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CONASUPO, Lifesaver of Food Production?

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Many complaints have been voiced recently about Mexico's "para-state" industry, but few ask how it works and why.

Some 50 million Mexicans enjoy the benefits provided by Conasupo (National Company for People's Subsistence) programs. After 21 years of activities as a para-state agency, Conasupo directs its programs toward that part of the population which receives an income of no more than twice the established monthly minimum wage.*About half of Mexico's 80 million people fall into this category.

During the past quarter century, Conasupo has handled some 100 million metric tons of basic goods. In 1986, the agency will have a 1.3 trillion peso budget (nearly 2.1 billion dollars),** representing 1.8 percent of the total federal budget.

* The established minimum wage in Mexico is the equivalent of 100 U.S. dollars per month.

** As we go to press, the exchange rate is 630 pesos to the dollar.

Conasupo presently has 4.5 million metric tons of products in reserve, enough to satisfy demand on a nation-wide scale. Conasupo's distributing agency, Diconsa, will buy close to 490 billion pesos worth of products from a great variety of industrial enterprises. And this year, Conasupo will also import 3.1 million metric tons of corn, sorghum, beans and

At a first-level of operations, Conasupo buys crops produced locally, paying a guaranteed price to small farmers. It also imports the amounts of those and other food products necessary to assure that the needs of the people are met in a timely manner. According to its Director, José Ernesto Costemalle Botello, Conasupo has handled some 100 million metric tons of

Conasupo's retail marketing activities are carried out through Diconsa, with 17,000 outlets, 80 percent of which are located in poor urban neighborhoods. Some 20,000 different products are marketed in those stores. Savings range from 15 to 30 percent in relation to prices on the private market.

Conasupo's wholesale activities are carried out by

other activities, Conasupo runs Borunconsa, a system of rural warehouses, and Andsa, a nation-wide system of silos.

SUPPORT FOR SMALL AND MEDIUM-SIZED INDUSTRIES

The past Vice-President of the National Association of Economists (Colegio Nacional de Economistas), David Colmenares Páramo, claims that Conasupo actually helps to reactivate the nation's productive plant by buying a variety of products from small and medium-sized industries.

Conasupo's Director, Costemalle Botello, points out, for example, that Diconsa has a special program just to support those sectors (PAPMI, Support Program for Small and Medium-Sized Industry). In 1986, Diconsa will buy products valued at 65 billion pesos from establishments in those sectors. In addition, Impecsa will buy some 2 billion pesos worth of products from the same kind of businesses. In this way, he explains, small and medium-sized industries are protected from decapitalization processes, while at the same time they are provided with a guaranteed outlet for their products.

OPINIONS ON CONASUPO

Mexico has a mixed economy (with public, private and social capital), and the Constitution establishes the state's role in the nation's economy. Within this context, Conasupo is a para-state enterprise that regulates and supplies basic products to low-income Mexicans. Its basic purpose is to prevent speculation, hoarding and intermediaries in the production and distribution of food.

President Miguel de la Madrid has said in this regard, "In a society such as ours, still underdeveloped in many aspects of its

Impecsa (Small Business Improvement Company). Some 95,000 small and medium-sized businesses are supplied through this system.

In its industrial activities, Conasupo will process 1.1 million metric tons of grains this year to produce wheat and corn flours, vegetable oils, bread, pastas, crackers and other products. Conasupo operates three businesses for this purpose: Triconsa, for wheat processing, Miconsa, for corn processing and Liconsa, for milk.

