

FOREIGN COMPETITORS

American suppliers accounted for about three-quarters of the import market in 1994, with an even higher share in some product markets. The US share fell to about two-thirds in 1995, however, because American products were disproportionately hurt by the economic crisis. Equipment manufactured by Case International is actively promoted by Mexican distributors. Caterpillar has developed close relations with the major regional distributors of heavy machinery in Mexico and its leasing operation is well established. But it has focussed on equipment for the construction and mining industries.

Japan has increased its profile in Mexico with a technical assistance program. Since Japanese producers specialize in equipment for small-to medium-sized farms, they are expected to be an important competitor in the future.

Since the advent of the North American Free Trade Agreement (NAFTA), Canadian producers have increased their market share from about 0.5 percent in 1993 to about 1.5 percent in 1995. Sales in 1994 were about US \$2.4 million, but fell to half that level in 1995. Tractors accounted for more than 40 percent of 1995 sales. Combines, threshing machinery, and milking machinery are other areas of relative strength. According to some reports, Canadian companies are considering entering the market for used equipment which has so far not been developed in Mexico.

TRENDS AND OPPORTUNITIES

THE ECONOMIC CRISIS

Mexico entered 1995 in the midst of serious economic crisis. The peso was

sharply devaluated during the last week of 1994, and by mid-January it stood at roughly half of its former value relative to the US dollar. As a result, imports were sharply cut and Mexico registered its first agricultural trade surplus since 1987. Unfortunately, most of the agriculture sector was not able to increase production sufficiently to take advantage of the export boom fueled by the cheap peso. Exports of fresh fruits and vegetables increased by 40 percent and 46 percent respectively. Coffee exports doubled. But more than 80 percent of the cultivated area is planted in grains and oilseeds, which are not, in general, internationally competitive. Overall, agricultural GDP fell by 15 percent during 1995, compared with 10 percent for the overall economy.

DROUGHT

Much of Mexico has suffered from a severe drought now in its fifth year. The northern states of Chihuahua, Tamaulipas, Nuevo León, Durango, Sinaloa, Zacatecas, Jalisco and Coahuila have suffered the most and by June 1996 had received emergency funds totaling \$1.5 billion Mexican pesos. Northern Mexico normally has a dry climate, but precipitation was 40 percent lower than normal in 1995. The crops most heavily affected by the drought are beans, wheat and other grains. Livestock production has also been devastated.

PRODUCT AND SERVICE OPPORTUNITIES

Field Equipment

The best opportunities are in equipment used for export-oriented production. This includes implements for the cultivation of tomatoes, fresh fruits and vegetables, tobacco and cotton. Canadian manufacturers may have a competitive advantage in equipment for raising wheat and other grains. Mexican grain production

has been declining, but the government is determined to help domestic grain producers. Since government assistance is now focussed on profitability rather than income support, this gives an advantage to leading-edge, but cost-effective, equipment.

Livestock Equipment

Higher livestock productivity is mostly being sought through improved herd genetics, and the Mexican market in this area is slowly gaining ground against the US-dominated import market. Other methods include controlled and technical grazing systems, improved pastures, and higher levels of horizontal and vertical integration.

Embryos and sperm are typically imported. The few Mexican suppliers are usually local ranches using imported equipment. Mexican veterinarians are considered to be well trained and prepared for handling insemination technology. The use of bio-genetics has created a demand for embryo and sperm storage facilities as well as lab equipment.

Irrigation Equipment

The government of Ernesto Zedillo issued a new water development program called *Programa Hidráulico 1995-2000*, early in its term. The program calls for the expenditure of about \$1.7 billion Mexican pesos on new irrigation projects by the end of the century. The goal of the program is increased international competitiveness. This involves consideration of both technical costs and yields, and therefore the expansion will require research as well as equipment.

Services

There is also a market for agricultural services in Mexico. Budget cutbacks as a result of the devaluation have reduced the ability of the government and agriculture associations to conduct research and promulgate