Mexico

Type: Strategic Market; High Volume, Large Market Share

Mexico is a leading export market for U.S. agricultural equipment and was the United States' second-largest market overall in 2014. U.S. exports last year totaled $1.1 billion—double their value in 2009—and grew 6.1 percent over the previous year. Mexico is a major market both for original equipment and for parts. U.S. exports of original equipment reflect the diversity of Mexico's agricultural economy, which is a major producer, consumer, and exporter of a wide range of fruits, vegetables, orchard crops, and other high-value commodities. Parts exports reflect the country's status as a major manufacturing center. Mexico is a top market for U.S. exporters of all sizes. As a NAFTA partner, barriers to U.S. exports are negligible.

U.S. Exports*:
2

Export Growth*:
8

U.S. Import Market Share: 68.8%

*Note: Ranking based on a comparison of U.S. exports to forty strategic markets including signatories of major trade agreements and all members of the European Union and the Organization for Economic Cooperation and Development.

ITA expects U.S. agricultural equipment exports to Mexico will grow modestly in 2015, on the strength of the country's fresh-produce and livestock sectors, which enjoy growing demand in the domestic and international markets, as well as the more domestically focused dairy sector. This trend is likely to continue in 2016, as global grain prices stabilize and farmers in the grain and row crop sector move to replace older equipment.

Overview

Mexico is a strategic market for U.S. agricultural equipment exporters. Shipments from the United States account for 69 percent of the Mexican import market. The country's agricultural economy is large and modernizing rapidly. Mexico's proximity both to U.S. equipment manufacturers and U.S. markets for its agricultural exports are a major advantage.

As a North American Free Trade Agreement (NAFTA) trading partner, trade barriers in Mexico are negligible. Major U.S. and European manufacturers produce tractors, agricultural implements, and other equipment in Mexico. As a result, strong third-country competitors challenge U.S. suppliers across all the major categories of agricultural equipment sold in Mexico.

Mexico is the United States' second-largest export market for agricultural equipment, worth $1.1 billion in 2014. Exports related to fresh produce and livestock represented 11.8 and 8.1 percent of total exports, respectively, worth $127.5 million and $88.1 million. Agricultural sprayers accounted for 7.6 percent of total exports, worth $82.2 million.

Unlike other very large markets (i.e., Canada and Australia), machinery and equipment for producing grain, oilseeds, and other commodity row crops represented only 11.9 percent of total exports, worth $128.5 million. Exports of tractors in the 40-100hp and less than 40hp ranges were a very small percentage of overall exports.

Mexico: Major Products

- Fresh Produce & Spices (27.1 percent)
- Red Meat (26.9)
- Poultry (20.2)
- Dairy (11.6)
- Grains oilseeds, and other row crops: (7.4).
- Other: cotton, sugar cane (6.8).

(Percentage share of the top 20 commodities produced in 2012, by value; Source: U.N. Food and Agriculture Organization.)

Exports of agricultural equipment parts to Mexico represent a disproportionately large share of U.S. exports, relative to global U.S. parts exports. Parts exports to Mexico were worth $577.1 million in 2014, 53.3 percent of total exports—twice their share of overall U.S. agricultural equipment exports. Exports of parts rose 6.1 percent in 2014.

Nearly 80 percent of total parts exports were for agricultural tractors. This fact reflects the major manufacturing operations located in Mexico. John Deere manufactures tractors in the 105-140hp range in Saltillo. CNH Industrial's New Holland division manufactures tractors in the 90-115hp range in Queretaro. Both companies also produce implements and other agricultural equipment at these and other locations in Mexico.[11]

Exports to Mexico grew 6.1 percent in 2014. This was due to continued growth in the fresh-produce and livestock segments. The steep decline in grain prices beginning in 2011-2012 has had relatively little impact on U.S. exports to Mexico, since grains, oilseeds, and other row crops account for a relatively small share of the country's agricultural production.

U.S. exports to the fresh produce sector grew 16.7 percent in 2014, to $127.5 million. Exports to the livestock sector surged, growing 40.1 percent to $88.1 million. Shipments of agricultural sprayers rose 17.7 percent, to $82.2 million. Exports of 40-100hp and less-than-40hp tractor segments were mixed, with a total volume of less than two percent.

