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**ECONOMIC RESTRUCTURING AND RURAL  
SUBSISTENCE IN MEXICO:  
Maize and the Crisis of the 1980s**

**by Cynthia Hewitt de Alcántara**

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## Preface

In this discussion of economic restructuring and rural subsistence in Mexico, three areas of UNRISD research converge: a current concern with the relation between economic crisis, macro-economic adjustment and social change in Latin America and Africa; a more specialized interest in adjustment-related food policy; and a tradition of work on food systems.

The paper begins by examining the impact of the deep post-1982 recession on Mexican food policy, focusing on the structure of programmes and subsidies developed over decades to regulate the provisioning of maize. Maize is both the single most important crop produced by Mexican farmers and the basic staple of most rural and urban diets. Decisions concerning the conditions under which it is produced, traded and consumed therefore affect a wide variety of interests; and policy is further constrained by the fact that the majority of all maize consumers and producers are poor.

Both devaluation and the need to reduce government spending on subsidies throughout the Mexican economy after 1982 created serious inflationary pressure. As consumer subsidies were cut, urban people had to pay more for maize; and as producer subsidies were also lowered, farmers faced rapidly rising costs. The question of where the official support price should be set therefore assumed unusual economic, as well as political, importance.

During the first five years of adjustment, an effort was made to protect the agricultural sector - and particularly the most vulnerable small commercial farming sector - from ruin by maintaining relatively high support prices for maize. But beginning in 1987, rising inflation forced a reversal of policy. As part of a more general shift from an orthodox to a heterodox adjustment strategy, involving an end to unrestricted devaluation of the peso and a return to negotiated price setting for basic goods and services, the real maize support price suffered a sharp decline. At the same time, steps were taken to quicken the pace of trade liberalization and to eliminate or reform governmental institutions providing a wide range of essential goods and services - from credit to fertilizers and marketing support - throughout the agricultural sector.

Utilizing information provided by researchers attending the UNRISD Conference on Maize and the Economic Crisis in Mexico, held at the Centro Tepoztlán in early January 1990, the author documents the impact of these measures on small commercial farmers and various kinds of subsistence cultivators. Far from benefiting most rural people, as many economists suppose, adjustment and restructuring have on the whole been associated in Mexico with deepening rural recession, increasing out-migration, decreasing local provisioning capacity and a deterioration in the quality of farming practices, with detrimental implications for sustainable resource use.

An understanding of the functioning of rural grain markets is essential to judging the impact of adjustment-related pricing and marketing reforms on rural livelihood. So is an adequate comprehension of the survival strategies pursued within subsistence economies. At a certain level of abstraction, it is often supposed that changes in relative prices are of little importance for subsistence cultivators; and that low grain

prices should constitute a clear benefit for rural households which are deficit producers of grain (or net consumers). Such arguments have recently been utilized in support of total liberalization of the grain market in Mexico, permitting unrestricted importation of highly subsidized American grain within the context of a proposed North American Free Trade Area.

Building on an analysis of rigidities in “real” local grain markets, the author concludes that very low producer prices for maize often hurt local consumers by reducing the availability of grain and playing into the hands of speculators who have the power to force the producer price down and hold the consumer price up. At the same time, worsening conditions of maize production affect the subsistence sector, since most people within it pursue a paradoxical strategy of obtaining resources in wider markets for capital, labour and commodities, which are later used to underwrite self-provisioning activities. Very low grain prices, in addition, are highly detrimental to most programmes of rural development which must be based on raising productivity in maize agriculture.

The author concludes that effective governmental regulation of regional and national grain markets (including the judicious use of subsidies) must be maintained, both to protect the livelihood of poor farming families and to defend the household economy of poor urban consumers. The complexity of the maize provisioning system in Mexico, and the seriousness of the maize pricing dilemma, make any simple reliance on the “free market” unrealistic. Such conclusions are of obvious relevance to negotiations now under way concerning the place of agriculture in the North American Free Trade Area.

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Dharam Ghai  
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This Discussion Paper is a slightly revised version of the introduction to Cynthia Hewitt de Alcántara (ed.), **Reestructuración económica y subsistencia rural: El maíz y la crisis de los ochenta**, UNRISD/El Colegio de México/Centro Tepoztlán, 1992. It draws upon material presented at the UNRISD/Centro Tepoztlán Conference on Maize and the Economic Crisis in Mexico, and the UNRISD research project on adjustment-related food policy in Mexico, directed by Kirsten Appendini. The author is especially grateful to Appendini for her assistance in preparation of the seminar and book, and to the Office for Central America, Mexico and the Caribbean of the Ford Foundation for its financial support of the Tepoztlán seminar.

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The twentieth century is coming to a close amidst efforts on the part of a great many countries to reform the rules which have structured economic and socio-political relations over the course of several generations. This is a voluntaristic attempt, unusual in the comprehensiveness of its scope and the conviction with which governments and peoples embrace the need for change. It is also, however, a process born of necessity. Previous models of socio-economic organization have in varying degrees reached their limits and threaten to break down altogether if not fundamentally modified.

The economic crises of the 1970s, followed by the debt crisis of the 1980s, provided the immediate stimulus for change in most countries, and certainly in the case of Mexico. Fundamental shifts in world commodity and financial markets made it impossible for the Mexican government to meet its obligations to international creditors; and behind those obligations lay a complex structure of internal transactions, of both an economic and a political nature, which were then no longer viable. Conflicts of interest within Mexican society which had not been resolved, but could be assuaged through recourse to international borrowing, were forced into view - just, it might be added, as they were in any number of other countries, including, most recently, the United States.

Among the major issues to be confronted, once the debt crisis erupted, was the structure of subsidies and programmes which had developed over a number of decades to regulate the provisioning of maize in Mexico. Maize is both the single most important crop produced by Mexican farmers and the basic staple of most rural and urban diets; and as such, it plays a central role in the livelihood of the majority of the Mexican population. The precarious position of both low-income producers and low-income consumers has long constituted an argument for governmental intervention throughout the maize system. The centrality of that product in the national diet has also lent weight to repeated efforts to promote national self-sufficiency and to protect local maize producers from foreign competition.

### **Elements of conflict within the maize provisioning system: The principal actors and their interests**

The network of conflicting interests underlying the maize provisioning system of the country is as complex and contradictory as Mexican society itself. To understand the issues at stake within this system, it is useful to begin by referring to the classic textbook confrontation between the general interest of all producers in ensuring relatively high grain prices and the opposing interest of all consumers in ensuring lower ones. While entirely valid at a certain level of generality, such a dictum does not reflect the situation of millions of families in the Mexican countryside, where the division between producers and consumers is often blurred. As in peasant societies around the world, the majority of all rural producers in Mexico buy and sell grain on a small scale throughout the year. As a result, they have an interest in obtaining an advantageous price for their production as well as a need to purchase grain at a low price when it is locally scarce, thus considerably complicating both the politics and the economics of national maize pricing policy.

Clear lines of producer pricing policy are further complicated by the extraordinary

heterogeneity of the farm sector as a whole, marked over centuries by continuous struggles between small- and large-scale producers for control over land, water and other resources crucial to agricultural production. Conditions prevailing on larger commercial farms have differed so markedly from those in the peasant sector that the level of grain prices could not conceivably have the same economic significance for all producers.<sup>1</sup> An advantageous price for a commercial producer utilizing irrigation and averaging yields of two to three tons per hectare would be far from remunerative for a peasant family working a rainfed parcel which yielded less than one ton per hectare.

In this context, the setting of relatively low producer prices in order to ensure the provision of cheap food for a growing urban population has particularly unfavourable implications for the livelihood of smallholding producers. And given the intensity of pressure exercised on the government both by a poor urban constituency and by rural and urban employers, who have an interest in maintaining low wages, it is just such a policy which has ultimately prevailed. Throughout most of the 1970s, support prices for maize in fact tended to decline in relation to the costs of necessary inputs. Although in most cases the support price was high enough to assure profits for commercial producers, it has since the beginning of the 1970s been insufficient to allow peasant producers, cultivating maize principally for family consumption, to cover their costs.<sup>2</sup>

The relatively low level of return for maize farmers has, however, been offset to a certain degree when the latter have been able to obtain access to subsidized inputs and services provided by government agencies. For example, large-scale producers in irrigated areas benefited over decades from ample subsidies applied to water, electricity, and fuel for agricultural machinery, as well as to the cost of fertilizers and other chemical inputs. Nevertheless, since the price of maize was usually less attractive than that of other crops, producers tended to utilize these subsidies for more remunerative ventures. In consequence, large-scale irrigated agriculture in most cases has not accounted for more than 25 percent of all commercial maize production in the country, and often it has provided considerably less.

Most of the marketed maize supply of Mexico is produced by medium- and small-scale farmers, the majority of whom are *ejidatarios* (agrarian reform beneficiaries). Both the need to count on an increasing volume of the grain which the *ejido* sector produces and the obligation of the government to improve the standard of living in the countryside have worked over the years to ensure that a limited range of services and subsidies generally made available to larger producers would increasingly be offered to small and medium-scale farmers as well.

In the beginning, it was the better-endowed *ejidos*, located in irrigated areas, which gained access to subsidized official credit and to the agricultural inputs which could be acquired with credit. This relatively modern subsector of *ejido*-based agriculture,

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<sup>1</sup> See Carlos Montañez Villafana, "Los condicionantes de la política agropecuaria", **Comercio Exterior**, Vol. 8, No. 8, August 1988. According to Montañez (p. 679), the cost of producing a ton of maize can vary by a factor of 100 in different rural contexts.

<sup>2</sup> Kirsten Appendini has made a detailed analysis of the profitability of maize cultivation for various kinds of producers. See Chapter 2 of Appendini, **De la milpa a los tortibonos: La reestructuración de la política alimentaria en México**, UNRISD/El Colegio de México, Mexico City, 1992.



which began to take shape during the latter 1930s, came to provide as much as 25 percent of marketed maize output. In addition, during the 1960s and especially during the 1970s, government support was extended in a somewhat tentative fashion to smaller producers working unirrigated land - first to those in areas with the most favourable conditions for maize production and subsequently to families cultivating grain on very smallholdings in areas with unreliable climatic conditions.

