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## Mexico

## Retail Food Sector

## Report

## 2001

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**Report Highlights:** In 2000, US exports of consumer-ready products to Mexico reached a record \$2.69 billion, of which an estimated 70 percent (\$1.88 billion) were sold through the Mexican retail sector. Large retailers and convenience stores will continue to represent the best sales venues for US exporters. Traditional retail stores are a large market segment, but are not yet a viable option for imported products because of their comparatively small size and limited refrigeration space.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
Mexico ATO [MX2], MX

This report is for informational purposes only to assist exporters of US produced food and agricultural products in their sales and promotional efforts in Mexico. The data in this report were collected from local trade and government sources and are not necessarily official US Department of Agriculture (USDA) data. While every effort has been made to provide an accurate list of contacts, telephone and fax numbers change frequently in Mexico. Also, there may be other qualified firms in Mexico and the United States, and their exclusion from any lists or directories is unintentional. Neither the US Agricultural Trade Office (ATO) or the USDA endorse any firm contained herein. US exporters should take normal commercial precautions when dealing with any potential importer, including checking references.

## SECTION 1. MARKET SUMMARY

- The Mexican retail market was characterized by moderate sales growth and strong competition during 2000. Total-store sales were ten percent higher than sales in 1999, and three percent higher than sales in 1999 as measured by same-stores index.
- In 2001, same-store sales growth is expected to reach 1.8-2.2 percent, and to 7.3 percent in total-store sales as compared to 1999.
- There are approximately 3,638 retail stores in Mexico. This figure includes outlets for the major retail chains, government and convenience stores.
- The sector's retailers invested approximately \$1.8 billion in 2000 to establish new outlets and to increase floor space. Although there is no official estimate currently available for 2001, industry sources estimate that investments will be slightly lower at around US \$1.1 to US \$1.3 billion. The only two companies who have announced their investment plans are Walmart, which will invest US \$464 million over the next 18 months in order to open 62 new outlets; and Comercial Mexicana, which will also invest US \$140 million during the same period.
- Net sales growth in 2000 for the four leading retailers in Mexico were: Wal-Mart 11.7 percent; Comercial Mexicana 6.8 percent; Gigante 8.8 percent and Soriana with 8.8 percent. All figures are over their net sales in 1999 during the same period.
- Retail organizations are anxiously awaiting the outcome of the Mexican Government's proposal to implement a value added tax (VAT) of 15 percent on food products and pharmaceutical items. Many retailers fear that this tax will seriously restrict consumer spending, and have a negative effect on sales for 2001. However, in the long run, this will have a positive effect on the economy, providing the government with needed extra resources.
- Although the Mexican food processing industry produces many basic food items, it does not produce all of the consumer ready products demanded by Mexican consumers. Consequently, many of these items are imported from the United States.
- Large retailers and convenience stores will continue to represent the best sales venues for US exporters. Traditional retail stores (mom and pop stores) are a large market segment, but are not yet a viable option for imported products because of their comparatively small size and limited refrigeration space.

Advantages	Challenges
Of the approximately 100.4 million Mexicans,	Imported products are subject to Mexican quality

about 22.1 million or 22 percent of the total population can afford imported food products.	standards (NOMs) and labeling requirements.
Mexican consumers like American products; they recognize most US brands and associate US made products with high quality and value.	Mexican regulations and controls for imported products sometimes change rapidly and without notice. This situation causes problems and time delays for exporters. US exporters should always try to stay well informed of the regulations that apply to their products. Before shipping, make sure that the shipment complies with all importation requirements. Communication between exporter and importer is key
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.
The retail sector continues expanding as the companies in the industry rally to position themselves in a very competitive market.	Mexican consumers are very price oriented, and US suppliers should consider marketing the less expensive presentations of their products as a first option.
Because of NAFTA, US suppliers have preferential import duties. However, due to the free trade agreement with the European Union, their products also enjoy this advantage.	Prices for imported products are usually 15 to 40 percent more expensive than similar local products.
Multinational firms established locally are taking advantage of their market position. In addition to sourcing locally produced items, they are also very active in importing product lines which they do not produce in Mexico, as well as products from other companies that have market potential.	Limited knowledge of imported products and poor organizational skills among convenience and small independent grocery stores restrict their market potential.
US exporters should consider contacting local distributors as a first step in their efforts to establish themselves in the Mexican market.	Products from the European Union are beginning to appear in retail stores, but in limited amounts only.
Geographical proximity is a plus for American suppliers.	The Mexican peso has been very stable in its parity with the US dollar, making American products very competitive. This equilibrium is very important if US companies are to increase their presence in the market and secure additional export sales.
In 2001, total Mexican imports increased 22.9 percent over the same figure in 1999. Comparatively, total Mexican imports of consumer goods increased 37.1 percent in the same period, reaching US \$16.7 billion.	Any significant slowdown in the US economy will have a negative effect on the Mexican economy and, hence, retail sales.

