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## **Politicians, Drug Traffickers Among Top Beneficiaries Of Government's Program To Aid Small, Medium-sized Farmers**

*by LADB Staff*

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Mexico's agricultural-assistance program Procampo has come under fire following reports confirming that many beneficiaries are wealthy farmers, government officials, and drug traffickers who have recently gone into farming. The program, whose full name is Programa de Apoyos Directos al Campo, was created in 1994 during the administration of President Carlos Salinas de Gortari to provide another layer of security for small and medium-sized grain and oilseed farmers in Mexico as the country enacted the North American Free Trade Agreement (NAFTA). But it has not been smaller farmers who have benefited from Procampo. Government records show that 80% of the 170 billion pesos (US\$13.6 billion) distributed during the program's 16-year existence have not gone to persons for whom the program was intended. Agriculture and rural organizations have clamored for years for changes that would return Procampo to its original mission of helping small and medium-sized farmers (SourceMex, October 27, 1993 and February 16, 1994), but these pleas have for the most part fallen on deaf ears. Some experts suggest that irregularities in the initial design of the program opened the door for corruption.

For example, said Mauricio Merino of the Centro de Investigacion y Docencia Economica (CIDE), funding was allocated by property, rather than to individuals, in an effort to ensure transparency. This was intended to keep individuals with political connections from receiving priority. But the move backfired, as it allowed people with multiple properties to register each of their farms, plots, and ranches in the program. In mid-February, the Mexico City daily newspaper El Universal, using documents obtained through Mexico's freedom-of-information law, shook things up by publishing a list of the 2.7 million beneficiaries of the program. Until then, the government had refrained from publishing the list. Using data from the list, El Universal published several articles exposing massive corruption and program irregularities and showing that as much as 80% of the money went to just 20% of the registered farmers.

Among recipients of a large share of this aid are three brothers and an associate of Joaquin "El Chapo" Guzman, leader of the Sinaloa cartel, Carlos Beltran Leyva, a key member of the Beltran-Leyva drug organization, and Industrias Melder, a company owned by the family of Agriculture Secretary Francisco Mayorga Castaneda. Others who have received large subsidies are Jose Luis Fox Quesada, brother of ex-President Vicente Fox, along with a former governor of Durango and federal deputies from Sinaloa and Coahuila states. One of the largest recipients of subsidies was the agriculture-production society Santa Eduwiges, which received 21 million pesos (US\$1.7 million) from Procampo in a 14-year period. The data showed that program subsidies distributed for agricultural inputs, such as diesel and fertilizer, have also been disbursed disproportionately to wealthy individuals. Additionally, a special subsidy for cornmeal (Programa de Apoyo a la Industria

Harinera de Maiz, Proharina), which is intended to control the price of tortillas, is going primarily to Mexico's multinational food company Grupo Maseca.

Besides the improper disbursement of subsidies to wealthy individuals who do not need the money, critics cited disproportionate distribution of funds among the states. Luciano Concheiro Borquez, an agriculture-production specialist at the Universidad Autonoma Metropolitana (UAM) in Mexico City, said 80% of Procampo resources have gone to wealthy states like Tamaulipas, Jalisco, Sonora, and Chihuahua, although a lower-to-middle-income state like Zacatecas is also near the top of the list. The drug trade and Mexico's failed agricultural policy The greatest impact of the list's publication was to validate claims by several agricultural organizations that the program was disproportionately helping wealthy farmers. Some groups, like the Confederacion Nacional Campesina (CNC), had also sounded the alarm about the increasing participation of major drug traffickers in Procampo.

One of the drug-trafficking organizations that appears to be gaining a major advantage from Procampo is the Sinaloa cartel. Among those listed as program beneficiaries since 2001 are Aureliano, Jesus, and Ofelina Guzman Loera, siblings of El Chapo Guzman, who is considered the head of the Sinaloa cartel. Vicente Zambada Niebla and Teresa Zambada, children of Sinaloa cartel leader Ismael "El Mayo" Zambada, are also beneficiaries. Ernesto "El Guero" Palma, another Sinaloa cartel leader, is listed as receiving Procampo benefits. Carlos Beltran Leyva, one of the heads of the Beltran-Leyva trafficking organization that broke with the Sinaloa cartel, also received Procampo benefits for more than a decade. Authorities recently took Beltran Leyva into custody on drug-trafficking charges (SourceMex, February 03, 2010). The list shows that at least one member of the rival Gulf cartel has taken advantage of the program. Humberto Garcia Abrego, brother of Gulf cartel leader Juan Garcia Abrego, is among Procampo recipients. Another name that draws attention is Luis Valencia, leader of the Michoacan-based Milenio cartel.

