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Mexico

Product Brief

Snack Foods Market Brief

2003

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Report Highlights:

The Mexican snack food market continues to grow. Local producers are the principal suppliers to this market and the main competitors to US snack food exporters. Still, the US accounted for nearly 100 percent of Mexican imports of snack foods in 2001. Mom & pop and corner grocery stores remain the most important outlets accounting for about 85 percent of all snack food sales.

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SECTION I. MARKET OVERVIEW

Growth in the Mexican import market for snack foods remains strong in one of the fastest growing import markets in the world. The increasing per capita income in Mexico, consumers' recognition of U.S. products' high quality and value, and consumption trends toward more international tastes create very good entry opportunities for U.S. snack food producers. Local companies are the principal suppliers to this market and the main competitors to U.S. snack food exporters. Still, the United States has more than a 98 percent share of the import market for snack foods in Mexico;¹ and an increase in average annual sales of 38 percent from 1999 to 2001² indicates that domestic demand continues to rise.

Advantages	Challenges
Mexican consumers like American products; they recognize most U.S. brands and associate U.S. made products with high quality and value.	The snack food market is dominated by local producers who have improved their product quality in recent years
Of the approximately 100.4 million Mexicans, a significant and growing share, approximately 22 million people, have the purchasing power and disposition to buy imported goods.	Limited knowledge of imported products and poor organizational skills among convenience and small independent grocery stores restrict their market potential.
Mexican consumers, especially the younger generation, are rapidly adapting to more international ways-of-life and purchasing imported items.	Importers and distributors/wholesalers continue to control the market, especially at the convenience and "mom & pop" stores level. Some large retailers are importing directly.
	Mexico is traditionally a price driven market, particularly in food purchasing decisions.

SECTION II. MARKET SECTOR OPPORTUNITIES AND CHALLENGES

a. Domestic Production

Mexican production of snack foods in dollar terms increased from an estimated \$1.154 billion in 1999 to approximately \$1.750 billion in 2001. Local producers are the principal suppliers to this market and the main competitors to U.S. snack food exporters. Driven by competition from imported snack products, Mexican companies have improved their technology and, hence, product quality in recent years; these companies have also developed new products and have begun to use traditional local ingredients.

The top snack producers in Mexico are Sabritas (Frito-Lay), with 68 percent of the snack foods market, Barcel (Grupo Industrial Bimbo) 12 percent, and Procter & Gamble (Pringles) with 10 percent.

¹ The statistics on sales of imported snack foods to Mexico are dramatically different when comparing U.S. and Mexican trade and commercial figures. For example, in 2001, U.S. customs figures indicate sales of over \$394 million of U.S. snack foods to Mexico, while Mexican figures indicate that total sales of imported snack foods from all sources was about \$92 million in total. Regardless of these statistical differences, it is clear that the market for imported snack foods is growing and presents an excellent opportunity for U.S. exporters.

² All dollar values used in reporting Mexican data were calculated according to the average exchange rate of the peso against the dollar for each year: 9.7, 9.6 and 9.2 pesos per one U.S. dollar for 1999, 2000 and 2001, respectively.

Table 1: Mexican Production of Snack Foods, 1999-2001

(U.S. Million Dollars and Thousand Tons)

	1999		2000		2001	
	\$	Tons	\$	Tons	\$	Tons
Production	1,154.9	190.3	1,517.9	234.5	1,750.7	257.7

Source: Instituto Nacional de Estadística, Geografía e Informática-INEGI (National Institute of Statistics, Geography and Informatics), Cámara Nacional de la Industria de Transformación- CANACINTRA (National Chamber of Processing Industries), and A.C. Nielsen

b. Imports and Foreign Competition

Mexican consumers, especially the younger generation, are rapidly adapting to more international ways-of-life and purchasing imported items; of the approximately 100.4 million Mexicans, a significant and growing share, approximately 22 percent, have the purchasing power and disposition to buy imported goods. Mexican imports of snacks increased from \$52.3 million in 1999 to \$92.0 million in 2001.

Table 2: Mexican Imports of Snack Foods, 1999-2001

(U.S. Million Dollars)

Import Code Numbers	1999	2000	2001
10059001- Popcorn	7.7	7.1	8.4
20052001- Potatoes	31.32	34.3	20.7
200811- Prepared or preserved nuts	2.9	3.6	1.0
200819- Other nuts including mixtures	10.4	40.9	54.1
Total	52.3	85.9	92.0

Source: Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade)

U.S. Exports to Mexico

The value of U.S. exports of snack foods to Mexico, based on Mexican statistical figures, increased from \$51.7 million in 1999 to \$75.2 million in 2000 and later to \$91.0 million in 2001. U.S. exporters are the overwhelming leaders in this market with a market share of 98.9 percent in 1999, 87.5 percent in 2000, and 98.9 percent in 2001.

