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Mexican marijuana farmers see profits tumble as U.S. loosens laws



This farmer in western Mexico says he began growing marijuana when he was a teenager. He says this will be his last crop. (Deborah Bonello / For The Times)

By **Deborah Bonello**

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He started growing marijuana as a teenager and for four decades earned a modest living from his tiny plot tucked at the base of these rugged mountains of western Mexico.

He proudly shows off his illegal plants, waist-high and fragrant, strategically hidden from view by rows of corn and nearly ready to be harvested.

"I've always liked this business, producing marijuana," the 50-year-old farmer said wistfully. He had decided that this season's crop would be his last.

The reason: free-market economics.

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The loosening of marijuana laws across much of the United States has increased competition from growers north of the border, apparently enough to drive down prices paid to Mexican farmers. Small-scale growers here in the state of Sinaloa, one of the country's biggest production areas, said that over

the last four years the amount they receive per kilogram has fallen from \$100 to \$30.

The price decline appears to have led to reduced marijuana production in Mexico and a drop in trafficking to the U.S., according to officials on both sides of the border and available data.

"People don't want to abandon their illicit crops, but more and more they are realizing that it is no longer good business," said Juan Guerra, the state's agriculture secretary.

For decades, the U.S. and Mexican governments looked for ways to reduce marijuana cultivation. They paid farmers to grow legal crops or periodically sent Mexican soldiers to seek out and eradicate drug fields.

But those efforts failed, because marijuana was still more profitable than the alternatives.

As recently as 2008, Mexico was providing as much as two-thirds of the marijuana consumed in the U.S. each year, said Beau Kilmer, co-director of the Drug Policy Research Center at the Rand Corp. think tank.

U.S. growers, however, have been spurred on by the increasing number of states that have lifted restrictions on the drug.

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In 1996, California, the nation's biggest producer, became the first state to legalize it for medical purposes. Twenty-two states have followed suit over the last two decades. Alaska, Colorado, Oregon and Washington have also allowed cultivation and sale for recreational use.

Though federal law still criminalizes production and possession, the U.S. Justice Department has backed off its enforcement efforts when they clash with state law.

The relaxed legal environment has upended the old business model.

"Changes on the other side of the border are making marijuana less profitable for organizations like the Cartel de Sinaloa," said Antonio Mazzitelli, the representative in Mexico for the United Nations Office on Drugs and Crime.

Although Mexico remains a major supplier of marijuana to the U.S., its market share is thought to have declined significantly. Alejandro Hope, a security and drug analyst in Mexico City, estimated that Mexican marijuana now accounts for less than a third of the total consumed in the U.S.

There is little reliable data on marijuana production in Mexico. But two key measures — how much is destroyed in the fields and how much is intercepted at the U.S. border — strongly suggest it has been in decline.

The Mexican government is on pace to eradicate about 12,000 acres this year, down from more than 44,000 in 2010, according to the Mexican attorney general's office.

U.S. Customs and Border Protection seized about 1,085 tons of marijuana at the border in 2014. In the previous four years, that figure hovered around 1,500 tons. Seizures are thought to represent a tiny fraction of the amount that gets successfully imported.

In addition, the number of U.S. arrests by federal agents involving foreign-grown marijuana dropped from 4,519 in 2010 to 2,367 in 2014, according to the U.S. Drug Enforcement Administration. The number involving domestically produced marijuana held relatively steady over that time with an average of 1,536 arrests per year.

U.S. and Mexican growers compete not only on price but also on quality. Legalization has expanded the market for more expensive specialty strains, which are more powerful than standard Mexican product because of a higher concentration of THC, the ingredient that delivers the high.

"Mexican marijuana is deemed lowest on the totem pole and very few people who consider themselves aficionados or connoisseurs would admit to smoking it," said Daniel Vinkovetsky, who writes under the name Danny Danko for High Times magazine. "It's typically brown, pressed tightly together for transport, and full of seeds."

"Access to better quality American cannabis has led many to turn their backs on imports from Mexico and beyond," he said.

Ethan Nadelmann, who runs Drug Policy Alliance, a nonprofit based in New York that promotes decriminalization of drugs, said he expects that Mexican exports of marijuana will continue to fall as legal cannabis proliferates. "More and more, the U.S. is going to grow marijuana here," he said.

From 2013 to 2014, the legal market grew from \$1.5 billion to \$2.7 billion, according to a report this year from the ArcView Group, a cannabis industry investment and research firm based in Oakland. Illegal sales are thought to be many times that.

The shifting market has forced small-scale marijuana farmers in Mexico to look for ways to supplement their incomes.

In remote Sinaloa, a 47-year-old farmer named Emilio tends four marijuana plots with his sons. He inherited the business from his father. Their municipality, Badiraguato, is famous for being the birthplace of Joaquin "El Chapo" Guzman, the world's most-wanted drug lord and head of the powerful Sinaloa cartel.

But there is little sign of the cartel's wealth in their village, official population 1,000, a two-hour drive from the main town square on a crumbling mountain road. Emilio never finished primary school and doesn't know how to read or write. His house has dirt floors. Like the other farmers interviewed for

this story, he spoke on condition that his full name not be published.

One of his neighbors, 55-year-old Efrain, said he stopped cultivating marijuana a few years ago and now supports his family as a day laborer. The middlemen who used to purchase his crop barely come around anymore.

"If someone comes to buy it here, they want it really cheap," he said.

But Emilio said he can't afford to give up on marijuana.

"Even though it's not really considered good business anymore here, there's nothing else to do," he said.

His wife and daughter work occasional shifts at a greenhouse where tomatoes are grown for commercial sale — part of a government project to give families a chance to leave the drug business. The work, sporadic and seasonal, pays about \$12 a day.

Guerra, the Sinaloa agriculture secretary, said the government has a responsibility to provide more as legalization sweeps the U.S.

The Mexican drug cartels are already adapting.

For one, they are moving to compete in the high-end marijuana market, according to the 2015 National Drug Threat Assessment produced by the DEA. "Law enforcement reporting indicates that Mexican cartels are attempting to produce higher-quality marijuana to keep up with U.S. demand for high-quality marijuana," it said.

In one of the more telling signs of how legalization has transformed the industry, the DEA has found instances of high-grade marijuana being smuggled from the U.S. into Mexico, an agency official said.

"I don't really have a sense of the amount or scale, but we have seen instances of it occurring," said the official, who was not authorized to speak publicly about the subject.

More significant, experts said, the cartels are likely to shift resources away from marijuana toward other drugs that are illegal in the U.S., including heroin, methamphetamine and cocaine. A 2010 Rand study estimated that marijuana accounted for 15% to 26% of cartel revenues.

Emilio already farms a few patches of poppies used to produce heroin.

They are a more labor-intensive crop than marijuana and require more water and a bigger investment upfront. "Poppy takes longer," he said. "And if you neglect it, the crop is useless."

But it may be a safer bet than marijuana: High demand for heroin in the U.S. has been driving up prices, and there is little chance it will be legal any time soon.