

## Food & Marketing



# Food Assistance Programs & Poverty in Mexico

The potential for increases in aggregate food consumption are much greater in developing countries than in the U.S. and other developed countries. This possible increase in consumption stands to benefit U.S. farmers directly. To capitalize on this potential for increased trade in agricultural goods, U.S. farmers and exporters can benefit from a thorough understanding of the current distribution of income in developing countries and government efforts to improve citizens' well-being in both the short and long run. This is especially true with respect to U.S. agricultural producers anticipating sales to markets in Mexico; following implementation of the North American Free Trade Agreement, U.S. exports to Mexico have increased at a faster rate than exports to almost every other country.

This article presents the geographic distribution of poverty in Mexico and the design of four major food assistance programs. The discussion focuses on the newest program, Progresa, which was initiated in 1997.

### *Distribution of Poverty In Mexico*

In the U.S., poverty is relatively unequally distributed across certain demographic characteristics. For example, in 1998, families with children headed by a single mother were much more likely to be poor than families with children headed by two parents. However, poverty is relatively equally distributed across states.

In Mexico, poverty rates also differ across demographic groups. For example, indigenous people have much higher poverty rates than nonindigenous people. Variation in poverty rates across states in Mexico is greater than in the U.S. Poverty rates range from a low of 21 percent in Baja California to a high of 63 percent in Oaxaca.

The five states with the lowest poverty rates are Baja California, Baja California Sur, the Distrito Federal, Nuevo Leon, and Aguascalientes. Two of these states (Baja California and Nuevo Leon) border the U.S. and a third state (Baja California Sur) is one state removed from the U.S. border. Three other border states have low poverty rates as well—Sonora (31 percent), Chihuahua (33 percent), and Coahuila (34 percent). The other border

state, Tamaulipas, however, has a relatively high poverty rate of 42 percent. In addition to its lower poverty rate, the Distrito Federal has the second largest population of any state in Mexico.

The five states with the highest poverty rates—Hidalgo (57 percent), Zacatecas (58 percent), Guerrero (59 percent), Chiapas (62 percent), and Oaxaca—are the five most rural states (based on the percentage of people living in cities with more than 15,000 inhabitants). Poverty rates are also high in states bordering Guatemala. Besides Chiapas, the poverty rate is 52 percent in Tabasco and in Campeche. This is not unexpected since poverty is more a rural phenomenon in Mexico than it is in the U.S.

Generally, a direct (positive) relationship exists between per capita demand for agricultural products and per capita income within an area. Accordingly, areas with the highest per capita demand for U.S. agricultural products in Mexico are likely to be those closest to the U.S., and those with relatively good access to transportation. Part of the reason for the higher per capita demand in the border states is the growth of the maquiladora system that boosts income in those areas (AO September 2000). Conversely, areas with lower per capita demand are farther from the U.S. and are less accessible to transportation.

### *Food Assistance Programs In Mexico*

The governments of the U.S. and Mexico are committed to eradicating poverty and improving the well-being of families in both the short and long run. This commitment is reflected in their expenditures on food assistance programs. In 1998, Mexico's government spent over 8 billion pesos (about \$1.2 billion) on food assistance programs, while fiscal year 1999 food assistance expenditures in the U.S.

This article is based on "A Comparison of Food Assistance Programs in Mexico and the United States," Food Assistance and Nutrition Research Report Number 6, Economic Research Service, July 2000. Research activities for the report were funded under auspices of the Mexico Emerging Markets Program.

## Food & Marketing

### State Poverty Rates in Mexico Are Generally Lowest Near the U.S. Border



1995 data. A household in Mexico is categorized as poor if its earnings are less than twice the minimum daily salary, an amount that varies across Mexico to reflect differences in the cost of living.

Economic Research Service, USDA

totalled \$32 billion, down from a previous high of \$38 billion in 1996.

Before 1997, the three largest food assistance programs in Mexico were DICONSA (Distribuidora Compañía Nacional De Subsistencias Populares [CONASUPO]), FIDELIST (Fideicomiso para la Liquidación al Subsidio de la Tortilla), and LICONSA (Leche Industrializada CONASUPO). The primary function of all three is to provide specific commodities to low-income families. DICONSA establishes stores with select discounted products for families in low-income areas; FIDELIST provides a kilo of tortillas per day to low-income families; and LICONSA provides milk to children under the age of 12 in low-income families.

In 1997, Mexico implemented a new assistance program, Progresa, with three linked components that have direct parallels with U.S. food assistance programs. First, Progresa provides children with scholarships and financial support for school supplies. This is intended to ensure school attendance and to reduce incentives to seek jobs before completing basic education. Girls receive a higher

allowance than boys, because the drop-out rate among girls is higher and increasing female education has been seen to lead to decreases in family size. The U.S. National School Lunch and Breakfast programs help ensure that students have access to a safe and nutritious diet that will enhance their educational achievement.

