

The constitutional amendment that enabled the assembly of larger farms became effective in late 1991, but most observers believe that real change will take many years. The old law had not been aggressively enforced, and access to capital has long been the most serious obstacle to farm mechanization. In fact, foreclosures on overdue loans to farmers had been a serious national problem long before the peso devaluation of December 1994. At the end of 1993, farm debt accounted for half of all overdue debts with Mexican banks.

Under the land reforms, *ejidos* can be aggregated in a number of ways. First, the ability to use communal land as collateral could make it feasible for small farmers to combine and mechanize their operations. Second, the law now allows corporations to buy communal land from *ejidatarios* who obtain title to the land they occupy. Third, the law allows *ejidos* to "associate" with private investors, including foreign investors.

The latter approach is most likely to result in change over the medium term as a result of government support for the formation of *agroasociaciones*. These agricultural joint ventures combine the resources of small farmers and allow them to contract collectively with large buyers. For example, the Mexican conglomerate *Grupo Pulsar* has signed joint venture deals with many small tobacco farmers.

Typically, the *agroasociaciones* receive financial help from the buyer, but they are also supported by the *Fondo de Capitalización e Inversión del Sector Rural (Focir)*, the Rural Capitalization and Investment Fund. *Focir* was designed to coordinate the efforts of *Fondo para la Infraestructura Rural y Agropecuaria (FIRA)*, the Fund for Rural Infrastructure and Farming, the *Nacional Financiera (Nafinsa)*, National Development Bank, *Banco Nacional de Crédito Rural (Banrural)*, Rural Credit Bank and *Banco Nacional de Comercio Exterior (Bancomext)*, Mexico's Foreign Trade Commission. Under the program, *agroasociaciones* can receive loans, loan guarantees, technical support and help with export promotion. *Focir* may also purchase up to 25 percent of an agricultural company's capital stock for a term of 5 to 7 years. Both *ejidatarios* and *pequeños propietarios*, small proprietors, are eligible. The focus of the program is on promoting commercial viability and export capabilities.

So far, however, the reforms have failed to bring about sweeping change. In some cases, deals have fallen apart because of an inability to agree on mutually agreeable terms. For example, Monterrey-based *Gamesa*, which is 80 percent owned by PepsiCo, failed in its bid for a joint venture with several farmers in the state of Nuevo León. According to a report in *México Business*, *Gamesa* had offered tractors, irrigation systems and technology in exchange for half of future earnings.