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Mexico

Product Brief

The Mexican Market for Processed Foods

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Report Highlights: The Mexican market for processed foods has been increasing rapidly since 1995 and the processing sector has been growing to keep pace—the industry expanded 27 percent between 1995 and 1998. Mexico offers good opportunities for US suppliers of processed foods, including seasonings, whey protein, sweeteners, tallow, edible lactose, colorings and flavors, among other products.

Includes PSD changes: No
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Overview

Mexico offers good opportunities for US suppliers of processed foods. The Mexican market for processed foods has been increasing rapidly since 1995 and the processing sector has been growing to keep pace - the industry expanded 27 percent between 1995 and 1998. There are 12,998 registered food processing firms in Mexico with total production of US\$23 billion in 1998.

The industry is divided into ten subsectors, most of which are dominated by a few large companies. The following chart shows moderate growth in each sector, with the exception of basic grains, edible oils and fats, and sugar.

Product Category	1995 (US\$000)	1996 (US\$000)	1997 (US\$000)	1998 (US\$000)	Growth 95-98
Meat Industry	1,489,059	1,723,040	1,991,942	1,992,422	34%
Dairy Products	2,553,684	2,952,713	3,451,794	3,724,457	46%
Preserved Foods	1,536,244	1,666,361	1,879,584	2,016,646	31%
Grains and other Agricultural Products	2,088,574	2,731,822	2,232,259	1,908,943	-9%
Bread Products	1,504,340	1,847,028	1,978,946	2,094,790	39%
Edible Oils and Fats	2,047,260	2,086,266	2,009,166	2,034,145	-1%
Sugar	1,629,614	2,007,362	1,944,535	1,828,749	12%
Cocoa, Chocolate, Confectionery	390,141	456,151	535,674	577,218	48%
Other Processed Foods	2,606,369	2,986,349	3,409,587	3,788,678	45%
Beverage Industry (soft drinks)	3,031,502	3,248,708	3,583,299	4,060,868	34%
TOTAL	18,486,645	21,249,649	22,481,111	23,449,698	27%

Source: INEGI

Following are some general characteristics of the Mexican food processing industry:

- L** *Mexico's agricultural system cannot produce enough to meet domestic demand.* Farms are numerous and small – 2.3 million out of 3.8 million plots are less than 5 hectares. As of 1991, only 40 percent of Mexican farmers used tractors or modern seeds. Yields per acre are extremely low – for corn, 2 metric tons per acre compared to 8 metric tons in the United States.
- L** *Food processing facilities range from large, modern facilities to small, mom & pop operations.* Of the 13,000 food processing facilities, only 292 employ more than 250 employees, while the vast majority have fewer than 15 employees. However many of the largest firms can be classified as among the most efficient and mechanized in the world.
- L** *Packaging is lacking.* Packaging for many products is generally behind the United States in

terms of attractiveness and convenience.

- L *Foreign investment.* Mexico has been a prime destination for foreign investment with almost \$4.2 billion going to the food and beverage processing industry between 1994 and 1998.

The total market for raw materials to this sector is growing. Raw inputs to the food processing sector are mostly supplied by Mexican suppliers. Nevertheless, the import market for these ingredients has been growing steadily for the past three years – from US \$28.3 million in 1996 to US \$36.3 million in 1998 -- while exports have been falling. See “Industry Profile” for details on specific ingredients.

Sector Trends

Mexico’s food processing sector is undergoing changes in every aspect of its business. Following are some important trends:

- L *Growth in the market in general.* Mexico’s food processing sector has been expanding at a moderate pace of between five and ten percent, per year, over the last three years.
- L *Use of imported ingredients.* The United States dominates Mexican imports of whey protein, tallow, edible lactose, seasonings, sweeteners, colorings, and flavors.
- L *Removal of government controls (milk, tortillas).* Mexico has been trending toward liberalizing the agricultural sector, creating new opportunities for foreign companies.
- L *More processed and frozen foods.* More women are working -- according to INEGI, 39.4 percent of the Mexican workforce is made up of women, a three percent increase from 1996. As more women enter the workforce, their families will eat out more often and will turn to prepared meals. Indeed, according to the National Association of Retail and Department Stores (ANTAD), the average number of times Mexicans eat out per month has increased by 67 percent since 1995.
- L *Bigger stores with more refrigerated, freezer space.* Foreign investment in Mexico’s retail sector has meant that stores are modernizing and increasing the capacity of their refrigerated and frozen foods sections.
- L *Increased exports of Mexican foods to the United States serve a growing Mexican market.* Mexican food processors are taking advantage of the demand for their products among the large Mexican American population across the border. This trend increases production in Mexico.
- L *Foreign investment.* Foreign investment is strong, with almost \$4.2 billion dollars going to the food processing sector. The industry is the third most popular for foreign investors, representing 20 percent of total foreign direct investment.
- L *Investment in capital equipment.* Mexican companies are importing roughly \$200 million, per year, in food packaging equipment to increase the efficiency of their operations.