It is important to stress the partial nature of this effort, as well as the differential significance which agricultural development programmes and access to production subsidies could have in different rural contexts. For example, even with the extension of state-sponsored credit programmes to less productive areas, about 37 percent of all *ejidos* and other agrarian communities in Mexico still did not have access to official credit in 1988, 54 percent received no technical assistance, and only 70 percent applied chemical fertilizers, the subsidized input most commonly utilized in the rural sector.<sup>3</sup> The majority of all producers continued to live in backward areas where government investment in infrastructure of all kinds was extremely low.

Just as support price levels played a variable role depending on the type of producer, so too the benefits which could be derived from a range of other governmental subsidies for maize production differed among rural groups. Since more highly technified commercial farming operations (including the better-off stratum of *ejidos*) utilized more of these goods and services than their counterparts operating closer to the level of subsistence, they were of course the first to benefit substantially from production subsidies.<sup>4</sup> Nevertheless, it should not be forgotten that these subsidies were also of considerable importance for small-scale cultivators who managed to obtain access to them. No matter how modest the quantity received, it could represent a key element in the livelihood strategy of rural families and, in the best of circumstances, a potential instrument for rural development.

At the same time, however, delivery of these subsidized inputs could be, and often was, converted into a pretext for political control. Within the major public institutions charged with managing support programmes for the agricultural sector, there was a complex play of interests linked to the implementation of economic policy and the exercise of political power, as well as to the promotion of rural development. In addition to constituting what might be considered a microcosm of struggle between factions within the broader society, these agencies were also bureaucratic entities with particular institutional interests to further.

The role played by state agencies in the process of agricultural development was shaped by the peculiarities of Mexican agrarian history and by variations in social structure throughout different regions of the Mexican countryside. In major areas of commercial agriculture, official institutions occupied key positions and could in fact

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<sup>3</sup> Jaime de la Mora Gómez, "La banca de desarrollo en la modernización del campo", **Comercio Exterior**, Vol. 40, No. 10, October 1990, p. 945. Often these fertilizers are not properly applied, since the kind of technical assistance required to adapt general recommendations to the specific needs of local soils is not available.

<sup>4</sup> According to calculations of the Ministry of the Treasury and Public Credit, a producer who cultivated a hectare of land using traditional technology in 1983 received an average subsidy of 948 pesos (this related exclusively to the use of fertilizers), while modern producers taking advantage of high subsidies for irrigation water and petroleum derivatives received 16,973 pesos. Appendini, op. cit., p. 38.

exercise a form of monopoly control over major aspects of production within the *ejido* sector. As part of its subsidized credit programme, for example, the Rural Bank (or its predecessors) furnished its clients with basic agricultural inputs and purchased their crops after the harvest in order to guarantee repayment of the debt. Such control over the entire production process, and over the sale of grain, which was instituted during the early post-revolutionary years as a measure to promote and protect the development of the *ejido* sector, lent itself over time to political manipulation and corruption. Organized *ejido*-based producers mounted strong protests against this trend, demanding greater participation in the management of their own production process; and beginning in the 1970s, they gradually gained the kind of control they sought.

Maize production in relatively developed areas was channelled through private grain dealers and governmental agencies toward industry and urban consumers. Within this context, both the active presence of the Rural Bank (BANRURAL) and of the official marketing agency for basic staples (CONASUPO) tended to assure that grain would be purchased from local producers at the support price or only slightly below it. Given the generally low level of the official price for maize, this supposed guarantee was not always perceived favourably by producers: it is obvious, as these producers noted, that the grain purchases of the Rural Bank in better-off farming regions contributed to sustaining the prevailing cheap food policy of the government over many decades and that the major beneficiaries of this policy were urban consumers, businessmen and industrialists.

Nevertheless, it would be simplistic to characterize the role of government in maize marketing within these rural areas as totally adverse to local producer interests. Although support prices for maize were not high, when compared with average production costs, they were generally above prices prevailing on the world market. CONASUPO, as the institution charged with regulating the market for basic food staples, protected the national maize market through exercising strict control over maize imports. This kept national industry from systematically importing maize as a way to reduce grain prices even further, and it ensured that commercial maize production in Mexico would not be completely undermined through unfair competition with the agricultural sector of the United States, where grain production was not only highly technified but also much more heavily subsidized than in Mexico.<sup>5</sup>

The presence of CONASUPO and BANRURAL in the more developed areas of rural Mexico, as well as the gradual extension of their programmes to other, poorer regions of the country, also provided small- and medium-scale producers with some alternative to local power structures which could be extremely exploitative. For peasant families living in parts of the countryside which the state-managed

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<sup>5</sup> It is important to stress the role which subsidies play in determining the price at which agricultural products are sold on the international market. Foreign grain is cheap in part because it is heavily subsidized. Thus while in Mexico, agricultural subsidies represented about 15 percent of the gross sectoral product in the period between 1983 and 1987, the figure for the United States was estimated to be approximately 38 percent (Raúl Salinas de Gortari, "El campo mexicano ante el reto de la modernización", *Comercio Exterior*, Vol. 40, No. 9, September 1990, p. 802). See also Arturo Warman, *La historia de un bastardo: Maíz y capitalismo*, Mexico City, Fondo de Cultura Económica/Instituto de Investigaciones Sociales (UNAM), 1988.

institutions did not service, the prevailing support price for maize, no matter how low it might have been, was probably still considerably above the level they could hope to obtain from private merchants operating in their local markets.

In the poorest and most remote regions, where maize production is the central element in the livelihood of most families, the market has often been dominated in the past by moneylenders and oligopolistic mercantile interests - a situation which in some measure persists today. The key figures within such traditional structures of power have been the local political boss (or *cacique*) and the intermediary (*acaparador*), whose functions were likely to be so closely intertwined that they could often be integrated within the sphere of control of a single individual or extended family. The *cacique* controlled the political resources of the village or the region and served as a broker managing relations between his local clientele and higher levels of the political system. The *acaparador*, on the other hand, channelled the flow of maize and other products from the community to the rest of the country and vice versa, under conditions which allowed him to buy cheaply and sell at high prices without having to confront a challenge from any serious competitor.<sup>6</sup>

Until a few years ago, a considerable proportion of all the maize which flowed from regional to national markets was subject to the kind of control described above. Grain sold in small lots (and at very low prices) to local merchants, from whom peasant families could then buy some basic consumers goods, was still cheaper than the grain delivered by better-off compatriots to the Rural Bank. Thus while small and medium-sized producers located within the principal regions of commercial agriculture, where the Rural Bank played a predominant role, could no doubt be characterized as a relatively captive clientele of state agencies, their counterparts in more backward areas formed the clientele of often exploitative private intermediaries. And if, for the former, it was necessary to struggle in order to ensure a greater measure of autonomy from governmental institutions, improving the lot of the latter required the opposite: forming an alliance with state agencies in order to ensure protection from the abuses of local intermediaries.

### **CONASUPO and the mobilization of rural people to improve conditions of local provisioning**

The institution whose programmes were most closely linked to the effort of small-scale producers to improve their living conditions was CONASUPO, since in order to comply with its mandate to regulate the national grain market, that agency was often involved both in the purchase and storage of grain and in distribution to consumers. In coordination with the National Warehouse System (ANDSA), CONASUPO purchased maize at the support price from producers and private intermediaries. Then, through its affiliate for retail sales (DICONSA), it provided some segments of the public with basic food staples, making use of its own network of retail outlets, as well as of private stores whose owners had obtained a concession to operate with CONASUPO.

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<sup>6</sup> The principal social groups of rural Mexico are discussed in historical context in Gustavo Esteva, *La batalla en el México rural*, Siglo XXI Publishers, 1980.

Until the mid-1970s, neither the grain reception centres of CONASUPO in rural areas nor the network of retail outlets set up to reduce speculation on prices of basic consumers goods could be particularly useful in the struggle to counteract oligopolistic practices in regions of traditional agriculture. This was the case, first of all, because grain reception centres in the countryside required that producers deliver a certain minimum volume of maize of a standard quality, and the majority of all small farmers could not meet these demands. In addition, retail sales of grain to consumers were fundamentally circumscribed to urban areas, and to a few of the most developed rural regions of the country.

It was through formation of an alliance between certain reformist groups within the government, on the one hand, and peasant organizations on the other, that this structure began to undergo reform during the 1970s and thus to constitute a new element of competition in areas long controlled by *caciques* and intermediaries. In order to improve the terms on which grain could be sold to CONASUPO, norms governing the purchase of maize were modified to allow for receipt of smaller quantities at the support price. At the same time, the agency inaugurated new programmes (involving subsidies to reduce the cost of sacking and transporting grain) which facilitated the participation of small-scale maize producers. And efforts were made to establish a network of simple storehouses, controlled by local communities, where grain could be held for consumption or for later sale under advantageous marketing conditions. These community granaries also served as sales and distribution points for agricultural inputs and for a limited number of basic staples which DICONSA had previously provided only to the urban public at controlled and, in many instances, subsidized prices.<sup>7</sup>

Even in the face of tenacious opposition on the part of commercial and political interests affected by this initiative, the programme to protect the livelihood of peasant families in backward areas continued to expand during the late 1970s and, furthermore, to foster innovative forms of community organization. Over time, a network of rural DICONSA stores, managed by thousands of local consumer cooperatives, was established. Members of each community provided a building for their store and contributed free labour, while DICONSA supplied these outlets with basic provisions at controlled prices. Subsidized grain was by far the most important commodity provided through these channels.

Organized participation by the community in the provisioning process was also extended upward, to the regional level of the system, through the formation of Regional Supply Committees made up of representatives from local supply councils. Although in principle these regional committees were responsible primarily for transmitting the opinions of local people to higher operational levels within the DICONSA bureaucracy, the establishment of such organizations in practice provided an unusual opportunity for the rural population to mobilize in pursuit of a broad range of goals.<sup>8</sup>

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<sup>7</sup> For an excellent analysis of the problems of local grain markets and the efforts of CONASUPO to resolve them, see Gustavo Esteva, "La experiencia de la intervención reguladora en la comercialización agropecuaria de 1970 a 1976", in Ursula Oswald (ed.), **Mercado y dependencia**, Mexico, Nueva Imagen Publishers, 1979.