Table 4: U.S. Snack Food Exports to Mexico, 1999-2001

(U.S. Million Dollars)

Import Code Numbers	1999	2000	2001
10059001-Popcorn	7.7	7.1	8.4
20052001-Potatoes	31.2	24.6	20.6
20081101-Peanuts without shell	0.8	0.8	1.0
20081199-Other prepared peanuts	2.1	2.8	2.2
20081901-Prepared or preserved almonds	1.4	1.7	1.3
20081999-Other prepared or preserved nuts including mixes	8.5	38.2	57.3
Total	51.7	75.2	91.0

Source: Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade)

Official Mexican import statistics listed 29 other countries exporting snacks to Mexico during the 1999-2001 period; of these, Canada had 0.2 percent of the import market and the rest had 0.9 percent.

c. Domestic Consumption

Mexican consumption of snacks increased from \$1.194 billion in 1999 to an estimated \$1.819 billion in 2001. Mexican per capita consumption of snacks was calculated at 2.1 kilos per person (4.6 lbs. per person) in 1999 and 2.6 kilos per person (5.7 lbs. per person) in 2001. In a regional per capita consumption analysis, the Northern area of Mexico was found to have the highest consumption value with 4.4 kilos per person, and 6 kilos per person in the Monterrey Metropolitan area.

Table 5: Snack Foods Per Capita Consumption in Mexico, 1999-2001

	1999	2000	2001
Snacks (Kilos)	198,020	245,290	257,700
Population (Millions)	96,271	98,116	99,961
Per capita consumption (Kilos per person)	2.1	2.5	2.6

Potato chips are the most popular snack food, accounting for 35-47 percent of all snack food sales in Mexico in 2001. Corn chips follow closely with 21-25 percent of the market; corn puffs and similar products cover 11-18 percent. The remaining popular snack categories include popcorn, spiced peanuts, mixed nuts, broad beans, chickpeas, fruits, seeds and other non-generic products.

d. Market Structure

The principal channel for consumer-ready snack food sales in Mexico is the retail market, with most snacks being sold through wholesalers in central markets (*centrales de abasto*) to mom & pop and corner grocery stores; about 85 percent of all snack food sales are made through these outlets also known as *abarrotes or tienditas*. It is also important to note that convenience store chains, offering a wider variety of products, using promotions and discounts, and having extended store hours, are increasingly replacing these small locally owned stores.³

Mexican consumers recognize most U.S. brands and associate U.S. made products with high quality and value. In a random store check conducted in the Mexico City Metropolitan Area, the following snack brands/suppliers from the United States were identified:

Potato Chips:

- Pringles (Procter & Gamble)

Pretzels:

- Fat-Free Pretzels
(Anderson Bakeries Co.)

Nuts and Mixes:

- Evons (John Sanfilippo & Son)
- Flavor House (Flavor House)
- Southern Roasted of Fitzgerald
- Super Snax, Blue Diamond (Kirkland)

Popcorn:

- Act II, Delipop
- Jolly Time

Other Snacks:

- Poffets (Frito-Lay)
- Cheese Curls
- Cheddar Goldfish (Pepperidge Farms)
- Baked Bagel Chips (Bag Foods Inc.)
- Shrimp Flavored Chips
- Potato Vegetable Sticks Calbee America

³ For a detailed study of the Mexican retail market see report MX1080 on FAS-USDA site: <http://www.fas.usda.gov/scripts/attacherep/default.asp>

SECTION III. ENTRY STRATEGY

a. Business Culture

The best way to understand the Mexican market is visiting the country and talking to buyers, retailers, distributors and other players in order to prepare a more effective entry strategy. U.S. exporters must do their research not only in terms of typical market research, but also finding appropriate business contacts and thoroughly reviewing Mexican import regulations in order to successfully seize market opportunities and overcome market challenges. An affordable way to investigate the market is to participate in and/or attend Mexican trade shows, particularly U.S. Pavilions organized by the Agricultural Trade Office (ATO) at selected shows. A show can serve as a way to contact local distributors/sales agents, buyers and businessmen, and to become familiarized with local competition. In the case of new-to-market companies, be prepared to provide support for in-store and media promotions to familiarize consumers with your products.