Relatives of drug traffickers are able to get away with participating in the program because they register their lands as producing legal crops like corn and beans. "It might seem unjust, but these people [relatives of the drug traffickers] are growing legal crops and are complying with the requirements of the program," said Graciela Aguilar Antunano, former director of Apoyos y Servicios a la Comercializacion Agropecuaria (ASERCA), the agency that administers Procampo. But critics say the government is lax about verification procedures for lands registered with Procampo and has looked the other way or failed to discover that marijuana and poppies are grown alongside legitimate crops. Ricardo Garcia Villalobos, president of the federal court that handles agrarian issues (Tribunal Superior Agrario), estimates that 30% of arable property in Mexico raises a mixture of legal and illegal crops. But the CNC suggests that the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) has no excuse for not taking action.

Under program rules, the government is supposed to remove from Procampo rolls any property that has been used to grow illegal crops. "Independent of that, a thorough investigation of the beneficiary must be conducted," said CNC president Cruz Lopez. The participation of drug traffickers in Procampo has exposed another major failure in Mexico's agriculture policies for the past 16 years. The elimination of tariffs under NAFTA, the impact of subsidized imports from the US, along with the lack of real support for small-scale farmers, have driven many small and

medium-sized farmers from the land. And even for the small percentage of farmers who managed to enroll in Procampo, benefits appear negligible.

A study by the congressional audit office (Auditoria Superior de la Federacion, ASF) discovered that Procampo had very little impact in many poor rural communities in Mexico. "The supports contributed marginally to the financial well-being of producers," said ASF chief auditor Juan Manuel Portal. Critics say corruption in the 16-year life of the program has involved both the Partido Revolucionario Institucional (PRI), which held the presidency from 1994 to 2000, and the Partido Accion Nacional (PAN), which has governed since 2000. Furthermore, misuse of Procampo has been accompanied by a lack of commitment to the agriculture sector by both parties. The lack of government support has opened the door for drug traffickers to fill the void.

Garcia Villalobos said drug cartels have become the main source of financing for small farmers, providing them with inputs and seeds, including marijuana and poppy seeds, and security. "It is necessary for the government to recognize and treat this problem as a matter of national security," said the head of the agrarian court. Similar comments came from the CNC, which warned that the government is losing control of the agriculture sector to the drug trade. "More and more campesinos, facing a lack of government support and increasing poverty, are renting their parcels to be planted with marijuana or cocaine," said Lopez Aguilar. Crooked politicians and their relatives from the two major parties are also milking the system for all its worth. The Procampo listings show that Jose Luis Fox, brother of the ex-president, has received more than 780,000 pesos (US\$62,480) in Procampo subsidies. Also on the list are prominent members of the PRI, including former Durango Gov. Maximiliano Silerio Esparza and federal Deputy Hector Fernandez Aguirre of Coahuila state, who received benefits through his company Que Fersi. The documents reveal that one of the largest recipients of Procampo subsidies has been PRI Deputy Jesus Manuel Patron Montalvo of Sinaloa state, who has obtained a whopping 12.2 million pesos (US\$978,000). "Deputy Patron Montalvo's name appears on the list 131 times, according to the published data," said Yurira Sierra, a columnist for the Mexico City daily newspaper Excelsior. "This is a clear example of political influence peddling" Another name that stands out is that of Agriculture Secretary Mayorga Castaneda, who enrolled Industrias Melder in the program.

