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Mexico

Wine Marketing Report

1998

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Executive Summary:

Wine is a very price sensitive product in Mexico, as evidenced by the 50 percent drop in the value of total Mexican wine imports and U.S. wine exports immediately following the peso devaluation of December, 1994. However, as the economy is now recovering, good opportunities exist for regaining and increasing the U.S. share of this market over the next five years. Mexico's import demand for wine is growing slowly, but steadily, and the U.S. industry should be in the market, actively developing it. U.S. wines face stiff competition from competitively priced, good quality Chilean wines, as well as from high priced, "prestige oriented" French and Spanish wines. Nevertheless, if the U.S. industry aggressively targets the Mexican market by participating in trade promotions, and by investing money in trade and development missions focusing on the hotel and restaurant industry, and participates in trade promotions, U.S. market share will increase.

Includes PSD changes: No
Includes Trade Matrix: No
Scheduled Report
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PART 1: STATISTICAL SECTION WITH EXPLANATORY NARRATIVE**Production:**

Mexico's domestic wine production began in earnest with the onset of World War II and the resulting reduction in European wine production. Since the 1940's, the expansion of Mexico's vineyards, the development in production technology and the quality of Mexican wine have increased steadily. In 1997, production of wine was 1.6 million boxes; production in 1998 is expected to be slightly higher. Although Mexican wines are reported to have high quality standards, imported wines are the most popular, as opposed to domestically produced wines.

The principal vineyards are located in the Mexican states of Queretaro, Guanajuato, Zacatecas, Coahuila, Durango, Chihuahua, Sonora, and Baja California. There are approximately 11 wine companies with vineyards and bottling operation in Mexico, of which the three leading producers are Casa Pedro Domecq, S.a. de C.V.; Casa Madero, S.A. de C.V.; and Productos de Uva, S.A. de C.V.

The red wines produced in Mexico include Cabernet Sauvignon, Ruby Cabernet, Zinfandel, Grenache, Mission and Carinena. White wines include Chenin Blanc, Palomino, Riesling, Sauvignon Blanc, Semillon, French Colombard, Saint Emilion and white Malaga.

Consumption:

The main consumers of wine in Mexico are in their mid-thirties and above, tend to be well educated, and represent the middle to high income segment of the population. In 1997, Mexico's annual per-capita wine consumption was estimated at .350 liters, compared to 7-9 liters for the United States; 68 liters for Italy; 68 liters for France; and 64-66 liters for Argentina. Although this figure is comparatively small, it is growing. The increase in per capita wine consumption should continue over the next five years given the more stable economic situation. The expanding restaurant/hotel and tourism industry in Mexico also bodes well for increased consumer awareness of and demand for imported wine.

International Trade:

Most European wine-producing countries (France, Italy, Spain), as well as Chile and Argentina, have a considerable share of Mexico's wine market, as compared to U.S. exports. White wines from California enjoy the greatest recognition in Mexico, but all U.S. wines (red, rose and sparkling) appear to be gaining in popularity with Mexican consumers. According to data available for 1998, the United States was Mexico's fourth largest supplier of white and red wines, and fifth largest supplier of sparkling wines.

Total Mexican Imports of Sparkling Wine (H.S. No. 2204.10.01)

**Import Market Share
(US \$ MILLIONS / %)**

	1996		1997		1998	
TOTAL IMPORTS	0.172		0.234		0.162	
- ITALY	0.064	37.2%	0.006	2.6%	0.066	40.7%
- SPAIN	0.067	39.0%	0.177	75.6%	0.045	27.8%
- FRANCE	0.035	20.3%	0.046	19.7%	0.026	16.0%
- CHILE	0.000	0.0%	0.000	0.0%	0.013	8.0%
- UNITED STATES	0.004	2.3%	0.002	0.9%	0.008	4.9%

Total Mexican Imports of Red, Rose & White Wine (H.S. No. 2204.21.02)