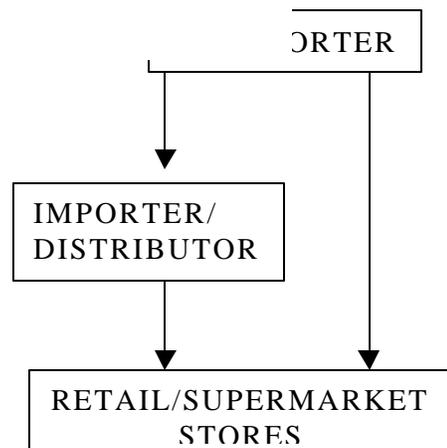
## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. SUPER STORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSES OUTLETS

#### Entry Strategy

- The best way to understand the Mexican market is to visit the marketplace and to talk to buyers, retailer, distributors and other players in order to prepare a more effective entry strategy. US exporters must do their research in order to successfully seize market opportunities and face retail sector challenges.
- The Agricultural Trade Office of the US Embassy can provide general market and retail sector information, as well as assist US exporters in identifying trade contacts and developing their marketing strategies in Mexico.
- Identify and select a local sales agent/distributor to promote sales and make sure that the imported products are available at points of sale. Maintain close contact with your representative, especially regarding changes in import procedures and documentation.
- Participate in and/or attend Mexican trade shows as a way to contact local distributors/sales agents, buyers and businessmen, and to also become familiarized with the 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. If possible, develop product information/promotional pamphlets in Spanish.

#### Market Structure



US exporters ship their products to Mexico directly or through brokers. In Mexico, sales agents/distributors/importers complete the necessary paperwork at customs and then store the imported products in their warehouses or refrigerated facilities. These distribution companies make contact with local retailers in order to sell the items at retail outlets. Some of the major retail organizations (Walmart, Gigante, Soriana, Casa Ley) have implemented direct purchasing for some of their departments and deal directly with foreign suppliers. It is likely that some of the other retail chains will adopt the same strategy over the next five years.

### Company Profiles

<b>Retailer Name and Outlet Type</b>	<b>Ownership</b>	<b>Net Sales in 2000 USD Billion</b>	<b>Number of Outlets</b>	<b>Locations City/Region</b>	<b>Purchasing Agent Type</b>
Wal-Mart: Megamarkets, hyper markets, supermarket, clubs, warehouses	Wal-Mart-US 51%; 49% local	7.8	229	All major cities.	Direct purchasing.
Gigante: Hyper markets, warehouses & supermarket	Local	2.7	184	All major cities.	Direct purchasing, and local distributors.
Comercial Mexicana: Hyper markets, megamarkets, supermarkets and warehouses	Local	3.3	168	All major cities.	Importers, wholesalers and direct purchasing.
Soriana: Hypermarkets, megamarkets and supermarkets	Local	2.7	100	Major cities in Northern and Central Mexico.	Direct purchasing.
Casa Ley: Hyper, megamarkets and supermarkets	Local	N.A.	95	Northern part of Mexico.	Direct purchasing, and local distributors.
Chedraui: Hyper, Megamarkets and Supermarket	Local	N.A.	49	Major cities in southern and central México.	Importers and wholesalers.
Carrefour: Megamarkets	French	N.A.	17	Only major cities.	Importers , wholesalers and direct purchasing.

Source.\* Mexican Stock Exchange

Other regional retail organizations include Calimax, with 45 stores; Comercial VH (37), and Francisco de Asis (35). HEB, the large retailer from San Antonio, Texas, currently has undertaken an expansion program that will reach 35 new outlets in the northern part of Mexico by 2004. The company already

has 11 stores in Monterrey, and will open seven more (6 in Monterrey and one in Tampico) by October, 2001.