Mexico has a diversified agricultural economy with significant opportunities for growth. The country is a leading global exporter of tomatoes, avocados, green chilis, dry onions, sugar, and a variety of other fresh and frozen fruits and vegetables[12]. Agriculture represents only a small part of Mexico's economy, 3.5 percent of GDP, which is characteristic of other leading U.S. export markets for agricultural equipment. [13]

Unlike other leading agricultural equipment export markets, however, a relatively large portion of Mexico's workforce is employed in agricultural production: 14.7 percent.[14] This indicates a strong potential for further mechanization.

Mexico is well-positioned as a growth market for U.S. agricultural equipment exports in 2015 and 2016. Expanding economies both domestically in Mexico and in the United States[15] will support growing consumer demand for the fresh produce, red meat, poultry, and dairy products that account for a large portion of Mexico's agricultural production.[16]

The fresh produce sector will benefit from its access to a strengthening U.S. economy and consumers' ability to include fresh fruits and vegetables in their diets. The U.S. Food Safety Modernization Act (FSMA) will begin to make itself felt, as Mexican growers find themselves compelled to invest in irrigation and related water-management technology, improved packing-house systems, and related equipment to comply with stringent new sanitary requirements on imported foodstuffs [See Box, Page 7].

Mexican growers will expand their exports to China and other Asian markets, as well. This is likely to result in both expanded production, and an increasing need to meet those markets' expectations for food safety. U.S. manufacturers can provide equipment to meet these requirements.[17]

In 2014, the President of Mexico announced programs worth more than $7 billion to provide water to more than 1.3 million hectares of land to support agribusiness.[18]

Mexico's red meat and poultry production is likely to increase in the near term. Improving profitability in the beef sector, lower feed prices, enhanced genetics for pigs, and strong bio-sanitary practices and ongoing consolidation among poultry producers will all contribute to this growth.[19]

Dairy production is also likely to increase modestly in 2015, as a result of lower costs for feed, more integrated production, and improved herd genetics. Mexico's dairy producers struggle to compete with lower-priced imports from the United States.[20] Nevertheless, the sector is strong enough to attract significant investment, such as a recently-announced six-year, $53 million program by Nestlé of Switzerland. Nestlé will fund development of milk production and infrastructure and technical assistance in the milk and whey supply chains.[21]

Market Access/Trade Barriers[22]

Mexico imposes no tariffs on goods imported from the United States that meet NAFTA rules-of-origin requirements. Determining whether a specific product qualifies for duty-free status under the NAFTA Rules of Origin, however, can be complex and there are a number of exceptions. As a result, the U.S. Department of Commerce created the NAFTA Certificate of Origin Interactive Tool. An explanation of NAFTA certificates of origin, as well as a “What’s My Tariff” tool, can be found at: http://export.gov/FTA/nafta/index.asp.

For more information on doing business in Mexico, consult ITA’s “Doing Business in Mexico: 2014 Country Commercial Guide for U.S. Companies,”: www.buyusainfo.net/docs/x_7553099.pdf

Exports to Mexico must be properly documented for customs purposes. The basic Mexican import document is the "pedimento de importación," which is required for all cross-border shipments.

Other essential documents include a commercial invoice (in Spanish), a bill of lading, documents demonstrating guarantee of payment of additional duties for undervalued goods if applicable, and documents demonstrating compliance with Mexican product safety and performance regulations.

Use of a customs broker for import transactions is no longer required. Import documentation may be prepared and submitted by a licensed Mexican customs broker, or by an importer with sufficient experience in completing the documents.

Mexican law is very strict, however, regarding proper preparation and submission of customs documentation. Errors can result in fines and even confiscation of merchandise as contraband. In practice, custom broker services may still be needed to import from the United States.

Major Trade Events

International Production & Processing Expo
Atlanta, Georgia
ippexpo.org

World Ag Expo
Tulare, California
worldagexpo.com

Expo Agroalimentaria
Irapuato, Guanajuato State, Mexico
www.expoagrogto.com

The Irrigation Show & Education Conference
Long Beach, California (2015)
www.irrigation.org/IrrigationShow/

The Customs Processing Fee (CPF) is no longer assessed on NAFTA-compliant goods imported “definitively” into Mexico. Goods temporarily imported for processing and re-export may be subject to the CPF, since they are not considered “definitive.”