**Import Market Share
(US \$ MILLIONS / %)**

	1996		1997		1998	
TOTAL IMPORTS	3.7		5.393		7.252	
- SPAIN	1.188	32.1%	1.381	25.6%	2.435	33.6%
- FRANCE	0.704	19.0%	1.018	18.9%	1.674	23.1%
- CHILE	0.477	12.9%	1.257	23.3%	1.4	19.3%
- UNITED STATES	0.675	18.2%	0.811	15.0%	0.802	11.1%
- ITALY	0.387	10.5%	0.552	10.2%	0.483	6.7%
- GERMANY	0.19	5.1%	0.232	4.3%	0.313	4.3%

Total Mexican Imports of Fine Wine (H.S. No. 2204.21.03)

**Import Market Share
(US \$ MILLIONS / %)**

	1996		1997		1998	
TOTAL IMPORTS	0.376		0.652		0.347	
- ARGENTINA	0.056	14.9%	0.05	8.9%	0.147	42.4%
- GERMANY	0.021	5.6%	0.142	21.8%	0.06	17.3%
- CHILE	0.057	15.2%	0.079	12.1%	0.05	14.7%
- UNITED STATES	0.015	4.0%	0.043	6.6%	0.028	8.1%
- SPAIN	0.072	19.1%	0.15	23.8%	0.021	6.1%
- FRANCE	0.133	35.4%	0.15	23.0%	0.02	5.8%

Total Mexican Imports of Champagne (H.S. No. 2204.21.04)

Import Market Share

(US \$ MILLIONS / %)

	1996		1997		1998	
TOTAL IMPORTS	1.022		0.712		0.757	
- FRANCE	0.95	93.7%	0.615	86.4%	0.706	93.3%
- UNITED STATES	0.029	2.8%	0.05	7.3%	0.023	3.0%
- CHILE	0	0.0%	0.008	1.1%	0.008	1.1%

Source: SECOFI (Secretaria de Comercio y Fomento Industrial - Secretariat of Commerce and Industrial Promotion); BANCOMEXT (Banco de Comercio Exterior- National Bank for Foreign Investment).

Opportunities for U.S. Wines:

There are growing market opportunities in Mexico for U.S. wine exporters, particularly in the restaurant and hotel/tourism industry. Interested exporters should strongly consider conducting in-store/on-site tastings as a means of introducing or increasing the awareness of their products to the Mexican consumer. Another excellent means of increasing product exposure and making personal contact with wine importers and distributors is by attending trade shows and expositions in Mexico. The following trade events can assist in promotion:

Event: ANTAD '99 (Mexico's largest retail and supermarket show)
 Dates: March 13-15, 1999
 Location: Guadalajara
 Endorsed by: U.S. Agricultural Trade Office/U.S. Department of Agriculture
 Contact: Mr. Carlos Zertuche
 Tel: (011-52-5) 280-5291/5277
 Fax: (011-52-5) 281-6093
 Frequency of Event: Annual.

Event: EXPHOTEL '99 (Caribbean's largest show for the hospitality industry)
 Dates: June 9-11, 1999
 Location: Cancun
 Endorsed by: U.S. Agricultural Trade Office/U.S. Department of Agriculture
 Contact: Ms. Lourdes Guzman
 Tel: (011-52-5) 280-5291/5277
 Fax: (011-52-5) 281-6093
 Frequency of Event: Annual.

Event: ABASTUR '99 (Mexico City's largest restaurant and hotel show)
 Dates: October, 1999
 Location: Mexico City
 Endorsed by: REMEX
 Contact: Ms. Lana Stokes
 Tel: (011-52-5) 657-2454/4999
 Fax: (011-52-5) 657-5926
 Frequency of Event: Annual.

