



best-practice technologies. Cost-effective methods of delivering these services, possibly by adapting existing Canadian technologies, will find niche markets throughout Mexico. In addition, *Fondo para la Infraestructura Rural y Agropecuaria (FIRA)*, the Fund for Rural Infrastructure and Farming, finances feasibility studies for agricultural development projects.

## THE REGULATORY ENVIRONMENT

Agriculture policy is the responsibility of the *Secretaría de Agricultura, Ganadería y Desarrollo Rural (Sagar)*, Secretariat of Agriculture, Livestock and Rural Development.

Government programs include financial assistance for infrastructure development and new equipment purchases as well as training and technical assistance. In October 1995, the Zedillo administration announced the *Alianza para el Campo*, Rural Alliance Program. This program builds upon a previous program known as *Programa de Apoyos Directos al Campo (Procampo)*, which was announced by the Salinas administration in October, 1993. *Procampo* was the centrepiece of the previous government's effort to introduce market forces into the sector and to rationalize crop production.

The main goal of *Procampo* was the replacement of price supports with per-hectare income supports. It was explicitly designed to comply with the requirement of Article 704 of the North American Free Trade Agreement (NAFTA), that member countries move towards agricultural support measures with "minimal or no trade distorting or production effects."

*Procampo* was designed as a 15-year program, with benefits phased out

gradually over the last five years. *Alianza para el Campo* commits the government to continue this plan, with future benefits indexed for inflation based on 1995-96 levels. It expands *Procampo* to include benefits for livestock producers and includes a new program called *Produce*, which provides input and technology subsidies. *Produce* aims to reduce the cost of domestically produced tractors by 40 percent: a 20-percent federal subsidy, 10 percent from the state, and 7 to 10 percent from tractor manufacturers. All of the major tractor producers have agreed to the program.

Another part of *Alianza para el Campo* will make bank loans more readily available. *Fondo para la Infraestructura Rural y Agropecuaria (FIRA)*, the Fund for Rural Infrastructure and Farming, a unit of the *Banco de México*, Bank of Mexico, will now be allowed to support agricultural loans through the commercial banks and through *Banco Nacional de Crédito Rural (Banrural)*, Rural Credit Bank. *Banrural* has been criticized as ineffective by agricultural experts, and access to greater resources with less bureaucracy is expected to improve it substantially.

## MARKET ENTRY STRATEGIES

The ability to provide after-sales service and a reliable supply of replacement parts is important for any durable good. But it is critical in a market where expensive equipment may be used for ten years longer that it would be in Canada. And the fact that Mexican farmers have not generally adopted preventative maintenance strategies means that requirements for parts and service tend to be urgent.

Many Canadian companies have found that a partnership or joint venture

with a Mexican company is the best way to establish a local presence. Generally, this requires training of Mexican staff. Promotional literature, manuals and training programs must be prepared in Spanish. Companies that can provide financing — especially through leasing — have a distinct advantage in this market.

Most agricultural equipment is sold through distributors who have close ties to the local agricultural associations. This is a very regionalized activity and, in most cases, Canadian manufacturers will be most successful by developing relationships with distributors in each target region.

Canada enjoys an excellent general reputation for high-quality products and technological expertise. But individual Canadian suppliers are not well known in the agricultural sector. Establishing a profile and making contacts is therefore usually the first step for a company contemplating moving into Mexico.

Successful firms often make their first contacts by attending trade shows in Mexico. Companies that cannot commit the resources required for a full exhibit can often participate through Canada Information Booths operated by DFAIT at many major shows.

Contacting Mexican agricultural associations is another good approach. Most farmers are members, and many associations publish directories. They are regionally focussed, and most help their members to evaluate alternative technologies. Government agricultural experts, especially in the regional offices of *Secretaría de Agricultura, Ganadería y Desarrollo Rural (Sagar)*, Secretariat of Agriculture, Livestock and Rural Development, are also good contacts.