NAFTA and the Campesinos:

The Impact of NAFTA on Small-Scale Agricultural Producers in Mexico and the Prospects for Change

Editors: Juan M. Rivera, Scott Whiteford, and Manuel Chávez
Chapter 3

Globalization, the State, and the Role of Agro-Industry in Mexico’s Development

Mark A. Martinez and Gaspar Real Cabello

This chapter analyzes the evolving relationship between the state, globalization, and the role of agro-industry in rural Mexico. In particular, by focusing on the role of transnational capital in rural Mexico, this chapter provides a better understanding of the impact of globalization on Mexican agriculture and rural communities. To date, characterizations of how globalization (as embodied by transnational capital and multilateral arrangements like NAFTA) has impacted Mexico fall into two distinct categories: negative and positive. From the negative position, it is argued that globalization has contributed to a bi-modal process of production, in which technology-oriented production increasingly dominates those who continue to produce along traditional lines. The primary argument here is that transnational capital does little more than undermine or displace local producers and communities, while consolidating the role of producers who can afford to embrace technology. On the positive side, globalization is seen as beneficial in that competition pushes Mexico’s agricultural sector to become more sophisticated and efficient. The end result is competitive industries that are better prepared and capable of competing internationally. In the process, local and rural communities are remade by local entrepreneurs who are increasingly capable of working with large transnational interests, which contributes to the larger goals of the State. To gain insight into these dynamics, we look at the evolution of Mexico’s poultry industry in general and the role of the Pilgrim’s Pride Corporation in Mexico more specifically. We argue that Mexico’s experience with globalization is still open to debate, but its relationship with transnational agribusiness in the poultry sector has been more positive than negative.

Globalization in Mexico’s Poultry Industry

In historical terms, globalization can refer to dynamics like the transfer of language and religious beliefs to new geographic centers, as has been the case throughout most of human history. More recently, globalization is broadly identified with the opening of markets, the movement of capital, and regional economic integration, which have created new investment and political patterns worldwide. Because of Mexico’s previous inward-looking and protectionist policies, and its delayed embrace of free-market competition, economic globalization came rather late (at least compared to the Asian experience). It nonetheless has
had the anticipated impact of altering larger production processes. For example, in Mexico’s poultry industry, small and technologically unsophisticated local producers found that they would have to adopt modern feed and care techniques if they were to compete and grow in the 1970s and 1980s. While many small producers did not adapt, others began to embrace market-oriented practices as early as the 1960s. This helped plant the seed of market competition, which successive Mexican presidents later championed in the 1980s and 1990s. To help institutionalize, deepen, and spread market-oriented production processes, Mexico signed a regional trade pact, the North American Free Trade Agreement (NAFTA), with Canada and the United States.¹

While changes from globalization and regional economic integration (private enterprise, competition, etc.) were expected and even welcomed, persistent patterns of subsistence in rural Mexico provoked new questions about the benefits of globalization and private enterprise. For example, market-oriented policies have created a series of challenges as past modes of survival have increasingly been replaced by new subsistence activities. Survival strategies are consistently being abandoned or remade in rural Mexico—from migration to Mexico’s major cities (or to the United States) to the increased reliance on expensive technology to produce competitive goods. This, in turn, has created new pressures that neither the State nor Mexico’s internal markets are prepared to meet. To facilitate the process of producing competitive goods in the countryside, large-scale agro-industry has increasingly combined forces with small producers.² It is our goal to demonstrate, by focusing on Mexico’s poultry industry, how these relationships have impacted small producers in rural Mexico. This is an important task because a primary concern in Mexico is to determine whether globalization and competition will have a positive impact on the country’s economic and political future.

In this process, we address the argument made by several observers that globalization has contributed to a “new international division of labor” (Sanderson 1990), where low-wage and raw-material-producing nations are seen as little more than potential profit areas to be exploited. Contending that the presence of agro-industry has fundamentally altered local social and economic patterns throughout rural Mexico (Sanderson 1990, 57), one perspective suggests that dislocation and manipulation are the primary results of globalization and competition. While many might be inclined to view globalization negatively, especially as it applies to developing countries like Mexico, there is another perspective that views transnational capital as a vital component necessary for the development of rural sectors throughout the world (Feder 1976; 1984). This has especially been the case since the early 1990s when the Washington Consensus helped to establish the parameters for broader neo-liberal policy prescriptions that promote increased investment, advocate market efficiency, and push competition throughout the developing world. Mirroring earlier modernization-dependency debates, it is helpful to understand that the underlying tensions of both approaches (modernization-dependency creating positive-negative effects) are largely a product of differences of opinion that come from seeing the development issue from two distinct levels of analysis. Proponents of the market-oriented approach tend to focus on producers, and the capacity to adapt to innovation. Critics of globalization, however, point to a country’s position in the “international division of labor” and the conditions that create financial and market dependency (Valenzuela and Valenzuela 1986). Wherever one falls on the modernization-dependency divide, there is little doubt that the globalization (and the more specific NAFTA) debate cannot be understood without looking at the history of transnational capital in specific industries and regions.