<sup>8</sup> A detailed study of the rural programme of DICONSA can be found in Jonathan Fox, **The Political Dynamics of Reform: State Power and Food Policy in Mexico**, manuscript, August 1990.

Mobilization for improving local provisioning conditions responded in many areas not only to the need to break the political and economic stranglehold of the traditional local elite, but also to the challenge of dealing with an inexorable magnetization of rural subsistence and depletion of natural resources, even in remote regions devoted primarily to subsistence agriculture. By the 1970s, a growing proportion of all people in the Mexican countryside were net consumers of maize, and they demanded lower prices for purchased grain. It was in fact precisely the breadth of local interests brought into play during the mobilization for rural provisioning that lent the movement its particular political significance: local DICONSA committees contained deficit as well as surplus producers, and landless agricultural workers; and for the first time, women played a very active role in a process of community organization which was normally the province of men.

### **Rural deficits and urban priorities: The growing importance of foreign grain**

Neither grain purchased and stored locally nor that assembled at regional CONASUPO warehouses was sufficient to satisfy the growing demand for subsidized maize in the countryside. The deficit in local markets could be attributed in part to declining production of basic grains for human consumption and to increasing population; but shortfalls were also encouraged by the structure of regional grain markets throughout much of rural Mexico. These markets are not generally designed to retain maize surpluses within the area of purchase, but to channel grain, whether through CONASUPO or through private wholesalers, toward provincial cities and/or the national capital. The extraction of grain is encouraged both by the nature of existing warehousing infrastructure and by the fact that large private wholesalers have long enjoyed privileged access to federal permits for transporting grain over certain routes, thus creating an oligopoly which makes control over the better established rural and urban markets especially profitable.

White maize grown by the peasantry, and highly prized by urban consumers for its quality, tended in consequence to be channelled (generally through private dealers) from the countryside toward mills and *tortillerías* in the cities. The share of the total volume of maize which might be bought by CONASUPO in both traditional and modern areas (a share which varied from 10 to 25 percent of the total volume of marketed maize production in Mexico) could be partially destined to provisioning programmes for rural areas; but it was also delivered to urban mills and *tortillerías* at a price below its acquisition and transportation costs, as part of the effort to provide subsidized *tortillas* to urban consumers. Then, since the total amount available was often insufficient to meet the growing demand of rural and urban people, local white maize was supplemented with yellow maize, of lesser quality, imported as needed to regulate the national grain market.

Throughout the 1970s, the *tortilla* subsidy increased steadily. Not only was the coverage of the programme extended from the national capital to other major cities throughout the country, and even to selected rural areas, but the real consumer price of this basic staple was also significantly reduced. In an inflationary period characterized by labour unrest, such a step defended the standard of living of the lower income population and contributed to the maintenance of national political

stability. Nevertheless, the programme constituted an increasingly onerous charge against the federal budget and was open to a certain degree of misuse or corruption. The magnitude of the operation lent itself to diversions of subsidized grain from the *tortilla* subsector toward industries producing goods which were not subject to price control.

In sum, then, it became increasingly necessary to speak of a dual supply structure for maize within the Mexican food system. Since the efforts of the state to promote higher productivity had not reached the majority of all holdings and since decreasing priority was being given to maize production in the best agricultural areas of the country, national production stagnated; and to cover the widening deficit, purchases of foreign grain increased rapidly. Imported maize, which was cheaper than the national product for reasons explained above, helped keep the cost of consumer subsidy programmes from rising still further, and thus constituted an essential component of the strategy to protect the purchasing power of lower income groups in both rural and urban areas. Yellow (imported) maize was not only utilized by flour milling and animal feed industries, but came to account for as much as 50 percent of the grain consumed by the *tortilla* industry in metropolitan Mexico City. It also appeared frequently in rural DICONSA stores, despite bitter complaints from peasant consumers about its quality.

### **The petroleum boom, austerity and reform**

The model of provisioning just described, with all the conflicting interests and elements of governmental support it implied, would have become increasingly difficult to sustain during the 1970s if it had not been for two developments. The first was a temporary and unusual abundance of capital within international financial markets, which could be drawn upon by the Mexican government in the form of loans. The second, toward the end of the decade, was an enormous increase in state revenues from petroleum exports. Both permitted the government to expand programmes of support for large and small farmers, and for consumers, increasing subsidies throughout the maize provisioning system in an effort to improve the standard of living of low income groups and to reverse the trend toward growing dependence on imported grain.

Under the auspices of the Mexican Food System (SAM), inaugurated in 1980, planners defined a group (or basket) of basic food products which should in principle be made available to low-income families at controlled prices, set with reference to the prevailing minimum wage. For certain products, of which maize was the most important, this level would be sustained through increased consumer subsidies; and at the same time, the retail programme of DICONSA would be greatly expanded so that the “basket” of basic staple foods could be made available to a larger number of low-income consumers, whether in the countryside or in the cities.

In order to stimulate national production, annual subsidies assigned to the agricultural and livestock sector, which had increased from somewhat more than 13 billion pesos in 1970 to 29 billion in 1979, jumped to almost 49 billion pesos in 1981.<sup>9</sup> About 50

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<sup>9</sup> Figures in constant (1977) pesos. Gustavo Gordillo, “La inserción de la comunidad rural en la

percent of the latter amount was destined to financing agricultural credit and the agricultural insurance programme which was an integral part of the credit system. Although, as already noted, the largest producers received the greatest benefit from any subsidized credit programme, the extraordinary increase in funds available to SAM during the short life of the programme allowed for a considerable expansion of credit in peasant areas. Small-scale producers of maize also benefited from exceptionally low prices for chemical fertilizers as well as from a new agricultural insurance programme based on “shared risk”, which took into account the disastrous effects of crop damage on subsistence livelihoods.<sup>10</sup> In 1981 there was also a significant increase in the real support price of maize.

Any evaluation of response by farmers to official programmes designed to stimulate production must eventually confront the difficulties introduced by climatic factors - most particularly in Mexico, where annual variations in climate are very pronounced. Nevertheless it would appear that incentives offered by the government through the Mexican Food System (SAM) did stimulate increased production and yields of maize among peasant producers.<sup>11</sup> The issue is hotly contested, and tends to be debated within a context of polarized arguments and very partial information. In fact, global production figures conceal a series of complex changes within regions and sub-regions, and no doubt among different types of producers as well. The explanation of success or failure within any specific context would have to go well beyond a simple consideration of governmental macropolicies.

In any event, SAM had only a short time to implement its programme of support for small-scale producers of grain. Two years after its inauguration, an abrupt change in the overall economic situation of Mexico eliminated the financial base on which the SAM programme rested and, more broadly, the basis on which redistributive food policies had been implemented by the government throughout the 1970s. In 1982, oil prices plummeted on the international market, reaching a level only one-third their 1981 value and creating serious disequilibria in both the national budget and the balance of payments. At the same time, interest rates on short-term loans, negotiated in European and American financial markets at the height of the oil boom, roughly tripled over the course of a few months. The financial position of the government of Mexico, already under great strain, was further undermined by capital flight.

Following a temporary default on payment of interest on the foreign debt, announced in August of 1982, virtually all the usual sources of international capital and credit dried up. The Mexican economy entered a period of deep recession, characterized by negative per capita growth rates in 1983 and 1986-1988, and by very low positive growth in 1984-1985 and 1989-1990. The recession implied a sharp reduction in wage levels and in the standard of living of many within both low- and middle-

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sociedad global, **Comercio Exterior**, Vol. 40, No. 9, September 1990, p. 806.

<sup>10</sup> James Austin and Gustavo Esteva present a series of essays on the Mexican Food System in their book entitled **Food Policy in Mexico**, Cornell University Press, Ithaca, 1986.

<sup>11</sup> The most systematic analysis of this point can be found in Armando Andrade and Nicole Blanc (“SAM’s Cost and Impact on Production”) in Austin and Esteva, op. cit. The SAM programming model for the agricultural sector suggested that of all the principal crops in Mexico, it was maize which produced the best results for subsidies provided. See Celso Cartas and Luz Maria Bassoco, “The Mexican Food System (SAM): An Agricultural Production Strategy”, in Bruce F. Johnston, Cassio Luiselli, Celso Cartas, and Roger Norton (eds.), **U.S.-Mexico Relations: Agricultural and Rural Development**, Stanford University Press, Stanford, California, 1987, p. 329.

income groups.

Obviously, this was a time when public programmes to alleviate the greatest distress caused by the crisis and to reinforce access to basic foodstuffs were especially needed. It was also, however, a moment when declining public revenues made the reduction of expenditures imperative. The Mexican government reaffirmed its commitment to meet its international financial obligations, thus committing a major proportion of the federal budget to debt servicing, and began a process of crisis management, oriented toward markedly reducing the level of subsidies and cutting back social services, selling off state-owned enterprises and postponing investment in the physical infrastructure of the country.

At the same time, macro-economic policies followed by earlier governments were sharply reversed in the post-1982 period. The Mexican peso was allowed to devalue continually (until 1988), and internal interest rates rose to very high levels intended to offset inflation and reduce incentives for further capital flight. In the course of a few years, these measures were followed by the progressive opening of a highly protected economy to international competition.<sup>12</sup>

Each of these elements of response to the crisis implied adjustments in areas of economic activity and socio-political organization of fundamental relevance to the production, marketing and consumption of maize. As the sharp decrease in governmental revenues and the progressive reduction of traditional levels of protection affected the capacity of the government to respond adequately to the demands of all groups within the provisioning system, conflicting economic and social interests grew stronger and more publicly visible.

As long as it had been possible to obtain international loans or count on high earnings from the sale of oil, there had been no need to affect the interests of commercial farmers who received the largest share of subsidies for agricultural inputs and credit, or to restrict the privileges of private grain merchants. It had not been necessary to reform governmental agencies providing support for agriculture or to put consumer subsidies on a sounder financial footing (in part through confronting a range of private interests with much to gain from an illicit use of subsidized maize).

