

# THE MEXICAN AGRI-FOOD MARKET

## MARKET SIZE AND DYNAMICS

### POLITICAL ECONOMY

In 1994, Mexico was struck by a massive currency crisis and a devaluation of the peso. Having recovered from this, Mexico experienced solid economic growth in 1996 and 1997. Current policy trends for the Mexican government include privatisation and deregulation, along with a concern for reducing the country's serious social disparities. This is illustrated by such policies as: easing the restrictions for milk prices, adjusting the subsidies to underprivileged regions, and the privatisation of more than 1,300 companies.

In 1997, Mexico enjoyed 7% growth in the Gross Domestic Product (GDP). Total GDP was estimated at US\$408 billion, or US\$4317.5 per capita, while inflation fell from a high of 51.9% in 1995 to 15.7 in 1997. (Source: INEGI)

Mexico's population is large, steadily growing, and mostly urban. In 1997, the population was estimated at 94.5 million and, at its current growth rate of almost 2% per year, should surpass 100 million before the year 2000. Mexico's population is also very young (65% under 30 years of age in 1995) which means that a large segment of consumers is in its family-forming years. Seven out of ten Mexicans lived in towns and cities in 1990 and this ratio has been growing at about 3% per annum. The country's three main urban centres -- Mexico City, Guadalajara and Monterrey -- account for about one-third of the country's population. Wealth is unevenly distributed in Mexico, generally being concentrated in urban areas. According to ECLAC, in 1997 29% of urban households were below the poverty line, compared to 47% in rural areas.

These factors, and the recent recovery of the economy, help to explain the growing demand for imported consumer-ready foods. There is also demand for canned, packaged and frozen foods.

### TRADE

Mexico's major trading partners are the United States, Canada, Japan, Brazil, France, Spain and Germany. It does have trading pacts with other countries, and is a member of the Organisation for Economic Cooperation and Development (OECD), the Asia-Pacific Economic Cooperation group (APEC), Caribbean Community and Common market (CARICOM), GATT, Latin American Economic System, Latin American Integration System, The Organisation of American States (OAS), and of course NAFTA.

The US is Mexico's largest supplier of agri-food products with a market share of approximately 70%; followed by Canada at 7%.

#### HIGHLIGHTS - HOT LINKS

- Mexico is traditionally a net-importer of food
- The US is Mexico's largest supplier of agri-food. Canada is 2<sup>nd</sup>
- Rising demand for imported food
- Opportunities for Canadians

#### WANT MORE INFO?

##### CLICK BELOW

- Export-4, Business Guide Distribution Channels, pg 22-24
- Export-4 Market Summary Mexico in Brief, pg 2-3
- Economic Overview - Mexico
- OECD, Review of Agricultural Policies in Mexico, pg 25-30
- BANCOMEXT - Mexican Information Centre
- INEGI