In this chapter, we look at the evolution of the poultry industry in Mexico and analyze how poultry producers at various levels (small, medium, and large) have fared or come to adapt in an increasingly technologically oriented and competitive industry. As well, we look at how a large-scale transnational firm, Texas-based Pilgrim’s Pride, has affected Mexico’s poultry market while, at the same time, becoming an important social actor by transforming social and economic relations on many levels in the central region of Mexico. In the process, we will show that the presence of Pilgrim’s Pride has helped to alter and diversify Mexico’s poultry market by transforming the ways agricultural goods are produced, marketed, and consumed.

Our primary objective, however, is to explain how globalization affects local production processes in rural Mexico. To do this, we focus on the role of technology and illustrate how access to and control of technology in the poultry industry has significantly altered the structure of options available to poultry producers. To understand these dynamics, we begin by looking at the poultry market in the central state of Querétaro, the Mexican headquarters of Pilgrim’s Pride.

**Phase I: Transforming “Backyard Farms” in Querétaro, Mexico**

The history of Querétaro’s—and to a large degree, Mexico’s—poultry industry can be divided into two phases after the 1950s. In phase one, the focus was primarily on increasing production from a small number of poultry producers. During the late 1950s poultry production in the state of Querétaro was dominated by a small-scale production process that, according to one source, “required little more than a backyard.” On these “farms” the number of chickens produced varied from 100 to more than 500 birds per cycle (at that time, four cycles per year). Poultry was generally marketed locally while still alive, although many birds were slaughtered before being brought to market. Because consumption patterns and life-styles in the city of Querétaro were tied to the ebb and flow of rural Querétaro, what the city consumed was very much influenced by rural production patterns in the state. Illustrating how urban demand helped define the broader limits of market potential in the late 1950s, one observer wrote, “In what is now part of Ezequiel Montes Avenue, the bus terminal was located, where different rural communities arrived from throughout the states of Querétaro and Guanajuato.... Buses arrived loaded with diverse goods from the countryside,
like turkeys, grown chickens, little chicks, eggs, etc., all of which came from family farms and were sold live."

It was during this period that today's modern poultry industry began to emerge. In fact, many producers who began during this period continue to operate on a larger scale today, which has meant that producers who raised and sold poultry in the city of Querétaro were the early pioneers of modern poultry production techniques in Querétaro. Apart from understanding the early complexities of modern production processes, they also continued in poultry production techniques in Querétaro. Apart from understanding the early complexities of modern production processes, they also continued in a difficult industry rife with high risks and relatively low profit margins. As production techniques became more sophisticated (medicines, special feed, etc.), these producers helped to modernize and expand production techniques in the region by the late 1950s. Querétaro's poultry industry, however, still did not include specialized installations for raising and processing poultry. Nor were there specialized slaughter houses for birds sold locally. As well, because reproduction and incubation were done traditionally (i.e., manually), incubation was a marginal part of the production process. This meant that an industrialized poultry sector did not exist in central Mexico during the 1950s and into the early 1960s.

Once small incubators started to appear and became more widely available, ambitious producers began to think in terms of modernizing production techniques in order to manage the increasing amount of birds produced. This in turn led to the building of larger and specialized hatcheries (casetas) that would help produce the conditions necessary for the mass production of poultry on large poultry farms (granjas). It was at this time that various groups within the poultry industry realized the importance of technology, and began looking for ways to incorporate modern techniques and equipment into production facilities (Castro 2001). As production techniques became increasingly technical, the arrival of Ralston Purina helped push Mexico toward new levels of poultry production and innovation (Castro 2001).

Phase II: PURINA and Querétaro's Poultry Industry

The second development which set the stage for the evolution of Querétaro's poultry industry began in the 1950s with the arrival of Ralston Purina from the United States. Headquartered in St. Louis, Missouri, Purina emerged by the 1950s as the principal U.S. producer of mixed-grain feed for cattle and other animals. In Mexico, Purina first established distributorships and, later, built feed-production facilities in central Mexico, which served the needs of farm and other animals. At the same time, local producers in Querétaro began to develop more dynamic and complex techniques for producing poultry, and Purina's arrival helped spur the mass-production process (Purina inaugurated its first facility in 1957). While it is difficult to ascertain whether Purina was the key variable necessary to push Mexico's poultry industry on the road to modernization, there is little doubt that Purina's presence (which coincided with the early phases of agro-industry's globalization in Mexico) had a significant impact on central Mexico's poultry industry.

