Agricultural Joint Ventures

There are many successful joint ventures involving private landowners, *ejidatarios*, foreign firms and domestic corporations. An example is the investment made by Trasgo, a vertically integrated firm which invested $US60 million in a poultry project. It is currently expanding operations with a venture of $US100 million. The project includes domestic, Japanese and U.S. capital. C. Itoh of Japan contributes knowledge and experience in the Japanese market. Tyson Foods Co., a U.S. firm, provides technology and technical assistance. Trasgo contributes its strong experience in the Mexican market. Fifty percent of production goes to Japan in the form of consumer products, specially packaged for supermarkets and restaurants. Trasgo currently represents 14 percent of domestic poultry production. Trasgo has also established an association scheme with both small private producers and *ejido* members.

Another example is the Gamesa-Pepsico project. Gamesa is a large Mexican corporation which makes cookies, crackers and pasta. The Gamesa-Pepsico joint venture was formed in 1989, with an initial investment of $US12 million. The project produces wheat and beans on more than 9,000 hectares of land. It has optimized available natural, human and capital resources. Now two good crops are harvested each year where one was barely possible previously.

- A private owner may hold up to 150 hectares of land designated for the production of cotton.

- The limit rises to 300 hectares where it is used to grow bananas, sugar cane, coffee, hemp, rubber, palms, grapevine, olives, quinoa, vanilla, cacaos, fruit trees, agave, or nopal cactus.

- The limit shrinks to 100 hectares of irrigated land, or its equivalent, if it is used to grow products other than those designated for the higher limits.

In an effort to reduce government intervention in the sector, CONASUPO, the state-owned purchaser and seller of agricultural products, has withdrawn from the purchase and sale of all products except maize and beans.

An organization called ASERCA has been created to further improve agricultural efficiency. Its aim is to promote commerce, eliminate intermediaries and substitute markets for state intervention. ASERCA provides information on national and international prices, maintains a register of sellers and buyers and helps producers and distributors to get credit, transportation and related services. In essence, the government is attempting to replace protectionist policies with market-oriented policies, over a long-term development process.

The United States, Canada, and the Mexican domestic markets are all potential customers for Mexican foodstuffs and other agricultural products. The Mexican food and beverage market is booming. Aggregate consumption has increased by 34 percent between 1989 and 1990, to $US21 billion. Mexico is the second most important agricultural supplier to the United States and their two-way trade in agriculture amounted to $US5.54 billion in 1990, an increase of 67.5 percent over 1985.

Mexico's principal exports to all countries are tomatoes, coffee, cattle and meat. Processed foods are a fast-growing product line. Items such as tomato paste, orange juice and beer now make up 20 percent of total agricultural exports.

Mexico continues to maintain high import duties and restrictions on many food products but will eliminate them for Canada once NAFTA is implemented. Mexico is unable to produce all of the food that it needs because of limited arable land and water resources. As the country's standard of living improves, imports of a wide range of agricultural food products are likely to increase. Trade in agricultural products between Canada and Mexico was $244 million in 1990 and $212 million in 1991. Despite its relatively low current level, commerce in this sector has an enormous potential for growth.

There are many examples of promising areas that offer opportunities for the export of Canadian agricultural expertise, services and technology. These include irrigation projects, crop production, processing, transportation, storage, the establishment of cold chains, and retail marketing techniques. Many of these activities in Mexico are aimed at penetrating foreign markets, particularly in the United States, by assuring more reliable delivery or using improved packaging.