

Agriculture by Marcia Merry

Mexico's 'Milk Valley' being destroyed

The global economic crisis is undercutting Mexican food output potential.

The slaughtering of thousands of prime Mexican milk cows in the last 11 months exemplifies the process of shutdown of food output potential in the nation, to a degree that not only guarantees malnutrition, but will take years to reverse under the best agricultural policies. At the end of 1985, Mexican national milk output was about 12.5 million liters a day, and now production is down to 7.4 million liters a day and falling.

The dairy sector of the Mexican economy has been hit hard by the recent years of harsh terms imposed by the International Monetary Fund: 100-plus percent hikes in prices for electricity, veterinary vaccines, imported breeding stock, forage, and other inputs. Nevertheless, dairy operations in certain regions, like the Lagunera district, boasted fine, high-producing Holstein herds. They are now being destroyed.

The "Milk Valley" is located at the southern tip of the state of Coahuila, and is famous for its advanced, mechanized agricultural methods. But in early December, the daily *El Sol de Mexico* wrote the headline: "The Most Important Milk Valley in the Country Is Being Wiped Out." Just this year, 250,000 milk cows have been sent to slaughter, leaving only 80,000. This dairy center took 38 years to develop, up from the desert.

Even the specially bred imported animals—the high-yielding Holsteins—are being sacrificed for meat, so that the dairymen can raise a little cash to feed their remaining, shrinking milk herds. The capital investment of an estimated 1.44 trillion pesos in the animal inventory is slowly vanish-

ing. Since milk production has accounted for about 30% of the total income of the region, the shutdown is devastating for the regional economy, as well as for the national food supply.

The immediate cause of the herd liquidation is the fact that the costs of production per liter of milk are running at well over 400 pesos, while the price the producer receives is about 300 pesos per liter.

The president of the Regional Cattlemen's Union of Laguna, Tomas López Alonso, says, "It is not serious, it is super-serious." He reports that if the federal government does not do anything to assist the dairymen, there will be nothing for them to do but go bankrupt. He stresses that the government-arranged imports of powdered milk—which he doubts are truly milk—cannot go on for long, because the United States and Europe are liquidating their stocks as well.

López expressed the motivations of his fellow cattlemen in calling for emergency federal intervention. "They need to recognize reality. . . . We are in this activity because we like cows, because they are generous, because we love them, because we want to produce such a basic and indispensable foodstuff such as milk; but it seems that efficiency is being punished, effort is being penalized. The milk producers are not looking for large profits, only what is just and necessary to subsist. We don't speculate with our investments in the countryside; we invest to support the production of food for our people."

All sizes of milk-producing operations have been hard hit, and are shutting down or cutting back drasti-

cally. There are 150 small producers ready to go bankrupt right now. Typical is the case of Rogelio Jara. He has invested 250 million pesos in his dairy barn operation. In a vain attempt to maintain some level of production, he has sent 300 of his 500-animal herd to slaughter, but he still cannot meet expenses.

At the "La Fortuna" ranch, only the name remains. Its owner, J. Guadalupe Hernández González, had to sell his assets in the Laguna cooperative, for lack of money to maintain his 3,000-animal dairy herd. One of his sons, a young engineer named Pedro Hernández, told *El Sol* newspaper: "The situation is very difficult, because every month, if not every week, the price of inputs increases, the fertilizers, electricity rates, fuel and labor, not to mention medicines, hay, and forage."

In milking equipment alone, the senior Hernández, and five of his sons who help in the milk business, have an investment greater than 100 million pesos. Because of the recent months of runaway inflation, and the price of milk below production, the Hernández operation is sinking deep into the red. In early December, according to Pedro Hernández, "We had to send 30 cows to slaughter. We had no money to pay the electricity bill for the well-pumps. . . . We had no other choice. We are being decapitalized. The price of 300 pesos per liter will finish us off. If we simply want to repair the equipment in the barn, it will not be possible. The prices of machinery and equipment are unattainable."

Added to this is the onset of winter, which the marginalized farms cannot weather. Freezing temperatures of 6°F below zero are forecast for the end of December, according to the National Weather Institute of California. This will aggravate the scarcity of forage and hay.