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Mexico Announces New National Development Plan

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Agriculture in the Economy

Approved By:

David Wolf

Prepared By:

Benjamin Juarez

Report Highlights:

This report summarizes a Decree from the Secretariat of Finance (SHCP) published in Mexico's "*Diario Oficial*" (Federal Register) on May 20, 2013, which approves the 2013-2018 National Development Plan (NDP). The plan is defined as a "roadmap" that sets an overarching objective to bring Mexico to its fullest potential. It also sets five main national goals and three cross-cutting strategies, which will govern the performance of all federal public agencies. This report's intent is to focus mostly on the agricultural segment of the NDP.

Executive Summary:

On May 22, 2012, a Decree from the SHCP was published in Mexico's Federal Register approving the 2013-2018 National Development Plan (NDP). The Plan is the route that the Mexican government will follow during the six-year term and outlines five main goals:

1. **Mexico in Peace** - ensure peace and security, providing a firm base for democracy, governance and security to the population.
2. **Inclusive Mexico** - make Mexico more inclusive to its citizens, protecting their social rights.
3. **Mexico with Quality Education** - improve the quality of the education system so that youth in Mexico can face an ever-more competitive world.
4. **Prosperous Mexico** - promote prosperity by stimulating economic growth so that Mexican will feel the prosperity in their pockets.
5. **Global Responsible Mexico** - demonstrates Mexico as a responsible international player. The Plan proposes actions to project Mexico as a nation that upholds international law, promotes free international trade and shows its solidarity with other countries.

The Plan also details the following cross-cutting and overarching strategies which will govern the performance of all federal public agencies, as well as to:

- bring more Mexicans into the formal, taxpaying economy;
- ensure effective and responsive government, working closely with the Mexican people;
- encourage gender equality in government agencies.

The Plan's three main strategies are:

1. "Democratize Productivity". This means implement public policies that will modernize and transform various sectors of Mexican society in order to generate more value for their work. It also provides incentives to integrate Mexicans into the formal, taxpaying economy and encourage more efficient use of productive resources.
2. "Near and Modern Government." The document states that the Government of Mexico (GOM) is determined to be an efficient government, and effective in the service of society. The relationship between government and citizens must be agile, simple and timely.
3. Incorporate "Gender Perspective" in government actions. All departments and public organizations should promote equality between women and men. This means that, far from having just a single equity program, all public policies must promote equality between men and women.

General Information:

This report summarizes a Decree from the Secretariat of Finance (SHCP) published in Mexico's "*Diario Oficial*" (Federal Register) on May 20, 2013, which approves the 2013-2018 National Development Plan. The plan is defined as a "roadmap" that sets an overarching objective to bring Mexico to its fullest potential. It also sets five main national goals and three cross-cutting strategies, which will govern the performance of all federal public agencies.

Disclaimer:

This summary is based on a cursory review of the subject announcements and therefore should not, under any circumstances, be viewed as a definitive reading of the resolution in question, or of its

implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete resolutions or announcements as published in Spanish, the latter shall prevail.

Title of Notices: "Decree that approves the National Development Plan 2013-2018"

Important Dates:

1. Publication Date: May 20, 2013
2. Effective Date: May 21, 2013

Important Provisions of the National Development Plan

The six-year plan was announced by Mexican President Enrique Peña-Nieto on May 20, 2013, in the National Palace. At the event, the president stated that the NDP is a "roadmap" that will allow Mexico's people and government to work "together toward a new stage in the country." President Peña-Nieto also stated that the five main national goals of the NDP will constitute the General Strategy that will jointly construct a society of rights and bring Mexico to its fullest potential. The plan, which was created using the results of a survey of 228,949 citizens, is aimed at bringing about "deep changes" in the country.

The decree states that the NDP is a working document that governs the programming and budgeting of all federal public agencies. According to Mexico's Planning Bill, all sectorial, special, institutional and regional programs should be developed consistent with the NDP. In this regard, the second provision of the Decree states that the objectives, goals, strategies and priorities contained in the NDP will govern the activities of the departments and agencies of the Federal Government.

Similarly, the third provision of the Decree indicates that federal agencies shall carry out the necessary actions to submit for consideration and approval of the President the sectorial programs as well as the regional and special programs and to be published on the "*Diario Oficial*") on the following dates:

- I. Special Programs concerning the three cross-cutting strategies defined in the NDP, no later than the last business day of August 2013;
- II. Sector Programs (including Agriculture), no later than December 16, 2013, and
- III. Regional and special programs, no later than the last business day of April 2014.

President Peña Nieto also noted that the plan identifies "obstacles" that have prevented Mexico's development. The President explained that the plan sets big goals, establishes priorities and specific actions, but above all, it lays out transformational policies and reforms. The 2013-2018 plan includes indicators to measure progress in achieving goals and allows citizens to check on the advances being made via the Internet. Mexico's goal, in a country with 52 million people classified as poor, according to the President, is to allow citizens to enjoy the rights granted to them by the constitution, the President concluded.