The Agricultural Trade Office (ATO) in Mexico City can also help U.S. wine exporters by supplying them with market information, importer lists, and distributor data, as well as by endorsing U.S. Pavilions at trade shows and by organizing various marketing events. For more information on the ATO's services, please contact the office at the following numbers: Tel: (011-52-5) 280-5291/5277; Fax: (011-52-5) 281-6093; E-mail: ato@supernet.com.mx.

Competition:

SOPEXA, the French Government's marketing organization for food and agricultural products, actively promotes French wines in the Mexican market by conducting tastings in upscale restaurants and in-store promotions, and by participating in major Mexican food and beverage trade shows. Spanish and Italian wines also enjoy regular in-store promotions in many of the major supermarket chains. NOTE: Specialized liquor stores, department stores, supermarket chains, and restaurants prefer exporters that offer appealing publicity and tasting opportunities. It is essential that vendors use attractive visual promotional aids or live sales staff in the sales area and restaurants to promote their respective wines.

PART 2: MARKET PROFILE SECTION

Consumption:

Overall, Mexican market is extremely price-sensitive. Although the economy has stabilized significantly over the last three years (as of 12/10/98, one U.S. dollar equals 9.85 Mexican pesos), and consumer's purchasing power has largely recovered, price still plays a crucial role in purchasing decisions. This is particularly true for non-staple food purchases. Quality, availability, and brand name familiarity are also important factors that Mexican consumers take into consideration when buying imported wines.

Sample white wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

German wines: \$39.00 - \$300.00
French wines: \$83.00-\$300.00
Spanish wines: \$137.00-\$ 200.00
Chilean wines: \$ 47.80-\$300.00
U.S. wines: \$35.48-\$200.00
National brands: start at \$25.00

Sample red wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

French wines: \$75.00 - \$300.00
Spanish wines: \$143.00 - \$400.00
Chilean wines: \$ 54.00 - \$350.00
U.S. wines: \$35.48 - \$250.00
National brands: start at \$29.00

Distribution:

Importers/distributors are vital to the success of any imported product, including wine, since only some of the

major retail and few of the major food service chains import directly. National distribution is the preferred method for supplying the Mexican market. Many foreign companies have opted to form alliances or joint ventures with established Mexican liquor companies to distribute and/or represent their product lines. Other companies have established representational offices and sell through distributors. Some of the largest distributors are Albanova, La Europea, La Valenciana and Sam's Club.

In Mexico, specialty stores, supermarket chains, department stores and hotels/restaurants are the most important retail distribution points for imported wine. These establishments buy from local distributors or importers. They do not import directly from foreign countries, unless they have an exclusive agreement to distribute the brand in their stores. Larger suppliers, such as Sam's Club or Price Club, can offer discounts of 20-40 percent off the suggested retail price, depending on the imported volume and negotiated payment terms. Most chain stores (supermarket and department) have centralized purchasing. Special seasonal sale prices, particularly around the Christmas and New Year holidays, are normally offered in the leading retail outlets.

A partial list of potential Mexican distributors and importers of wine follows:

Comercio y Servicio Internacional, S. A. de C. V.

Reforma No. 509, 9th. Piso

Col. Cuauhtemoc

06500 Mexico D.F.

Tel: (011-52-5) 286-9857

Fax: (011-52-5) 286-8639

Contact: Ms. Hellen Gervasi, General Director

Seagram de Mexico, S. A. de C. V.

Gobernador Manuel Veramendi No. 6

Col. San Miguel Chapultepec

11850 Mexico D.F.

Tel: (011-52-5) 278-0200

Fax: (011-52-5) 272-7852

Contact: Mr. Manuel Huerta, General Manager

Casa Cuervo, S. A. de C. V.

Av. Rio Churubusco No. 213

Col. Granjas Mexico

06500 Mexico D.F.

Tel: (011-52-5) 625-4429

Fax: (011-52-5) 625-4478

Contact: Mr. Yann Audebert, General Manager

Coframex, S. A. de C. V.

