

MEXICO

The second-largest destination for U.S. agricultural equipment exports, Mexico is a high volume, low risk market. U.S. exports to Mexico grew 7.6 percent in the first six months of 2016, led by shipments of tractor parts, engines and engine parts. Mexico is also a leading market for equipment to fruits and vegetables and other high-value crops, dairy products and meat. The Mexican agricultural economy is expected to grow 4.0 percent per year in both 2017 and 2018, although a weakening Mexican peso relative to the U.S. Dollar is a growing obstacle for U.S. exporters.¹

**Overall
Rank:**

4

Opportunities

- **Tractor Parts, Engines and Engine Parts** – These products currently dominate U.S. exports and support major U.S. and other OEM tractor assembly operations in Mexico. Major component exports (steering, mufflers, radiators, etc.) grew strongly in 2016.
- **Sprayers** – Mexico’s diverse agricultural economy offers many applications for sprayers. Mexico is the largest U.S. export market for ag sprayers.
- **Mowers and Other Power Equipment** – Steady growth has characterized this category over the last decade. This equipment will continue to find widespread application, despite a drop in U.S. exports in 2016.
- **Equipment for Produce and High-Value Crops** – Mexico was a \$123.5 million market for these products in 2015. Drip and micro-irrigation equipment accounts for more than half of U.S. exports of irrigation products.

Data and Discussion

From 2012 to 2015, the Mexican market for U.S. agricultural equipment grew at annual rate of 7.0 percent, even as U.S. exports globally declined at a rate of -8.9 percent. This pattern continued in 2016, when total U.S. exports to Mexico grew 7.6 percent in the first six months of the year. Dominating U.S. exports in terms of

both volume and the rate of growth were tractor parts, engines, and engine parts.ⁱ

Mowers and other power equipment is the largest category of U.S. original equipment exports to Mexico, worth \$127.7 million in 2015. Shipments of these products grew steadily, if undramatically, from 2006 through 2015 at an annual rate of 4.6 percent.ⁱⁱ The diverse applications for these products (agriculture, commercial, government/institutional) and Mexico’s gradually rising wages provide a strong foundation for U.S. exports of these products.ⁱⁱⁱ

Technology

The Mexican market has diverse needs with respect to agricultural technology. With a variety of climates and a large amount of arable land, the country is home to extensive diversified, large-scale commercial agriculture. At the same, many farms are quite small, their productivity is often low, and frequently rely on manual labor. As a result, basic mechanization is still underway.^{iv}

For commercial agriculture, technologies that enable producers to raise quality, increase productivity, and ensure and document food safety are essential. This is especially true for

fresh produce, high-value specialty crops, red meat, poultry, and dairy.

Mexico is the United States’ largest export market for irrigation equipment, with drip and micro-irrigation and related products accounting for fully two-thirds of the total in 2015. U.S. sales of drip and micro-irrigation equipment have held up well in recent years, despite the weakening Mexico peso.^v

Protected and “controlled environment” agriculture is widespread in Mexico. Common greenhouse types include macro- and micro-tunnels, chapel- or multi-span designs, vineyard and high-technology polycarbonate-walled systems—the latter known colloquially as “venlo” or “holandes” (Dutch) structures.^{vi} U.S. exporters of equipment for commercial greenhouse use have a geographic advantage over their European competitors—which typically do not maintain large inventories in

Mexico—in being able to ship both whole goods and spare parts quickly and inexpensively from the United States. These products include fans and other climate-control and ventilation equipment, pumps, and control systems. Throughout the agricultural value chain, Mexican ag producers require specialized IT systems to document food safety and comply with U.S. and other countries’ sanitary requirements for food imports.