As the decade advanced, these were to become major issues in the debate over the future configuration of the food system. The most immediate provisioning problem which arose at the outset of the economic crisis centred, however, around the central dilemma of any cheap food policy: if access to inexpensive staple food items is not assured through governmental subsidies, such access must, in the short run, be based either on lower producer prices or involve a growing dependence on cheap imports. In the longer run and with necessary reforms to the system, of course, consumer prices may also be reduced as a concomitant of increasing agricultural productivity and marketing efficiency.

At the onset of economic crisis, and despite the enormous political significance of such a step, it was imperative to reduce expenditures by the government on consumer

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<sup>12</sup> See Jaime Ros and Nora Lustig, **Stabilization and Adjustment Programmes and Policies: Country Study, Mexico**, World Institute for Development Economics Research, Helsinki, 1987.



subsidies for maize, wheat and sugar.<sup>13</sup> The most obvious way to proceed in the case of maize was immediately to increase the price paid by consumers of *tortillas*; and between 1982 and 1990, the price of this product rose precipitously, at a time when the diet of lower income groups in urban areas was in fact increasingly restricted to such basic foods such as maize, beans, and rice.<sup>14</sup> Nevertheless the fate of consumers was not abandoned entirely to the play of market forces. Although *tortilla* prices outside the capital were gradually allowed to rise until they reached the market rate, the price which could be charged within metropolitan Mexico City continued to be controlled. Thus at the end of 1990 a general subsidy of 25 percent of the cost of *tortillas* was still in effect within the confines of the capital city.<sup>15</sup>

At the same time, and as a precondition for eventually eliminating all general subsidies for the *tortilla*, an attempt was made to identify the neediest urban families so that steps could be taken to channel special compensatory subsidies exclusively to that group. In fact, however, it proved extremely difficult to work out a method which would permit valid definition of the poorest; and the experiment was laden with political pitfalls. Cheap *tortillas* were at one point delivered only through designated stores; then only in exchange for stamps obtained through certain kinds of outlets; then there was an attempt to utilize national household surveys to pinpoint the very low-income population. In a metropolitan area of some 16 to 18 million inhabitants, like Mexico City, many needy families were bound to be overlooked and many less needy ones included.<sup>16</sup>

The search for a politically acceptable and socially just method for delivering subsidies to particular groups of consumers continues. In the meantime, differences in geographical coverage of the subsidies, which had been reduced during the 1970s, have reappeared or been reinforced. Not only is there a tendency to give preferential treatment to consumers in Mexico City, when compared with counterparts in provincial cities, but there has also been a significant reduction in grain subsidies which were transferred during the 1980s to rural consumers through local DICONSA

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<sup>13</sup> Cassio Luiselli notes that in 1982 the general subsidy for maize, wheat, and sugar consumption was 15 times more costly than all subsidies for the production of these three products. See Luiselli, "The Way to Food Self-Sufficiency in Mexico and its Implications for Agricultural Relations with the United States", in Johnston et al., op. cit., p. 340.

<sup>14</sup> As a study conducted by the National Consumers' Institute has shown, the progressive reduction of subsidies on a wide range of goods and services (such as transport) has meant that a decreasing proportion of the budget of low-income households can be allocated to the purchase of food. In consequence, it has become necessary to destine a relatively greater share of all expenditures on food to the least expensive staple products. See INCO, "El gasto alimentario de la población de escasos recursos de la ciudad de México", *Comercio Exterior*, Vol. 39, No. 1, January 1989, pp. 52-58.

<sup>15</sup> According to data provided by Appendini (op. cit., p. 139-140), the consumer price for a kilo of *tortillas* in metropolitan Mexico City, which was 11 pesos in 1982, rose to 275 pesos in 1989 and 750 pesos in the fall of 1990. Outside the capital, the same price, which was not subsidized, was 1,050 pesos in the fall of 1990.

<sup>16</sup> Nora Lustig suggests, after studying the effect of subsidies on food consumption, that "it can be argued that a general price subsidy on maize and its derivatives, beans, bread, rice, noodles, cooking oil and eggs, is justified from a distributive point of view. Such a subsidy [leads] to progressive redistribution of purchasing power. Thus eliminating some general price subsidies on basic foodstuffs may have been regressive compared with the past situation, despite the intended protection provided to the poorest through targeting mechanisms. In addition, it is not clear that after targeting was introduced the subsidies really went to those who needed them most." See Lustig, "Economic crisis, adjustment and living standards in Mexico: 1982-1985", *World Development*, Vol. 18, No. 10, October 1990, p. 1335.

retail stores. At the end of 1990, the latter were selling a kilogram of white maize at 830 pesos, when the official price to the producer was 636 pesos per kilogram.<sup>17</sup>

Until 1987, reduction in the level of subsidy to maize consumers was not matched by the kind of decreases in producer prices which would have transferred a part of the cost adjustment to the latter group. In fact, between 1983 and 1986 the support price for maize increased at a rate relatively equal to changes in the consumer price index. Nevertheless the support price lagged further and further behind increasing costs of production. While consumers were absorbing the impact of reduced subsidies for maize grain and *tortillas*, producers were also seriously affected by a reduction of subsidies for agricultural inputs and credit and by restrictions on agricultural support services imposed by the programme of austerity.

Between 1983 and 1987, governmental subsidies to the agricultural sector decreased on average by 13 percent annually, after having increased by 12.5 percent per year during the 1970s;<sup>18</sup> and the cost of many agricultural inputs rose sharply in response to the withdrawal of official subsidies and the rapid devaluation of the Mexican peso. At the same time, the total volume of credit destined to the agricultural and livestock sector by the national banking system declined 40 percent in real terms between 1980 and 1985 and approximately 60 percent between 1980 and 1986-1988.<sup>19</sup>

As a consequence, maize producers had to confront higher and higher costs with less and less crop credit; and they did so in a context of interest rates which increased constantly, not only in nominal terms but, as time went by, in real terms.<sup>20</sup> The acute inflationary process unleashed by the devaluation of the peso and concomitant increases in the interest rate wrecked havoc not only with programmes of financial institutions servicing agriculture, but also with the balance sheets of agricultural enterprises themselves, hampering any medium-term planning and limiting the number of producers able to ask for credit or willing to utilize the total amount of credit for which they qualified, given their fear of the rising cost of money.<sup>21</sup>

These changes were particularly unfavourable to large and medium-scale farmers, long benefiting from governmental subsidies lowering the cost of electricity, irrigation water, fuel, and agricultural machinery. Adjustment measures were initially less unfavourable to peasant producers, since subsidies on chemical fertilizer, which was their principal purchased input, were for the moment maintained and even increased. Moreover, although short-term credit for annual crops provided through BANRURAL became increasingly insufficient in real terms, it was made available to a growing number of borrowers in an effort to ensure continued access to credit, fertilizer, and insurance on the part of clients of official programmes. Such policy measures reflected the decision of the government to protect traditional maize producers during a period when benefits to the modern agricultural sector were being

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<sup>17</sup> See Appendini, op. cit., p. 147.

<sup>18</sup> Gustavo Gordillo, op. cit., p. 806.

<sup>19</sup> Jaime de la Mora, op. cit., p. 947.

<sup>20</sup> Between 1982 and 1986, the level of subsidy on interest rates for agricultural credit was maintained and even increased slightly; but between 1986 and 1989 it dropped from 0.54 to only 0.09 percent of GNP. In 1987 BANRURAL interest rates approached those of the market. See Gustavo Gordillo, op. cit., p. 810.

<sup>21</sup> For the case of long-term credit, see Marín Maydón Garza, "El crédito agropecuario en tiempos de inflación", *Comercio Exterior*, Vol. 38, No. 7, July 1988.

sharply cut.

It is nevertheless important to emphasize the extreme vulnerability of small- and medium-scale commercial farmers, and especially of the relatively better off *ejido*-based producers, working irrigated or good rainfed land, in such a situation. Severely hurt by inflation and by the sudden reduction in the level of subsidies for inputs, *ejido*-based grain producers (as well as producers of certain other crops) began from late 1982 onward to engage in various forms of protest aimed at forcing the government to offset their losses through increasing the support price of maize.

Despite the relatively meagre gains won by these protest movements, national statistics indicate that maize producers of all kinds continued cultivating their land with sufficient success to maintain prevailing levels of production until 1986. In fact, national maize production during the period from 1983 to 1985 was on average as high as in 1980 and 1981, the years just before the crisis. In addition to having benefited from favourable weather conditions, it is clear that farmers were able to keep up their levels of maize production during the crisis in part because they took advantage of the immediate decrease in the relative cost of labour which was associated with the deepening recession. Between 1979-1982 and 1983-1986, the relation between the rural minimum wage and the nominal support price for maize decreased by one-third. To some extent, this counterbalanced the increasing cost of other inputs utilized by small, medium and large agricultural enterprises which expended resources on hired labour.<sup>22</sup>

For the majority of all maize producers, however, the reduction of rural wage levels was likely to do more harm than good: most peasant families counted on income from both urban and rural wage labour not only to meet consumption needs but also to defray a portion of their production expenses. In the context of declining income from off-farm sources, it would seem likely that part of the resilience of national maize production between 1983 and 1985 was attributable to the intensified use of family labour on smallholdings, as rural people attempted to offset difficulties in the labour market through bolstering subsistence strategies.

## **From orthodox to heterodox adjustment measures**

If during the initial five years of recession and adjustment the government succeeded to some degree in protecting producers of basic grains from the full impact of the crisis, through raising support prices to keep pace with the evolution of the consumer index, increasing subsidies on fertilizers and trying (with decreasing success) to sustain subsidies on official agricultural credit, this protection began to be undermined in 1986. And by the end of 1987, the situation shifted abruptly, as macro-economic policy was subject to fundamental modifications. From 1987 until the end of the decade, grain producers found themselves at an increasing disadvantage, as the level of support prices dropped sharply and the national grain market was increasingly

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<sup>22</sup> See Jaime Ros and Gonzalo Rodríguez, **Estudio sobre la crisis financiera, las políticas de ajuste y el desarrollo agrícola en México**, mimeograph, December 1986, as well as Antonio Martín del Campo, "La política económica reciente y la agricultura", in Jorge Zepeda Patterson (ed.), **Las sociedades rurales hoy**, El Colegio de Michoacán/National Council for Science and Technology (CONACYT), Zamora, 1988, p. 190-191.

opened to competition from foreign producers.