Indeed, as Purina expanded beyond Querétaro in the 1970s, and established processing plants in different states, its growing client network became increasingly interested in moving beyond the small-scale cottage-industry production levels that had characterized much of the region's poultry production through the 1960s. Purina's strategy for encouraging small producers to grow was to promote the raising of chicks in Mexico's rural communities by providing "poultry packages" to rural communities and small ranches. Among the package items were chicks, literature explaining how to take care of poultry, and even five kilograms of feed for the chicks. As well, information regarding improved birds, vaccinations, and different feed (produced by Purina) was distributed (Zúñiga 1999). Interested producers who wanted in on these packages were later required to buy both chicks and feed from Purina. While these processes helped to enhance competition and local knowledge of basic production processes, one thing was missing from Purina's initial attempts to improve and enhance poultry production—there was little effort to provide for specialized facilities, or casetas, which would become necessary for raising chicks on a large scale. Many budding poultry farmers used facilities originally designed for other purposes (including housing). In this manner, new businesses (including Bachoco, Pilgrim's Pride's primary competitor in Mexico today) emerged and prospered by providing additional services and technical assistance that Purina did not provide.

It was at this point that Mexico's poultry industry began to split along traditional and modern lines across the country. Many smaller, nonintegrated poultry producers continued to function like backyard artisan-style producers of the past, where most of the work continued to be done manually, and products were sold in local open-air markets. In contrast, a growing number of technologically oriented producers (both non-ejido private entrepreneurs and, later, ejido farmers) began to invest in new methods, buy specialized hatcheries, and seek out new forms of production. This helped create a small but increasingly important technological divide that appeared across regions throughout Mexico. For example, manual labor dominated in Baja California, while states like Sonora were filled with producers (such as the Mezquital del Oro Company, the modern prototype in Northwest Mexico) who were more and more technically sophisticated. In sum, technological contrasts emerged throughout Mexico by the late 1960s and early 1970s.

Another Poultry-Industry "Model" in Mexico?

Today one of the more popular and widely accepted beliefs in Mexico regarding its poultry industry is that Mexico had the option of following two distinct industry paths early on. It is argued that the first path that Mexico could have followed was the "farmer model" that many poultry producers utilized in the United States (including Pilgrim's Pride founder, Bo Pilgrim; www.pilgrimspride.com/company/story.asp). According to this model, Mexico's rural producers would start with a small number of birds and grow as their markets expanded. The second option was the emerging model of large-scale farming that Purina helped advance during the 1960s and 1970s. The argument here is that Mexican
agro-industrialists could have encouraged large producer networks to help push an increasingly complex and technologically dynamic poultry sector. Highly technical and organizationally complex, this model proved to be difficult for a variety of reasons—a lack of resources (tied to the government's urban-industrial focus), government corruption (once it began to promote poultry farms in the countryside), incomplete national market networks, and undeveloped economies of scale in the industry. Mexico had small pockets of technically evolving producers, but was dominated by small-poultry farmers, who were limited by a lack of technological sophistication and financial resources. Several state-sponsored attempts to increase poultry production in the 1970s and early 1980s failed largely because they required a level of technical assistance and commercial experience that local and small farmers in Mexico lacked—and the national government failed to provide.7

Another factor that helped to maintain the small backyard “farmer model” was the government's recognition that a structure dependent upon small farmers afforded many rural Mexicans a reasonable level of subsistence, as was the case earlier in the United States.8 In a country like Mexico, where resources were few and largely dedicated to urban and industrial development, this was an important consideration. Because the farmer model contributed to building economies of scale in the poultry industry in the United States and was viewed as a success, it was seen as a legitimate plan to follow in Mexico. The goal then was to find an approach that could help pave the way for larger poultry production initiatives which could then become national in scale. This approach meant encouraging small producer groups to move beyond subsistence. Thus the state encouraged and subsidized the creation of consortiums in the 1970s, which would include ten to twenty families. These consortiums were then supplied an average of fifty chickens, and were promised assistance until the group could become independent commercial producers in local markets (Maya 2000). While these projects never had the immediate commercial impact State planners hoped for (i.e., creating wide-scale commercial farming classes), a practical effect was that families still had access to basic foodstuffs and household goods because, as was the case earlier in the United States, families were able to exchange eggs for sugar, cooking oil, and other items.

The overall goal of these consortium projects was undermined, however, by spotty technical assistance and a lack of financial resources to help care for what were supposed to become commercial birds. Apart from the fact that small farmers did not have a dependable network of technical assistance and credit, the project was damaged by what one observer sarcastically called the project's “only real achievement” — the spreading of diseases. Although some economies of scale had been reached, limited access to (or even knowledge of) cures and medicines meant that outbreaks of diseases spread quickly. This was due in part to the fact that sporadic or incomplete “eradication efforts only served to allow [diseases] to return much stronger in mutated viral forms, like New Castle, which was much more difficult to control” (Maya 2000).9 As viruses began to spread to other areas in the countryside, the program was seen as an unmitigated failure (Maya 2000).