Ag Economy Fundamentals

Red meat, high-value crops, poultry and eggs, and dairy products are major components of Mexico’s agricultural production.^{vii} Demand for Mexican agricultural products is driven both by rising domestic demand and by exports. Mexico’s relatively large middle class and growing population of some 110 million are served by developing retail sector that enables widespread domestic distribution of Mexican agricultural products.^{viii}

Mexico: U.S. Exports at a Glance

Equipment Types	2015 Exports U.S.\$ Millions	Percent of Ag Equipment Exports	Change 2012-15	Change Jan.-June 2016
Tractor Parts, Engines & Engine Pts. ---	\$614.4	50.8%	15.2%	29.1%
Mowers & Power Equipment ---	127.7	10.6%	3.5%	-14.2%
For Produce & High Value Crops ---	123.5	10.2%	3.9%	-9.8%
For Grain, Oilseeds, & other Commodity Crops ---	116.2	9.6%	-11.8%	-6.8%
For Raising Livestock ---	94.4	7.8%	9.8%	-30.3%
Sprayers ---	78.4	6.5%	8.3%	16.7%
Low- & Medium-HP Tractors ---	16.0	1.3%	-12.4%	-7.3%
<u>Other</u>	<u>39.0</u>	<u>3.2%</u>	<u>3.6%</u>	<u>-9.1%</u>
TOTAL	\$1,209.6	100.0%	7.0%	7.6%

Since the mid-1990s Mexico has negotiated an extensive network of Free Trade Agreements (FTAs) and other bilateral and multi-lateral trade pacts. These agreements now cover trade with most of the Western Hemisphere, Europe, Japan, and Israel.^{ix} The North American Free Trade Agreement (NAFTA) remains the most important of these agreements and the United States accounted for 81.1 percent of total Mexican exports in 2015.^x Mexican exports of fresh produce and other high-value crops, red meat, dairy products, and poultry and eggs were worth more than \$12 billion in 2015.^{xi}

Major private-sector financial institutions serving the Mexican agricultural economy include Scotia Bank, Banco Nacional de México (BANAMEX), and Santander, among others.^{xii} Mexican Government institutions providing financial services for agribusiness include Fidecomisos Instituidos en Relación con la Agricultura, Fideicomiso de Riesgo Compartido, PROMEXICO, and FINRURAL. The National Fund for Agricultural Development (FND) also provides financial services to Mexican ag producers, including working capital, commodity price insurance, and other risk management services.^{xiii}

For a list of U.S.-based banks active in the Mexican market, particularly U.S. brokers and banks working with Export-Import Bank of the United States programs, please contact Ms. Sylvia Montano (Sylvia.Montano@trade.gov) of the International Trade Administration/U.S. Commercial Service.

Challenges and Obstacles

Mexico's size and diversity are often under-appreciated by U.S. exporters. It can be difficult to find a single distributor or agent to cover this vast market. Also, the Mexican legal system differs in fundamental ways from the U.S. system, so U.S. firms should consult with competent legal counsel before entering into any business agreements with Mexican partners. U.S. Commercial Service offices in

Mexico can conduct background checks on potential Mexican partners.^{xiv}

Mexican customs regulations, product standards and labor laws may present pitfalls for U.S. companies. U.S. Embassy commercial, agricultural, intellectual property rights, standards, and labor officers are available to counsel firms with respect to regulations that affect their particular export product or business interest.^{xv}

Mexican customs procedures continue to be a challenge for U.S. exporters, including insufficient prior notification of procedural changes. Harmonizing the hours of customs operation on the U.S. and Mexican sides of the border has been beneficial, but exporters still face delays due to the lack of pre-clearance procedures.^{xvi}

The banking system in Mexico has shown signs of growth after years of stagnation, but interest rates remain relatively high. In particular, small and medium-sized enterprises (SMEs) find it difficult to obtain financing at reasonable rates despite Mexican Government efforts to increase capital for SMEs. U.S. companies should do thorough due diligence before doing business with a Mexican firm, and be conservative in extending credit and alert to payment delays.

Regarding intellectual property rights (IPR), Mexico was listed on the Watch List in the 2015 Special 301 report. Despite some progress, overall criminal enforcement of IPR is characterized by weak coordination among federal, state, and municipal officials and other problems.^{xvii}

Although there no longer any tariffs on agricultural equipment, Mexico levies a value-added tax (IVA) on most sales transactions, including sales of foreign products. The IVA rate is 16 percent for the entire Mexican territory.^{xviii}

In addition to developing strong working relationships with Mexican partners, it is strongly recommended that U.S. firms use Spanish-language marketing materials and speak Spanish whenever possible while doing business in Mexico. Hiring local staff can help facilitate these relationships and provide U.S. companies with insight on selling in Mexico.^{xix}

NAFTA Rules of Origin, which determine whether specific products qualify for duty-free treatment, can be complex. For a thorough explanation of NAFTA certificates of origin, as well as a “What’s my tariff” tool, see: <http://export.gov/FTA/nafta/index.asp>.

