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Cartels Face an Economic Battle

U.S. Marijuana Growers Cutting Into Profits of Mexican Traffickers

By [Steve Fainaru and William Booth](#)

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ARCATA, Calif. -- Stiff competition from thousands of mom-and-pop marijuana farmers in the United States threatens the bottom line for powerful Mexican drug organizations in a way that decades of arrests and seizures have not, according to law enforcement officials and pot growers in the United States and [Mexico](#).

Illicit pot production in the United States has been increasing steadily for decades. But recent changes in state laws that allow the use and cultivation of marijuana for medical purposes are giving U.S. growers a competitive advantage, challenging the traditional dominance of the Mexican traffickers, who once made brands such as Acapulco Gold the standard for quality.

Almost all of the marijuana consumed in the multibillion-dollar U.S. market once came from Mexico or Colombia. Now as much as half is produced domestically, often by small-scale operators who painstakingly tend greenhouses and indoor gardens to produce the more potent, and expensive, product that consumers now demand, according to authorities and marijuana dealers on both sides of the border.

The shifting economics of the marijuana trade have broad implications for Mexico's war against the drug cartels, suggesting that market forces, as much as law enforcement, can extract a heavy price from criminal organizations that have used the spectacular profits generated by pot sales to fuel the violence and corruption that plague the Mexican state.

While the trafficking of cocaine, heroin and methamphetamine is the main focus of U.S. law enforcement, it is marijuana that has long provided most of the revenue for Mexican drug cartels. More than 60 percent of the cartels' revenue -- \$8.6 billion out of \$13.8 billion in 2006 -- came from U.S. marijuana sales, according to the White House Office of National Drug Control Policy.

Now, to stay competitive, Mexican traffickers are changing their business model to improve their product and streamline delivery. Well-organized Mexican cartels have also moved to increasingly cultivate marijuana on public lands in the United States, according to the National Drug Intelligence Center and local authorities. This strategy gives the Mexicans direct access to U.S. markets, avoids the risk of seizure at the border and reduces transportation costs.

Unlike cocaine, which the traffickers must buy and transport from South America, driving up costs, marijuana has been especially lucrative for the cartels because they control the business all the way from clandestine fields in the Mexican mountains to the wholesale dealers in U.S. cities such as Washington.

"It's pure profit," said Jorge Chabat, an expert on the drug trade at the Center for Research and

Teaching in Economics in Mexico City.

The exact dimensions of the U.S. marijuana market are unknown. The 2007 National Survey on Drug Use and Health estimated that 14.4 million Americans age 12 and over had used marijuana in the past month. More than 10 percent of the U.S. population reported smoking pot once in the past year.

Mexico produced 35 million pounds of marijuana last year, according to government estimates. On a hidden hilltop field in Mexico's Sinaloa state, reachable by donkey, a pound of pot might earn a farmer \$25. The wholesale price for the same pound in Phoenix is \$550, and so the Mexican cartels could be selling \$20 billion worth of marijuana in the U.S. market each year.

"Marijuana created the drug trafficking organizations you see today. The founding families of the cartels got their start with pot. And marijuana remains a highly profitable business they will fight to protect," said Luis Astorga, a leading authority on the drug cartels at the National Autonomous University of Mexico, who grew up in Sinaloa in 1960s and recalls seeing major growers at social functions in the state capital, Culiacan.

Led by California, 13 U.S. states now permit some use of marijuana; Maryland is considering such a law. In many cities, marijuana is one of the lowest priorities for police.

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To some authorities, the new laws are essentially licenses to grow money. With a \$100 investment in enriched soil and nutrients, almost anyone can cultivate a plant that will produce two pounds of marijuana that can sell for \$9,000 in hundreds of medical marijuana clubs or on the street, according to growers.

High-end marijuana grown under such special conditions often fetches 10 times the price of poor-quality Mexican pot grown in abandoned cornfields and stored for months in damp conditions that erode its quality further.

"What's happened in the last five years, it's just gotten totally, totally out of hand, as far as a green rush of people coming from all kinds of different states and realizing the kind of money you can make," Jack Nelsen, commander of the Humboldt County Drug Task Force in Northern California. County residents who have a doctor's recommendation can legally grow as many as 99 plants.

