

# Agricultural Technology, Machinery and Equipment



## THE OPPORTUNITY

Mexico's agriculture sector is badly underdeveloped. Government programs to modernize it are likely to create important long-run opportunities for Canadian suppliers of agriculture technology, machinery and equipment.

- Only about 20 percent of Mexican farms are efficient enough to compete in foreign markets. Average farm size is less than 5 hectares.
- When Mexico joined the North American Free Trade Agreement (NAFTA) in 1994, three-quarters of its agricultural machinery was considered obsolete.
- Experts say that Mexico requires a minimum of 60,000 tractors to replace obsolete machines.
- It is estimated that farmers who buy tractors spend about 40 percent more on basic implements.
- Livestock and poultry producers are already partly mechanized and represent a large market for imported equipment.

Canada has so far captured only a small share of this market, but new opportunities will emerge as farms are aggregated under Mexico's program of agrarian reforms.

## MEXICO'S AGRICULTURAL REVOLUTION

The Mexican agricultural sector is in the midst of a massive revolution. But by all accounts, it has not been a very successful revolution. Policy reforms designed to modernize and restructure the sector have so far failed to take hold. Agricultural production fell by 32 percent in 1995. During the 1996 spring planting, two million hectares were taken out of production. And according to the *Confederación Nacional Ganadera (CNG)*, National Cattle Ranchers Association, Mexico's cattle herds declined by almost half during 1995.

These outcomes were partly the result of short-run problems. An extended drought continued to devastate northeastern Mexico during 1995. And the devaluation of the peso in December 1994 doubled the peso prices of imported inputs.

The agricultural sector has always been a source of difficulties for the Mexican government. After the revolution, which began in 1910, there was a massive redistribution of land, as the nation's huge

## SUMMARY REPORT

In addition to this market summary, the Department of Foreign Affairs and International Trade (DFAIT) has prepared a market profile entitled *Opportunities in Mexico: Agricultural Technology, Machinery and Equipment*. This market information on Mexican agricultural technology, machinery and equipment has been produced and published by Prospectus Inc. under contract with DFAIT, along with other market profiles and summaries on business opportunities in Mexico. It is available from:

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