Pilgrim's Pride and the Making of Mexico's Modern Poultry Industry

During the 1980s the Mexican government began altering the economic landscape of Mexico to give private capital a freer hand. Mexico's decision to join the General Agreement on Tariffs and Trade (GATT) in 1986 helped push Mexico's new policy approach along and began the process of opening up the Mexican economy. These nascent “neo-liberal” policies, which were initiated by the Miguel de la Madrid administration (1982–88) and implemented with a passion by the Carlos Salinas de Guortari administration (1988–94), soon dominated the thinking of policy makers at the national level and were institutionalized when NAFTA came into force in 1994.10 While the logic for joining international trade agreements varies from country to country and region to region, two of the primary goals for Mexico were to improve its development prospects and to enhance the competitive position of its agro-industry. While Pilgrim's Pride had made the decision to invest in Mexico before its 1986 GATT decision (discussed below), the arrival of the Texas-based company helped Mexico in both of these areas.

 Ranked as the third-largest producer of poultry products in the United States, and currently the second-largest producer in Mexico, Pilgrim's Pride stands distinct, and its presence has altered Mexico's agro-industrial landscape. Indeed, the Pilgrim's Pride Corporation has encouraged market-oriented producers to employ new techniques and processes—ventilating systems, genetics, feed, heating systems, insulation, and medicines, among other improvements the Pilgrim's Pride Corporation has helped pioneer—that reduce the amount of time necessary to grow a four-pound chicken from nine-and-one-half weeks (1970) to just six weeks today.11 What this means is that four production cycles per year (1960s) have been increased to 5.7 cycles per year because of improvements in technology and management.

In addition, the Pilgrim's Pride Corporation has been part of a process that has reduced the number of man-hours necessary to raise a three-pound bird—from two hours and thirty-seven minutes to just fourteen minutes—and lowered the real labor costs necessary for production.12 In fact, by the late 1990s, roughly 25% of the poultry industry's profits depended on human labor, meaning that 75% of the industry's profits depended on technology (Teissier 1997). In more practical terms, because of technological advancements, where two people to manage a single hatchery (early 1980s), one individual can now take care of ten automated hatcheries. The benefits derived from reducing the number of man-hours are numerous, and some justify displacing man-hour labor. For example, while some might complain about the need to create jobs for Mexico's rural communities (discussed below), automation reduces the amount of human contact, and thus the potential for carrying pathogens from hatchery to hatchery. The result is that the chances of disease outbreaks are reduced, which benefits small and local owners because production cycles are not exposed to as many viral outbreaks.

In the process, producers who want to keep pace, and who hope to ally with companies like Pilgrim's Pride, have found it profitable to invest in
technology and new machinery. What this means is that changes made by large local producers (60,000 or more birds per cycle) within the poultry industry are now being copied at the small producer level (15,000 or fewer per cycle). These changes are part of a market-driven process that has become an integral part of globalization at many levels around the world. In addition to technological changes, new approaches in the poultry industry, such as packaging and commercialization (refrigerated instead of open markets, store modifications, color, presentation, etc.) have played a significant role in reshaping Mexico’s poultry industry as have higher quality and lower prices. All of this has pushed the poultry market to become more competitive and helped restructure production relationships throughout Mexico.13 While many observers might be quick to argue that large companies “displace” or “undermine” local producers, but for many, Pilgrim’s Pride has helped create secure markets for small producers (as buyers), provided much needed resources, and even provided new business-saving options for financing for small producers who are ignored by Mexico’s private banking system. The experience of Queretaro’s small and medium-sized producers offers an interesting perspective on this.

**Producer Alliances, Small Producers, and Shared Risk**

Because critics of globalization and NAFTA often start from the premise that large corporations benefit at the expense of smaller producers, any discussion of producer alliances requires that we look at production responsibilities and risks at the small and medium-size producer level. By doing so, we are better able to determine not only the burdens and responsibilities of production, but also the attitudes toward such partnerships. Understanding these attitudes is necessary because of the inclination to view responsibility and risk as simply participating in, and sharing, good and bad results. Here, casual observers may be inclined to focus primarily on economic (quality and quantity) and legal (formal obligation) responsibilities. We have found, however, that understanding shared responsibilities and risks encompasses more than economic and legal obligations. Rather, we have found that local-level attitudes toward production and risk are very much determined by a producer’s sense of commitment to Pilgrim’s Pride. To determine how Pilgrim’s Pride is viewed by small and medium-size partners, we conducted a series of interviews in the late 1990s which indicate that a producer’s production history and economic status contribute significantly to how producers view Pilgrim’s Pride. In particular, the closer a producer was to a negative experience in the market, and the fewer resources he had to deal with these challenges, the more he found the relationship with Pilgrim’s Pride to be a positive one. In the process of reaching these conclusions, we found three different *aparceros* (producer group) tiers which provide a good deal of insight into producer commitment and shared risk.