Gobernador Rafael Rebollar No. 67

Col. San Miguel Chapultepec

11850 Mexico D.F.

Tel: (011-52-5) 273-9203/4041

Fax: (011-52-5) 273-6683
Contact: Mr. Francisco Domenech, General Director

Compania Cynos, S. A. de C. V.
Boulevard Miguel de Cervantes Saavedra No. 27
Col. Ampliacion Granada
11520 Mexico D.F.
Tel: (011-52-5) 545-6726/6727
Fax: (011-52-5) 545-0222
Contact: Ms. Ma. Eugenia Orellana, General Manager

Dinaprim, S. A. de C. V.
General Juan Cano No. 35
Col. San Miguel Chapultepec
11850 Mexico D.F.
Tel: (011-52-5) 277-7000
Fax: (011-52-5) 271-5401
Contact: Ms. Patricia Amtmann, General Manager

Distribuidora Dolgo, S. A. de C. V.
Indiana No. 52
Col. Napoles
03810 Mexico D.F.
Tel: (011-52-5) 536-2530
Fax: (011-52-5) 682-1872
Contact: Mr. Gonzalo Diaz, General Manager

Ferrer y Asociados, S. A. de C. V.
Laguna de Terminos No. 66-A
Col. Anahuac
11320 Mexico D.F.
Tel: (011-52-5) 203-6611/6707/8465
Fax: (011-52-5) 203-8886
Contact: Mr. Richard Clair, General Manager

Fruterry, S. A. de C. V.
Poniente 140 No. 860, Bodega 5
Fraccionamiento Industrial Vallejo
02300 Mexico D.F.
Tel: (011-52-5) 587-8936/8937
Fax: (011-52-5) 587-7296
Contact: Mr. Luis Javier de Terry, General Director

La Cave Club del Vino y Canvas, S. A. de C. V.
Tuxpan No. 84
Col. Roma Sur

06760 Mexico D.F.
Tel: (011-52-5) 564-1037/3358
Fax: (011-52-5) 574-9847
Contact: Mr.Luis Fernando Otero, General Manager

La Cave Club del Vino y Canvas, S. A. de C. V.
Campos Eliseos No. 199, Local C
Col. Polanco
11560 Mexico D.F.
Tel: (011-52-5) 281-5903
Fax: (011-52-5) 282-0514
Contact: Mr.Michel Coutlolenc, General Director

United Distillers, S. A. de C. V.
Sinaloa No. 237
Col. Roma
06760 Mexico D.F.
Tel: (011-52-5) 256-2885, 553-8500
Fax: (011-52-5) 553-8524
Contact: Mr.Eliezer Cano, General Manager

Importadora Cantabria, S. A. de C. V.
Calle de la Cazuela No. 28-A
Col. Ejido del Moral
09040 Mexico D.F.
Tel: (011-52-5) 694-9044/6694
Fax: (011-52-5) 694-9154
Contact: Mr. Juan Carlos Abascal, General Director

Ucero Puig, S. A. de C. V.
Av. Mexico No. 141, 2nd Piso
Col. Del Carmen, Coyoacan
04100 Mexico D.F.
Tel: (011-52-5) 858-6131/8499
Fax: (011-52-5) 658-8607

Importadora y Distribuidora Inter, S. A. de C. V.
Sinaloa No. 237
Col. Roma
06700 Mexico D.F.
Tel: (011-52-5) 786-0202, 785-4239
Fax: (011-52-5) 785-5383

Importadora y Exportadora Moran, S. A. de C. V.
Georgia No. 114-503
Col. Napoles

03810 Mexico D.F.
Tel: (011-52-5) 536-0078/0079
Fax: (011-52-5) 682-4618
Contact: Mr. Angel Lopez Garcia, General Director

La Madrilena, S.A. de C.V.

Arroz No. 89
Col. Santa Isabel Industrial
09820 Mexico D.F.
Tel: (011-52-5) 581-6355, 582-2222
Fax: (011-52-5) 581-1326

Participaciones Mariano, S.A. de C.V.

