

# Understanding Land Use and 'Ejido' Regulations for Factory Construction in Mexico

A Guide to Securing Industrial Land Rights

**Content Partner: J. v. G. technology GmbH**

*Turnkey solar module production lines — since 1997*

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# Technical Overview of Understanding Land Use and ‘Ejido’ Regulations for Factory Construction in Mexico



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

# Problem / Context: Why Land Acquisition Is Complex in Mexico

## Nearshoring Demand Is Rising

- Mexico is a top destination for industrial relocation from Asia
- Demand for industrial land — particularly in northern states — is surging

## Land Tenure Is Legally Fragmented

- Large portions of Mexican territory are governed by communal land law (Ejido)
- Ejido land cannot be sold under standard private law without a conversion process

## Missteps Carry High Costs

- Unauthorized development on Ejido land can be voided by courts
- Incomplete due diligence has led to project cancellations and financial losses

# Legal Framework Overview

## Mexican Constitution — Article 27

- All land originates from the nation; property rights are granted, not inherent
- Establishes the legal basis for Ejido communal land tenure

## Agrarian Law (Ley Agraria, 1992)

- Governs the rights, obligations, and governance of Ejido communities
- Introduced Dominio Pleno — the mechanism to convert Ejido to private title
- Defines rules for Ejido assembly voting and land-use decisions

## PROCEDE / FANAR Registry

- National certification programs that formalized and mapped Ejido boundaries
- Registered parcels are a prerequisite for Dominio Pleno conversion

# Key Concept: The Ejido System

## What Is an Ejido?

- Communal land granted by the Mexican state post-revolution (1917–1992)
- Governed collectively by an Ejido assembly of registered members (Ejidatarios)
- Land use decisions require assembly approval by qualified majority
- Three land types: individual parcels, common-use land, and residential zones

## Why It Matters for Industrial Investors

- ~50% of Mexico's territory is Ejido or communal land
- Prime industrial corridors (Sonora, Coahuila, Nuevo León, Baja) contain significant Ejido tracts
- Ejido land is **not freely tradable** without legal conversion or a formal lease agreement
- Any purchase without conversion is legally void

# Process Explanation: Dominio Pleno (Full Title Conversion)

## Step 1: Eligibility Check

- Parcel must be individually certified (PROCEDE/FANAR)
- Ejidatario must hold formal parcel rights

1

## Step 3: RAN Registration

- Conversion filed with Registro Agrario Nacional
- Parcel exits Ejido regime — enters private property law

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## Step 2: Assembly Vote

- Ejido general assembly must approve conversion
- Requires 2/3 majority of registered members
- RAN (Agrarian Registry) oversees process

2

## Step 4: Public Registry

- Title registered with local Public Property Registry
- Land is now legally saleable, mortgageable, and developable
- Timeline: 12–24+ months total

4

# Risks & Challenges

## Community Risk

- Assembly opposition can block or delay conversion indefinitely
- Internal disputes among Ejidatarios create legal uncertainty
- Political actors within communities may demand side agreements

## Legal & Title Risk

- Overlapping claims between Ejido parcels and private plots are common
- Fraudulent "pre-sales" before conversion are legally unenforceable
- Incomplete PROCEDE certification blocks the entire process

## Timeline & Process Risk

- RAN processing delays are frequent and unpredictable
- Regulatory changes or agrarian court interventions can reset timelines
- 12-24+ month horizon must be built into project planning

 Risk level: Medium-High — varies significantly by community cohesion, state, and parcel history


# Due Diligence Checklist

## Legal & Title Verification

- Confirm PROCEDE/FANAR parcel certification
- Verify Ejidatario identity and parcel assignment records
- Review RAN historical filings for disputes or liens
- Check for overlapping private or municipal claims
- Validate Ejido assembly minutes and quorum records

## Operational & Strategic Checks

- Confirm land-use zoning compatibility with intended industrial use
- Assess infrastructure: road, power, water, drainage access
- Evaluate community relations and leadership stability
- Engage a local agrarian attorney — national firms alone are insufficient
- Map adjacent land tenure to anticipate expansion constraints

 Experienced European turnkey providers operating in Mexico recommend full agrarian due diligence before any land payment or deposit is made.