In general the NDP is a broad road map for the Mexican government to follow. The roadmap guides and provides references to each of the federal agencies and departments about how to develop specific sectorial plans.

Agriculture Related Items

Following are the diagnosis, strategies and actions for the goals of “Inclusive Mexico” and “Prosperous Mexico” that are related to agriculture and the countryside:

Diagnosis of the Agro-Food Sector

The countryside is a strategic sector because of its potential to reduce poverty and influence regional development. In the twenty-first century, strengthened the agricultural sector presents many opportunities including promoting a strategy to build new face for the countryside. The food industry should also be inclusive in this strategy, with a focus on productivity, profitability and competitiveness, as well as incorporate sustainable management practices of natural resources.

The availability of arable land is a factor that limits productivity in the sector. Annually, of total hectares available, only about 85 percent are cultivated. And while only 28 percent is irrigated, 72 percent is not, even though 60 percent of the production value is generated in irrigated areas.

Livestock has a high potential that has not been fully exploited due to the undercapitalization of its production units (i.e. farms).

Meanwhile, in recent years’ fish production has remained stable, but its sustainability shows to be deficient of complying with governing rules and regulations. On the other hand, aquaculture represents a significant development opportunity.

The challenges in the food productive sector are considerable. First, the capitalization of the sector should be strengthened. The lack of investment in equipment and infrastructure limits the incorporation of new technologies, imposing obstacles to productivity. In order to increase countryside productivity, the agriculture sector should improve the organization and the production scale of smallholdings. Approximately 80 percent of farmers have land less than 5 hectares.

Second, the timing and cost of financing in the agriculture sector should improve. Only 6 percent of the agricultural production units have access to institutional credit. In addition, there are strong disparities in the productivity of the production units. The commercial segment in the agriculture sector is highly competitive, however more than 70 percent of the rural economy is considered to be subsistence farmers or self-consumption farmers.

A third challenge is to encourage innovation and technological development. One in three participants of the Citizen Survey considered what is needed to reinvigorate the Mexican countryside is to promote the adoption of modern technologies to increase productivity. Mexico’s research capacity is not fully implemented to meet grower’s demands. The Mexican countryside has a high vulnerability to climate, sanitary and market risks, and high external dependence of strategic inputs such as fertilizers. This often adversely affects the supply, quality and access to greater productivity in the agro-food sector.

Finally, the agro-food sector should promote more balanced regional development. There is an inequality between the north and central states of the country compared to the south-southeast states. This is reflected in significant differences in the level of crop productivity. It is also necessary to

promote the existence of an appropriate institutional framework related to the sector requirements. An evaluation and revision of existing programs is necessary for the agribusiness development policy to be inclusive. A greater focus should be on the target population and have a regulatory framework with clear and simple operational rules.

IV.2. Action Plan: Eliminate obstacles limiting the country's productive potential

...Through a modern economic development plan that will be crafted to build a productive agriculture and fisheries sector that ensures food security for the country. This involves promoting the sector by investing in development of physical and human capital. It is also necessary to encourage partnership models that leverage economies of scale and generate added value and provide certainty in agribusiness activity by risk management mechanisms. It also should encourage the sustainable use of natural resources of the country.

2nd Goal: Inclusive Mexico

Objective 2.1: Guarantee the effective exercise of social rights for all people.

Strategy 2.1.1: Guarantee adequate nutrition of Mexicans, particularly for those in extreme poverty or severe food shortages.

Action items:

- Fighting food shortages through coordinated and concurrent policies, giving priority to families in extreme poverty.
- Provide a minimum income necessary for families to have access to sufficient, safe and nutritious food.
- Facilitate access to basic and complementary food at the right price.
- Incorporate productive components of social programs and actions in order to improve the income of Mexicans, provide employment and ensure access to food necessary for the exercise of people's rights.
- Adapt the legal framework to strengthen food security and a person's basic right to food.

4th Goal: Prosperous Mexico

Objective 4.4: Encourage and guide an inclusive green growth and a facilitator to preserve our natural heritage while generating wealth, competitiveness and employment.

Strategy 4.4.2: Implement a sustainable water management system, enabling all Mexicans access to this resource.

Action Items:

- Ensure sufficient water of suitable quality for human consumption and ensure food security.
- Sort the use and exploitation of water in watersheds and aquifers affected by deficit of water and exploitation, promoting sustainability without limiting development.
- Rehabilitate and expand irrigation infrastructure.

4th Goal: Prosperous Mexico

Objective 4.4: Encourage and guide an inclusive green growth and facilitator to preserve our natural

heritage while generating wealth, competitiveness and employment.

Strategy 4.4.3: Strengthen national climate change policy and environmental care for the transition to an economy that is competitive, sustainable and low-carbon resilient.