These producer tiers include those who see Pilgrim’s Pride a) as their economic salvation, b) as part of their economic base, or c) as a matter of economic convenience and/or legal obligation. The first two groups are small-scale producers with many ejidaleros involved as aparceros, while the last group encompasses both medium- and large-scale producers who view themselves as potentially self-sufficient.14

**Producer Relations as Economic Salvation**

Those who hold the view that Pilgrim’s Pride is crucial to their economic salvation are very much affected by their production history. In every case we reviewed among the small-scale producers (two hatcheries, or 30,000 birds per cycle), there was a long and storied history of what local producers considered to be outright abuse and exploitation by the National Bank for Rural Credit (Banrural).15 In particular, the business relationship between many small producers and Banrural deteriorated to such an extent that there was no confidence, no initiative, no commitment, and no profits to speak of as far as the small producer was concerned. Indeed, every small-scale producer we spoke to recounted numerous stories of what they considered to be deception, denial, and debt on the part of Banrural. For example, one producer pointed out how Banrural managers would arrive and take home a few chickens or, on special occasions, up to two hundred chickens for agency or personal parties. In one case we were told how, after the 1985 earthquake in Mexico City, trucks arrived to take away 30,000 chickens “for disaster relief.” In none of these cases were producers compensated for their work or expenses.

Every group we spoke to was emphatic that, with the arrival of Pilgrim’s Pride, regular grain shipments, professional oversight, proper medicines, etc. solved the problems they experienced with Banrural. For these producers, the arrival of Pilgrim’s Pride marked the beginning of a new economic life. Indeed, complaints of interest-rate manipulation, below-market prices, feed-arrival problems, the sudden requisitioning of poultry stock, lack of professionalism, *caudillismo* (heavy-handedness), etc. virtually disappeared. On another level, because Mexico’s private banking industry does not see small-scale rural producers as a secure and profitable sector, the state has had to step in with creative funding programs administered through private industrial groups, like Pilgrim’s Pride, who guarantee the loans.16 The reason for this, according to one state official who oversaw these credit programs in central Mexico, is that

<table>
<thead>
<tr>
<th>Farms (Number of Hatcheries)</th>
<th>Production (Birds Per Cycle)</th>
<th>History With Past Producers</th>
<th>Economic Status Before 1988</th>
<th>Relationship With Pilgrim’s Pride</th>
</tr>
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<tbody>
<tr>
<td>≤ 2</td>
<td>30,000</td>
<td>Exploited</td>
<td>Weak</td>
<td>Personal / Loyal</td>
</tr>
<tr>
<td>2-4</td>
<td>30,000-60,000</td>
<td>Mixed</td>
<td>Varied / Surviving</td>
<td>Loyal / Market</td>
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<tr>
<td>≥ 5</td>
<td>60,000 +</td>
<td>Growth-Oriented</td>
<td>Surviving/Stable/Good</td>
<td>Market / Distant</td>
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the private banking sector views ejidatario producers as "a bankrupt sector with past-due bills, without resources, without collateral, and with a complete lack of continuity." Continuing, he emphasized,

When you consider that rural Mexico has to modernize and mechanize [to compete] you find that those who are in rural Mexico are further behind and require more resources than we think. Remember that globalization is the key because if you don't mechanize you lose. The problem is that the price of technology is increasing while the price of primary products is going down. It's a vicious circle [begins drawing an imaginary circle with his hand] because if you don't have technology you can't compete, if you can't compete you can't get credit, if you can't get credit you can't invest, and if you can't invest you can't buy technology. ... You throw in a devaluation, high interest rates and you begin to see a real problem.

Because state financing was insignificant (perhaps 1%) compared to Pilgrim's Pride financing schemes, the company's role in production relationships (i.e. "the credit it offered") compelled both small producers and the State to view companies like Pilgrim's Pride as a positive element in Mexico's larger development picture. It's interesting to note that while each producer in this category recognized the economic and legal aspect of their relationship, their commitment to and support for Pilgrim's Pride was largely personal. For these and other reasons, these producers expressed a willingness to absorb hidden costs and work longer hours with little or no pay. In the end, these dynamics convinced many that Pilgrim's Pride offered economic salvation and led many to believe they owed the company personally for helping them move beyond negative experiences.

Producer Relations as Economic Agreement/Convenience

In the final group of aparceros we looked at, there is no doubt that size (owning enough hatcheries to produce 60,000 birds or more) and knowledge (a better understanding of the poultry market) makes the producer relationship more legal and market-oriented than personal. For example, while it was noted that most small producers do not always require contracts (because they trust Pilgrim's Pride), larger producers will ask for contracts sixty days in advance. Here we found that larger producers had developed a more distant or professional approach to their production relationship, and a self-interested commitment to the business of producing chickens. In order to understand why producers, large and small, continued to connect with Pilgrim's Pride, we asked several large-scale producers why Pilgrim's Pride has been so successful in recruiting partners. There were several responses.

