy farmer colleagues think of the negotiations?

Some of us believe that the United States can't pour milk into the country. Given the proportion of inhabitants, it is more likely we will be exporting milk to the US.

Are you afraid?

We've had one bad experience, which was the difficulty Dos Pinos encountered trying to export milk to Mexico. What I've seen is that now some Mexican veterinary products are available here.

Could the same thing happen as regards the USA?

Nobody knows. I don't understand what the problem was with Mexico. We can only compete by way of producing quality milk.

What results do you expect?

I don't know what my future will be like with the FTA. I hope to God we fare well, but I have my reservations. I think that if negotiations are equitable, we will be able to compete. Here in Costa Rica we have very good genetic quality and other aspects we haven't exploited yet. There is a negative attitude in agriculture generally, but I really don't know if the Agreement will benefit us.

What would happen if Central American milk is not protected?

That would be worrisome. If they are subsidised and we are not, they'd be at an advantage and we could lose out. I hope the negotiations are fair.

Dairy Products

We request that the trade preferences granted by the United States through the Caribbean Basin Initiative (CBI) and the General System of Preferences (GSP) be consolidated.

Dairy products should be excluded from the market access programme as long as the internal support and subsidy system for US exports continues. State transfers to the dairy sector in the US for the year 2000 were worth 50% of the total value of production.

A tough fight lies ahead

According to official figures, the cattle herd in Costa Rica has 300,000 animals. The dairy industry processes 1.1 million litres of milk per day. Further, dairy farmers produce one million litres of milk more per day that are sold unprocessed in rural areas or used for artisanal cheese and cream production in small plants in the towns.

Erick Montero, executive director of the National Chamber of Milk Producers says that it is important that Costa Rica should defend its market. During the first quarter of 2003 Costa Rica exported approximately five million dollars worth of fluid milk and its by-products, while importing over one million dollars worth of dairy products, mainly from Nicaragua and Panama.

Coffee and artisanal fishing offer employment and environmental protection

Other products that require protection in the trade negotiations with the United States are coffee, artisanal fishery and grain sorghum or millet, as it is known in some countries in Central America.

Coffee growers need access to speciality coffee markets, while artisanal fisheries can grow in production and trade without adversely affecting the environment. Millet is a grain that could solve nutritional problems for millions of small farmers in Central America.

Among the traditional exports that are generally produced throughout the region, coffee is the one generating most employment, while causing the least amount of damage to natural resources.

Aquiculture

The Central American governments must seek special and differentiated treatment for fishery and aquiculture products that have been harvested or raised without causing environmental damage, so these can be introduced to new markets.

The countries in Central America, and El Salvador in particular, could take advantage of the context to provide incentives for the production and trade of “ecological” fishery products (those harvested or raised in a manner friendly to the environment during the various phases of fishing and farming).

However, it will be necessary to create a certification scheme (a specific eco-certificate for fishery and aquiculture products), so they can enter green markets in the US without further difficulty.

In El Salvador coffee production represents 40% of the value added that is generated in the agricultural sector. In Guatemala and Nicaragua coffee fluctuates from 25% to 30% of the overall value of agricultural production. In Costa Rica, where this rate of participation is falling, it still accounts for approximately one-fifth of the country’s agricultural production. As for Honduras, coffee increased its relative importance in the national agricultural sector during the latter half of the nineties, and at one point reached one half of the gross value of agricultural production.

In Central America coffee-related activities generate 1,43 million jobs, or 24.7% of the economically active population (EAP) in rural areas, while 291,000 coffee growers, most of which are small, depend upon this activity that ranges across 893,000 ha.

Central America applies a 15% tariff on the entry of coffee in its different forms (green parchment, toasted grains, toasted and ground). It is therefore suggested that Central America present a unified position to eliminate tariffs in fifteen years, considering that an immediate or short-term tariff reduction would adversely affect the toasted coffee industry.

Maize - Guatemala

	Period		2003 p/
Population (in millions)			12.29
Gross National Product			24,420
Net Reserves	Feb 03	2,431	2,150
Exports FOB	Jan 02/Dec 02	2,228	2,450
Imports CIF	Jan 02/Dec 02	6,078	6,400
Trade Balance	Jan 02/Dec 02	-3,850	-3,950
Foreign Debt	Jan 03	3,036	3,300
Fiscal Balance (% GNP)			-2,00%
Accumulated Inflation	Dec 02/Feb 03	1.89%	7.50%

Rice - El Salvador

	Period		2003 p/
Population (in millions)			6.73
Gross National Product			15,030
Net Reserves	Feb 03	1,666	1,700
Exports FOB	Feb 03	507	3,100
Imports CIF	Feb 03	879	5,220
Trade Balance	Feb 03	-372	-2,120
Foreign Debt	Jan 03	3,972	3,800
Accumulated Inflation	Dec 02/Feb 03	1.40%	2.50%

Milk - Costa Rica

	Period		2003 p/
Population (in millions)			4.10
Gross National Product			17,410
Net Reserves	Feb 03	1,749.90	1,350
Exports FOB	Jan 03/Feb 02	970	5,450
Imports CIF	Jan 02/Feb 02	1,282	7,100
Trade Balance	Jan 03/Feb 02	-312	-1,650
Foreign Debt			4,100
Fiscal Balance (% GNP)			-3,10%
Accumulated Inflation	Dec 02/Feb 03	1.47%	10%

Beans - Nicaragua

	Period		2003 p/
Population (in millions)			5.51
Gross National Product			2,560
Net Reserves	Mar 26/03	251.50	340
Exports FOB	Jan 02/Dic 02	605	660
Imports CIF	Jan 02/Dec 02	1620.40	1,770
Trade Balance	Jan 02/Dic 02	-1,015.40	-1,170
Foreign Debt	Dec 02	6,362.60	6,350
Accumulated Inflation	Dec 02/Feb 03	2.43%	6%

Source: World Bank projections for 2003