This shift in policy, involving sharply declining public support for producers and increasing dependence on the international market, was tied to implementation of a Pact for Stability and Economic Growth, which signalled the end of five years of government reliance on an orthodox adjustment strategy. The orthodox approach which predominated from the outset of the crisis until 1987 was based on a systematic effort to leave the setting of key prices like exchange and interest rates as much as possible to the free play of market forces. The continuous devaluation of the peso was the centrepiece of this strategy, which was associated with a rate of inflation reaching the alarming level of 159 percent in 1987.

Threatened with the possibility of an uncontrollable inflationary spiral, the government abandoned its orthodox adjustment strategy toward the end of 1987 and adopted instead a heterodox programme which set limits to the devaluation of the peso and established a mechanism for setting key prices within the national economy. The peso would be defended by making use of the fund of foreign currency accumulated after 1982 through sharp reductions in imports and a considerable increase in exports. Prices of most important goods and services were to be adjusted periodically through institutionalized consultation (or *concertación*) between the government and representatives of the principal sectors of Mexican society, including workers, peasants, and the leaders of industry and business.

Through a series of pacts which have been renewed on a regular basis since 1988 and are still in force today, both wages and prices have been allowed to vary only within certain specified limits. For its part, the government has assumed the responsibility of ensuring stable prices for specified basic goods and services (including fuel, electricity, trains, telephones, and *tortillas*) - a measure implying that programmes to reduce or eliminate governmental subsidies must be slowed. Meanwhile industrialists, merchants and others within the business community have agreed to refer to negotiated guidelines when setting their prices. Labour representatives have accepted sharp restrictions on wage increases, in spite of the fact that the real income of the urban working class fell by 50 percent during the five years preceding the first pact. Finally, representatives of agricultural producers have collaborated, with great difficulty, in an effort to keep the prices of basic food staples low.

Between 1988 and 1991, this new strategy for dealing with economic crisis succeeded in sharply reducing inflation and allowed for modest economic growth in 1991. For the agricultural sector, however, both the pricing policy associated with the pacts and the evolution of patterns of state investment proved highly unfavourable. From 1987 to 1989, the real support price for maize plummeted, advancing much more slowly than the consumer price index or the cost of agricultural inputs and contributing to a deepening recession in large areas of the Mexican countryside.

During the first year following the implementation of the heterodox adjustment strategy, the group of maize producers operating at a loss grew from 43 (1987) to 65 percent (1988) of the total; and the number who obtained profits of more than 40 percent above their costs dropped from 37 to 20 percent.<sup>23</sup> The worsening crisis

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<sup>23</sup> Jaime de la Mora, op. cit., p. 945. Data is taken from the National Survey of Production Costs,

among maize producers was reflected in national production levels, which had begun to fall (in response to inflationary pressures) during the year prior to the implementation of the Pact and remained very low throughout the period from 1987 to 1989. In consequence, grain imports rose considerably.

To judge the overall impact of these developments on the livelihood of maize producers, and particularly on levels of living among small- and medium-scale farmers, it is important to remember that the unprofitability of maize production was only one facet of a much wider crisis that affected the entire agricultural sector during the latter 1980s. There were few profitable alternatives to be found in the countryside at that time. According to official statistics, in the three years prior to 1989, the agriculture, livestock and forestry sector declined at an average annual rate of -0.8 percent. “Accompanying this tendency toward decreasing production was extreme instability in prices of products, cost of inputs, and income levels of producers”.<sup>24</sup>

## **Restructuring and the maize provisioning system**

It was in the midst of this generalized rural crisis and within the context of trade liberalization and a macro-economic policy favourable to importing foreign goods,<sup>25</sup> that the Mexican government began to undertake a thoroughgoing reform of the structure of official support for the agricultural sector, including a reform of the institutional bases of the maize provisioning system.

This effort, which began in 1989 and is still under way, forms part of a longer-term programme to restructure the entire Mexican economy, in order to improve its ability to compete within the international market and to create a more “modern” institutional structure, less dependent upon paternalistic or clientelistic relations. In the agricultural sector, restructuring centred on institutional reform - the elimination of various official agencies and programmes and the reformulation of the mandate of several others, as part of a wider effort to redefine the role of the government throughout the economy.

This is an eminently political undertaking, involving debate among groups with contrasting - and in some cases starkly opposing - visions of the proper role of the public sector in the national economy. In fact, the group in power contains a faction which sees no viable future for the production of basic crops in Mexico and which would orient the process of restructuring toward sharply reducing official support to the countryside and leaving the provisioning of basic grains to the free play of forces within the international market.<sup>26</sup> It should be noted, however, that even among

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Technical Coefficients and Yields, carried out by the Ministry of Agriculture and Water Resources (SARH), 1988.

<sup>24</sup> Ministry of Agriculture and Water Resources (SARH), National Programme for the Modernization of the Countryside, 1990-1994, reproduced in **Comercio Exterior**, Vol. 40, no. 10, October 1990, p. 988. This study notes that “as a result of the loss of dynamism in the countryside, GNP per capita in the agriculture and forestry sector was less in 1988 than in 1960.”

<sup>25</sup> Protecting the peso against any serious devaluation from 1988 onward implied that exports, including agricultural exports, were in a relatively disadvantageous position within the framework of the pacts, while imports became more and more attractive.

<sup>26</sup> Raúl Salinas de Gortari outlines different positions within the government in his article entitled “El campo mexicano ante el reto de la modernización”, op. cit., p. 828.

groups which would oppose such an extreme position and advocate varying degrees of governmental participation within the economy, there are good reasons for supporting a process of institutional reform within the agricultural sector. The cost of maintaining the old support structure was very high, resource utilization was often inefficient, and as already noted, governmental programmes have all too frequently involved attempts at political control against which many peasant organizations have fought tenaciously.

In the last analysis, the current attempt to redefine the role of the Mexican government in the countryside implies, then, both an opportunity and a risk: the opportunity to create a support structure which is much more efficient and consonant with the interests of the majority of producers, and the danger that some of the public programmes and initiatives which have constituted indispensable elements in supporting agricultural activities in the past will be eliminated. In the short run, of course, there are also the inevitable risks associated with any period of transition, when institutions are being dismantled, programmes are being reoriented, and new rules concerning who will have access to services must be defined. Under such circumstances it is inevitable that both the continuity and quality of many services will be affected.

From 1989 onward, agricultural producers in Mexico have been affected by restructuring in a number of ways. In the first place, as a result of a progressive process of “disincorporation” or privatization of official enterprises, the normal channels through which small- and medium-scale commercial farmers were accustomed to gain access to some goods and services have been modified or eliminated altogether. For example, the sudden closure of the National Agricultural and Livestock Insurance Company (ANAGSA), which had been poorly managed for many years, left all the clients of the official rural credit bank without a source of insurance. Reorganization of the government-owned manufacturer and distributor of chemical fertilizers (FERTIMEX) greatly increased the difficulty of obtaining that vital input in many rural areas.<sup>27</sup> Moreover, when a series of specialized commercial entities were put up for sale (such as INMECAFE, which provided production and marketing support for small-scale coffee producers), their clientele ran the risk of losing access to basic inputs, technical assistance, and crop reception centres which in the past had protected them to some extent from the vagaries of production for the international market.

Within the sphere of marketing of basic agricultural commodities, the state continued to provide maize and bean producers with the option of selling their harvest to CONASUPO, at the support price. The purchasing role of CONASUPO was, however, now strictly limited to reception of those two products; and since the agency no longer regulated the market for other basic and semi-basic crops, most products faced increasing competition from imports. In addition, although the national market for maize and beans continued to be protected, industries which were important processors or buyers of grain exerted growing pressure for further liberalization. Import licenses were thus progressively easier to obtain with every passing year.

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<sup>27</sup> Fertilizer producing installations were offered to private industry and FERTIMEX was left with the secondary task of distribution.

The clientele of the official agricultural credit system was subject to great uncertainty and experienced severe restrictions on access to productive resources at the turn of the 1990s, as that system underwent far-reaching reorganization. Not only was there a reduction and reorganization of personnel within official credit institutions, and a reform of operating procedures, but the basic mandates of credit institutions were redefined and with this their future clientele. In 1989, faced with a vast portfolio of delinquent loans, the Rural Bank (BANRURAL) stopped all lending to producers who were in default. Given the disastrous economic situation prevailing in much of the countryside, a large proportion of all maize producers in Mexico had not been able to repay their debts, and they therefore received no credit that year. Shortly afterwards, it was announced that the official bank would only offer loans to the relatively better-off small and medium-scale producers with clear productive potential. Such a policy left higher-risk producers to be attended within the framework of a new initiative, known as the National Solidarity Programme (PRONASOL), which would respond to the needs of groups with fewer resources.

At the heart of such restructuring was a clear intention to tailor official programmes more closely to the specific needs of various groups, providing different treatment to producers, according to their income level and their productive potential.<sup>28</sup> In fact, this was a demand long put forward by peasant organizations themselves, as they criticized the extreme lack of direction or focus of subsidies awarded in the agricultural sector. The effort could be judged successful to the extent that it had the effect of withdrawing subsidies preferentially awarded to large-scale producers and channelling greater support instead toward medium- and small-scale producers with productive potential. But as in the case of reform of the subsidy directed toward consumers of basic food products, already discussed, a strict new effort to target programmes of official support toward a much-reduced group of producers was also demanded by those within the government with a strong interest in sharply limiting the role of the state in the national economy. If the views of the latter group prevail in the restructuring process, very few resources will be available to support small-scale producers in the future.

Meanwhile, the effort to rationalize and reorient subsidies channelled toward agricultural production confronts a series of difficulties which are to a certain extent inevitable. One of these has to do with deciding who, within which group or region, will continue to receive preferential treatment from the state.<sup>29</sup> Another arises from the need to define new forms of official support and to specify correct procedures for apportioning it.