Continued violence involving criminal organizations has created insecurity in some parts of Mexico, including in some border areas. For more detailed information it is strongly recommended that prior to travel to Mexico, see the:

- State Department Travel Warning web site: (http://travel.state.gov/travel/cis_patw/tw/tw_5815.html)

For country specific information on Mexico, see:

- (http://travel.state.gov/travel/cis_patw/cis/cis_970.html)

For more information on doing business in Mexico, see the:

- **Country Commercial Guide for Mexico:** https://www.export.gov/article?series=a0pt0000000PAuRAAW&type=CountryCommercial_kav
- Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA): <http://www.sagarpa.gob.mx>

- Federal Commission for the Protection against Sanitary Risk (COFEPRIS): <http://www.cofepris.gob.mx>
- Mexican Association for Protected Horticulture (AMHPAC): <http://www.amhpac.org>

Trade Events

International Production & Processing Expo 2017, 2018

Description: A large industrial trade show featuring machinery and equipment for raising poultry, milling animal feed, and processing and packaging poultry, eggs, and red meat.

Location: Atlanta, Georgia

Dates: January 31-February 2, 2017; 2018 TBD.

Website: <http://www.ippexpo.com/>

World Ag Expo 2017, 2018

Description: World Ag Expo features machinery and equipment for use in cultivating fresh produce, orchard and vineyard crops, and cotton, as well as for dairy farms and irrigated agriculture.

Location: Tulare, California

Dates: February 14-16, 2017; 2018 TBD.

Website: <http://worldagexpo.com/>

Expoagro Alimentaria 2017, 2018

Description: A leading Mexican trade exhibition featuring machinery, equipment, and related goods and services for a range of agricultural activities, including commercial fruits and vegetable production, greenhouse/shadehouse agriculture, irrigation, and commodity crops.

Location: Irapuato, Guanajuato State, Mexico

Dates: Early November, exact dates TBD.

Website: <http://expoagrogto.com>

ⁱ United States Department of Commerce, Bureau of the Census, Foreign Trade Division; TPIS Database: USHS EXPORTS, Revised Statistics for 1989-2014, Unrevised for 2015-2016.

ⁱⁱ Ibid.

ⁱⁱⁱ Economist Intelligence Unit, “Average nominal wages.”

^{iv} Business Monitor, “Agribusiness – SWOT – Mexico – Q4 2016”; September 5, 2016.

^v United States Department of Commerce, Bureau of the Census, Foreign Trade Division TPIS Database: USHS EXPORTS, Revised Statistics for 1989-2015.

^{vi} Luis Carols Sierra, “Características de diferentes tipos de invernaderos”; *deRiego*, P.28; April-May 2016, Mexico City, Mexico.

^{vii} United Nations Food and Agriculture Organization, Rome.

^{viii} Business Monitor, “Food – SWOT – Mexico – Q4 2016”; September 5, 2016.

^{ix} Economist Intelligence Unit, “Mexico – International Agreements”; June 27, 2016.

^x Economist Intelligence Unit, “Mexico – Regulation: Trade Policy”; June 27, 2016.

^{xi} United Nations COMTRADE Database TPIS Database: UNHS IMPORTS.

^{xii} **Directorio Agroempresarial 2014-2015**, Pp. 89-92; Prerensa Digital SA de CV; 2014, Mexico City, Mexico.

^{xiii} Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal & Pesquero (FND); “Acciones & Programas.”; Mexico City, Mexico. URL: <http://www.gob.mx/fnd>

^{xiv} U.S. Department of Commerce, U.S. Department of State; **Country Commercial Guide** for Mexico; December 2, 2016. URL: https://www.export.gov/article?series=a0pt0000000PAuRAAW&type=Country_Commercial_kav

^{xv} Ibid.

^{xvi} U.S. Trade Representative, **The 2016 National Trade Estimate Report**, Pp. 301-302; Washington, DC, 2016.

^{xvii} Ibid., P. 302.

^{xviii} U.S. Department of Commerce, U.S. Department of State; **Country Commercial Guide** for Mexico.

^{xix} Ibid.