

### Market Access

- Provide advocacy and counselling on calls for tenders and government buying procedures.
- Provide counselling on procedures for obtaining permits, certificates and concessions.
- Monitor and report on customs issues and trade barriers.
- Update and expand listing of consultants/experts familiar with local government proceedings.
- Monitor and report on trade policy issues.

### Trade Promotion Activities

- Incoming missions of potential Mexican buyers to:
  - TEMIC seminar, Montreal, June 1998.
  - SoftWorld 98, St. John's, September 1998.
  - CATA 98 Convention, Toronto, June 1998.
  - Inter-Comm98, Toronto, April 1998.
- Co-ordinate participation of Canadian firms at Comdex-Latinet 98, Mexico City, February 1998.
- Canada Infobooth at Mexitrónica 98, aimed at suppliers to the electronics industry, particularly manufacturers of computers and peripherals, Guadalajara, October 98.

### Other Suggested Trade Shows

- Expo Comm Telecomunicaciones, Mexico, February 1998.
- Expo Internet, Mexico, October 1998.
- Expo Software, Mexico, November 1998.

### Outreach

- Search for and develop a data bank of Mexican speakers to make presentations to

visiting Canadian business groups (e.g., those attending local shows).

- Attend industry conventions such as the Information Technology & Telecommunications, and Cable and Television (CATV).

### Agriculture and Agri-food

Mexico's agri-food sector cannot produce enough food to feed the country's population of 93 million. Agricultural production makes up only 5.4 percent of the GDP and is declining as the economy develops and diversifies. This has made Mexico a net agricultural importer. Only in 1995 did the agricultural trade deficit temporarily correct itself, when Mexico recorded US\$3.9 billion in exports and US\$2.6 billion in imports. Imports were dominated by the United States, which holds approximately 70 percent of the market, followed by Canada, at 7 percent. By the end of 1997, Mexico is expected to return to being a net food importer.

Mexico's food-production shortfall is attributed to outdated technology, insufficient infrastructure and lack of access to financing. Over 70 percent of Mexican farms are subsistence or community farms lacking economies of scale. Mexico has 27 million productive hectares, but the average farm area is 5 hectares and fewer than 7 million hectares have access to irrigation. Rough terrain and adherence to traditional labour-intensive cultivation impede mechanization and the adoption of improved technologies.

Small farms are the result of the *ejido* land-tenure system. The rigid ownership laws associated with the *ejido* system, coupled with a reliance on government subsidies and loans, have kept Mexican agriculture from modernizing. However, recent legal and administrative corrections are providing incentives to small farms to form alliances that improve their access to technology and credit lines. These changes

will translate into Canadian joint-venture opportunities for technology and services.

### Opportunities

Close to 80 percent of Mexico's arable land produces bulk commodities but accounts for less than 50 percent of crop value. As the NAFTA makes exporting high-value horticultural crops to Canada and the United States increasingly attractive, it is likely that less land will be used to produce bulk commodities. Mexico's food-trade deficit will improve as the country becomes increasingly reliant upon imported bulk commodities. Mexico already offers excellent opportunities for grains and oilseeds, and further opportunities exist for pulses, beef, pork, temperate climate fruits, fish, dairy products and seed potatoes.

Mexico's swine and cattle populations have dwindled over the last three years as demand for domestic production rose following the peso devaluation and as droughts in the northern states hurt stock sizes. Further depleting swine inventories is the recent passage of U.S. Food and Drug Administration regulations allowing, for the first time, sales of Mexican pork in the U.S. market. The demand for swine and cattle genetics is driven by all of these factors. Given the embryonic nature of the Mexican genetics industry, Canadian suppliers will find a ready market among Mexican producers. Assisting stock-replenishment efforts is a US\$110-million EDC (Export Development Corporation) line of credit available to Canadian cattle and genetics exporters for sales to Mexico.

However, Mexico is not just an agricultural products market. The processed-food industry at both the consumer and institutional levels is growing again. Although imports of bulk commodities since 1988 grew 41 percent, intermediate goods did just as well at 45 percent and consumer food products grew an astounding 238 percent over the same period. Consumer demand was severely checked by the peso devaluation of 1994, but imports that

dropped significantly after the devaluation are now recovering and demand for imported processed-food items is growing again. Most major multinational food processors now manufacture some product lines in Mexico to feed a market whose eating habits are modernizing.

The mix of imported bulk and consumer products has already affected the diets of most Mexicans. An estimated 75 million lower- and middle-class Mexicans eat imported bulk commodities (e.g., milk powder, beans and rice). At the same time, Mexico's growing middle and upper classes (estimated at 20 million) regularly demand and purchase imported consumer-ready products, with seasonal peaks during the holiday seasons.

Mexican retail food-distribution channels are roughly divided into two segments — modern and traditional. The modern channels bring products to market through supermarket and superstore chains, which distribute 40 percent of total food value. These chains handle up to 80 percent of Mexico's processed food items, given their focus on middle-class consumers. Three groups dominate this segment — Grupo Cifra, which includes a joint venture with Walmart and Sam's; Comercial Mexicana, which is allied with Price Club; and Gigante, the largest supermarket chain in the country. New entries include H.E.B. from the United States, Carrefour from France and Metro from Switzerland.

The traditional retail market is highly fragmented, consisting of hundreds of thousands of small and independent food retailers as well as informal food markets scattered across Mexico's urban centres. Most of these value-added retailers (VARs) buy their supplies from the *centrales de abastos*, the government-owned but privately run food-distribution centres found in all major cities. The *centrales de abastos* distribute 80 percent of the nation's fresh produce and meats, and about 20 percent of the country's processed foods. In total, they handle 60 percent of the country's food sales.