

## COMPETITORS

The balanced animal feed section of *Cámara Nacional de la Industria de la Transformación (Canacintra)*, National Chamber of the Manufacturing Industry, had 78 members in 1995. Multinational firms include Ralston Purina and Anderson Clayton, each of which has operations throughout the country. Major multinationals that are not members include BASF and *Química Hoescht*. The former has just expanded production at one of its two Morelos feed plants, using new technology that will reportedly triple production with the same labour force.

*La Hacienda* is a Mexican company with operations in several states. Other *Canacintra* members in this category are located in 21 states. There are more than 200 manufacturers of balanced feeds in Mexico that are not members of *Canacintra*. Many of them are cooperatives formed by local livestock producers.

Some large livestock operators operate their own integrated feed production facilities. For example, Pilgrim's Pride recently acquired the assets of the *Unión de Avicultores de Querétaro*, Association of Aviculturists of Querétaro, and is the second-largest chicken producer in the country.

Some of the feed producers in northern Mexico are operating below the break-even point and a few are reportedly on the verge of closing. Production is being maintained in the south, which was not affected by the prolonged drought that plagued the northern states until late 1996.

## TRENDS AND OPPORTUNITIES

The agricultural sector was severely harmed by the peso devaluation of December 1994. By mid-January

1995, the peso stood at roughly half of its former value relative to the US dollar. Imports were cut drastically and Mexico registered its first agricultural trade surplus since 1987. But the agriculture sector was not able to increase production sufficiently to take advantage of the export boom caused by the cheaper peso. Agricultural gross domestic product (GDP) fell by 15 percent during 1995, compared with 10 percent for the overall economy. The economy began to recover in the last quarter of 1995, and Mexico is expected to register a small deficit in agricultural trade in 1996.

## RATIONALIZATION AND MODERNIZATION

Prior to the devaluation, the larger livestock producers and feed manufacturers had been rationalizing their operations. They recognized the need to modernize to improve productivity and quality, to compete in the newly liberalized trade environment. Now that the economy is in a state of gradual recovery, modernization is once again a major priority. Many observers believe that this will create opportunities for joint ventures with foreign companies. This is especially true since the crisis has left most of them very short of capital.

Two major agricultural reforms, which are part of the government's broad liberalization package, are further driving the trend towards modernization. They are reform of the land tenure system and removal of agricultural price supports.

## LAND TENURE

Land reform was a primary goal of the Mexican Revolution which began in 1910. Large estates were broken up and redistributed to the people in the form of communal holdings known as *ejidos*. The *ejido* system gave peasant farmers a plot of land that was communally owned but individually maintained. Plots were

handed down to the next generation, but could not be sold or rented. *Ejido* plots were intended to be large enough to provide enough food for family consumption and limited exchange for subsistence goods. But they were never expected to be significant commercial operations. As a result, the average farm in Mexico is only about 5 hectares.

Article 27 of the Mexican Constitution was amended in 1992 to implement a four-point agrarian reform. No further communal land distribution will be done. *Ejidros* can form *agroasociaciones*, joint ventures, with each other and with outside investors. A system of agrarian law courts was established, and *ejidatarios* can now obtain clear title to their property.

This change has been slow to take effect, but a recent government program, *Fondo de Capitalización e Inversión del Sector Rural (Focir)*, Rural Capitalization and Investment Fund, is now supporting *agroasociaciones* with loans, loan guarantees, technical support and help with export promotion. This is expected to lead to increased vertical integration, possibly including new feed facilities run by communal farms.

## PRICE SUPPORTS

A second major reform was implemented in October 1995, when the Zedillo administration announced the *Alianza para el Campo*, Rural Alliance. This new initiative builds upon a previous program known as *Programa de Apoyos Directos al Campo (Procampo)*, which was announced by the Salinas administration in October, 1993. That program was the centrepiece of the government's effort to introduce market forces into the sector, and to rationalize crop production. Traditionally, farmers have specialized in the most heavily subsidized crops, notably corn and beans.