Rosas Moreno No. 32
Col. San Rafael
06470 Mexico D.F.
Tel: (011-52-5) 566-3058/2370
Fax: (011-52-5) 546-7015

Distribuidora Circo, S.A. de C.V.

Paseo de Jacarandas No. 326
Col. Santa Maria Insurgentes
06430 Mexico D.F.
Tel: (011-52-5) 547-9335
Fax: (011-52-5) 547-9336

Market Access:

NAFTA has significantly reduced barriers to importing U.S. wines into the Mexican market. However, under NAFTA wines qualifying as “North American” must use a certificate of origin in order to ensure that NAFTA tariff benefits accrue only to U.S., Canadian and Mexican goods. This certificate may be issued by the exporter or broker, and does not have to be validated or formalized.

Despite the NAFTA agreement to reduce the tariff on U.S. wine imports, on December 13, 1996, the Mexican Government reinstated the pre-NAFTA tariff of 20 percent on U.S. wine products (table, fortified and sparkling wines; champagnes; and wine coolers) as a means of retaliation against the U.S. Government’s implementation of safeguard duties on imports of Mexican corn brooms. In the absence of this retaliatory tariff, U.S. wines would have stood at 13 percent. The U.S. Government recently ordered an end to the import duties on corn brooms from Mexico, which should prompt the Mexican government to drop its retaliatory tariffs against U.S. wine products.

The import duty is normally calculated on the U.S. plant value (invoice) of the product(s) plus the inland U.S. freight charges to the border, and any other costs listed separately on the invoice and paid by the importer, such as export packing. In addition, a customs processing fee (CPF) of 0.8 percent is assessed on the total of the sales price of the product, inland freight cost, other fees (export packaging), plus the duty paid and the customs broker’s fee, if this service is used.

According to recent modifications in the Mexican customs law, the participation of a customs broker is not obligatory for imports if all legal and technical requirements are met. The participation of a customs broker is suggested, however, when the exporter is not familiar with Mexican standards and Custom's processing procedures.

A Value Added Tax (IVA) of 15 percent is then assessed on the accumulative value consisting of the U.S. plant value (invoice) of the product(s), the inland U.S. freight charges, and any other costs listed separately on the invoice, such as export packing, plus the duty. The importer will pay other IVA fees for services such as inland freight and warehousing.

Free Trade Agreement with Third Countries: In 1996, the Mexican government reduced to zero the import duty for all Chilean wines as part of the Mexico-Chile Free Trade Agreement. This zero duty affords Chilean wines a significant price advantage over most U.S. wines.

Regulatory Requirements:

The paperwork required for importing wine is normally completed and filed by a customs house broker. The basic Mexican import document is the Pedimento de Importacion (import petition). This document must be accompanied by the following:

- commercial invoice (in Spanish);
- bill of lading;
- documents demonstrating guarantee of payment of additional duties for undervalued goods, if applicable; and
- written declaration of origin in order to claim preferential import duty treatment under NAFTA.

There are no special requirements from the Mexican health authorities for importing alcoholic beverages into Mexico.

Labeling: On September 7, 1997, Mexican labeling regulations under NOM-142-SSA1-1995 were published in the Diario Oficial (Official Gazette), effective January 1, 1998. Under this NOM, product labels on alcoholic beverages must have the following information in Spanish, as well as in the official language of the exporting country:

- commercial name of the product;
- country of origin;
- name and address of the producer/exporter;
- name, address and tax identification number of the importer;
- name and address of the distributor;
- net weight in metric units; and
- any warnings, instructions for use, handling or conservation, when needed.

Taxes:

Effective January 1, 1998, the Mexican government increased the excise tax for beverage alcohol products. Beverage alcohol importers must pay the excise tax at the time of import in order for Mexican customs officials to release the product. The amount of the tax for imports is based on the cost-in-freight (c.i.f.) value of the

product (the imported price).