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### SAGAR

*José Antonio Mendoza-Zazueta*

The Government of Mexico is pleased with the increasing realization that the problem of poverty in Mexico is not unidimensional or agency-specific. This is important because, previously, government policies toward poverty alleviation were mainly centered on agricultural supports. In the last four decades, the rural population has widely diversified its income strategies. That is why, currently, the Government of Mexico is trying to differentiate agricultural policies. Obviously, PROCAMPO<sup>1</sup> and Progresa<sup>2</sup> are very good examples.

There is need to clarify some of the assertions in the Davis *et al* paper:

- 93 percent of the beneficiaries of PROCAMPO have less than 10 hectares. They have a little more than half of the land supported by PROCAMPO.
- The paper does not consider the income that agricultural crops such as coffee and sugar provide to small producers. In fact, between 1993 and 1996, coffee producers had an increase in income of approximately U.S. \$1.5 billion, mostly among very small producers located in the central and southern parts of Mexico.

There are also larger producers. In the case of corn, there has been an increase in yields. Irrigated lands have been doubled (especially in the northwest part of the country). During 1989-90, the support price policy in Mexico made the price of corn above U.S. \$200/t. From 1990-95, the price of corn declined and it increased again in 1995-96, mainly because of market forces and low inventory. The peso devaluation also helped the income of these producers. We do not know yet how the ejidatario<sup>3</sup> households (husband, wife and children) consolidate into a production unit where the entire family has a plot. According to PROCAMPO data, in the irrigated districts and among corn producers, land leasing reaches up to 80 percent of the Ejido land.

I agree with the estimated effect of PROCAMPO presented in the paper.

- In a different survey done by SAGAR, the impact of PROCAMPO was measured on the input value of the production units of

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<sup>1</sup> A government program which provides direct payments to farmers of eight crops.

<sup>2</sup> A Zedillo Administration program with nutrition, education and health components.

<sup>3</sup> A farmer who farms an ejido (previously it was common land, owned by the government, but managed by local communities).

producer's irrigated land. The survey reported that PROCAMPO support comprises about 8.2 percent of their total income. For dryland producers, the level of support reached about 21 percent. For dryland producers with less than 10 hectares, the support from PROCAMPO was about 30 percent of their income.

- Three out of four producers indicated that they have used income from PROCAMPO to increase productivity in their farms. One out of ten used PROCAMPO support for their household consumption. Three million producers have benefitted from PROCAMPO. Approximately, half of these producers prefer to use PROCAMPO income for household and food consumption.
- The Davis *et al* paper shows the progressive effect of PROCAMPO for rural families, and the increases in yields and productivity. We estimate that two out of five producers use more improved seeds and fertilizers. Eighty percent of these producers indicated that they had an increase in crop yields.

The SAGAR survey disagrees in some respects with the findings of this paper. The explanation may lie in the fact that the survey asked the head of the household if PROCAMPO will help him to stay in agriculture or if he will have to look for income elsewhere. Ninety percent indicated that PROCAMPO had influenced them to make a decision to stay in agriculture. The type of question, though, can bias the results. Perhaps, the proper question should have been asked in terms of if some member of the family had migrated to urban areas in need of additional income.

- Another program is Alianza para el campo<sup>4</sup>. This program began in the second half of 1996. It includes a government subsidy toward aiding agricultural productivity through private technical assistance and agricultural extension. It is focused on small farmers and very poor regions.
- Farm loans have been reduced in the period the Davis *et al* paper covers. In fact, they did not increase from 1993 to 1996. But from 1996 to 1998, coverage has been increased to 80 percent of the land.
- The Davis *et al* paper agrees with a paper that Antonio Yunez wrote which indicates that the level of education does not have a strong effect on traditional agriculture. Education does have a strong effect on off-farm activities.

We are trying to convince the other ministries of the Mexican government that rural development is much more than crops and livestock. My final observation is that the Undersecretary for Rural Development has to have something to say and do for rural development in Mexico.

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<sup>4</sup> Alliance for Agriculture.

## Section 4

# Harmonizing Transportation Systems Under NAFTA

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*The objective of this session is to review recent developments in truck and rail transportation, and identify further needs.*