

The best prospects for Canadian exporters are the subsectors that export, because they have hard-currency earnings, access to credit and growing markets. In the Guadalajara region, the most important markets include companies producing baked goods and dairy products as well as confectionery and candy. Meat processing and dairy production are also interesting sectors because of changes in government policy. All of the 132 slaughterhouses in Jalisco will have to modernize to meet new government quality standards. The price of milk has recently been increased as part of a government plan to make Mexico nearly self-sufficient in milk by the turn of the century. This should stimulate growth in that subsector.

Packaging represents another opportunity. Trade liberalization has exposed consumers to a wide variety of imported attractively-packaged convenience products. Domestic producers, who have survived for decades in a protected environment, are scrambling to adapt.

The major companies in the food processing sector include large Mexican companies, such as the baked goods giant, *Grupo Industrial Bimbo*, Mexico's 17th largest corporation with 1994 sales of \$6 billion Mexican pesos. Other major producers are *Sabritas*, which makes snack foods and *Bing*, which produces ice cream. Several multinational enterprises are also active in the region, including Nestlé, Hershey, Tate and Lyle, and Archers Daniel Midland.

The demand for food processing equipment was severely reduced by the economic crisis precipitated by the peso's abrupt devaluation in December 1994. The crisis doubled the cost of imported equipment and drove the cost of capital to prohibitive levels. Now that the economy of the western region has recovered, demand is once again building. The competitiveness of imports has gradually recovered as the effects of the devaluation worked their way through the cost structure of Mexican companies. The Mexican price level in December 1995 was 52 percent higher than a year earlier.

Mexican companies that manufacture food processing equipment generally specialize in relatively simple types. Some sophisticated equipment is made under licence or as part of technological joint ventures with foreign firms.