A second component of Progresa is a basic free health services package that is provided to all families in the program. Health is further fostered through education and training in the areas of health, nutrition, and hygiene. A comparable U.S. effort is the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which helps improve the health of pregnant, low-income women through referrals to relevant health and social services. Neither the educational nor the health services component of Progresa has a direct effect on food consumption, but both are intended to increase the long-term income prospects of lower income Mexican families and, if successful, will increase the volume and variety of their food purchases.

The third component of Progresa is direct food assistance. On average, families participating in Progresa receive about 125 pesos per month (about \$16 at an exchange rate of 8 pesos per dollar) to supplement their food purchases. The actual amount varies by family size. While this may not seem a large sum, it is a substantial amount of money for a low-income family in Mexico, where the minimum daily salary in the poorest parts of the country is approximately 15 pesos. Thus, a family of six participating in Progresa receives a benefit equivalent to about 11 days of wages per month at the minimum daily salary.

Research in developing countries has indicated that if women rather than men receive food assistance payments, the money is much more likely to be used to purchase food for children. As a consequence, Mexico distributes Progresa food assistance benefits to the female head of the family.

Unlike other Mexican food assistance programs, Progresa does not limit the types of food families can purchase in stores. Thus, it is more akin to the U.S. Food Stamp Program, which also has few restrictions on food purchases. In addition to these general food assistance monies, small children and pregnant or lactating women receive five daily doses of a nutrition supplement that provides 100 percent of required daily micronutrients and 20 percent of the appropriate caloric intake. This targeting of nutrient supplements is similar to the WIC program, which is for pregnant and postpartum women, infants, and children up to age 5.

Since its implementation, Progresa has grown at a fast pace and eventually will displace the other food assistance programs. In 1997, Progresa served about 400,000 families; by 1999, this figure had risen to 2.3 million families. While the program has expanded rapidly, it has done so through a transparent method that ensures that the communities and individuals most in need receive benefits. This differs from some of the other food assistance programs in Mexico that have been criticized for not reaching those most in need.

## Targeting Progresa Benefits

Countries generally have limited funds available for improving the well-being of poor residents. They therefore try to design programs with effective identification methods to ensure that benefits are distributed in a cost-effective manner that still reaches the intended beneficiaries. Administrative costs of targeting benefits increase as more precise methods are used. Even with the most effective methods, some benefits leak to households not in need of assistance (as defined by the goals of the program) while missing households more in need.

In Progresa, Mexico has chosen a novel way of avoiding these dual problems of leakage and undercoverage without spending too much of its budget on identification procedures. Identification of Progresa beneficiaries is carried out in three stages. The first stage is a geographic targeting process to determine the most impoverished areas. Using a national census, the 1995 Censo de Población y Vivienda, the most impoverished areas are identified based on the percentage of illiterate population age 15 or over; the percentage of households without water services, drainage, electricity, or nondirt floors; the average number of inhabitants per room; and the percentage of the population employed in the primary sector.

Unlike U.S. programs, which do not include geographical location as part of the eligibility criteria for food assistance, Progresa requires that program participants reside in an identified impoverished area. This restriction on Progresa participation may increase undercoverage, but it also reduces administrative costs of the program.

The second stage of targeting benefits is identifying those most in need within an area. A census of socioeconomic information of each household in all the selected localities collects data on household structure, individual characteristics, occupation, income of each member of the household, government support programs received by the members of the household, migration, health of the members of the household, physical characteristics of the house, use of the land, and the number of farm animals. The last stage is presenting the proposed list of beneficiaries to the community at a public meeting to correct any problems with inclusion or exclusion of beneficiaries.

Just as in the U.S., food assistance programs in Mexico increase food consumption. Because a larger share of the average Mexican family's expenditures is for food, a given increase in income is likely to induce a relatively larger increase in food expenditures than in the U.S. Most of the benefits of these increased expenditures will likely accrue to agricultural producers in Mexico. But if Mexico increases food imports to meet the needs of its food assistance programs, U.S. producers will reap some of the benefits. This increase in exports is further aided by programs like Progresa. Unlike other programs that limit food assistance purchases to specific commodities, Progresa, which has no such restrictions, has the potential to increase consumption of a variety of foods reflecting consumers' tastes.

From the perspective of U.S. agricultural producers, the biggest impact of Progresa will probably be through its role in ending the chronic poverty faced by so many Mexicans, especially those in rural areas where the majority of Progresa's benefits are targeted. By increasing the nutrition, health, and education of children in Mexico, their ability to escape poverty as adults is dramatically enhanced. With higher incomes in the future, prospects for increased U.S. exports to Mexico are strengthened. **AO**

*Craig Gundersen (202)694-5425, Mara Yañez (SAGAR), and Betsey Kuhn  
cggunder@ers.usda.gov  
mara\_yanez@hotmail.com  
bkuhn@ers.usda.gov*

Note: Mara Yañez is an economist with Mexico's Secretaria de Agricultura Ganaderia y Desarrollo Rural (SAGAR). This article does not necessarily reflect positions of SAGAR.

**Coming in 2001 . . .**

A redesigned, re-engineered  
**ERS Website**

See page 27