Authorities found and destroyed about 8 million marijuana plants in the United States last year, compared with about 3 million plants in 2004. Asked to estimate how much of the overall marijuana crop was being caught in his area, Wayne Hanson, who heads the marijuana unit of the Humboldt County Sheriff's Office, said: "I would truthfully say we're lucky if we're getting 1 percent."

The Mexican traffickers' illegal use of public lands is a response to the dramatic increase in U.S. production, according to authorities and growers. In the northern woods of California, illegal immigrants hired by well-heeled Mexican "patrons," or bosses, lay miles of plastic pipe and install oscillating sprinkler systems for clandestine fields that produce a cheaper, faster-growing "commercial grade" of marijuana. Eric Sligh, the editor and publisher of Grow magazine in Northern California's Mendocino County, said the Mexicans use a fast-growing variety of marijuana and time their harvests to periods of low domestic production in the United States.

After establishing sophisticated farming networks in California, Washington and Oregon, the Mexican traffickers are shifting operations eastward to Michigan, Arkansas and North Carolina, federal agents say.

Like wily commodity traders, Mexican traffickers time their shipments to exploit growing cycles in the United States. They warehouse tons of pot south of the border to ship north during periods when demand peaks and domestic supplies are scarce, Mexican anti-narcotics officials said.

The traffickers are also engaged in an escalating race to achieve higher levels of tetrahydrocannabinol, or THC, the chemical ingredient that gives pot its potency. The THC content

of Mexican marijuana seized at the southwest border jumped from 4.8 percent in 2003 to 7.3 percent in 2007, according to U.S. officials. Those levels are still less than half that of the highly potent marijuana found in places such as Arcata, where THC content often tops 20 percent.

Although most Mexican marijuana is still grown outdoors, Mexican security forces have begun to discover greenhouse operations, similar to those found in the United States and Canada. A Mexican army unit on routine patrol in Sinaloa arrested two men in a greenhouse the size of an American football field with more than 20,000 marijuana plants inside. The greenhouse was equipped with modern, highly sophisticated refrigeration, heating and lighting systems.

In the national forests and public timberlands of Northern California, Mexican growers shoot at U.S. law enforcement agents with growing frequency and use fertilizers and pesticides that pollute watersheds and start fires. A 90,000-acre blaze in Southern California's Los Padres National Forest in August began on a marijuana farm run by Mexican traffickers, according to authorities. The fields are so inaccessible that helicopters are needed to insert agents, who cut the plants with pruning shears, machetes and even chain saws before airlifting them to be destroyed.

This season, five teams from the Bureau of Narcotic Enforcement in California have seized 4.2 million plants worth an estimated \$1.5 billion, a 576 percent jump since 2004.

Ralph Reyes, chief of operations for Mexico and Central America for the U.S. Drug Enforcement Administration, said intelligence suggests that the major cartels are directly behind much of the marijuana growth that is taking place on public lands. "The casual consumer in the U.S. -- the kid or adult that smokes a joint -- will never in their mind associate smoking that joint with the severing of people's heads in Mexico," he said.

But it has been difficult for U.S. authorities to prove the connection, partly because the individuals who cultivate the plants have no idea who they are working for and are able to give little information when arrested.

A Mexican grower in Humboldt County, who recently harvested 800 plants and asked not to be identified, said the pot farmers are usually approached by an anonymous boss, who puts up the money -- sometimes as much as \$50,000 -- for the seed, fertilizer, hoses, camping equipment and food needed to live in the woods for three months growing "Maribel," as the Mexicans refer to the plants.

The grower said the patron pays the growers in cash or product, which they can then sell on their own.

"The mountain can eat you up," the grower said. "You're only thinking about the next day. You have to get up at 4 in the morning to water the marijuana, because the helicopter might come by when the sun is up, and if you water too late, he'll see the mist coming off the plants. You do this every day. There's no church on Sunday or anything like that. You have to be focused. You have to give everything for them."

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The shifting economics of the marijuana trade suggests that new market forces, as much as law enforcement, can exact a heavy price on Mexico's drug cartels.

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