

3. MARKET ASSESSMENT

Total apparent consumption of food processing and packaging equipment, including parts, was \$197.9 million in 1988, up 21% from \$163.3 million in 1987. In 1989, the market grew again by 25.8% to \$248.9 million, and 1990 showed a further increase of 36.3%. Demand is estimated at \$368.1 million in 1991. This considerable increase was due to the continuous growth in imports that has resulted from more liberal trade regulations (in particular the reduced import tariffs), the general economic growth, the reduction in inflation and devaluation rates, and the pent-up demand for new machinery that had built-up since the 1982 economic crisis. Although it is unlikely that such a high rate of growth will continue in the future, an upward trend is expected, placing total apparent consumption at \$455.4 million in 1994, after an average annual increase of 7% per annum.

TABLE 1
THE MEXICAN MARKET FOR FOOD PROCESSING
AND PACKAGING MACHINERY & EQUIPMENT
(thousands of dollars)

	1987	1988	1989	1990	1991e	1994p
Production	66,494	75,092	81,704	92,017	97,775	113,187
+ Imports	104,493	135,954	182,618	267,316	294,048	370,416
- Exports	7,717	13,130	15,439	20,169	23,716	28,246
TOTAL	163,270	197,916	248,883	339,164	368,107	455,357

Note: e=estimated; p=projected

Source: Import, export data by Secretaría de Comercio y Fomento Industrial (SECOFI); author's estimates.

Domestic production has been limited to small and medium size equipment, based mostly on simple technology, which only performs one step or one portion of the food processing chain. Nevertheless, it has been improving both in terms of its international competitiveness and level of technology. Mexico's production has been growing steadily and has not only found a domestic market but a growing export market. Local supply, however, will continue to grow at a relatively slower rate than imports, increasing only five percent annually to reach \$113.2 million in 1994. Of this amount, 25% will be exported.

Imports have played a crucial role in this market and their participation in total consumption has been increasing in response to the factors mentioned above. While imports represented 64% of total supply in 1987, or \$104.5 million, by 1990, their share grew to 73.4% and they amounted to \$267.3