

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	MEXICO/CID - Isthmus & DR
▪ TC Name:	Agricultural policies for Food Security, Competitiveness, and Sustainability in Mexico
▪ TC Number:	ME-T1549
▪ Team Leader/Members:	BUSTAMANTE, CESAR TULIO (PTI/ARD) Team Leader; RONDINONE GONZALO (CSD/RND) Alternate Team Leader; SANCHEZ ALVAREZ, LOURDES FELICIDAD (VPC/FMP); DE DOBRZYNSKI, ESTEBAN (LEG/SGO); RESTREPO, LISA SOFIA (PTI/ARD); REYES RUGERIO JOSE MARTIN (CID/CME)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	06 Feb 2025
▪ Beneficiary:	MEXICO
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$400,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	PTI/ARD - Agriculture and Rural Development Division
▪ Unit of Disbursement Responsibility:	CID/CME - Country Office Mexico
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality ; Productivity and innovation ; Institutional capacity and rule of law

### II. Objective and Justification

- 2.1 To contribute to the effectiveness of public policies in enhancing the competitiveness and sustainability of the agricultural sector and ensuring food security in Mexico.
- 2.2 The Mexican agri-food sector has transformed significantly since trade liberalization in the 1990s with NAFTA (now USMCA). Agriculture's share of GDP decreased from 6.7% in the 1990s to 3.1% in the 2010s, reaching 3.85% in recent years. Agricultural employment followed a similar trend, falling from 26% of total employment in 1990 to 13% by 2022. In 2024, the primary sector employed 1.91 million people (84.4% men and 15.6% women), with 23.2% in formal jobs and 76.8% in informal jobs. The structure of agricultural production changed significantly between 1990 and 2019. Poultry meat increased from 11% to 21% of agricultural output value, while beef declined from 28% to 25%, and cereals from 32% to 26%. Corn remains Mexico's most important crop, representing 70-80% of cereal production value. However, domestic production only meets 55-60% of internal demand, with imports, mainly yellow corn from the U.S., filling the gap. In 2022, corn and corn products represented 3.5% of total household expenses and 8.6% of food expenditure, while corn tortillas accounted for 2.8% of total expenses and 7.1% of food expenditure. There is a clear income gradient: tortilla spending ranges from over 4% of household expenses in the lowest four income deciles to around 2.5% in deciles 5-8, and 1% in the highest deciles.

Policy support for the sector, measured by OECD's Producer Support Estimate (PSE), is relatively low but concentrated on Market Price Support (MPS). Since 2016, MPS has increased, reversing the downward trend following 1990s and 2000s reforms. Recent agricultural policies prioritize small-scale producers of staple grains and vulnerable groups. The fertilizer program expanded nationwide, with its budget growing from \$88.4 million in 2020 to \$938.2 million in 2023. The SEGALMEX Guaranteed Price Program now supports over 117,000 small and medium-sized producers.

Challenges persist in food security's four dimensions: availability, access, utilization, and stability. In Latin America and the Caribbean, food insecurity has risen due to crises like COVID-19 and the Ukraine war. By 2023, 28.2% of the region's population experienced food insecurity, and 6.2% faced hunger. In Mexico, 20.7% of the population suffers from moderate or severe food insecurity, increasing 2.5 percentage points over five years, though remaining between 19.5% and 24.8% for two decades. Agricultural productivity varies across crops and regions, with structural limitations in technology access, financing, and technical assistance affecting competitiveness. Mexico faces significant agro-environmental challenges, including soil degradation, deforestation, biodiversity loss, and water pollution. Mexico has 25 of 32 soil groups recognized by the World Reference Base for Soil Resources, but over half show degradation. According to INEGI (2019), 28% of farmers report soil fertility problems. Deforestation, overgrazing, excessive agrochemical use, and inadequate toxic input regulation contribute to environmental deterioration. Understanding barriers and incentives for sustainable practices is crucial for long-term productivity.

### III. Description of Activities and Outputs

- 3.1 **Component I: Agricultural Development and Food Security.** This component will analyze agricultural support policies and their impact on food security in Mexico by: adapting the OECD PSE indicator to incorporate food security dimensions; analyzing value chains of key products (corn, milk, coffee, cocoa, vegetables) to assess their food security contribution and productivity potential; and evaluating programs like SEGALMEX's Guaranteed Price Program for their effectiveness in promoting food security and competitiveness.
- 3.2 **Component II: Agro-environmental Sustainability.** This component will evaluate and strengthen Mexico's agro-environmental policy framework by: reviewing current agricultural policies, regulations, and programs to identify implementation gaps; and developing evidence-based policy proposals drawing from international practices, local research, and behavioral insights. The analysis will examine how incentives and social factors influence the adoption of sustainable practices to improve agro-environmental policy effectiveness

### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Agricultural Development and Food Security	US\$280,000.00	US\$0.00	US\$280,000.00
Agro-environmental Sustainability	US\$120,000.00	US\$0.00	US\$120,000.00
<b>Total</b>	<b>US\$400,000.00</b>	<b>US\$0.00</b>	<b>US\$400,000.00</b>

### V. Executing Agency and Execution Structure

- 5.1 The Bank, through the Agriculture and Rural Development Division (PTI/ARD), will be the administrator of the resources of this TC. The work of the contractuals will be closely monitored bi-monthly, and as often as required by the TC team. Given that this

supervision will be conducted remotely and by sectoral specialists in the countries, there will be no additional cost associated with monitoring and data revision.

- 5.2 The principal reason for this execution is that the Bank has the expertise, capacity and experience identifying and filling knowledge gaps and building institutional capacities. This implementation structure is based on the Bank's specialized technical and operational capacity. The activities to be executed will be included in the Procurement Plan and will be contracted in accordance with the Bank's policies as follows: (i) AM-650 for individual consultants; (ii) GN-2765-1 and Guidelines OP-1155-4 for consulting firms for services of an intellectual nature; and (iii) GN-2303-20 for logistics and other related services. All administrative arrangements, technical supervision, necessary internal and external coordination, and responsibility for the final product will be the responsibility of PTI/ARD. The principal reason for this

## **VI. Project Risks and Issues**

- 6.1 The main risk during the execution of the TC is the availability of information to carry out the analysis. Limited access to reliable and up-to-date data could make it challenging to analyze the effectiveness of agricultural policies and develop evidence-based recommendations. To mitigate this risk, Government will express their interest and commitment in this study and will assign technical counterparts for supporting the gathering and analysis of information. Another risk is the change of policy priorities in countries that will change their administration during the execution of this TC and, therefore, the sustainability of the efforts made. This risk is mitigated by the permanent dialogue of the IDB in the different countries.

## **VII. Environmental and Social Aspects**

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).