

3-29-1995

Agriculture Groups Urge Government to Improve Credit, Provide Supports

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Agriculture Groups Urge Government to Improve Credit, Provide Supports." (1995).
<https://digitalrepository.unm.edu/sourcemex/3415>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Agriculture Groups Urge Government to Improve Credit, Provide Supports

by LADB Staff

Category/Department: Mexico

Published: 1995-03-29

The economic adjustment measures announced by President Ernesto Zedillo's administration in early March are expected to create further difficulties for Mexico's agricultural sector, which was barely surviving before the devaluation of the peso in late December. The most visible problem affecting agricultural producers is the sharp increase in interest rates, which has further limited the ability of producers to obtain loans to purchase equipment and seed to plant and harvest their crops. Additionally, many of the producers were already far behind in repayment of their debts, which also had hampered their ability to obtain loans. With a surge in interest rates, many of these producers will be unable to restructure their loans.

Agriculture organizations as diverse as El Barzon which was formed by medium-sized agricultural producers and the Central Independiente de Obreros Agrícolas y Campesinos (CIOAC) are pressuring the Zedillo administration to force Mexican bankers to restructure and even forgive many of the debts facing most agricultural producers. According to CIOAC secretary general Jose Luis Hernandez Andrade, interest rates have increased by several hundred percentage points for agricultural producers since the end of December. At the same time, he noted that overdue debt for the agricultural sector now stands at 15 billion nuevo pesos (US\$2.2 billion).

"No agricultural producer can survive in this environment," said Hernandez. Hernandez called on all members of the umbrella organization for agricultural groups, Congreso Agrario Permanente (CAP), to declare a moratorium in payments to banks. At the same time, he proposed that the banking industry association (Asociacion de Banqueros de Mexico, ABM) offer a six-month grace period to all agricultural groups, followed by a comprehensive restructuring of debts. For its part, El Barzon called a massive demonstration in front of thousands of banks in mid-March to protest the inflexible policies practiced by Mexican bankers. El Barzon accused the Mexican banking industry of charging interest on interest and imposing "illegal" fees. The participants in El Barzon protests also took the opportunity to offer specific steps that could be taken by the government and banks to ease the burden for agricultural producers. These included a long-term loan restructuring program, which would boost the capital available to farmers for productive activities, and preferential interest rates for debtors who are able to meet their obligations to banks.

The lack of access to loans has created severe liquidity problems for many small- and medium-sized producers, which has prevented purchases of fertilizers, pesticides, and other inputs. Additionally, many operations have been unable to hire workers to assist with planting and harvesting. In addition to the normal price increases caused by the devaluation of the peso, many agricultural producers will be facing higher prices for fuel, given the Zedillo administration's decision to raise prices for gasoline and electricity. According to an estimate by the CIOAC, agricultural production costs have increased by an average of 30% since the beginning of 1995. Many agricultural organizations warn that the end result of the crisis in the agricultural sector in Mexico will be a

decline in production, which will in turn raise prices for most products. Higher food prices, in turn, will counteract the Zedillo administration's efforts to control inflation. Producers warn that increases in the prices of such key items as fertilizer could have a profound effect on food prices.

According to El Financiero International weekly business newspaper, prices for both domestically produced and imported fertilizers have increased by 60% to 80%. Because of the high costs, many producers have reduced the use of fertilizers or totally abandoned their use. This is expected to reduce yields per hectare, which will ultimately have a major impact on production. The increases in costs are apparent for all agricultural products. For example, Javier Padilla, president of the corn producers affiliate of the Confederacion Nacional Campesina (CNC), estimates that the devaluation of the peso has raised the cost of production of corn to 2,000 nuevo pesos (US\$294) per hectare, up 40% from a year ago.

To address the crisis, Padilla urged the Zedillo administration to raise the support price of corn to 960 nuevo pesos (US\$141) per metric ton. Jaime Yesaki Cavazos, director of the poultry industry organization Union Nacional de Avicultores (UNA), said the greatest costs for poultry producers is the inability to obtain adequate credit because of overdue debts totalling US\$300 million. "We need 50% more working capital because of the new costs," said Yesaki. "Additionally, not all the poultry producers are eligible to obtain loans to continue producing." According to Yesaki, the poultry sector produces three million MT of eggs, chicken, and turkey each year. The sector is responsible for 115,000 direct jobs and another 575,000 indirect jobs.

Some organizations are urging the Zedillo administration to increase support to their sector in order to better take advantage of the peso devaluation, which has improved export possibilities for Mexican products. For example, representatives of coffee producer organizations on March 15 demanded that the Zedillo administration provide 100 million nuevo pesos (US\$14.72 million) to finance the planting, care, and cultivation of coffee during the 1995-1996 crop cycle. The coffee producer organizations said current support only provides about 200 nuevo pesos (US\$29) per hectare, when actual needs range between 1,000 (US\$147) and 1,500 nuevo pesos (US\$220) per hectare.

The organizations making the request included representatives from the Confederacion Nacional de Organizaciones de Cafecultores (CNOC), which estimated that the funds could allow coffee production to increase output by up to 6 million quintals, (100-pound bags), of which five million quintals would be exported. They said increased exports could result in earnings of US\$9 billion for the Mexican coffee industry, which is expected to earn only US\$650 million during the 1994-1995 cycle. (Sources: Notimex, 02/26/95, 03/13/95, 03/16/95; Agence France-Presse, 03/16/95; La Jornada, 03/16-18/95; Associated Press, El Financiero International, 03/20/95)

-- End --