

MEXICO'S AGRICULTURAL REFORMS

For the most part, Mexico's agricultural sector is dependent on obsolete technology. It is also characterized by inappropriate crop selections and suffers major inefficiencies as a result. The basic problem is Mexico's system of *ejidos*, communal land holdings. After the revolution of 1910, the large haciendas were broken up and the land was redistributed to the peasants. Only the smallest farms were retained by their owners.

Small farmers, including communal *ejidatarios*, are known as *campesinos*, country people. Most of them barely operate at a subsistence level. About 90 percent operate plots smaller than 5 hectares, and 40 percent have less than 1 hectare. Nationally, the 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 focused 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 gross domestic product (GDP). In contrast, Canada's agricultural sector uses 3.6 percent of employment to produce 2.3 percent of GDP.

Two major changes were implemented by the administration of former president Salinas. In late 1991, Article 27 of the Mexican constitution was amended to give holders of *ejidos* title to their land. This allowed *ejidatarios* 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.

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According to recent reports, Sinaloa has increased its agricultural and livestock production disproportionately and has now moved ahead of Jalisco. This is attributed to high-productivity irrigated farms. In Sinaloa, 96 percent of the cyclical crops and 73 percent of perennial crops are irrigated. In Jalisco, only 80 percent of cyclical and 36 percent of perennial crops are irrigated. Nationally, agriculture and livestock production makes up about 6 percent of GDP, compared with about 10 percent in Jalisco.

DROUGHT AND DEVALUATION

The Mexican agricultural sector has been in a state of decline for several years. Production fell by one-third during 1995 and two million hectares of agricultural land were taken out of production in the spring 1996 planting. Some of this decline was the result of a serious drought in the northeast, now in its fifth year. Another factor was the devaluation of the peso in December 1994.

The western region has not been affected by drought. Good rainfall and excellent terrain have created the conditions for levels of productivity estimated at more than double the national average. While the region was affected by the devaluation, it was not as badly hurt as some other parts of the country. Most of the corn crop is for local consumption and minimum corn prices were set by the government until recently. Production has fallen in Jalisco, mainly because of reductions in the cultivated area, but this has been offset by increases in Sinaloa.

Another factor that has helped to insulate the region from the effects of the devaluation is its production of fresh fruit and vegetables. Local producers operate at international levels of efficiency and quality, and their peso costs were reduced by the devaluation.

The availability of good land, water, and natural grasses as well as excellent conditions for the cultivation of forage, have helped the cattle sector to grow at a time when it has declined in the rest of the country. Production of eggs, milk and pork are considerably more efficient in the western region than in the nation as a whole.

The federal government's agricultural reforms are less likely to have a major impact in the western region than in the rest of the country, because the farms are already relatively modern and efficient. But the government is actively promoting the formation of new *agroasociaciones*, agricultural and livestock production joint ventures. Agriculture and Agri-Food Canada is investigating agri-food investment prospects in the region, and Jalisco is expected to provide some interesting candidates. Observers say that cattle, dairy products, fine meats and vegetables are particularly promising.