The government has stated that such decisions will be reached in dialogue with peasant organizations, whose participation obviously constitutes an indispensable element in any effort to define more efficient support programmes for the countryside. At the same time, an effort is being made to encourage private companies and consultants to provide a growing part of all goods and services formerly delivered to

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<sup>28</sup> National Programme for the Modernization of the Countryside, op. cit., p. 993.

<sup>29</sup> In the National Programme for the Modernization of the Countryside, it was suggested that “a realistic census of producers, as well as a system of reliable and up to date statistical information” be established, “... which would allow for precise identification of producers in order gradually to individualize the commitments between them and the public sector”. National Programme for the Modernization of the Countryside, op. cit., p. 1005.

rural people by specialized agencies of the government. In the new arrangement, public funds earmarked for support of agricultural production will be preferentially channelled from the state to rural producers' organizations, so that the latter can utilize them to contract for services or purchase goods from the private sector as they deem appropriate.

How best to allocate public resources to these producers' organizations in the first place continues to be a problematic issue. At present, various kinds of organizations can receive funding for specific projects by reaching formal agreement (known as engaging in a process of *concertación*) with the Ministry of Agriculture (SARH), with the National Indigenous Institute (INI) and/or with the National Solidarity Programme (PRONASOL) or, at the state level, by negotiating through state governments. Although this new procedure may reduce the role previously played by some official agencies and give greater opportunities both to organized producers and to the private sector, it is obvious that it does not eliminate the possibility that access to governmental resources will be conditioned by political negotiation.

It should also be noted that creating new opportunities for private initiative within the agricultural sector does not necessarily imply an immediate improvement in the conditions of production for farmers. In many areas of rural Mexico, there are no real incentives to invest in businesses which would replace state-run agencies; and in regions of greater economic potential, private interests tend as much toward collusion as toward competition. In a time of recession, the capacity of the majority of producers (and most particularly producers of basic grains) to organize in defense of their interests without governmental support is very limited.

### **The impact of recession and restructuring on small- and medium-scale producers in areas of commercial agriculture**

In the principal regions of commercial agriculture in Mexico, where the use of modern technology allows for higher yields than the national average, small- and medium-sized producers have not remained passive when confronted with problems stemming first from the debt crisis and later from the array of macro-economic policy adjustments and attempts at institutional restructuring just discussed. Many commercial farming areas contain important *ejido* sectors which (contrary to the all-too-frequent stereotype of the *ejido* as universally poor and disorganized) carry political weight because of their significant contribution to national production and their high level of organization. To an increasing degree since the 1970s, these *ejido*-based producers have grouped together in associations and cooperatives in order to defend their interests and strengthen their negotiating position vis-à-vis both the government and the private sector.<sup>30</sup>

Throughout most of the 1980s, the demands of maize producers in commercial *ejido* areas centred on the possibility of raising support prices in order to minimize the overall effect of inflation, devaluation, and reduction of subsidies on agricultural

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<sup>30</sup> One of the principal actors in this process of *ejido* organization, Gustavo Gordillo, analyses it in his book **Campesinos al asalto del cielo: De la expropiación estatal a la apropiación campesina**, Siglo XXI Publishers, Mexico City, 1988.



profits. Since small farmers were likely to feel the extent of their loss most acutely at the time when they delivered their crops for sale, and since *ejido*-based producers in a number of regions were most likely to sell to CONASUPO, demands for higher prices were often most forcefully presented around harvest time and in a number of cases took the form of occupying the warehouses of CONASUPO in order to prevent the shipment of grain from the region. At times strategic highways were also blockaded to assure that maize could not be moved.

Such protests were most frequent during 1982-1983 and 1985-1987; and the specific political context of each region or state had much to do with their success or failure.<sup>31</sup> In general, producers' organizations obtained some concessions from the government in exchange for ending their take-over of CONASUPO installations. But these tended to be short-term arrangements (involving one extra payment to producers from certain regions, a promised contribution to a particular regional development fund, and so forth), which did not significantly alter the fact that maize production was no longer a viable economic activity in many areas of small-scale commercial agriculture in Mexico.

After the last series of producer protests in 1987, developments within the maize market itself began to reduce the strategic importance of CONASUPO installations in the struggle for more favourable conditions of production, except insofar as the warehouses could be utilized by medium- and small-scale producers to store grain which they planned to sell to private dealers. Because official support prices were kept very low, and private dealers offered to pay considerably higher prices in what was at the time a deficit market, fewer and fewer producers and small intermediaries could afford the luxury of delivering grain to CONASUPO; and in consequence, state-run warehouses for the moment could no longer be considered the centre of power within the regional supply system. The "enemy" of most maize producers was now not so much the government as the market, an infinitely more diffuse opponent and one on which it was much more difficult to apply political pressure.

Since few producers had the resources to construct their own storage facilities and since private control over such facilities tended to go hand in hand with monopoly pricing, it was imperative for medium- and small-scale commercial grain farmers to ensure continued access to the existing public infrastructure for grain storage. Producers' organizations began to negotiate agreements with public institutions which would allow them temporary use of storehouses and silos until they could find private buyers for their grain. In some cases, CONASUPO agreed to be the buyer of last resort, at the support price, if no better offer were forthcoming.

By the end of the 1980s, with the dissolution or reorientation of some of the major institutions formerly providing services to small-scale commercial maize farmers, the latter were confronted with the fact that they would have to create their own institutions to replace the infrastructure and services which had historically been provided by the government. There was an important precedent for such efforts. In fact, better organized *ejido*-based producers had already established a number of cooperative associations and regional unions during the late 1970s and early 1980s in

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<sup>31</sup> See Luis Hernández, "Maiceros: De la guerra por los precios al desarrollo rural integral", in Hewitt de Alcántara, op. cit.

order to facilitate the purchase of agricultural inputs at competitive prices, to process certain farm products, and to negotiate an advantageous sale price for particular crops. But this programme had been carried out within a framework of access to basic governmental services; and although the struggle of the *ejido*-based producers in commercial areas long involved demanding a certain degree of independence in dealing with public institutions, as well as the improvement of governmental services, this was far different from coping with the total disappearance of some government agencies.

In parts of Chihuahua, Jalisco, Nayarit, and Chiapas, relatively strong organizations of medium- and small-scale maize producers have recently begun to create credit cooperatives and insurance funds, and to build storage installations which their members must have if they are to continue to farm within the context of restructuring. They have also begun to establish programmes which promote the substitution of other crops or non- agricultural activities for maize production. State funds, obtained through negotiations (*concertación*) of the kind just described, have been provided for these experiments. Nevertheless, as with producers' organizations throughout the country, they are working with members who have been deeply affected by years of unprofitable operations, overwhelmed by outstanding debts, and increasingly hemmed in by the need to be competitive in the international market. The general outlook is not encouraging.

Even in the case of several relatively strong agricultural associations, large investments made in better times have been imperilled by competition from imported products. For example, in the northern part of the state of Zacatecas, a processing plant for grapes which was profitably managed over many years had been idled by 1990 as both foreign grapes and wines made deep inroads into the national market. In the state of Jalisco, the efforts of some of the country's most productive small-scale maize farmers to form a marketing cooperative were at the same time being challenged by processing industries which turned as often as possible to foreign suppliers. In addition, better-off small farmers who have tried to avoid the maize crisis by raising poultry or pigs now find themselves operating in a depressed national market for animal products and in competition with imports from the United States.<sup>32</sup>

The situation of small and medium-sized producers in areas of commercial agriculture is therefore far from promising. An increasing number of families in these regions respond by migrating to Mexican cities or to the United States, thus reinforcing the long-run tendency toward an oversupply of seasonal labour within US agriculture and a consequent decline in the average agricultural wage in the United States.<sup>33</sup> Such migration also contributes to seasonal scarcity of labour within some regions of commercial agriculture in Mexico, and is related as well to the fact that women are coming to form a larger and larger part of the agricultural labour force in these areas.

Some of the families remaining in the better-off agricultural regions of Mexico at the end of the 1980s produced less maize for the market and more for family

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<sup>32</sup> See Isabel Cruz, "Las Uniones de Ejidos frente a la restructuración del programa agropecuario oficial", paper prepared for the UNRISD Seminar on Maize and the Economic Crisis in Mexico, Tepoztlán, Mexico, January 1990.

<sup>33</sup> David Runsten, "Some Potential Impacts of a US-Mexico Free Trade Agreement on Agricultural Labour", **Rural California Report**, Vol. 3, No. 1, April 1991.

consumption, and tried to return to the days when they had provided for most of their subsistence needs outside the market, through cultivating a variety of crops in family plots and backyard gardens. But withdrawing from the market has not been easy. Over several decades, many farm families systematically producing maize on a commercial scale have grown accustomed to purchasing the better part of their consumer goods and have lost some of the skills which formerly allowed them to maintain a greater degree of self-sufficiency.<sup>34</sup>

At the level of regional economies, recession and restructuring encouraged farmers in the most important commercial agricultural areas of Mexico to offer larger amounts of land for rent to those with the capital to diversify production and/or to produce for the export market. On small and medium holdings, the crisis was also reflected in a decreasing utilization of manufactured inputs and in descending yields. Levels of production in states and districts which had produced considerable maize surpluses over a long period of time began to diminish significantly during the late 1980s.<sup>35</sup> The tendency was reversed in 1990 when the support price for white maize increased 46 percent over the previous year, stimulating an immediate response by medium- and small-scale commercial producers. Nevertheless the crisis is at present as much a question of institutions as of prices, and it is improbable that it can be resolved simply through raising the level of the latter.

## **Maize, crisis and restructuring in areas of subsistence agriculture**

The emigration of small-scale producers of maize from areas of commercial agriculture reflects a tendency throughout Mexican society as a whole to depend on increasingly complex survival strategies in the effort to cope with recession and restructuring. Nevertheless the overall context within which these strategies are developed varies markedly from one place to another; and for this reason it is important to distinguish the situation of small commercial farmers, analysed above, from the pattern of change which predominates in what is usually called “subsistence agriculture”.

In fact, the latter concept encompasses a very wide range of situations. All have in common the production of maize, as well as other agricultural crops and livestock, primarily for family consumption rather than for sale. But this goal is pursued within varied contexts implying different levels of participation in national markets of goods, capital, and labour, and therefore likely to be differentially affected by the national economic crisis.