One producer said that the size of Pilgrim's Pride made it a convenient to do business, especially after the 1994 devaluation. When asked why small producers with few resources would take Pilgrim's Pride up on their offer to build hatcheries and form producer associations, two reasons were given. First, small producers who link up with Pilgrim's Pride "don't know anything else." Second, he said that people were willing to secure credit through the official structures managed by Pilgrim's Pride, build hatcheries for Pilgrim's Pride, and work with the company because they did not really understand how long it would take to recoup their investment. After outlining how long it would take to start making a profit at current (late 1990s) prices, one medium-sized producer commented that small producers were "dumb asses ... they're simply dumb asses." After outlining how many small producers lacked knowledge of larger markets and networks, he finished by saying that information disparities between local partners and companies like Pilgrim's Pride put the company in the driver's seat. The end result is that, because they don't understand larger market dynamics, "they don't realize that they're making somebody else a lot of money" because "they are willing to work hard." In sum, large-scale producers, who see their relationship with Pilgrim's Pride in legal terms and as a matter of economic convenience, appear to have little loyalty or sense of personal commitment to Pilgrim's Pride.

Concluding Observations

During the early stages of market opening, the question often arose as to how Mexico would be able to create a competitive market-oriented environment in
some of the more marginalized areas of the countryside. Perhaps the largest concern, for the State at least, was how to accommodate and integrate local and small producers from Mexico's rural communities into evolving modern production processes. A secondary but no less important concern was how to entice internationally competitive industries to Mexico to facilitate the transformation of rural Mexico. These issues are linked with the stated goals and promises of open markets and NAFTA—that most everyone will benefit as foreign direct investment and competition are enticing to bring new jobs and competition to Mexico. In our research, we have found that while many small producers have been forced out of the poultry industry because of high costs and difficulty with technological advancement, many individuals and small producer groups have seen their production capacity and facilities grow since they entered the poultry business with Pilgrim's Pride. Put another way, they have become productive and growing small entrepreneurs, as many promoters of open markets had hoped. However, as noted above, open markets and the promise of NAFTA had nothing to do with Pilgrim’s Pride decision to invest in Mexico. In fact, Pilgrim’s Pride decided to invest in Mexico well before Mexico’s decision to join GATT in 1986 (a full thirteen years before NAFTA) because they saw opportunity in low per-capita poultry consumption, market-size potential, and their sense that Mexico’s poultry industry was largely open to being organized.

While Pilgrim’s Pride’s decision to invest in Mexico had more to do with opportunity than market opening, our research nonetheless indicates that the arrival of Pilgrim’s Pride helped to bring competition, opportunity for small producers, and (later) structure to the poultry market in several ways. For example, Pilgrim’s Pride was able to help reorganize and restructure the poultry industry because it increased per-capita poultry consumption, which meant focusing on the consumer. To do this, Pilgrim’s Pride strove to improve quality—while providing consumers with more options, and increasing the varieties of presentation. They were able to do this while keeping prices low, which impacted competitors and potential producer associates, by forcing them to invest in both technology and other areas of market research. But more importantly, their presence helped to increase market demand that provided the rationale for reaching out to rural communities in search of producer partners. In the process, by seeking out producers from diverse socio-economic backgrounds, Pilgrim’s Pride helped create opportunities for many small rural producers. It was in this area that we begin to understand the impact of Pilgrim’s Pride on production and market structures in rural Mexico.

By forming alliances with Pilgrim’s Pride, many small producers who were in weak or unstable positions found stability and security. Indeed, in the case of almost every small and medium-size producer that we reviewed throughout central Mexico over a five year period (1994-98), we found a sense of gratitude, if not relief, that “a company like Pilgrim’s Pride will work with us.” Today, while few small producers hope to reach production levels achieved by national giants Pilgrim’s Pride or Bachoco, they at least can speak of becoming a regional power like Abrego in Querétaro. As well, by pushing others to compete on their level, Pilgrim’s Pride has helped make the understanding of technology an integral part of any serious poultry producer in Mexico. To be sure, large domestic producers like Bachoco were pushing Mexico in this direction, but the arrival of Pilgrim’s Pride insured this would occur across more regions, more quickly than otherwise anticipated. In a country which battled with literacy and education obstacles just thirty-five years ago, the premature push toward technological sophistication among Mexico’s emerging small rural producers must be seen as a positive development (no matter how limited). Finally, these factors contribute to an increasingly competitive and productive environment, characterized by local entrepreneurs who are now capable of working with transnational interests.

On the surface, this suggests that the State, or NAFTA, had little to do with advances made in this area of agro-industry. However, to suggest that the State’s role in promoting development has been strictly peripheral would be misleading for three reasons. First, we need to keep in mind the fact that the State, via presidential administrations, opened Mexico’s economy and made foreign capital welcome, which helped to facilitate other facets of production. This was the case for Purina initially, and for the Pilgrim’s Pride Corporation after 1988. Second, while the State often did not provide needed resources and advice to local poultry producers during the 1970s and 1980s, the fact that they helped initiate various production projects in industries like poultry resulted in supplying local producers with infrastructure, knowledge, and basic training. Finally, and more recently, the State helped protect the Mexican poultry industry by arranging to put off NAFTA-mandated tariff reductions, which were scheduled for January 1, 2003. It is here that NAFTA begins to affect Mexico’s poultry industry, albeit in a fashion not anticipated by NAFTA promoters.

