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Central Bank Reports Slow Progress In Resolving Overdue Agricultural Loans

by Carlos Navarro

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According to the Banco de Mexico (central bank), as of December 1993, roughly two-thirds of the overdue debt held by agricultural producers remained unresolved despite efforts to address the problem during the year through a special assistance program (Programa Especial de Sanamiento Financiero y Tecnico del Sector Agropecuario). Through the program administered by the government's farm credit agency (Fideicomisos Instituidos en Relacion con la Agricultura, FIRA) almost 2.2 billion nuevo pesos (US\$660 million) in overdue debt was renegotiated during 1993. This represents about one-third of the 6.2 billion nuevo pesos (US\$1.86 billion) that existed at the beginning of the year.

However, a high percentage of the restructured loans about 965.3 million nuevo pesos (US\$289.7 million) were for producers in the northern states of Sinaloa, Sonora, and Chihuahua. In contrast, FIRA had less success in restructuring loans in the southern and southeastern states, mostly in Yucatan and Quintana Roo states.

The government's new agricultural support program (Programa de Apoyos Directos a la Agricultura, Procampo) is expected to fund some restructuring of overdue loans beginning this year. On a related matter, the Agriculture Secretariat (Secretaria de Agricultura y Recursos Hidraulicos, SARH) and the Mexican Coffee Council (Consejo Mexicano del Cafe, CMC) have created a special program to help coffee producers renegotiate about 104 million nuevo pesos (US\$31.2 million) in overdue debt owed as of year-end 1993.

On Dec. 29, CMC executive Guillermo Funes told reporters that details of the program would be announced sometime in early 1994. The funds were expected to especially assist small-scale producers. Mexican coffee production is concentrated mainly in Veracruz, Chiapas, Puebla, San Luis Potosi, Hidalgo, and Oaxaca states. Coincidentally, Funes announced the new debt renegotiation program just a few days before the uprising by the Zapatista National Liberation Army (Ejercito Zapatista de Liberacion Nacional, EZLN) in Chiapas.

Among the demands issued by the EZLN was a renegotiation of overdue debt for coffee producers in Chiapas state. Funes suggested that once world coffee prices recover, the government and producers will have to work together to boost production, which has declined dramatically, in part because many producers lack access to such inputs as fertilizers. He said nationwide coffee yields declined an average of 10 quintals (100-pound bags) per hectare. In some cases, such as in parts of Puebla, yields were down about 40 quintals per hectare. In November, the National Coordinator of Coffee Organizations (Coordinadora Nacional de Organizaciones Cafetaleras, CNOC) predicted that production will drop to about 3.614 million 100 pound bags in the 1992-93 cycle, compared with 5.428 million bags in 1988-89 ([SourceMex, Dec. 1, 1993](#))

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