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## MEXICO

# Mexican chili farmers feel sting of low prices

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MANALISCO, Mexico - They used to say here that if a man is wearing a new wide-brimmed hat, he's either a drug trafficker or a chili farmer.

Roberto Gonzalez's sombrero has gathered a decade's worth of grime since he gave up chili farming. Covered with dust from mixing mortar in his construction job, he swears repeatedly about the global market forces that drove him from his "good, honest living" in agriculture.

Gonzalez, 65, is among the thousands of farmers who have stopped producing dried peppers in recent years as one of this nation's most emblematic agricultural traditions has faltered.

The problem? Fierce international competition that began in the late 1990s when peppers from China appeared at the central market in Guadalajara, about 90 miles away.

The Mexican cooking staple from across the Pacific retailed for a fraction of Gonzalez's wholesale price.

The trickle soon became a flood. Between 50 percent and 80 percent of the dried peppers now sold in Mexico are imported, according to wholesalers and analysts.

Abroad, Mexico is losing market share as its top customer for peppers, the United States, increasingly is looking to China -- and recently Peru, Chile and parts of Africa -- to meet demand. India long has been the top U.S. chili provider but also is seeing its piece of the American pie shrink due to Chinese competition.

Spice-crazy Mexico, where demand for dried chilies has outpaced the country's ability to produce them for years, had time enough to see it coming.

Chili farmers used to be as rich as *narcotraficantes* because their product was bought and sold like contraband, said Andres Siordia, 51, a retailer at the market in Guadalajara.

"If you wanted two or three sacks, they'd sell you only one," said Siordia, standing between two bins of nearly identical dried chilies.

One had deep-red *chiles de arbol* from the Manalisco region at 60 pesos per kilogram. The other had the slightly paler Chinese chilies for half the price.

"If it wasn't for the Chinese chilies, the Mexican chilies would cost 120 pesos" per kilogram, he said.

Mexico also has failed to take advantage of soaring demand in the United States.

## DRIED MARKET SHARE

Total imports of dried chilies to the United States have doubled in 10 years, according to U.S. government statistics. But Mexico's share of the U.S. import market for a peppers category that includes *chile de arbol* fell to 16.1 percent in 2004 from 32.5 percent in 1999.

Tim Bolner, production manager for San Antonio-based Bolner's Fiesta Products, is one buyer who has changed allegiances. Ten years ago, he bought about 80 percent of his dried peppers from Mexico, he said.

Now he estimates only 20 percent of his chilies are Mexican.

Bolner blamed erratic supply south of the border.

"When there's any kind of shortage in Mexico, their Mexican market price goes up to absurdly high levels," he said. "They've made a huge vacuum in the last 10 years for the rest of the world to get into those items."

This year, chili prices in Mexico have skyrocketed again due to low production. The high prices drove away customers at Rudy Fernandez Produce in San Antonio, which stocks six varieties of dried chilies.

"People are not using it that much because it is too expensive," said owner Rudy Fernandez, adding he so far has resisted offers to buy cheaper peppers elsewhere.

Mexico maintains an advantage over other chili-producing countries in raising numerous kinds of specialized dried peppers such as the *chile ancho*, or Anaheim pepper, a sweet pepper used in mole sauces. Mexico dominates world production and accounts for 99 percent of U.S. imports.

But a glance at chili bins in Mexican markets suggests the rest of the world wants a piece of the action.

### **SPECIALTY IMPORTS**

For the first time, Chinese imports that resemble Mexico's mirasol pepper, also used in mole dishes, showed up at Guadalajara's central market this year, vendor Siordia said. He sells the pepper for about half its Mexican equivalent. Anaheim peppers from Peru also appeared last month, wholesaling for about 30 percent less than its Mexican-grown counterpart.

Some of the packaged chile ancho sold in Mexican Wal-Marts is from Peru.

But Mexico's biggest concern is China and its dirt-cheap labor force.

China's revaluation of the yuan on July 21 will increase the price of Chinese chilies, though not enough to have a major impact.

James Libbin, an agricultural economist from New Mexico State University in Las Cruces, N.M., said Mexico will have to tackle foreign competition head-on by mechanizing its labor-intensive chili industry. A combination of mechanization and cheap labor is what has made South American chili production viable, he said.

In Mexico, each hectare (2.5 acres) of chilies needs 275 days of labor per production cycle, according to Gochicoa -- and labor is exponentially more expensive in Mexico than in China.

"How can you compete with a country that's paying its labor less than a dollar a day?" Libbin said. "And, in the long run, you can't. But of course that won't last, either. Just as in Mexico . . . folks find better alternatives, they leave the fields. That'll happen in China and India and Peru, as well. But in the meantime, it sure hurts."