Action Items:

- Expand the coverage of infrastructure and environmental programs that protect public health and ensure the conservation of ecosystems and natural resources.
- Develop institutions and policy instruments of the National Climate Change.
- Accelerate the transition to low carbon development in primary production sectors, industrial and construction, as well as urban services, tourism and transport.
- Promote the use of advanced technologies and systems of high energy efficiency and low or no generation of pollutants or greenhouse compounds.
- Promote and strengthen regional and international cooperation on climate change, biodiversity and the environment.
- Achieve an integrated solid waste management (of hazardous and special handling), including the use of materials that result in the minimization of risks to the population and the environment.
- Carry out scientific and technological research, generate information and develop information systems to design environmental policies and mitigation and adaptation to climate change.
- Achieve ecological territory order in the priority and strategic regions and districts, particularly in the most climate vulnerable areas.
- Continue with the incorporation of sustainability criteria and environmental education in the national education system and strengthen environmental education in strategic sectors.
- Contribute to improving air quality and reducing emissions of greenhouse compounds with more efficient fuels, sustainable mobility programs and the elimination of inefficient supports to users of fossil fuels.
- Achieve better monitoring of air quality through increased quality of existing monitoring systems and better coverage of cities.

4th Goal: Prosperous Mexico

Objective 4.4: Encourage and guide an inclusive green growth and facilitator to preserve our natural heritage while generating wealth, competitiveness and employment.

Strategy 4.4.4: Protecting the natural heritage.

Action Items:

- Promote the generation of resources and benefits through the conservation, restoration and use of natural heritage, with economic and financial instruments, and innovative public policy.
- Promote and encourage the incorporation of forestry surfaces, timber and non-timber.
- Promote the consumption of environmental goods and services, building certification schemes and generating demand for them, both in the government and the population in general.
- Strengthening social capital and “*ejidos*” management capabilities and communities in forest areas and high value for biodiversity conservation. (NOTE: “*ejidos*” are communal farms that resulted from a drawn-out land reform that began at the end of the 1910 Mexican Revolution and continued through its constitutional amendment in 1992. END NOTE)
- Strengthen mechanisms and tools to prevent and control forest fires.

- Improve reforestation schemes and instruments, as well as indicators for increased plant survival.
- Restore damaged ecosystems and areas to improve the quality of the environment and the provision of environmental services of ecosystems.

4th Goal: Prosperous Mexico

Objective 4.10: Build a productive agriculture and fisheries sector to ensure food security of the country.

Strategy 4.10.1: Boosting productivity in the food industry by investing in the development of physical, human and technological capital.

Action Items:

- Directing research and technological development that's geared toward generating innovations applied to the food sector to raise productivity and competitiveness.
- Developing productive capacities with a business vision.
- Promote the capitalization of production units, modernization of infrastructure and agribusiness and fishing equipment.
- Encourage timely and competitive financing.
- Promote a trade policy with an agribusiness approach together with a balanced demand and supply plan, to ensure timely supply, at competitive prices and contributing to food security.
- Support the production and income of farmers, small farmers and fishermen of the poorest rural areas, generating alternatives for them to join to the economy in more productive ways.
- Promoting productivity in the food industry, with an emphasis on sustainable productive projects, the development of technical, productive and trade capabilities as well as the integration of local circuits of production, trade, investment, finance and savings.
- Promote competitiveness in logistics to minimize post-harvest food losses during storage and transport.
- Promote the development of productive and creative capacities of the country's youth, women and small farmers.

Strategy 4.10.2: Promote partnership models that generate economies of scale and higher value added for producers in the agro-food sector.

Action Items:

- Promote the development and commercial production clusters (agribusiness clusters) that link smallholders with integrators as well as agro-parks.
- Implement new models of agribusiness that generate added value along the supply chain and improve the income of farmers.
- Promote, in coordination with the various levels of government, productive profitable projects, and with regional impact.

Strategy 4.10.3: Promote greater certainty in agribusiness activity by risk management mechanisms.

Action Items:

- Develop and implement a comprehensive mechanism of insurance protection against climate and market risks, comprising the different links in the value chain, from production to marketing, promoting financial inclusion and efficient risk management.

- Prioritize and strengthen health and food safety to protect the population's health and well-being as well as the quality of products to enhance the sector's competitiveness.

Strategy 4.10.4: Promote the sustainable use of natural resources of the country.

Action Items:

- Promote irrigation technology and ways to optimize the water use.
- Promote sustainable practices in agriculture, livestock, fisheries and aquaculture activities.
- Establish instruments to rescue; preserve and enhance genetic resources.
- Take advantage of the biotechnology development, caring for the environment and human health.

Strategy 4.10.5: Modernize the food and industry's regulatory and institutional framework and to promote its productiveness and competitiveness.

Action Items:

- Conduct organizational and operational reengineering.
- Reorient programs that move them from inefficient subsidies to programs that provide incentives for productivity and investment.
- Deregulation, refocus and simplify the regulatory framework of the agro-food sector.
- Strengthen inter-institutional coordination to build a new face in the countryside.

Author Defined:

For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Useful Mexican Web Sites:

Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.