Retail outlets are located in most major cities across Mexico, as well as some of the smaller cities. Within the cities, they can be found downtown or on the outskirts of the city. There is no specific pattern of distribution. The principal factors driving the market are the large number of products and services at one location, better prices, discounts, convenience of services and the new food products consumers can find. These type of outlets carry almost all kinds of imported products. The quantity of imported products is increasing. Several large retailers are starting to install gasoline stations within their parking lots, with the goal of attracting buyers and generating additional income.

The customer profile is composed of clients from all socioeconomic levels. Only in the case of membership clubs do consumers tend to be more homogenous representatives of the wealthier levels, including the category of foreign residents. In order to cater to lower-income consumer groups, retailers have developed the concept of bodegas (warehouses), which are plain outlets offering comparatively low prices.

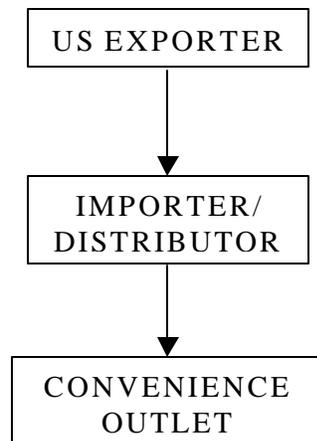
## **B. CONVENIENCE STORES, GAS MARTS, KIOSKS**

### **Entry Strategy**

The enter strategy for this segment is similar to that of the super stores, supermarkets and hyper markets.

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- The Agricultural Trade Office of the US Embassy can provide general market and retail sector information, as well as assist US exporters in identifying trade contacts and developing their marketing strategies in Mexico.
- Identify and select a local sales agent/distributor to promote sales and presence of exporter's products at stores.
- Participate and or attend Mexican trade shows as a way to contact local distributors/sales agents, buyers and businessmen, and to also become familiarized with local competition.
- In the case of the new-to-market companies, provide support for in-store and media promotions to familiarize consumers with your products. If possible, develop promotional pamphlets in Spanish.

### **Market Structure**



Sales agents/distributors import food products and store them in their warehouse facilities. After agreeing to the sales terms with their clients, they deliver the requested products to the convenience stores. In general, convenience stores depend more on sales agents/distributors for their products, although some chains like 7-Eleven do some direct purchasing.

### Company Profiles

<b>Retailer Name and Outlet Type</b>	<b>Ownership</b>	<b>Sales in 2000 USD Million</b>	<b>Number of Outlets</b>	<b>Locations City/Region</b>	<b>Purchasing Agent Type</b>
Cadena Comercial Oxxo, Convenient	Amoco Oil Co (US)/FEMSA Comercio (México)	NA	1,487	Large and medium sized cities.	Importers and wholesalers.
7-Eleven, Convenient	NA	NA	420	Mexico City, Guadalajara, Reynosa, Monterrey and Merida.	Direct purchasing.
Comextra (formerly 12 +12 stores), Convenient	NA	NA	178	Mexico City and medium size cities.	Importers.

The only other relevant convenience store chain is Pronto, with 11 stores.

Typical outlets of this sector are convenience stores and, to a lesser degree, gas marts. These stores are located in major and medium sized cities and usually in middle class neighborhoods and business districts. One of the principal characteristics of these stores is that they are geographically close to a relatively large number of buyers. It is believed that this is the fastest growing segment in the retail

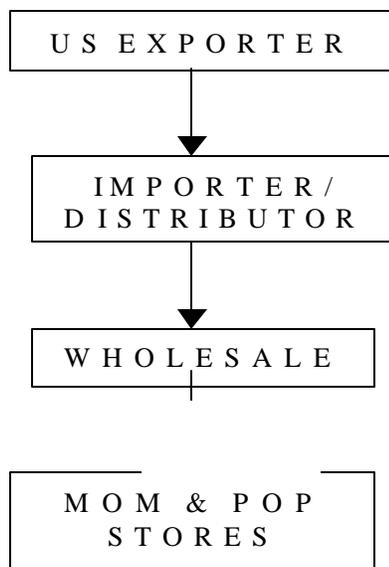
sector. These outlets typically offer a wide variety of products, longer business hours and good service. The volume of imported products is also growing, but has great potential for increased sales. Typical imported products include: snacks, candies, pet food, cookies, alcoholic beverages, beer, prepared dinners and cake mixes.

