Debate Continues Over Mexico's New Procampo Agricultural Policy

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Category/Department: General
Published: Wednesday, October 27, 1993

The Salinas administration’s new agricultural policy (Programa de Apoyos Directos a la Agricultura, Procampo) has sparked heated debate over the plan’s provisions for providing assistance to Mexico’s ailing agricultural sector. Since the Procampo initiative was first announced on Oct. 4, Agriculture Secretary Carlos Hank Gonzalez and other officials have taken great pains to defend the program, stating that the changes in agricultural policy will benefit all farmers. However, critics suggest that most proposals contained in Procampo are cosmetic, and are clearly inadequate to address such fundamental problems as the heavy debt burden borne by the poorest farmers or deficiencies in the country’s agricultural infrastructure. The central element of Procampo is a modification in the way subsidies are channeled to farmers of basic grains and foodstuffs, which include corn, beans, wheat, sorghum, rice, soybeans, cotton, safflowers, sunflowers, oats, and barley. Under the new policy, the government will provide direct subsidy payments to farmers based on the number of hectares of price-supported crops planted. Under the old policy, the government purchased such crops from farmers at artificially high prices. During a tour of Coahuila state on Oct. 7, Hank Gonzalez told reporters that Procampo should bring Mexican farm prices to a parity with those on the world market, which in the long run will help Mexican farmers remain competitive. He also pointed out that Procampo is a 15-year program, which gives producers ample opportunity to switch crops. In fact, he said the program includes a plan to inform farmers about the crops which are best suited to grow in their region. A frequent criticism of the old policy was that the government’s artificially high prices encouraged the production of corn in many areas that were not well suited to grow that crop. Among the harshest critics of Procampo is Sen. Porfirio Munoz Ledo, a leader of the opposition Democratic Revolution Party (PRD). On Oct. 11, Munoz Ledo accused the Salinas administration of using the new program to appease the campesino sector rather than to resolve its problems, especially regarding debt. Munoz Ledo pointed to a number of deficiencies in the government’s policies toward the agricultural sector, such as the absence of solutions to increased prices for fertilizers and other inputs; lack of attention to roads, communications, water and other infrastructure; and the lack of attention to such basic services as health care and education. Some agricultural economists, such as Maria Santiago Cruz of the Universidad Autonoma Chapingo, agree with Munoz Ledo’s assessments. In early October, she told participants at an agricultural forum in Jalapa, Veracruz state, that Procampo lacks adequate measures to assist the poorest farmers. She said the challenge for the government will be to find employment for many of those poor farmers who may not be able to compete under the new system. Others, such as columnist Alejandro Perez Pascual, see the new program as an innovative step designed to address an age-old problem. "In the closed economy that prevailed in our country for so many years, the agricultural sector was plagued by low productivity, dependence on the government, a bureaucracy that discouraged farmer productivity, and the lack of competitiveness against agricultural producers in other countries not only those in developed nations but also those in poor countries," wrote Perez Pascual. In addition, the new policy is expected to indirectly help certain sectors such as the livestock industry. According to an Oct. 23 report from the National Livestock
Confederation (Confederacion Nacional Ganadera, CNG), Procampo should reduce the price of feed for dairy cattle, which in turn should help lower milk prices. The issue of how far Procampo will go to reduce the massive debt in the agricultural sector remains a topic of debate. Procampo creates a fund of 1 billion nuevo pesos (US$303 million) through the government's farm credit agency (Fideicomisos Integrados en Relacion con la Agricultura, FIRA) to help farmers restructure overdue debt. However, critics charge the amount is far too low compared to the magnitude of the debt problem. In fact, on Oct. 10, thousands of producers in more than a dozen states staged a series of protests in an attempt to force the government to address the problems of overdue debt, which was estimated at more than 2.17 billion nuevo pesos (US$657 million), owed both to commercial banks and to Banrural. Of the 13 states where protests were held, producers in Sonora were said to carry the highest overdue debt 916 million nuevo pesos (US$277.4 million) The protests held in the states of Michoacan, Guerrero, Nayarit, Puebla, Hidalgo, Morelos, Sinaloa, Chiapas, Oaxaca, Zacatecas, Sonora, and the Laguna region (southern Coahuila- southern Durango) ranged from marches and sit-ins to highway blockades and burning of farm equipment. The protesters demanded immediate release of the 1 billion nuevo pesos (US$303 million) in funds allocated for debt relief through FIRA. Under the Procampo program, those funds are not due to become available until 1994. Meanwhile, a study released by the National Agricultural Council (Consejo Nacional Agropecuario, CNA) on Oct. 12 confirmed the role of high interest rates in Mexico's agricultural debt problem. For example, the CNA noted that real short-term interest rates charged by Mexican banks for agricultural loans are five times higher than those charged by US banks. For long-term interest rates, the report said those in Mexico were twice as high as those in the US. For example, the report said development-oriented institutions such as Banrural are charging wheat farmers during the current autumn-winter cycle a rate of 11.48% for loans, compared with 15% for Mexican private banks and 4% for US banks. Procampo's orientation toward basic crops leaves the government little room to provide assistance through this program to producers of other important crops, such as coffee. According to Eligio Morales Fuentes, coordinator of the Veracruz Coffee Council (Consejo Veracruzano del Cafe), more than one-third of the 67,000 coffee producers in Veracruz have overdue debt with commercial banks and have therefore not been able to obtain new loans. Morales estimated the debt for coffee producers stands at 35 million nuevo pesos (US$10.6 million). According to Morales, because of a sharp drop in prices, which has led to lower output, Mexico's coffee crop the 1992-93 cycle fell to 1.24 million quintals (100 pound bags), compared with 1.83 million quintals in the 1991-1992 cycle. He estimated average prices this season at about US$74 to US$75 per quintal, compared with US$120 three years ago. (Sources: La Jornada, 10/04/93, 10/11/93, 10/12/93; El Financiero International, 10/11/93; Notimex, 10/07/93, 10/11/93, 10/12/93, 10/16/93, 10/21/93; 10/23/93)

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