

The Open Road *for Mexico's Flowers*

Safety concerns are keeping cross-border trucking in a state of limbo as the United States and Mexico navigate the curves in this political battle. The real question is, will opening U.S. highways to Mexican trucks affect the U.S. floriculture industry?

By Beth Meneghini



How many trucks does it take to deliver a rose? If that rose is from Mexico, it could take quite a few.

Mexican carriers, of flowers, fruit and any other cargo coming into the States, were scheduled to have full access to U.S. highways as of January 2000 under terms of the North American Free Trade Agreement (NAFTA).

However, Mexican trucks are still currently confined to border zones in which freight must be transferred to U.S. haulers for state-side delivery.

Under existing provisions, Mexican trucks are allowed to bring goods just 20 miles into the United States. Material is then transferred to a U.S. carrier to reach its final destination.

"We currently get floral product from Mexico," said Bob Echter of Dramm and Echter, a cut flower grower in Encinitas, Calif. "And the system in place now seems to be working just fine for us. I don't know how NAFTA compliance would immediately affect our business. But I'm guessing it would impact floral transportation, which would ultimately mean change for the floriculture industry."

Echter sums up the feeling of many growers — they are aware of the issue, but aren't quite sure how it will affect their business.

Even industry groups like the Society of American Florists (SAF) and the American Nursery and Landscape Association (ANLA) don't have a clear position statement on the issue.

"We're definitely keeping tabs on what is happening," said Drew Gruenberg, senior vice president of SAF. "Growers we represent could very well be affected by a change from the current status of trade with Mexico, but we're just not sure yet. It hasn't really bubbled to the surface."

A LITTLE HISTORY

Despite the trucking provisions originally outlined in NAFTA, President Bill Clinton instituted a moratorium in 1995 prohibiting Mexican truckers from traveling more than 20 miles into U.S. territory. But in February 2001, a NAFTA arbitration panel ruled that the United States must end its current moratorium on considering Mexican applications for cross-border trucking privileges.

The NAFTA panel ruled that the United States is violating the trade pact and could be forced to pay compensation to Mexico in the form of higher tariffs on goods or services going south of the border. Or, the United States could simply be fined for its violation of the agreement, a lump sum estimated at \$2 billion a year.

The possibly hefty fines haven't swayed the House of Representatives, which recently voted against opening the domestic market to Mexican truckers because of safety concerns. As U.S. Rep. David Obey of Wisconsin put it, "NAFTA is a trade pact. It is not a suicide pact."

THE HEAVY

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More than 90 percent of Mexico's flower exports went to the United States last year, accounting for more than \$25 million in flowers.

- a driver's licensing module with driver licensing data; and
- a safety module with accident, infraction and inspection data.

U.S. union leaders also contend that "whatever sanctions the United States may face as a result (of violating NAFTA) will be a small cost to protect American lives on our highways."

U.S. growers and industry groups are understandably apprehensive with the safety record of Mexican commercial carriers, and many fear increased floral prices as a result of uninsured carriers or increases in the number of accidents on U.S. highways.

"Clearly, the safety concerns should be addressed in a holistic way," said Craig Regelbrugge, senior director of government relations for the ANLA. "The important thing is to ensure that U.S. growers, nurserymen and floral transporters do not suffer any kind of backlash because of lowered standards for Mexican carriers."

MEXICAN POTENTIAL

Mexican commercial flower production is a relatively new economic activity for the country that has grown explosively over the past few years. Flowers are now one of Mexico's largest exports into the United States. Mexico produces flowers on more than 12,000 acres of mostly open fields, and after The Netherlands, has the world's second-highest yield in millions of stems per acre.

The United States imported more than \$25 million in flowers from Mexico last year, which accounted for more than 90 percent of Mexico's flower exports. Roses and carnations make up the bulk of exports, although modest amounts of anthurium, dendrobium and other orchid types are also exported. With its suitable climate and geography, and a large and low-cost labor force, Mexico is only beginning to realize its potential as a flower exporter.

However, Mexican floriculture is not yet in direct competition with U.S. floriculture.

"Because of the stringent phytosanitary and quarantine laws currently in place, much of Mexico's floral product is restricted from moving into the United States because of the potential of importing pests in the soil," said Regelbrugge.

Although Mexico does not compete in the bedding plant arena, the potential for cut flower competition does exist. As Mexico's fields are ◆

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THE OTHER SIDE OF THE STREET

"We fully support the trucking provisions," says a spokesman for the American Trucking Associations. "We do insist on is that the trucks and drivers operating in the U.S. meet the U.S. safety standards. Mexican trucks can't operate in this country. It is as simple as that."

According to Mexico's Office of the Secretary of Trade Negotiations, the safety of Mexican trucks is a major issue. In a recent study, more than half of Mexican trucks failed inspection. In three states, more than half didn't make the grade. Many analysts predict that Mexican trucks will shortly fall to one in five.

Mexico is also in the process of developing new inspection standards, as well as regulations regarding drug and alcohol testing — a process that implementing these changes has been cumbersome.

Mexican officials also point out that skewing the market toward short-haul Mexican trucks, which is the case in Mexico, where Mexican long-haul trucks bring goods to the border.

Goods are then transferred to a Mexican truck. Mexican trucks are only allowed to transport goods for a short distance. Goods are again transferred once inspection is complete to long-haul trucks. And that's the best-case scenario. In many cases, companies involved, flowers and other goods, may have to make up to five transfers to reach their destination.

If Mexican trucks were allowed to transport goods directly to the U.S., Mexican trucking companies would utilize a fleet of trucks considered to be newer and more road-worthy.

THE ROAD GOES BOTH WAYS

What many in this debate fail to mention is that if the market were opened to Mexican trucks, the competition would be fierce. Under current law, U.S. trucks are not allowed to transport goods on Mexican highways. U.S. trucking companies are not allowed from full access to Mexican highways. Mexican trucking companies oppose lifting the restrictions, fearing that U.S. companies would end up dominating the Mexican long-haul market.

"If the NAFTA trucking provisions are lifted, the U.S. trucking economy or trucking competition will suffer," says a spokesman. "U.S. carriers don't have the size or financial capabilities to compete in Mexico. In the States. If anything, U.S. carriers and exporters would benefit. There are 2.5 million trucks in America. Mexico has only 1 million. In many instances, most Mexican carriers will not have the resources to compete."

THE LONG ROAD FOR ROSE

Cross-border trucking may turn out to be a double-edged sword for U.S. growers and floral transporters. A truck at the border raises retail prices and creates paralyzing congestion at the border. However, NAFTA may mean lower prices on Mexican goods, which could mean faster delivery in the just-in-time flower chain.

On the other hand, safety is still a concern. "We have promised to meet U.S. standards, and we will," says a spokesman for trucking companies. "We will believe it when we see it."

As the debate over cross-border trucking continues, growers can do is to remain alert and active in the process.

"The key right now with this issue is to keep it on the radar screen. If we keep this on the radar screen, we'll be able to see the effects as they happen," said Gruenberg.

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