

AGRARIAN REFORM

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After World War II, the Mexican government tried unsuccessfully to set a food policy that would meet the needs of rural peasants while simultaneously fostering the growth of large-scale agro-business to provide export earnings from cash crops. Massive irrigation schemes were implemented, and parts of the industry were modernized. Feed grains and fruits and vegetables were produced for export, replacing traditional crops such as corn and beans. These staples were in turn imported and provided to the rural poor at subsidized prices. Increased public investment in irrigation and technological advances were primarily responsible for doubling Mexican agricultural production between 1946 and 1965. But the population also doubled over this period. Despite an increase in public spending on agriculture from 9.2 percent of the federal budget in 1940 to 18.2 percent in 1985, Mexico had become a net importer of food by 1970.

The consistent failure of previous policies led to a radical change beginning in the early 1990s. Article 27 of the Mexican constitution was amended in 1992 to implement a four-point agrarian reform. No further communal land distribution will be done. *Ejidots* can form joint ventures with each other and with outside investors. A system of agrarian law courts was established, and *ejidatarios* can now obtain clear title to their property.

A second element in the government's reform program was the elimination of government subsidies that allowed for artificially low consumer prices of basic goods. These subsidies have been replaced by temporary per-hectare income supports for small farmers. Together, land reform and the restructuring of subsidies are intended to modernize Mexico's agricultural sector so it can compete in the newly liberalized trade environment.

average farm is only about 5 hectares. Over the years, the communal lands have had to support a growing population, further reducing efficiency. A 500 hectare *ejido* might be divided between 300 families, each with its own small plot.

Policies implemented after the revolution further promoted inefficiency. Since the *ejidatarios* did not have title to the land, they had little incentive to invest and could not sell, rent or combine their holdings. In the decades that followed, government policies focussed on subsidizing the sector to keep people in the countryside and to provide the industrial centres with a reliable supply of domestically produced food. As a result, Mexico's agricultural sector uses almost one-quarter of its employed labour force to produce less than 9 percent of GDP. In contrast, Canada's agricultural sector uses 3.6 percent of those employed in the workforce to produce 2.3 percent of GDP.

Two major changes were implemented by the Salinas administration. In late 1991, Article 27 of the Mexican constitution was amended to give holders of *ejidos* title to their land. This allowed the land to be sold, combined or used as collateral for loans. Then, in October 1993, the government implemented the *Procampo* program, which replaced commodity price supports with direct grants for each hectare planted in one of nine basic crops. The objective of both of these changes was to reorganize the agricultural sector according to market principles.

So far, these reforms have not been successful. The ability to borrow against land was of little use given interest rates averaging more than 50 percent during 1995. There has been some backlash against the prospect of privatization of communal lands, most notably in the state of Chiapas, where an armed revolt began in 1994. The *campesinos* have a deeply rooted preference for growing corn and beans, and many lack the resources to switch to other crops. In October 1995, the Zedillo administration unveiled an expanded rural support program called *Alianza para el Campo*, Rural Alliance. It continues the *Programa de Apoyos Directos al Campo* (*Procampo*) and expands it to include livestock producers for the first time. It provides subsidies for new technology and decentralizes the administration of farm programs. Combined with the gradual recovery of the Mexican economy, *Alianza para el Campo* is expected to create substantial new opportunities for foreign suppliers of agricultural technology, equipment and services over the medium term.