Several important points should be recognized in order to have success in the market:

- *Business is generally conducted in Spanish.* Though many educated Mexicans speak English, many professional business people (potential key contacts) do not. Assume business and communication will be conducted in Spanish and have a translator, or better yet, a person working for you that speaks Spanish.
- *Personal face-to-face communication is critical.* Personal contact with buyers is essential to initiate business relations in Mexico; a fax or an email is not considered reliable or appropriate for initial communication and will often be completely ignored. A business that is serious about sales will need to visit the market in person to explore the opportunities for their product and develop personal contacts. Follow-up by email or fax is appropriate, but having an in-country representative or making periodic personal visits is also important.
- *Importers/distributors are a key component to export sales in Mexico.* Finding a good importer/distributor in Mexico is a critical part of success in exporting to Mexico. A good distributor should promote sales and make sure that the imported products are available at points of sale. Importers/distributors serve as a link to buyers and in-country representatives, have the expertise to handle complicated regulations and can trouble-shoot problems that imports can face at the border. Avoiding these key links in the distribution process to save money will almost always result in a loss of resources.

b. Trade Services Available and Events

Competition among snack producers is intense; U.S. firms should consider using a variety of marketing tools to effectively distribute their products in Mexico. These promotional activities could include:

- Participating in trade shows,
- Advertising in media such as billboards, radio and TV,
- Using in-store promotions, free samples, recipe cards and other forms of direct merchandising for new-to-market products
- Preparing brochures and promotional materials in Spanish,
- Obtaining a local sales representative, and
- Hosting technical seminars to inform end users, distributors and retailers of new technologies, innovations and product advantages.

The Agricultural Trade Offices in Mexico, Mexico City and Monterrey, provide services to help you access the market. In addition to sponsoring U.S. Pavilions (see below) the office can provide information about local distributors and contacts, and can arrange services from a contractor who can set up individual in-country meetings for you for a fee. These contractors,

referred to as Ag Aides, can provide a link to distributors and retailers of snack foods in Mexico. For more information on available services, or to connect with our Ag Aides, please contact our office in Mexico City or Monterrey. (See contact information in Section V.)

Trade Events

Confitexpo 2003

When: July 29 to August 1, 2003

Where: Expo Guadalajara Convention Center, Guadalajara, Mexico

Contact: Rosa Maria Rivera, U.S. Agricultural Trade Office (ATO)-Mexico City

Tel: (011-5255) 5280-5291; **Fax:** (011-5255) 5281-6093

Email: rosa.rivera@usda.gov

Show Type: Annual event directed to promoters, wholesalers and retailers of candy products organized jointly by Grupo Gefec, S.A. de C.V. and the publication "*Dulcelandia*."

Expo Golosinas 2004

When: January 21-23, 2004

Where: The Polyforum, León, Guanajuato, Mexico

Contact: Maribel Melo

Tel: (011-5255) 5574-5696; **Fax:** (011-5255) 5564-0329, 5262-7029

Show Type: Annual trade event for promoters, wholesalers and retailers of candies, snacks, delicacies, cookies and similar goods organized by Grupo Gefec S.A. de C.V. and the publication "*Mayoreo y Distribución*."

ANTAD 2004

When: March 12-14, 2004

Where: Expo Guadalajara Convention Center, Guadalajara, Mexico

Contact: Carlos Zertuche, U.S. Agricultural Trade Office (ATO)-Mexico City

Tel: (011-5255) 5280-5291; **Fax:** (011-5255) 5281-6093

Email: carlos.zertuche@usda.gov

Show Type: Mexico's largest retail and supermarket show

Trade Publications:

Some of the leading trade magazines and general business publications in Mexico are:

- "*Dulcelandia*" and "*Mayoreo y Distribución*." <http://www.manila.com.mx>
- "**Business Mexico**," published monthly in English by the American Chamber of Commerce of Mexico-Tel: (011-5255) 5724-3800 ext. 3335, Fax: (011-5255) 5703-2911, contact: Diane Hemelberg de Hernandez, Editor or Cristina Bustos, Advertising Dept.
- "**MB**," published monthly in English by Hemisphere Publishers Group Inc., contact: Lorena Jimenez, Advertising Director, Tel: (011-5255) 5540-7977 and Fax: (011-5255) 5202-8478.
- "**El Asesor**," a business weekly for Mexico City and Monterrey published in Spanish published by Crain Communications, S. de R.L. de C.V., contact: Sales Dept., Tel: (011-5255) 5563-0341 X103 and Fax: (011-5255) 5611-3829

SECTION IV. IMPORT REQUIREMENTS⁴

a. Tariffs and Taxes

All import tariffs for the following snack products have reached zero on January 1, 2003:⁵

⁴ For a detailed study of Mexican Regulations for Exporting/Border Crossing, the Mexico Exporter Guide and Guide to Service Providers in Mexico see reports MX1205, MX2137 and MX2121 on FAS-USDA site: <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>.

⁵ For a full report see Mexico's NAFTA Tariff Schedule for 2003, MX3011.