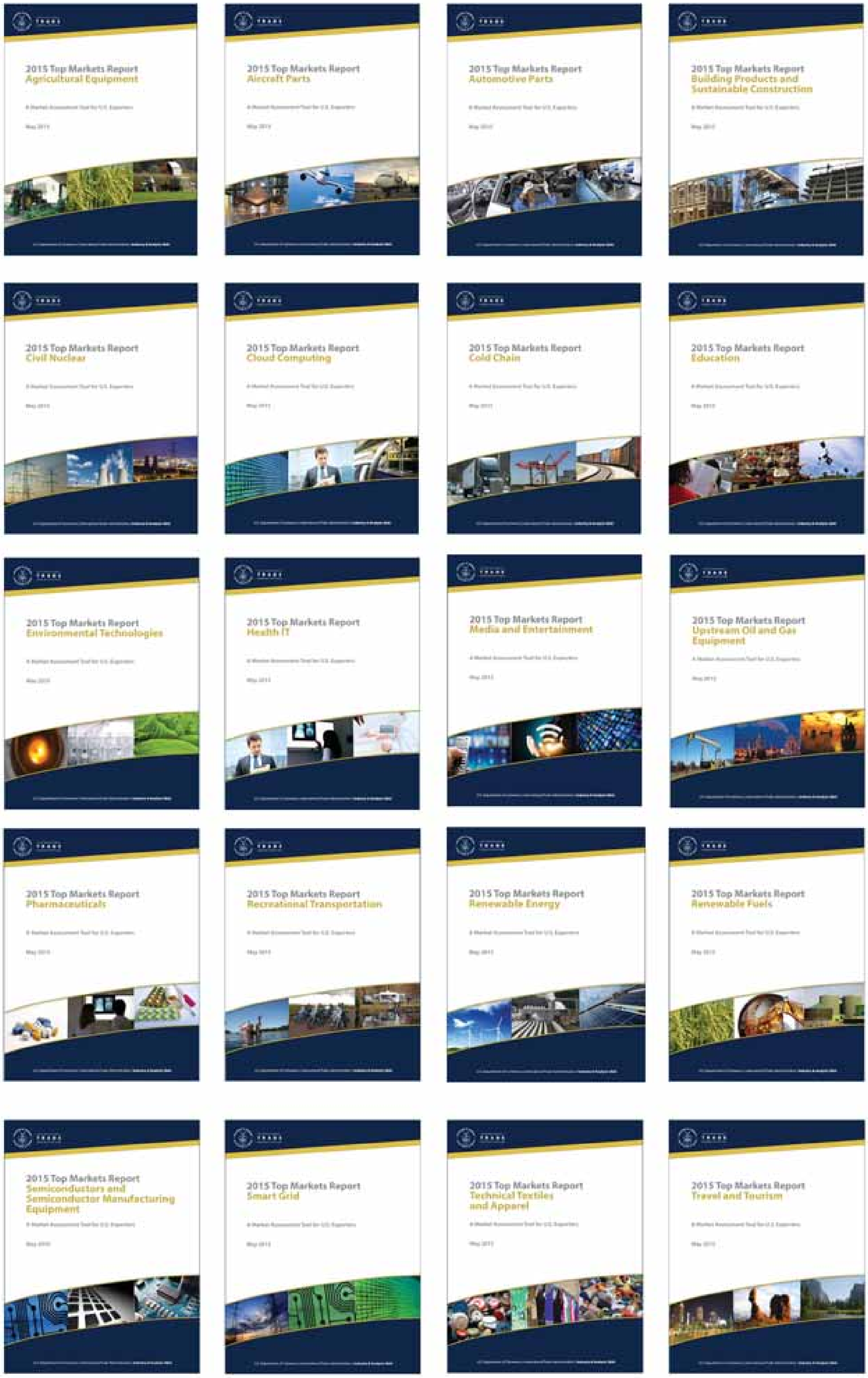
Temporary imports for manufacturing or repair under the IMMEX (Manufacturing, Maquila, and Export Services Industry) program are subject to the payment of duties, taxes, and fees. Temporary imports for trade shows, conventions, or other purposes that will be returned to the United States in the same condition can enter at no charge.

Mexico also imposes a value-added tax on most sales transactions, including sales of foreign products. The VAT rate is 16 percent, although it can vary from 25 to 160 percent depending on the product.

Despite recent improvements, U.S. exporters continue to be concerned about Mexican Tax Administration Service procedures. These concerns include insufficient prior notification of procedural changes, inconsistent interpretation of regulatory requirements at different border posts, and uneven enforcement of Mexican standards and labeling rules.

The United States and Mexico maintain different regulations regarding product labeling. All products intended for retail sale in Mexico must bear a label in Spanish prior to their importation into Mexico.

Many U.S. agricultural equipment manufacturers already maintain extensive dealer networks in Mexico and exhibit—often through their dealers—at farm equipment shows and other trade exhibitions in Mexico and the United States.



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