### C. TRADITIONAL MARKETS - "MOM AND POP" SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

#### Entry Strategy

- Contact local large wholesalers and Centrales de Abasto which cover this market segment.
- This market segment offers better sales opportunities for products which are not relatively expensive and do not need refrigeration.

#### Market Structure



The small volumes of imported products that reach the "abarrotes and ultramarinos," Mexico's equivalent to "mom and pop stores," get there by wholesalers and through their purchases at large retail stores. Usually, small grocery stores are visited on a regular schedule by wholesalers who may recommend new product lines, among which some imported products might be included. Similarly, some grocery store retailers purchase their products at the city's central markets (Central de Abasto). Depending on the size of store, product, price, the city in which the retailer is located, type of clientele it services, and the willingness to experiment with new products/brands, these grocery stores may include imported items in their stocks.

#### Sub-Sector Profile

The "abarrotes and ultramarino" outlets in Mexico are usually very small in size, and only a few have refrigerated space inside of their stores. There are at least 400,000 of these stores throughout the country. The market forces driving these stores are proximity to buyers and the customers' personal relationship with the store attendant. The consumer profile is mainly composed of neighborhood residents. The abarrotes stores will continue to serve as the traditional retail outlet, particularly in the provinces, for at least several more years.

Currently, only a few basic and inexpensive imported products are being sold through this segment. These products include candy, alcoholic beverages and some canned items. In general, consumer ready foods have very limited sales potential.

### **SECTION III. COMPETITION**

Local producers are the main suppliers of consumer ready products. Mexico has a relatively strong food processing industry which supplies most of the country's consumer ready product needs. For example, of the top 500 companies in the country in 2000, the largest sector is composed of food processing companies (78), with 42 companies in the beverages group. Some of these companies include Grupo Industrial Bimbo (bread products), Nestle (food products in general), Herdez (food products in general), Grupo Industrial Lala (dairy products), Jugos del Valle (canned fruit juices), Grupo Bafar (red meats), Productos del Monte (preserves), Martin Cubero (peanuts), Grupo Mac'Ma (cookies), and Formex-Ybarra (sardines and food ingredients), among others. There are also several American and multinational producers/importers in Mexico, including: Campbell's, Bacardi, Fud, General Mills, Gerber, Kellogg's, Kraft Foods, Procter & Gamble, Frito Lay-Pepsico, Pilgrim's Pride, Purina, Tyson, etc.

Most leading Mexican brands have national coverage, are well positioned in the market and are recognized by consumers. On the other hand, imported products from the United States are perceived to be of high quality, are widely accepted by local consumers and have strong potential for the near future. However, imported products are sold mainly in leading retail chains and are usually priced from 15 to 40 percent higher than similar domestic products. Although the United States tends to be the leader in supplying imported consumer-ready products to the Mexican market, the recently negotiated European Union-Mexico free trade agreement could result in an increased number of European consumer-ready products available in the marketplace in the near future.

### **SECTION IV. BEST PRODUCT PROSPECTS**

#### **A. Products Present in the Market Which have Good Sales Potential**

Apples

Bread, pastry, cake, biscuits, etc.

Candies

Cheese and curds

Chocolate and preparations containing chocolate  
Fresh and frozen meat cuts of beef and pork.  
Fresh and fruit juices and concentrates  
Fresh vegetables in dinner presentations  
Frozen chicken parts  
Frozen dinners  
Frozen french fries  
Frozen turkey parts  
Further processed dark meat poultry products (precooked and fully cooked)  
Frozen desserts  
Frozen pastries and breakfast products  
Fruits, nuts and edible plant preparations  
Frozen vegetables  
Ice cream  
Jumbo frankfurters  
Kosher food  
Mesquite smoked turkey breasts  
Pears  
Prepared foods from cereal  
Pizzas  
Raw dark meat cuts of poultry and turkey  
Sauces and preparations  
Seafood  
Smoked sausage  
Smoked turkey  
Snacks, corn chips, potato chips  
Soups, broths and other similar preparations

**B. Products Not Present in Significant Quantities but Which Have Good Sales Potential**

Mixed nut assortments, beer nuts  
Peanuts with and without shell  
Popcorn  
Wine and beer

**C. Products Not Present Because They Face Significant Barriers**

Frozen eggs  
Raw chicken parts, dark meat  
Poultry in brine  
Shell fresh table eggs

**SECTION V. POST CONTACTS AND FURTHER INFORMATION**

The primary mission of the US Agricultural Trade Office (ATO) in Mexico City is to assist in the market development and promotion of US food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATO, along with other private sector representatives called “cooperators,” make available to help develop US agricultural interests in Mexico. US companies interested in exporting their products to Mexico should contact the ATO for information on market opportunities/constraints for their respective US food and agricultural products.