At one extreme of the subsistence continuum is the pattern in which all basic needs of a rural household can be satisfactorily met through the efforts of unremunerated family labour, working on the family holding, on communal lands or engaging in other forms of production within the community. This type of subsistence economy, in which there is only minimal participation in regional, national or international markets, can still be found in some parts of rural Mexico. It often involves

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<sup>34</sup> Interview with Rolando Loubet and Milagros Camarena, Guadalajara, Jalisco, August 1990.

<sup>35</sup> For a detailed analysis of changes in patterns of maize production and productivity, see Appendini, *op. cit.* The case of Jalisco is presented by Javier Orozco Alvarado in “La situación agrícola en Jalisco en el contexto del neoliberalismo económico”, **Reflejos** (Guadalajara), Vol. 2, No. 8, 1990.

preservation of traditional systems of diversified natural resource management based on hunting, gathering and fishing; and the practice of slash and burn agriculture in a sustainable fashion within areas of extraordinary ecological complexity where the traditional Mexican maize field (or *milpa*) plays a central role.<sup>36</sup>

For peasant families who can continue to make an adequate living in this way, recession and consequent restructuring of the national economy have been of relatively minor importance. This group represents, however, only a small minority of the rural population of Mexico. As a general rule, outside the principal commercial agricultural areas of the country, the cultivation of maize associated with beans, squash, or other crops has been carried out for decades within the context of a worsening livelihood crisis. Although maize production for family consumption continues to be the goal of the majority of families, the probability of satisfying their minimum needs with domestic production is becoming increasingly unlikely.

The deepening “maize crisis” in peasant areas, which preceded the general economic crisis of the 1980s and significantly conditioned its effects, is a phenomenon with multiple causes: population growth in rural communities where resources are relatively fixed; the low profitability of maize production in comparison with other agricultural and livestock options and, over long periods, even in comparison with the level of remuneration for labour; restrictions imposed on the availability of family labour by the seasonal and permanent migration of able-bodied members of the household; and the expansion of urban areas, livestock operations, and cultivation of forage over large expanses which were previously dedicated to maize. In consequence, the cultivation of maize has been increasingly relegated to inhospitable areas and to a smaller proportion of the total available agricultural land.<sup>37</sup>

Even under difficult circumstances, however, peasant families continue their efforts to produce maize. Slightly more than half of the total national output of maize is still cultivated on rainfed plots by farmers utilizing traditional methods; and of that amount, a further half is retained by producers for family consumption. Nevertheless maize production, even for subsistence, depends increasingly on the ability of households to generate off-farm income in order to finance indispensable purchased inputs. In many communities, for example, families must buy fertilizers because natural resources have been depleted and poorer agricultural lands are being cultivated. Emigration by some household members often leads to a scarcity of family labour, and then the need arises either to rely more heavily on labour-saving herbicides in the *milpa* or to contract day labourers, or both. At the same time,

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<sup>36</sup> See Narciso Barrera Bassols, Benjamín Ortiz Espejel and Sergio Medellín, “Un reducto de la abundancia: El caso excepcional de la milpa en Plan de Hidalgo, Veracruz”, in Hewitt de Alcántara, op. cit.

<sup>37</sup> Under the leadership of Arturo Warman and Carlos Montañez, two books were prepared during the early 1980s which constitute basic references for anyone interested in understanding these processes: **El cultivo del maíz en México: Diversidad, limitaciones y alternativas**; and **Los productores de maíz en México: Restricciones y alternativas**. Both books were published by the Centre for Ecodevelopment, the former in 1982 and the latter in 1985. For an analysis of the development of sorghum cultivation in maize growing regions, see David Barkin and Blanca Suarez, **El fin de la autosuficiencia alimentaria**, Océano Publishers/Centro de Ecodesarrollo, 1985. A detailed study of the effect of all these modernization processes can be found in Fernando Tudela et al, **La modernización forzada del trópico: El caso de Tabasco**, El Colegio de México/UNRISD/IFIAS/CINVESTAV, Mexico City, 1989.

declining maize yields often oblige producers to purchase grain during several periods when their own supply of maize is not sufficient to meet family consumption requirements.

These expenditures, indispensable for the kind of “subsistence” agriculture which presently prevails in Mexico, are met with remittances from distant family members or with income generated through the sale of agricultural or non-agricultural (forestry, livestock, and handicraft) products; or they may be defrayed by diverting a portion of credit (in money or in kind) ostensibly requested to finance other crops. Among families with the potential to produce surplus maize when weather conditions are favourable, and who have been successful in gaining access to the official credit system, grain for family consumption can also be financed with loans from BANRURAL, and repaid with a portion of the harvest. Finally, the resources required to engage in subsistence maize production can be obtained from local moneylenders or merchants, to whom the borrower must deliver a prearranged amount of grain (usually at a prearranged price) even if production is not sufficient to satisfy minimum family consumption needs.

Such survival strategies closely integrate the low-income rural population into wider markets for labour, capital and goods, and make it extremely vulnerable to a whole range of negative changes related both to the economic recession and to recent efforts to restructure the Mexican economy. In the first place, of course, the contraction of employment opportunities, especially within certain sectors of the economy consistently hiring peasant labourers, like the construction industry, has threatened the livelihood not only of low-income urban families but also of rural people who depend on remittances from family members who have migrated to the city. The relentless reduction in the level of real wages in urban and rural areas has obviously had the same effect.

In some cases, urban workers of peasant origin have reacted to the recession by abandoning the cities and returning to their communities to work in agriculture or to start a small business. But under present conditions, it is difficult for many rural families to take advantage of the potential benefits which such an increase in the local labour force might imply. The situation is further complicated by the fact that in many communities the amount of available land is not sufficient to satisfy the minimum needs of the population, and there is no immediate possibility of increasing the size of agricultural holdings or providing new farm sites to landless families.

There is, then, an overall increase of emigration from areas of predominantly peasant agriculture, in spite of unfavourable conditions in the national labour market. This reduction of the labour force in the countryside appears to be related to two further phenomena. The first is a distinct increase in the “feminization” of the agricultural work force - a process already under way in the 1970s. Thus at the present time, in Morelos, Oaxaca, Guerrero, and the Tarascan plateau of Michoacan, it is increasingly likely that smallholdings will be cultivated by women, children and the elderly, often assisted by hired hands.<sup>38</sup>

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<sup>38</sup> Ursula Oswald, “Crisis y sobrevivencia en Morelos” and Emma Zapata Martelo, “Un intento de leer el papel de la mujer en la crisis de la agricultura de subsistencia”, papers prepared for the UNRISD Seminar on Maize and the Economic Crisis in Mexico, Tepoztlán, Morelos, January 1990.

At the same time, there is an increase in the frequency with which women accompany men who migrate in search of work as day labourers in commercial agricultural areas or in hopes of finding employment in the United States or Canada. In fact, a recent study commissioned by UNICEF concluded that “the phenomenon which has affected rural women most markedly during the 1980s is, without a doubt, their [growing] incorporation beside their husbands in salaried agricultural work”. It is estimated that women now comprise about one-third of all the day labourers who work in the Mexican countryside.<sup>39</sup>

This increase in rural migration, especially when it involves the exodus of family members who have the greatest capacity to engage in hard physical labour, can also bring about a noticeable deterioration in the quality of farm practices on subsistence or semi-subsistence smallholdings. In fact, such a tendency is repeatedly noted by students of rural life in many areas of the Mexican countryside. In its most extreme form, out-migration encourages the formation of an increasingly fragmented and “incomplete” local social structure, made up of small families with very few experienced workers. Under these conditions, it eventually becomes impossible to contribute the labour required to maintain the public works (including local irrigation networks) which are the backbone of productive agriculture in many regions. Essential farming practices are first reduced and then abandoned, as part of a vicious circle of social disintegration and ecological deterioration.<sup>40</sup>

In addition to stimulating emigration and reducing earnings from wage labour, the recession of the 1980s has introduced other changes in the lives of millions of Mexicans who depend on maize production for family subsistence. For example, both the recession and the progressive elimination of barriers protecting the national market from foreign competition have reduced the income received by rural households from the sale of forest and animal products, as well as from handicrafts. Local economies are depressed, in part because products are being imported which compete with goods made by small rural industries, or by larger enterprises employing rural labour. Some of these products come from Bangladesh or China, where labour costs are lower than in Mexico, or from Japan and the United States where the level of technology is much higher.

## **Tendencies of change in rural grain markets**

At the end of the 1980s, this set of factors influenced rural maize markets in a number of ways. In some micro-regions, the crisis in commercial agriculture stimulated subsistence maize production to such an extent that the amount of grain available on local markets increased considerably. This could be a highly positive adaptation to recession, which helped protect the level of living of the local population. Nevertheless it is important to remember that an increase in subsistence production can also mean a reduction in the amount of grain available for sale, creating a relative

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<sup>39</sup> Lourdes Arizpe, Fanny Salinas, and Margarita Velásquez, “Effects of the Economic Crisis on the Living Conditions of Peasant Women in Mexico”, in **The Silent Adjustment: Poor Women and the Economic Crisis**, UNICEF, New York/Santiago de Chile, 1989.

<sup>40</sup> For analysis of an extreme case of this kind, see Raúl García Barrios and Luis García Barrios, “Subsistencia maicera y dependencia monetaria en el agro semiproletariado: Una comunidad rural mixteca”, in Hewitt de Alcántara, op. cit.

scarcity of maize in certain rural areas and pushing up the prices paid for maize by deficit producers and landless families.

It appears that this was the situation in the Puebla Valley in 1988 and 1989. Smallholders who usually produced for family consumption but had previously been able to sell some surplus, reacted to the steep rise in production costs and low support prices by retreating into subsistence. This created a closed provisioning circuit, in which local farmers provided only for the extended family (including relatives living in urban areas) and sold little or no maize to deficit producers within the community. The valley experienced a considerable scarcity of grain, even though the deficit was lessened somewhat by the introduction of yellow maize imported from the United States.

