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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.

Cynthia Hewitt de Alcántara has been Project Leader of the UNRISD programme on adjustment-related food policy and is now Project Leader of the programme on Crisis, Adjustment and Social Change in Latin America.

Dharam Ghai
Director

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.¹ 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.²

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

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