<b>Organization</b>	<b>Section</b>	<b>Address</b>	<b>Telephone/Fax/ Internet</b>
Embassy of the United States of America	US Agricultural Trade Office-ATO	Jaime Balmes 8-201 Col. Los Morales Polanco Mexico D.F. 11510 México	Tels:(011)(52)52805291, 52805277, 52816586 Fax: (011)525 816093 ATOMexico@fas.usda.gov
Nueva Walmart de Mexico, S.A. de C.V.	Victoria Alvarez, Director of Imports	Av. Universidad 936-A Mexico, D.F. 03310; México	Tel: (011)(52)5420-0200 X 5242 Fax. (011)(52)54200209 Aurrera.com; Walmart.com
Gigante, S.A. de C.V.	Federico Bernaldo Quiroz; Checker Karam; Jaime Alverde, Commercial Directors	Av. Ejercito Nacional 769-A Col. Nueva Granada Mexico D.F. 11520 México	Tel: (011)(52)52698244; 8177; 8105 Fax: (011)(52)52698381 Http:www.telbip.com.mex
Operadora de Comercial Mexicana	Srita. Ana Sanchez del Toro, Import Purchasing	Fdo. de Alva Ixtixochitl 27 Col. Obrera Mexico D.F. 06800; México	Tel: (011)(52)53717212 Fax: (011)(52)53717574 acsanche@mail.comerci.com.mx
Seven-Eleven Mexico, S.A. de C.V.	Lic. Francisco Mendoza, or Lic. Marta Gabriela Bonilla	Av. Munich 195-B Col. Cuauhtemoc San. Nicolas de los Garza 66450, Monterrey, N.L.; Mexico	Tel: (011)(52)83721572 Fax: (011)(52)83762171
Cadena Comercial OXXO, S.A. de C.V.	Sergio Estrada, Purchasing Director	Edison 1253 Norte. Col. Talleres Monterrey, N.L.64480; Mexico	Tel: (011)(52)83892121 Fax: (011)(52)83337030

Comextra (Formerly 12+12 Serviplus)	Lic. Antón Martínez or Pilar Corrales	Lic. Antón Martínez or Pilar Corrales	Tel: (011)(52)5768-5050 X104 Fax: (011)(52)57644103
Tiendas Chedraui, S.A. de C.V.	Sr. Primo Alavarez or Patricio Joo Gonzalez, Purchasing Department	Priv. Antonio Chedraui Caram S/N Encinal Xalapa, 91180 Veracruz Mexico	Tel: (011)(52)56248000 X 8038 Fax: (011)(52)52648000 (phone and fax in México City; ask for fax tone)
Organización Soriana, S.A. de C.V.	Sr. Mario Garcia	Alejandro de Rodas 3102-A Cumbres Sector 8 Monterrey, N.L. 64610; Mexico	Tel: (011)(52)83299000 Fax: (011)(52)83299180 Mgarciaoriana.com.mex
Casa Ley, S.A. de C.V.	Alvaro Ley, Director	Carr. Int. Nte. Deportiva Km. 1434 Humaya Culiacan, 80020 Sinaloa; México	Tel: (011)(567)591000 Fax: (011)(567)505010
Carrefour- Grandes Superficies de Mexico, S.A. de C.V.	Srita. Katia Gallardo, Imports Dept.	Av. Pte. Mazarik 216-2 Col. Polanco Mexico D.F. 11579 México	Tel: (011)(52)52832900 X2760 Fax:(011)(52)52832926 katiagallardo@carrefour.com. mx
Asociación Nacional de Tiendas de Autoservicio y Departamentales- ANTAD (National Association of Retail and Department Stores)	Sr. Efrén Casas	Horacio 1855-6 Col. Polanco Mexico D.F. 11560 México	Tel: (011)(52)55801772; (52)55800641 Fax: (011)(52)53952610 www.antad.org.mex