In other agricultural areas of Mexico there were also clear indications that landless rural families and deficit producers were finding it increasingly difficult to meet their provisioning needs. For example, agricultural day labourers in certain regions of peasant agriculture began to request that they be paid not in pesos but in grain.<sup>41</sup> Moreover, there were instances in which local people looking for work were willing to sell their labour to an employer before the agricultural season began, at a lower-than-market price and in return for prepayment in maize - an arrangement which could only have developed in the context of severely limited access to grain.

These developments were of course attributable in part to the effects of inflation on rural livelihood and to restrictions which the recession itself placed on purchasing power. As the real income of many peasant families plummeted during the second half of the 1980s, their capacity to produce maize for subsistence and their ability to purchase grain were progressively reduced. In addition, the price structure which developed within some regional grain markets further worsened the situation of net buyers - and for reasons not always related to a return to subsistence by local surplus producers.

During the last years of the 1980s, grain was scarce in many regions. As a consequence, its market price was sometimes as much as 50 percent above the prevailing support price. Therefore local farmers who did produce a surplus found it advantageous to sell to private intermediaries who in turn channelled the maize to urban areas. This tendency had severe effects on rural consumers, unless they had access to a DICONSA outlet. And high maize prices were often not even advantageous for the sellers of grain, many of whom sold only in order to meet a pressing need for income and might later have to buy at up to double the price they had originally obtained for their own maize.

Given this situation, rural people demanded a series of reforms in official provisioning policy. In the first place, they strongly advocated the extension of the network of DICONSA stores, since the crisis had significantly increased the number of net consumers in the countryside and the segmentation of the market had exacerbated their supply problems. The government responded positively to this request: the number of rural DICONSA stores doubled during the 1980s, even as

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<sup>41</sup> This fact was reported by several of the participants at the Tepoztlan seminar.

other public services were being systematically reduced.<sup>42</sup>

At the same time, inhabitants of some regions insisted not only that the formal retail operations of DICONSA be expanded in rural areas, but also that the agency increase its support for community efforts to develop new forms of exchange among producers themselves. For example, peasant organizations within two different ecological zones of central Veracruz have traded products with relative success, creating their own barter system within a general market context which would otherwise have been unfavourable.<sup>43</sup>

Organizations of small-scale cultivators in the central and southern regions of the country (that is, outside the major areas of commercial agriculture in northern Mexico) have insistently advocated creation of a structure of credit and storage which can support local efforts to ensure that an adequate proportion of the maize harvest stays in the region where it is produced. The importance of these demands has been recognized in the recently published National Programme for Modernization of the Countryside, which contains provisions to increase the number of regional centres for the purchase and storage of grain and to facilitate producers' access to these centres. In some cases, organized producers have even designed strategies which would allow them to withdraw almost all their production from the market. This attempt at self-sufficiency, financed with off-farm income, flows from the producers' conviction that they lose money both in their initial sale of grain and in their subsequent purchase of it; and that they would in consequence be better off if they concentrated on supplying their own needs outside the market.<sup>44</sup>

Finally, the problems of both irregular supply and low quality of basic products in many rural stores have stimulated an attempt by some regional organizations to improve services to the consumer by taking over the management or ownership of local DICONSA stores and warehouses, which are usually run by the agency itself. Nevertheless, this formal change in ownership alone cannot resolve the structural problems inherent in supplying low-income families who live in isolated and relatively small settlements. The task is a difficult one, especially when it means transporting grain over very long distances or bad roads; and unless high prices are charged, it is obvious that considerable subsidies are necessary.<sup>45</sup>

## Conclusions

By 1991, the future of Mexican agriculture and Mexican rural life depended fundamentally on pending decisions regarding integration into the North American Common Market. After a decade of recession, macro-economic adjustment and institutional restructuring, what kind of basic provisioning structure in Mexico will become the object of negotiation among parties to the proposed treaty? In the case of

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<sup>42</sup> Appendini, *op. cit.*, p. 144.

<sup>43</sup> See María Eugenia Munguía, "Los hijastros de CONASUPO: Un sistema de comercialización regional independiente en el centro de Veracruz", in Hewitt de Alcántara, *op. cit.*

<sup>44</sup> Arturo Argueta, María Eugenia Gallart, Arnulfo Embriz, Laura Ruiz and Livia Ulloa, "El crédito y el maíz en la Meseta P'urépecha", in Hewitt de Alcántara, *op. cit.*

<sup>45</sup> This issue is discussed in detail in Armando Bartra, "Darse abasto: Diecisiete tesis en torno a la autogestión en sistemas rurales de abasto", in Hewitt de Alcántara, *op. cit.*



maize, which is the single most important element of that structure, one finds a system of production, marketing and consumption undergoing profound reorganization, beset by conflicts among groups with opposing interests and riven by the ideological differences that now permeate Mexican society as a whole.

For maize producers, and especially for those engaged primarily in commercial farming, the possibility of international integration comes at a time of extreme vulnerability, when recession and restricted governmental investment in the countryside have seriously undermined the productive capacity of many agricultural areas, and when institutional reform creates additional uncertainty. A series of governmental programmes providing goods and services which are indispensable for agricultural production have either been discontinued or are being reorganized. Until these processes lead to the creation of viable alternatives, Mexican producers operate within a context of disadvantage which is in sharp contrast to the situation prevailing in either Canada or the United States.

The farmers themselves, and especially the small- and medium-scale *ejido*-based producers who constitute the majority of the commercial sector, are being asked to play a leading role in restructuring the maize system - to create the new institutions on which future grain production will depend. Such a call is in part a response to insistent demands that the rural population be granted a larger role in policy formulation and resource management; and the countryside is now the scene of important experiments of this nature. Nevertheless, it is unrealistic to expect producers to assume the primary responsibility for the development of the agricultural sector when strong and well-organized support from the public sector is lacking.

At the present moment, commercial maize producers in Mexico require not only continued protection from international competition but also reconstitution of the basic infrastructure which provides essential support for modern agriculture, in Mexico as in any other part of the world. This is a tortuous process, since it involves institutional reorganization and reform. It is, however, a task of vital importance and one which should not be relegated to a secondary plane under pressure from groups which stand to gain from indiscriminate opening of the national maize provisioning system to international trade.

Mexican commercial producers, like their northern counterparts, also have the right to conduct their business within a general framework of stability of the kind provided by a system of support prices. These prices must cover the average production costs of adequately-endowed small- and medium-scale producers, making up the largest part of the commercial sector. Of course, a support price involves risks for any government. In years with good harvests, when market prices fall, payments made to sustain the official price may be considerably higher than the real market price; and this represents a drain on the federal budget. The problem is especially serious at the present time, when competition for scarce public funds is fierce. The alternative, however, is a high level of insecurity for producers, which should be unacceptable in Mexico as it is in Canada, Japan, the United States and the European Economic Community.

Outside the commercial agricultural sector, in the majority of smallholdings where maize is cultivated primarily for family consumption, the support price cannot be the

primary instrument which stimulates production, since it would not be rational from a national planning perspective to set that price high enough to cover the costs of very low productivity agriculture. Nevertheless, any serious rural development project in Mexico is more likely to be furthered by relatively more remunerative producer prices than by very low ones. On the whole, low maize prices are not advantageous for smallholders, even when the latter are net deficit producers. The private grain trade which predominates in many areas takes the prevailing level of support price into account when setting its own conditions for purchase. Therefore if the official price drops, deficit producers and their families lose when they sell small amounts in the market. Their loss is aggravated when they purchase maize at a later date, for the reasons analysed earlier in this chapter.

As long as most rural communities in Mexico are marked by poverty, and as long as it is the poor who are most likely to obtain their grain through participation in oligopolistic private markets, it would be highly inadvisable to reduce or dismantle the programmes which have been devised in the last two decades to challenge oligopolistic practices in the grain trade. In fact, many studies emphasize the usefulness of the CONASUPO/DICONSA programme, as well as the importance of efforts made by organized producers and rural consumers to stabilize grain prices by creating greater regional storage capacity and establishing the necessary channels for obtaining grain from other regions when it is locally scarce.

It should be stressed that recourse to periodic importation of foreign grain has constituted in the past, and still constitutes, a central element in the continuing effort to make rural grain markets more competitive. As long as the basic interests of Mexico's commercial producers are protected, through establishing a just support price and maintaining strict governmental control over imports, purchases of maize abroad should of course continue to play an essential role in the regulatory process - most particularly in moments like the present one, when urban poverty is increasing markedly. If the negotiation of a free trade agreement requires abandoning that protective capacity, however, the consequences for the rural economy of the country will be serious.

It is frequently asserted that an uncontrolled flow of cheap imported grain would improve the standard of living of the majority of rural people in Mexico, who are either subsistence producers, deficit grain producers, landless labourers, or entirely devoted to growing commercial crops other than maize. This assertion is false. It takes into account neither the complexity of rural subsistence strategies, in which locally-produced maize plays a major role, nor the complexity of local grain markets. Furthermore it assumes the existence of sufficient infrastructure to channel imported grain to widely scattered rural communities (something which often does not exist) and it fails to consider the high subsidies which such a programme involves - subsidies which could better be used to promote local production.

What is needed is not the destruction of the remaining productive capacity of subsistence or deficit producers, and the concomitant elimination of sources of work for landless households, but rather the improved regulation of local markets through the efforts of CONASUPO/DICONSA and organized local people, and the creation of innovative rural development programmes. It is here that the recently created National Solidarity Programme (PRONASOL), in collaboration with a range of new

producer and consumer organizations, has a key role to play. Despite all the problems which afflict the rural population, the variety of productive resources still available in many areas of the Mexican countryside - the wealth of plant and animal life, forest resources and specialized knowledge which survives in spite of many decades of poverty and forced modernization - is enormous; and the present challenge is how to ensure that resources are not further depleted and means of livelihood further undermined as a consequence of economic recession and restructuring.

Restructuring in a way which provides new opportunities for small farmers and rural communities, and some possibility of halting the advance of environmental degradation in the countryside, is expensive. But the price of the alternative option is, over the longer run, probably equally high. If inhabitants of the countryside are not supported as a farming population, they will have to be supported in other ways, and perhaps in other places, as the underprivileged, the unemployed, or simply the hungry.