

## THE AGRICULTURAL TECHNOLOGY, MACHINERY AND EQUIPMENT MARKET

*Mexican farmers lack the resources to purchase modern equipment. Annual tractor sales are only half the level implied by the size of the existing inventory.*

According to some estimates, about three-quarters of all Mexican agricultural equipment was obsolete when Mexico joined the North American Free Trade Agreement (NAFTA) on 1 January 1994. The need for farmers to modernize and adapt to liberalized trade might have been expected to create a large demand for imported technologies. But this has been prevented, for the most part, by the depressed state of the agricultural sector, especially since the devaluation of the peso in December 1994. Real agricultural GDP fell by 15 percent in 1995.

Both crops and livestock have been badly harmed by the severe drought that has ravaged northeastern Mexico. In 1995, rainfall was 40 percent below normal, and by the time some relief came in the late summer of 1996, economic losses had exceeded \$9 billion Mexican pesos. The Mexican government will have to import US \$2 billion worth of corn, wheat, sorghum, soy beans and barley in 1996 to make up the shortfall. Some 300,000 head of cattle died as a result of the drought, and millions more are in poor condition. Many low-weight animals were sold to US producers at panic prices. According to the *Confederación Nacional Ganadera (CNG)*, National Cattle Ranchers Association, Mexico's cattle herds stood at just over 3 million in late 1995, half of the 1994 level.

The combination of poor productivity and extremely scarce capital has severely depressed sales of imported agricultural equipment and services. According to estimates by the US Department of Commerce, the Mexican market for agricultural machinery and equipment was worth about US \$480 million in 1994. Mexican producers supply more than half of the market, mostly concentrating on tractors and implements. More sophisticated equipment is almost entirely imported. The US Department of Commerce estimates the market for equipment for agri-business, the high-technology market segment, at US \$27 million in 1994. Import penetration was estimated at 85 percent. Canada's share of the agri-business import market was placed at about 4 percent.

The data for agri-business equipment is probably more reliable than for all agricultural equipment because the equipment tends to be specialized. Machinery used in small-scale agriculture and livestock raising is not necessarily identified as agricultural in the trade statistics. Also, some imported equipment is re-exported to other Latin American countries.