The company, which Mayorga owns along with his father Salvador Arturo and siblings Cristobal, Luz Teresa, and Miguel Arturo, has obtained 10.7 million pesos (US\$858,000) from Procampo. Confirmation of the Mayorga family's participation in Procampo has caused outrage in the Mexican Senate, with members of the PRI and the center-left Partido de la Revolucion Democratica (PRD) presenting a resolution to require the secretary to give up the subsidy because of a conflict of interest. However, the PRI-PRD resolution ended up in the agriculture committee (Comision de Agricultura), chaired by Sen. Alberto Cardenas. Cardenas, a former agriculture secretary, has halted past attempts to make major changes to Procampo, including a review of enrollment data. Mayorga insists that his family will not give up the subsidies, which were obtained before he was appointed to head SAGARPA. And experts agree that, unless the law is changed, Mayorga cannot be legally forced to forego the Procampo subsidies. "Even though there are legal arguments supporting [Mayorga's right] to keep the subsidies, ethically his position is reprehensible," said CIDE's Merino. "As long as recipients comply with rules established under the program, there is no way that subsidies can be withdrawn," said Excelsior columnist Sierra. "It doesn't matter if they are siblings

of the drug traffickers on whom the federal government has declared war." Changes coming? But the senators are not giving up.

The PRI delegation has appealed to President Felipe Calderon to make an executive decision to suspend the Mayorga family from the program. And PRD Sen. Salomon Jara, who represents Oaxaca state, is pushing for the Senate to summon Mayorga to explain his position. "The reality is that the majority of those who dedicate themselves to agricultural activities are residents of rural areas or indigenous communities," said Jara. "They receive no agricultural support, and when it comes, it arrives in an irregular and inequitable basis." Beyond the Mayorga case, legislators believe that the next course of action is for the government to review the entire Procampo list to eliminate those who should not be participating. "This should be done in the most efficient and transparent manner, so that program resources can be directed to those who need them most," said Sen. Jose Narro Cespedes, a member of the Partido del Trabajo (PT).

There is wide agreement with this position. "It would be a mistake to eliminate the program altogether, but the lists [of beneficiaries] have to be purged," Merino told the Los Angeles Times. A US\$750 million loan from the Inter-American Development Bank (IDB) for Mexico to continue Procampo is accompanied by stiff conditions requiring that the money go to participants who own less than 10 hectares. "The executor [of the loan] will have to gather all necessary information to certify that this condition is being met, and the bank will make its own verifications using agreed-upon procedures," said the IDB. Some organizations like the Central de Organizaciones Campesinas y Populares (COCYP) have proposed to Interior Secretary Fernando Gomez Mont that the government impose a cap of 49 ha on the amount of land that can be enrolled in Procampo by an individual or group. COCYP officials said the proposal is now in the hands of the Consejo Mexicano del Desarrollo Sustentable, which is affiliated with SAGARPA.

The government attempted to make some corrections in the program by imposing a cap on the amount of money that any one entity could receive, effective with the 2009 spring-summer season. Under the new rules, no one individual or entity can receive more than 100,000 pesos (US\$8,000) or less than 300 pesos (US\$24) during a given season. In an interview with *El Universal* in mid-February, then ASERCA director Graciela Aguilar said the agency had begun applying the limits in April 2009. But the newspaper said data released by ASERCA for this period contradicted Aguilar's statements, with many producers in Chiapas state receiving as little as 43 pesos (US\$3.40) and several individuals in the states of Tamaulipas, Zacatecas, Sinaloa, Sonora, Chihuahua, Durango, and Guanajuato obtaining much more than the stipulated limit of 100,000 pesos (US\$8,000).

Whether it was coincidence or not, Agriculture Secretary Mayorga removed Aguilar from her post at ASERCA shortly after the interview with *El Universal*, replacing her with Manuel Martinez de Leo. "SAGARPA...did not offer an explanation for Aguilar Antunano's departure," said *El Universal*. The changes at ASERCA came a little more than a week after SAGARPA removed Gustavo Cardenas Gutierrez as coordinator of Procampo. His replacement, Jose Maria Labarthe, has been given the task of completing a thorough review of the Procampo enrollment to make it "more transparent, effective, and just." This process is scheduled to be completed by March 2011. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on March 17, 2010, reported at 12.48 pesos per US\$1.00]

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