# Alternative Model: Leasing & Usufructo

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## Ejido Lease Agreement

- Ejido retains ownership; investor obtains use rights via formal lease
- Assembly must approve; typically 30-year maximum term
- Lower upfront cost; faster to execute than Dominio Pleno
- Risk: land cannot be used as collateral for financing

2

## Usufructo (Usufruct)

- Legal right to use and benefit from land without ownership transfer
- Can be registered and provides stronger legal protection than informal leases
- Preferred by investors seeking operational security without conversion delay
- Does not resolve title risk for long-term asset value

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## Hybrid Strategy

- Begin operations under lease/usufruct while pursuing Dominio Pleno in parallel
- Reduces time-to-operate; preserves path to full ownership
- Requires careful legal structuring from the outset

# Key Project Data

~50%

## Ejido Land Share

Approximate proportion of Mexican territory under Ejido or communal tenure

12–24+

## Months (Dominio Pleno)

Typical timeline for full title conversion from Ejido to private ownership

2/3

## Assembly Majority

Minimum qualified majority required for Ejido assembly to approve conversion

30 yr

## Max Lease Term

Maximum duration for a formal Ejido land lease agreement

Parameter	Topic	Process	Detail
Subject	Industrial land acquisition (Ejido vs. private)	Dominio Pleno / Lease (Usufructo)	Mexico — all industrial regions
Timeline	12–24+ months	Community-dependent	Lease: faster; Dominio Pleno: longer
Risk Level	Medium–High	Community & legal dependent	Due diligence is critical
Region	Mexico	Applicable nationwide	Northern states most relevant for industry
Source	PVKnowHow / J.v.G. Technology GmbH	Composite consulting scenario	Realistic, simplified for planning

Source: PVKnowHow / J.v.G. Technology GmbH — composite scenario based on real consulting data

# Strategic Implications

## Ejido Is Not a Barrier — It Is a Process

- Investors who understand the system can secure excellent sites at competitive cost
- Those who skip due diligence face project cancellation and unrecoverable loss

## Lease First, Convert Later

- Hybrid approach reduces time-to-production while preserving ownership pathway
- Appropriate for manufacturing, logistics, and energy projects with long horizons

## Local Legal Expertise Is Non-Negotiable

- Agrarian law requires specialists — not generalist corporate attorneys
- Community engagement strategy is as important as legal process

## Mexico's Industrial Potential Remains Strong

- Nearshoring fundamentals are intact — supply chain diversification drives demand
- Land complexity is manageable with the right advisory framework

# FAQ Highlights

## **Can I buy Ejido land directly from an Ejidatario?**

No. Without completed Dominio Pleno conversion, any such transaction is legally void under Mexican law. Payment made without title is at total risk of loss.

## **How long does Dominio Pleno realistically take?**

Typically 12–24 months under favorable conditions. Community disputes, incomplete PROCEDE records, or RAN backlogs can extend this significantly.

## **Is a lease agreement sufficient to start construction?**

In most cases, yes — provided the lease is formally ratified by the assembly and registered. However, financing institutions may require full title for collateral purposes.

## **What makes a community "high risk"?**

Internal leadership conflicts, unresolved inheritance disputes among Ejidatarios, incomplete certification records, or history of prior failed negotiations with third parties.

# Conclusion

Industrial land acquisition in Mexico involving Ejido-tenure land is legally complex but entirely navigable with the correct process, advisors, and timeline expectations.

The Dominio Pleno mechanism provides a clear legal pathway to full private ownership. The lease/usufruct model offers a pragmatic alternative where conversion timelines are prohibitive.

## Know the Tenure Type First

Determine Ejido vs. private status before any negotiation or payment

## Engage Agrarian Specialists


Community-level legal expertise is distinct from corporate real estate law

## Plan for 12–24+ Months

Build conversion or lease timelines into project schedules from day one

## Use Composite Strategies

Lease to operate; convert to own — both paths can be pursued in parallel

 This analysis represents a composite scenario derived from real consulting experience. All data points are realistic but simplified for strategic planning purposes. Source: PVKnowHow / J.v.G. Technology GmbH

# About the Content Partner

## **J. v. G. technology GmbH** – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

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Source:

<https://www.pvknowhow.com/countries/mexico/ejido-land-regulations-factory-construction/>

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