As noted above, the introduction of Pilgrim’s Pride to the Mexican agribusiness field was not affected by NAFTA negotiations because the company’s decision to invest in Mexico had already been made before the arrival of the Carlos Salinas de Gortari administration in 1988. It is ironic then that the opening of NAFTA posed a threat to Pilgrim’s Pride of Mexico, and the larger poultry industry in Mexico, because tariff-reduction schedules were asymmetrical across products. For example, because corn (a primary component of feed for poultry) was not targeted for tariff reduction or elimination until 2008, the cost of feeding poultry in Mexico remained artificially high as a result of the tariff-laden corn costs in Mexico (Mexico is a net importer of corn). To be sure, because of demands in Mexico, NAFTA corn and dry beans have enjoyed special treatment, and have been allowed to be imported duty-free based on an annual (and slowly increasing) quota system. The problem is that, while the import tariffs have been rarely imposed, the quota system remains in place. This puts Mexico’s poultry producers at a distinct disadvantage because imported corn is targeted for human consumption first. This is significant for poultry
producers in Mexico because while the basic feed used to grow a three-pound bird is tied to a mixture of sorghum, soy products, and corn, Mexican producers are forced to use more sorghum and soy products (among others) than their U.S. counterparts.

This is important because U.S. producers not only have access to subsidized corn as their primary feed component and state subsidized programs to manage disease outbreaks, but more corn in the feed mix provides superior marketing advantages because of pigmentation (coloring) and its energy-producing components.

On the Mexican side, producers are forced to pay a higher price for nationally produced corn (when they can find it) and for imported corn, which adds to cost of competitive demand, transportation, and warehousing. This has a significant impact across the poultry industry in Mexico because more than 50% of costs associated with producing market-ready poultry are tied to feed. (Estimates of actual costs range up to 60% or more.) As a result, in spite of the fact that Mexico's poultry industry is technologically competitive with its U.S. counterpart, potential feed costs after January 1, 2003 would have buried the Mexican poultry industry and led Mexico to accuse the United States of dumping. For these reasons, the United States and Mexico agreed to return to 2001 tariff levels of 97.5% until 2008 (when tariffs on corn are scheduled to be removed). In the end, and ironically, NAFTA's overall impact on Mexico's poultry industry is important in that it now protects rather than opens up Mexico's market.

What about the concern that transnational corporations do little more than undermine or displace local producers and communities while consolidating the role of producers who can afford to embrace technology? After speaking to producers at many levels, it appears that this argument is not well-informed. To be sure, there have been those who have left the market, but by and large, many of the small producers we interviewed five and six years ago have seen their facilities and production capacity increase significantly. Other larger groups have spun off from their Pilgrim's Pride contracts and have found markets on their own, preferring higher profits, but with reduced market security (which purchasing agreements with Pilgrim's Pride offered). Is this a positive or negative development? We believe the answer depends on whether one is an advocate of modernization and neo-liberalism, or is more concerned with the dislocating effects globalization has on local communities. In the end, early reports from the field suggest that, while more work needs to be done, there is no doubt that the poultry industry in rural Mexico is dynamic, maturing, and generating positive outcomes for many small entrepreneurs.

Endnotes

1. For an excellent review on the dynamics and history behind NAFTA, see Robert Pastor's, Toward a North American Community: Lessons from the Old World for the New. While the broader economic impact of NAFTA is debated, there is little doubt that the political impact of globalization has fundamentally altered the Mexican state. From market opening (joining GATT in 1986) to the full embrace of market-oriented policies under Carlos Salinas de Gortari (1988-94) and Ernesto Zedillo (1994-2000) administrations, there is little doubt that—barring some unforeseen event—future Mexican presidents will find it difficult to undo Mexico's current market focus.

2. Agriculture has changed drastically since the early 1900s, when almost all agricultural activity took place on the farm. The term agribusiness was coined by two economists in the late 1950s, John Davis and Ray Goldberg, to identify and embrace these processes. Davis and Goldberg believed the term agribusiness was more suitable to describe the gamut of all these enterprises that now take place outside the farm, which include bringing products from the field to the consumer.

3. For example, critics argue that agribusiness is so interesting in Mexico (and Latin America) because new and modern agriculture processes are absorbed by smaller producers, creating new "enclave" centers of production in the process. Rivaling past "plantation economies" in terms of their scope, importance, and impact, these centers are the product of the new industrial revolution that emanated from the United States after World War II.

4. From authors' interview of Rodolfo del Toral, former Purina employee, in Queretaro on April 25, 2001. Other references to del Toral are from the same interview.