In the service sector, among

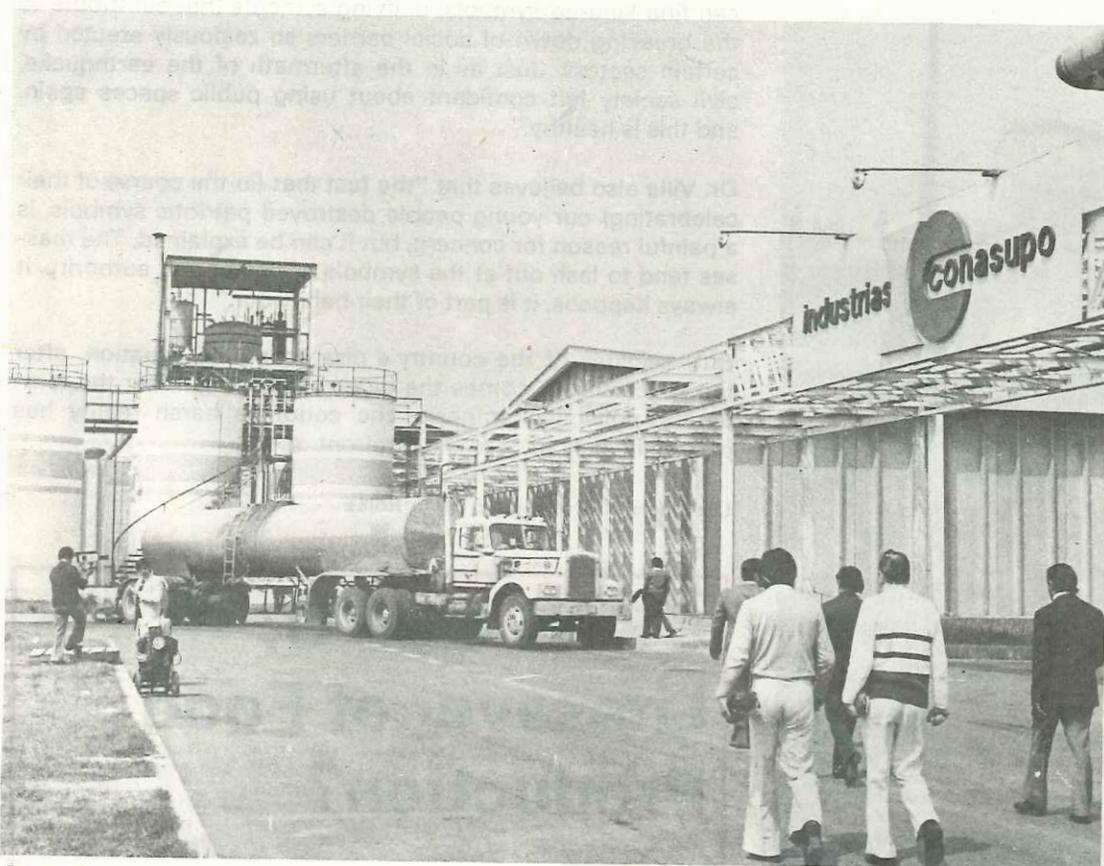


Photo by uno más uno

One of Conasupo's ICONSA plants.

powdered milk, at a cost of some 250 million pesos.

Nonetheless, some private sector groups complain that Conasupo is their "disloyal" competitor, even though the Mexican state has been involved in the supply and regulation of food products for the past 56 years.

CONASUPO'S STRUCTURE

Conasupo works in the following areas: the marketing of agricultural products, wholesale and retail commerce, the industrialization of food production and related services.

basic goods in its 21 years of operations; that would be enough to feed the present Mexican population for the next four years.

Costemalle Botello adds that Mexico must import some 40 million metric tons of basic grains each year, mainly beans, corn and rice, as well as large quantities of other products because the country has yet to become self-sufficient in food production. One of the principal obstacles in this regard, he explains, is that the use of "most of our arable land depends entirely on seasonal rain."

economic structure, the government must intervene and regulate the market in an adequate manner, so as to benefit and protect that same society." And Conasupo's Director, Costemalle Botello, asserts that "the state shall maintain its economic control, inflexibly and efficiently, as set out in the Constitution; not to do so, would be to renounce our history and to deny the principles which are at the very heart of the Constitution."

Thus, Conasupo will continue to guarantee a minimum income for small farmers (by buying their crops) and to strengthen small and medium-sized industries (by buying their products), as well as small businesses, in order to protect Mexico's consumers.

The Assistant Director of the Center for the Study of Agrarian History in Mexico, Everardo Escárcega, claims that the private sector cannot possibly operate as an institution to satisfy the needs of the majority of the population. "The private sector simply is not willing to offer milk, bread and basic grains at low prices to poor

people, especially to those who live farthest away from the country's major development centers." He adds that Conasupo's regulatory role is unquestionable when it comes to products related to people's most basic needs, since its interest "is social and yields no profit." He goes on to explain that Conasupo carries out its social function by purchasing products at a guaranteed price and through its subsidies "which are one way of redistributing income." Thus, it can guarantee that low-income sectors have access to basic goods.

Referring to state subsidy policies, Colmenares Páramo asserts that in principle, the state created "an irrational system of subsidies because it was designed to cover the private sector's inefficiency and its inability to fulfill its function" in this aspect of the economy. At the same time, though, he accepts that the subsidies have served to compensate for insufficient salaries: "A subsidy is a way of assuring a minimum of basic goods for low-income groups."

