Mexican Corn, NAFTA and Hunger
Steve Suppan
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Overview

Corn is the principal food of the Mexican diet, and the principal crop-- planted on 40% of arable land as of 1990. That year it was estimated that two to three million Mexicans grew corn, mostly on small parcels -- 65% of 5 acres or less -- of often poor quality land. Most farmers produce corn principally to feed their families, and yet about 40% of Mexico's commercial corn is produced by them as well.

From 1983-1989, 40% of all government agricultural support went to corn, much of it in the form of subsidizing the purchase of tortillas, the principal form in which Mexicans eat corn.[1] The rural poor, who do not buy ready-made tortillas, receive little benefit from this subsidy system.

The North American Free Trade Agreement (NAFTA) required Mexico to abandon price supports and import restrictions that fostered family farming and national food security. According to the theory of "comparative advantage" touted by NAFTA proponents, Mexico would be able to import basic grains more cheaply than it could produce them.[2] However, when world prices for basic grains jumped to record levels in the past year, the theory proved to be false.[3] The price increases, greatly exacerbated by the December 1994 Mexican peso devaluation, make imported corn more expensive than domestically grown corn. Prices are not expected to drop substantially before the year 2000.[4]

As a result of policies undermining Mexican family farmers , Mexico produced 2.5 million tons less corn in 1995 than in 1994, and had to import 2.5 million tons of higher priced corn from the U.S. In 1996, Mexico demand for imported corn is expected to increase to 4 million tons. Because the U.S. fulfills grain export commitments to Europe and Japan first, Mexico will face the threat of widespread hunger, if the U.S. cannot fulfill its commitments.[5]

The failures of "free" trade macro-economic and agricultural policy, combined with weather-related record price hikes in basic grains, have gravely imperiled Mexican food security. Transnational grain exporters and processors , such as Cargill and Archer Daniels Midland, will be the main beneficiaries of these policies.

Structural Adjustment and Mexican Agriculture:1982-1994

Due to falling revenues from oil exports, a cash-short Mexican government declared a temporary moratorium on paying interest on its foreign debt, in August 1982. Mexican access to international capital markets closed immediately. As a condition of renegotiating loan terms, Mexico was forced to accept the conditions of the International Monetary Fund (IMF) and World Bank for restructuring the Mexican economy. These conditions, known in aggregate as a Structural Adjustment Program (SAP), include reducing public expenditures, eliminating subsidies, privatizing state enterprises, devaluing currencies, conforming to "free" trade policies, and removing barriers to foreign investment and ownership.[6]

SAP-mandated reductions in public support for peasant farmers changed Mexico from a nearly food self-sufficient nation in basic grains to a major food importer in just over a decade.[7] Agro-exports increased 3% annually from 1988 to 1993, while imports, largely from the U.S., increased 22% annually. At the same time, agricultural employment fell 4.5% annually among 25 million producers, about a third of all Mexicans. During this period, one in five rural Mexicans received no cash income and three of five received less than the minimum wage of $65 a month. According to some of Mexico's leading policy analysts, family farming underwent a process of "demodernization" to prepare for NAFTA.[8]

Post-NAFTA corn production and import policy

After NAFTA's approval in 1993, "demodernization" accelerated as financial and technical assistance went to agro-exporters. NAFTA's predicted benefits for Mexico disappeared on December 20, 1994, when the peso -- kept artificially high throughout the contentious NAFTA negotiations and the Mexican election -- was sharply devalued. Following the devaluation, the costs of producing corn and other crops rose 40%.[9] Agricultural loans, available at 30% interest prior to the peso crash, soared to 120% interest.[10]

According to orthodox economic theory, with Mexico's prices below the world market price because of the peso devaluation, domestic production for domestic markets should have been stimulated. Prices should have been allowed to rise to cover costs, and domestically produced grains would still have been cheaper than imported grains.

Nonetheless, in February 1995, the Mexican government was advised by the World Bank and IMF to continue to depress prices to reduce domestic grain production and to import supplies,[11] largely from the U.S. In late summer 1995, the Mexican government followed that advice. To facilitate quicker and greater imports, it decided that the 15 year phase-out of protection against corn imports negotiated in NAFTA would be completed by 1998.[12] As of October 31, 1995, Mexican corn imports were up 71.9% over the same time period in 1994. In 1995, Mexico increased the tariff-free portion of those imports to 3.3. million tons, 28% more than the 2.5 million tariff-free tons agreed to in NAFTA.[13]

Because of high costs, government-depressed prices and other hostile government policies, many farmers have stopped producing corn and other basic grains. The Mexican Department of Agriculture reported a 41% decrease in fall 1994/winter 95 production for 10 basic grains, with an anticipated 1995/96 harvest of just half of that. Four million farmers may leave about 25 million acres unplanted because of these federal policies and the drought in northern Mexico.[14] As of October 1995, some 1.8 million family farmers had been forced to migrate since NAFTA went into effect on January 1, 1994.[15]

Faced with these grim statistics and a two-week grain supply (minimal food security requires a three-month supply, according to the United Nations), on April 10, 1996, President Ernesto Zedillo launched a program to foment corn production. If the program is successful, Mexico's family farmers -- long dismissed by "free" trade economists as inefficient -- will ensure at least minimal food security through September 1997.[16]

Tightening the belt to pay the debt

Falling post-devaluation wages and rising unemployment have made it difficult for many Mexicans to afford to eat. The government estimates that about 2.8 million Mexicans lost their jobs during the first 22 months of NAFTA.[17]

Subsidies of basic foodstuffs were among the public expenditures slashed to achieve macro-economic objectives stipulated in the February 1995 U.S.-Mexico loan agreement and in the loan Letter of Intent with the IMF.[18] (The loan agreements were intended to "stabilize" the Mexican economy in order to regain the confidence of investors whose capital flight contributed to the peso crash.)

By October 1995, the estimated monthly cost of feeding a family of five was US$340, while the legal minimum monthly wage was US$90.[19] And yet, that December, the Mexican government announced that it was discussing how to phase out the subsidy for corn tortillas, the basic food for most Mexicans. Eliminating the subsidy would at least double the price of tortillas.[20]

The minimum wage now buys 40% of what it did in 1982, when SAPs were first imposed. On April 1, 1996, the government increased subsidized milk prices 50 percent and tortilla prices 27 percent in Mexico City, both of which outstripped the 12 percent increase that raises the minimum wage to $3 per day. A 1996 inflation rate of 30% is further eroding every Mexican's buying power.[21]

Per capita consumption of corn, wheat, fruit and vegetables has dropped by 29% during the past six years.[22] According to Mexico's National Nutrition Institute, 16 % of Mexican children and 80% of all Chiapans are malnourished. Already, eighty children under the age of one year die each day of malnutrition.[23] If current "free" trade agricultural policies continue, these figures are very likely to increase dramatically.[24] Food security is in Mexico in grave jeopardy.

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