



Crisis and rural poverty in Latin America: the case of Mexico ¹

Author: Carlos Chiapa

Executive Summary

The rural sector in Mexico has experienced huge changes over the last 25 years. The countryside and small farmers no longer play a central role in the country's economic development, and are today considered secondary players within a global economy that has little use for small producers. Today, and as a result of such changes, the main sources of monetary income for rural households are tertiary activities such as trade and services, and to a lesser degree secondary activities. Agriculture has become an activity mainly for consumption by the producers themselves. As a result, it is the labour rather than the agrarian issue that is now the central issue regarding the continuation of Mexican rural life.

The transformation suffered by the Mexican rural sector as regards its market integration, as well as the characteristics of the labour force and its source of income and jobs, has made this segment of the population (24% of the country's total) more vulnerable to aggregate macroeconomic shocks than it has been at any time in its history. This is particularly worrying given the chaos caused by the last macroeconomic crisis at the end of 1994, which increased moderate and extreme poverty, and weakened the economy to such an extent that it was only in 2002 that Mexico's poverty rate returned to the level it had prior to the that crisis.

¹ This working paper has been originally published in Spanish: Chiapa, C. 2009. "Crisis y pobreza rural en América Latina: el caso de México". Documento de Trabajo N° 39. Programa Dinámicas Territoriales Rurales. Rimisp, Santiago, Chile. This document can be accessed through the following link www.rimisp.org/dtr/documentos. It is part of the series Crisis and Rural Poverty in Latin America and summarizes the possible effects of the current crisis in the rural populations of 11 countries in the region: Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Colombia, Brazil, Bolivia, Dominican Republic, Paraguay and Peru.

The risk-management strategies used by the rural poor are mainly based on the diversification of income, migration and subsistence agriculture. Unfortunately, the present crisis has weakened both external and internal demand leading to contractions in the secondary and tertiary sectors of the Mexican economy, with a subsequent loss of jobs. Moreover, the financial crisis in the United States has had a strong impact on the flow of remittances into Mexico. Consequently, the effectiveness of migration strategies, which previously functioned as a safety network, has been affected. Commercial agriculture has been one of the few activities that have not been affected by the crisis. Unfortunately, the rural poor reap few benefits from this type of agriculture, as today those who live in the countryside generally work in subsistence farming.

Added to this already complicated situation are the effects of food prices on the national market, and a 50% depreciation of the exchange rate on imported foods, which represent around 35% of the market total.

One of the few positive aspects for the poor rural population is the fact that those groups most affected (by the crisis) are the non-poor, particularly those who live in urban areas. This would indicate an increase in both the poverty gap and rate in the coming months. Additionally, as the negative effects of the current crisis are less intense among the poorest quintiles compared to those with a higher income, it is expected that both the Gini index and the real impact of poverty will decrease due to the impoverishment of those individuals with access to more resources.