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LADB Staff

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Study Sees Little Direct Impact from NAFTA on Mexican Agriculture Sector

by LADB Staff

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The Colegio de Mexico has released a controversial study suggesting that the North American Free Trade Agreement (NAFTA) has had little direct negative impact on the Mexican agricultural sector, although the accord has also done little to improve the fortunes of most agricultural producers.

The study was conducted in cooperation with the Universidad Autonoma de Chapingo and the Facultad Latinoamericana de Ciencias Sociales (FLACSO) and was commissioned by the Secretaria de Economia (SE) and the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA). President Vicente Fox's administration promised the NAFTA-impact study when it signed the Acuerdo Nacional para El Campo (ANC) with a handful of agriculture organizations.

As part of the ANC, the administration pledged direct financial assistance and other support to Mexican farmers (see SourceMex, 2003-04-23). The Mexican Congress in early April created a special commission to monitor whether the administration was meeting its commitments under the ANC. The 22-member commission will have representatives of all parties that have seats in the Chamber of Deputies.

Deputy Jaime Galindo of the former governing Partido Revolucionario Institucional (PRI) said the commission would also be monitoring the continuing impact of NAFTA on the Mexican agriculture sector.

Study cites structural problems

The authors of the NAFTA-impact study, meanwhile, acknowledged that the deterioration of Mexico's agriculture has occurred simultaneously with the advent of NAFTA, but said the problems inherent in the Mexican agricultural structure were more to blame for increased rural poverty than NAFTA itself.

In particular, the study pointed to the problem of dualism, whereby a few people own huge parcels of land while the rest of the agricultural producers subsist on 5 hectares or less or even do not own any land. "Mexican agriculture was already in the midst of a clear dualism and low productivity when negotiations on NAFTA were just beginning," said the study. Other factors have contributed to the poor state of Mexican agriculture, including government policies regulating supply and demand and consecutive years of drought.

Additionally, the study said the government tends to place very low priority on agricultural development. "The agricultural sector accounts for 6% of the country's GDP, but investment is only 1% of GDP in this sector," said the study.
The study recommended that the government put a higher priority on addressing the structural deficiencies in agriculture rather than placing a focus on renegotiating NAFTA. "Instead of doing away with the agreement, the government should change its domestic policies to provide more support to the least protected sectors," said FLACSO researcher Alicia Puyama, who helped put together the study. Puyama said these policies should not necessarily take the form of anti-poverty programs, but of direct support for agricultural producers.

The study said the administrations of former President Ernesto Zedillo and President Fox were also to blame for directing the majority of public resources to programs that benefit the large producers at the expense of the small and subsistence growers. "The public policies were not developed with the magnitude or coverage needed to meet outside competition," said the study.

The Consejo Nacional Agropecuario (CNA) agreed that disparities in agriculture remain significant, noting that the richest 10% of the agricultural producers obtain 34% of the sector's earnings. "Thousands of small producers do not receive any government supports," said the CNA.

**NAFTA benefits wealthy producers**

The CNA said, however, that the government has failed to use NAFTA to help boost the agricultural sector, thus contributing to the impoverished state of rural communities. It said that Mexico attracted about US$97.6 billion in foreign investment in the first eight years of NAFTA, of which only US$265 million was invested in agriculture.

A handful of wealthy agricultural producers in Sinaloa, Sonora, and other states in western and northern Mexico are continuing to benefit from NAFTA, many of whom are involved in the export of fruit and vegetables to the US. This trend was apparent in the past year, when vegetable exports totaled US$2.1 billion, an increase of more than 77% during the last decade. In 1993, the year before NAFTA went into effect, Mexican exports of fruits and vegetables to the US amounted to only about US$949 million.

Other Mexican farm products have benefited from the lowering of tariffs, with agricultural exports to the US last year reaching a record US$7.1 billion. This is an increase of 13.2% over 2002, SAGARPA said in a report published in early April. The export statistics must be balanced with the growing imports of US agricultural products, which totaled a record US$8 billion in 2003, according to statistics published recently by the US Trade Representative's Office (USTR). The increasing imports include corn, the item most commonly grown by subsistence farmers in Mexico. Some studies have tied the flood of imported agricultural products to the exodus of small farmers from their land (see SourceMex, 2004-01-07).

One recent estimate by the former governing Partido Revolucionario Institucional (PRI) suggests that 15 million campesinos have abandoned their land since NAFTA went into effect. One study commissioned by the executive committee (Comite Ejecutivo Nacional, CEN) of the PRI said imports now account for a growing share of the corn, soybeans, wheat, rice, and meat consumed in Mexico. The increased imports have boosted domestic supplies, but this has not translated into lower prices.
for the consumer. On the contrary, said the PRI study, the index for basic consumer goods known as the canasta basica increased by 300% between 1994 and 2002.

**Critics say NAFTA has failed to stop unfair US practices**

Others offered their own criticisms of the Colegio de Mexico-sponsored study. The Asociacion Nacional de Empresas Comercializadoras Productores del Campo (ANEC) said NAFTA has failed to prevent the US from providing unfair production subsidies through the 10-year Farm Bill that was approved in 2002 (see SourceMex, 2002-05-22). The issue became a major bone of contention at the summit of the World Trade Organization (WTO) in Cancun in September 2003 (see SourceMex, 2003-09-24).

ANEC said the subsidies approved in the 2002 Farm Bill for 2002-2007 are 80% higher than those in place for the previous five-year period. "[These subsidies] are, in our judgement, true acts of economic war against the campesino agriculture sector and the food sovereignty of our country," ANEC said in a statement. (Sources: Agencia de noticias Proceso, 04/05/04; Notimex, 04/05/04, 04/06/04; El Independiente, 04/06/04, 04/07/04; Data Transmission Network, 04/07/04; The Herald-Mexico City, 04/08/04; El Sol de Mexico, 04/05/04, 04/08/04, 04/12/04; La Jornada, 04/06/04, 04/08/04, 04/12/04; El Financiero, 04/06/04, 04/12/04; La Cronica de Hoy, 04/12/04; Milenio Diario, 04/12/04; El Universal, 04/12/04)