- 20081901 - Prepared or preserved almonds
- 10059001 - Popcorn
- 20052001 - Potato chips, including other processed and preserved potatoes
- 20081101 - Peanuts without shell
- 20081199 - Other prepared peanuts
- 20081999 - Other prepared or preserved nuts including mixes

Mexico has a 15 percent value-added tax (VAT, or IVA in Spanish). Mexican Customs collects the VAT on foreign transactions upon entry of the merchandise into the country. Customs brokers use the total figure to calculate their fees, which are usually 0.5 percent, on average, plus any storage and handling fees.

b. Import and Health Certificates and Non-Tariff Requirements

Under NAFTA, Mexican imports of snack foods do not require special import permits. The basic Mexican import document is the Pedimento de Importación (customs entry document), which should be presented to Mexican Customs together with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notice. Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. This form is available from the U.S. Customs Service, freight forwarders, local U.S. Chambers or State Departments of Agriculture, and does not have to be validated or formalized. Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

c. Labeling

Imported products to be sold at retail must be labeled according to Mexican government specifications. Labeling is subject to a national regulatory requirement termed a "NOM." The principal NOM for snack food labeling, both from local production and foreign sources, is NOM-051-SCFI-1994. Some U.S. suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product prior to entering the country. All the information on the label must be in Spanish and must include the following data:⁶

- | | |
|---|--|
| -Country of origin
(i.e., Producto de EE.UU.) | -Ingredients |
| -Importer's name, address
and RFC number (taxation number) | -Producer's name and address |
| -Commercial/brand name | -Product description in Spanish |
| -Exporter's name and address | -Preparation and handling instructions |
| -Product description in English | -Date of expiration |
| | -Special warnings |
| | -Net weight in metric units |

d. Cargo Unloading, Transport and Storage Fees

Cargo unloading fees vary depending on the weight, number of pieces, type of merchandise and location. These fees are usually charged according to pre-established tables. However, whenever possible, shippers should compare prices between service providers. In general,

⁶ For additional information on labeling NOMS, interested exporters can see Labeling Regulations report MX1223 on FAS-USDA site: <http://www.fas.usda.gov/scripts/attacherep/default.asp>; or they can directly review NOMS: 002-SCFI (Prepackaged products; net content; tolerances and verification methods), 008-SCFI (General system of measurement units) and 030-SCFI (Commercial information-quantity statements and specifications in labels) in the Ministry of Economy's Internet site: <http://www.economia-noms.gob.mx>.

cargo-unloading fees in Mexico are slightly higher than those in the United States for comparable services.

Trucks are the most reliable method of delivery within Mexico, accounting for approximately 60 percent of cargo volume. Trucking companies cannot bring merchandise directly from the United States to Mexico. A U.S. trucking company drives the shipment to the border and transfers its trailer to a Mexican rig. The best way to ship by truck is to use an internationally bonded carrier that has relationships with Mexican carriers. Mexican trucking companies generally determine their fees by mileage or distance, weight and type of merchandise. Practically all transport companies/freight forwarders offer a basic insurance plan which covers transport and handling of cargo. When selecting a transporter it is recommended to check their claim history and complaints they might have received. While shippers will find that truck transportation is more expensive than "Container in Flat Car" (COFC) or "Trailer Flat Car" (TOFC), in general, transport fees are lower in Mexico by as much as 10 percent.

Warehousing costs vary depending on the space required and any specific product needs. Warehousing fees follow general market trends of supply and demand; however, it is advisable to compare prices, facilities and reputation, and negotiate before contracting. Average warehouse rental fees in Mexico City are around \$3.60 m2, per month; \$3.00 in the Guadalajara area and approximately \$3.20 per m2 in Monterrey and surrounding areas. In bond storage facilities are a popular storage method used by exporters by which duties are paid on the items stored until they are released from the facility for distribution in the market. Any merchandise placed in a warehouse should be insured. A basic insurance policy can be secured from the warehouse administrator or a more comprehensive policy from a private insurance company.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office, México City, México

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64650 Monterrey, Nuevo León
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E-mail: atomonterrey@usda.gov

Asociación Nacional de Tiendas de Autoservicio y Departamentales-ANTAD (National Association of Retail and Department Stores)

Horacio 1855-6; Col. Polanco
11560 México, D.F.
Tel: (011-5255) 5580-1772, 5580-0641
Fax (011-5255) 5395-2610

Contact: Rogelio Rodríguez Morales
E-mail: rrodriguez@antad.org.mx
www.antad.org.mx

**Cámara Nacional de la Industria de Transformación, A.C. Fabricantes de Botanas-
Sección 106** (National Chamber of Processing Industries Snacks Producers-Section 106)

Av. San Antonio 256; Col. Ampliación Nápoles

03849 México, D.F.

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