

observers believe that Canada could double its exports to 2 million tonnes annually. Mexicans are large consumers of cooking oil and canola oil is increasingly popular. Other plant products considered to have good potential include barley, apples and seed potatoes as well as pulses such as coloured beans, lentils and peas.

Mexico has a growing need for imported livestock and genetics, especially by dairy and swine producers. Herds have been reduced because of the drought and there will be a strong demand for replacement stock in the near future. Government assistance programs have been implemented in the drought-affected states.

Mexico lacks the technology needed to improve agricultural productivity. Recent agrarian reforms have made it feasible for small farm operators to form cooperatives, lease or sell land, and to increase economies of scale. But they will need foreign expertise to improve productivity. Capital shortages and high interest rates are hampering modernization efforts, and this is creating new opportunities for joint ventures.

There are also opportunities for Canadians in the Mexican processed food industry. The Mexican food processing sector has not grown fast enough to keep up with population growth. Moreover, the demand for packaged foods has grown relative to the population. Much of the Mexican industry is devoted to processing meat and dairy products, along with corn and flour milling.

There are substantial opportunities for higher value-added products, including low-fat yogurt and cheese, ultra-pasteurized milk, flavoured milk and confectionery products. Although high prices for imported products have sharply curtailed sales in the short run, Mexico's high rate of internal inflation is expected to restore competitiveness for some products. Processed meat offers good possibilities, especially pork. Mexican pork is expensive because of inefficiencies in the production and distribution systems, and much of it does not match Canadian quality standards.

Canadian bakery products and pasta are highly regarded in Mexico. They are made from high-quality Canadian wheat flour and, until the devaluation, were competitively priced. The rising cost of wheat in Mexico is expected to offset the price effects of the devaluation over the medium term.

Fish products are another area of opportunity for Canadian producers. Demand for innovative canned fish products has been increasing. Salmon for processing in Mexico also has considerable untapped potential.

Constraints

The main constraints limiting increased Canadian exports of agricultural and food products are the high cost of financing, non-tariff trade barriers and an inefficient distribution system.

Government regulations, in particular sanitary and phytosanitary regulations, present significant barriers to trade. Many products require prior import authorization. Where there is an established business relationship, the importer can often expedite shipments. But this does not help the prospective exporter who wants to send food samples to Mexico, which can require considerable paperwork.