5. For example, Cirilo Colon was a successful merchant who went from selling children from a small stall to raising chicks, and eventually established his own farms and moved to large-scale production. Many of Cirilo Colon's descendants continued in the poultry industry, as is the case with other families, like the Alvarez and Vázquez families, who continue to sell poultry in the city of Querétaro.

6. Purina’s website notes that with the Marshall Plan leading the way after World War II, they recognized that agriculture ventures in general, and Ralston Purina in particular, could become the beneficiaries of the United States’ global economic leadership. Purina’s founder, William H. Danforth, understood the worldwide possibilities created in the post-war era and began to look beyond original marketing and production facilities in the United States. While Danforth would not live to see the internationalization of the company, Ralston’s International Division was formed on October 1, 1956, and opened in Mexico in 1956: www.purina.com/company/profile/timetable.asp.

7. Many producers got their start when the federal government initiated a series of programs designed to increase the participation of local populations in their own development. To do this, various programs, like PIDER (Programa Integral para
el Desarrollo Rural—Essential Program for Rural Development), provided resources for the development of small and medium-sized businesses which were managed by small producers like local peasant (ejidatario) groups. PIDER was created by the federal government in 1973 under the name Programa de Inversiones Publicas para el Desarrollo Rural (Public Investment Program for Rural Development) and was designed to integrate various rural development programs that overlapped and lacked coordination. The program from 1973 to 1977 focused primarily on public works projects and improving access to jobs and education. In 1977, PIDER began to focus on increasing the participation of local populations in their own development. On this, see Programa Integral para el Desarrollo Rural, PIDER: Memoria, 1977–1981 (Secretaria de Programacion y Presupuesto: Gobierno del Estado, 1982).

8. In the 1950s, many small farmers in the United States were at least self-sufficient because as small producers they could produce basic milk, pork, poultry, and honey, among other things, for home consumption.

9. For example, in Queretaro the state established a facility in Ajuchitlan, Colón as part of the Granjas de Fomento Avícola program. A lack of technical assistance, proper feed, and financial assistance led to the eventual collapse of the project as disease and a lack of technical knowledge undermined its success.

10. See Miguel Angel Centeno (1994).

11. Just in the area of ventilation, advances have been made in knowledge of how fresh-air flows, drafts, regulated temperatures, heat moisture, odors, and gases impact production. Dealing with these dynamics has helped shape techniques for producing inlets, fans, insulation, ventilation controls, bypass panels, fogging systems, etc. In this manner, while an increased understanding of genetics has helped, knowledge of nutrition and the environment (i.e. process management) has also contributed to quicker production cycles.


13. We argue that after the economic crisis of 1994, when many local producers were absorbed by Pilgrim's Pride, a new structure of production began to take shape. Here we begin to see that while profit levels may have been reduced (for local producers), a new production structure evolved where risks associated with securing product, feed, commercialization, protecting against diseases, etc. are also reduced or assumed by Pilgrim's Pride.

14. The categories listed here and the case studies highlighted are a product of several Working Papers prepared for the Pilgrim's Pride Corporation. They were done in one-month intervals, over a period of three years, in the central Mexican states of Querétaro, San Luis Potosí, the Federal District, and Guanajuato. Interviewees included state officials, private non-ejido producers, ejido producers, and company officials from Pilgrim's Pride. The total number of interviewees numbered approximately seventy-five individuals, with the majority being poultry producers or workers. See Mark A. Martinez and Gaspar Real (1994, 1995, and 1997) for specific cases, numbers, and methods.

15. See note 6.

16. For example, the Bank of Mexico's Fideicomisos Instituidos en Relacion con la Agricultura, or FIRA, provides funds to private banks who then loan money to private companies like Pilgrim's Pride. These companies, in turn, are responsible for the bank loan, must find creditors, and then administer repayment. For a more specific overview of FIRA and its functions see Mark A. Martinez and Gaspar Real Cabello, Producer Associations and Shared Risk (1997).

17. Here it is important to note that there were conflicting views on how long it might take to recover original investments. For example, the longest period we were told was fourteen years. The shortest period was four to five years (under current conditions). Because the authors were not told how costs were calculated (although market prices and profit-sharing were explained) it is difficult to say with any degree of certainty whose figures were more reliable. However, it was obvious that smaller producers were more confident about recovering their investments in a shorter time frame than were larger producers.

18. Because non-production activities—such as design, distribution, and services—became more significant, the importance of production declined as a share of total costs. This suggests that low-cost producers may have lost some of their competitive advantage in the larger poultry market. On the significance of this in other markets around the world, see Robert Gilpin, Global Political Economy (2001): 135–36.

19. It should be noted that Pilgrim's Pride has regularly set up basic education classes (and even built a school in one rural community in Querétaro) to help with literacy and other areas where workers need educational assistance. While no official numbers were made available to us, we estimate that many hundreds have benefited from these efforts.
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