Nonetheless, according to

Colmenares Páramo, the current administration policy is to eliminate subsidies for poor consumers, while maintaining those for the business sector. Yet there is already a trend toward monopoly, as five giant businesses control 80 percent of all business transactions in Mexico.

Conasupo's director points out, however, that the social part of the commercial sector (Conasupo, stores run by unions, etc.) accounts for 15 percent of Mexico's commerce. He adds that while this percentage is small, it helps to regulate markets in basic goods. He rejects claims by Mexico's Confederation of Chambers of Commerce (Concanaco) that Conasupo represents "disloyal" competition, explaining that it operates within the same framework as the private sector, abiding by the same legal, fiscal and labor codes, as established by law. "We have no advantage with respect to the private sector," he concludes.

And finally, President de la Madrid states in reference to the private sector's participation in the buying and

selling of basic food products, "We are not willing to allow private intervention to bring about a return to the inefficient, speculative practices that, unfortunately, have historically characterized this market."

FOOD: AN HISTORIC PRIORITY OF THE MEXICAN GOVERNMENT

In countries with a mixed economy, the state plays a regulatory role between the private and public sectors. Even in the United States, where state intervention in the economy is minimal, there are state-regulatory mechanisms: the Commodities Credit Corporation and the Federal Reserve, to give two examples. Without them the U.S. economy would be in a state of constant chaos, running the risk of repeated crises such as the Great Crash of 1929.

In Mexico's case, regulating the economy alone would not be sufficient. The fact that significant sectors of the population live in conditions of extreme poverty means that the state must regulate other areas as well, in order to prevent a widen-

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Photo by uno más uno

One of Conasupo's ICONSA plants.

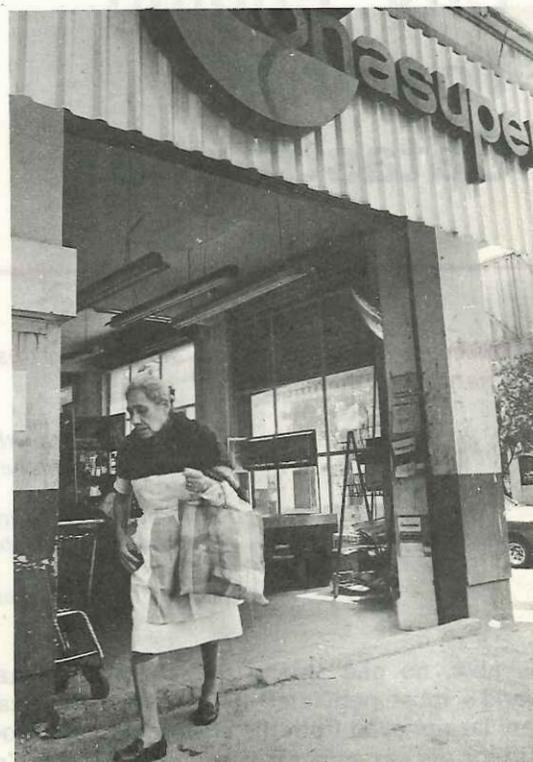


Photo by Renzo Gostoli.

Conasuper, the neighborhood store.

the nation

ing of the gap between those who have and those who have not. Not to do so, would be to run the risk of unleashing another bloodbath, as occurred with the Mexican Revolution (1910-1917) when more than a million people were killed.

8 Thus, in Mexico, the precedent for regulating and guaranteeing food supplies dates to October 1930, with the creation of the Consultative Committees for Primary Consumption Products, in charge of preventing price increases. Only through these kinds of measures has the Mexican state been able to assure a profit to producers and fair prices to consumers during the last fifty years.

Before condemning any and all forms of state control and demanding that all production mechanisms be turned over to the private sector as seems to be the case among certain business groups and leaders, it is important to reflect on the possible effects of such a decision for

Mexico. Would private control of all aspects of production help improve the economy, or would it exacerbate the situation by generating a new polarization between the few who would have everything and the many who would have almost nothing? The latter situation would clearly produce a new social explosion that could well surpass the proportions of the Mexican Revolution.

Perhaps the people who suggest simple solutions for Mexico's problems haven't realized that their recipes are based on a different model of society, with an economy that works on different premises. And we must ask, is it really possible to apply formulas derived from one model, to a different model, in a different context, without having to pay an extremely high political cost, without provoking a period of social upheaval that could easily affect the country's life for the next fifty years?★

Adriana de la Mora