Advantages and Challenges Facing US Products in Mexico

US inputs to Mexico’s food processing sector enjoy many advantages and face several challenges.

Advantages	Challenges
Growth in almost all sub-sectors in processed foods in Mexico.	Labeling requirements and inspection procedures are confusing and inconsistent.
Belief among Mexican consumers that US products are superior.	Increasing competition from Mexican companies and, to a lesser extent, European companies.

Lower production costs on many items.	Transportation and distribution methods make it difficult to serve market.
Increased foreign investment in food processing industry will increase need for inputs.	Local suppliers filling the demand.
Perception that US products are consistent in quality and supply.	Mexican economic volatility; devaluation.
Increased exports of food products to Mexicans in United States will increase demand for inputs.	Mexican inputs may also be exported to the United States, reducing market share for US suppliers in their home market.

Industry Profile

The following section examines the food processing industry by looking at the individual subsectors, company profiles, and the competitive situation. Much of the Mexican processed foods market is well-established and self-sufficient. According to INEGI, there are 12,998 registered food processing firms in Mexico with total sales of US\$23 billion.

Subsector Profiles

Beverages, dairy products, edible oils, and processed meats are the largest subsectors within the industry in terms of production. The following table presents details on the ten main divisions within the Mexican processed foods industry.

Food Processing Industry Production (US\$000s)

Subsector	No. of Firms	1995	1996	1997	1998
Meat Industry	4,736	1,489,059	1,723,040	1,991,942	1,992,422
Slaughter of Livestock/Birds	3,427	589,876	695,010	822,262	835,618
Frozen/Packed Fresh Meat	540	225,627	261,125	271,568	445,601
Preserved Meat/Sausage	769	673,555	766,905	898,112	897,458
Dairy Products	1,507	2,553,684	2,952,713	3,451,794	3,724,457
Treated and Bottled Milk	94	1,248,307	1,425,152	1,846,890	1,948,269
Cream, Butter, and Cheese	1,396	695,166	803,553	867,064	936,982
Condensed, Evaporated, and Powdered milk	17	610,211	724,008	737,841	839,206
Preserved Foods	653	1,536,244	1,666,361	1,879,584	2,016,646
Prepared and Canned Fruits/Vegetables	329	857,485	922,582	1,026,001	1,175,158
Prepared Soups, Stews, Broth Concentrates	9	411,152	459,423	513,269	539,625
Frozen/Packed Fresh Fish and Seafood	262	52,698	53,553	60,661	50,351
Prepared and Canned Fish and Seafood	53	214,909	230,803	279,653	251,513
Grains and other Agricultural Products	1,108	2,088,574	2,731,822	2,232,259	1,908,943
Rice	40	91,017	124,173	130,835	118,758
Coffee	260	455,103	381,972	435,535	327,283
Toasted and Ground Coffee	495	91,206	85,835	76,363	65,110

Ground Wheat	164	816,261	1,228,033	987,146	819,465
Production of Corn Flour	149	634,987	911,809	602,381	578,327
Bread Products	62	1,504,340	1,847,028	1,978,946	2,094,790
Cookies and Pastas	1,033	595,129	674,651	675,097	633,429
Industrial Bread and Pastries	482	909,211	1,172,378	1,303,848	1,423,067
Edible Oils and Fats	76	2,047,260	2,086,266	2,009,166	2,034,145
Edible Oils and Vegetable Fats	76	2,047,260	2,086,266	2,009,166	2,034,145
Sugar	62	1,629,614	2,007,362	1,944,535	1,828,749
Sugar Products and Sugar Cane	62	1,629,614	2,007,362	1,944,535	1,828,749
Cocoa, Chocolate, and Confectionery	179	390,141	456,151	535,674	577,218
Cocoa and Table Chocolate	160	180,311	223,279	239,825	257,970
Gum Production	19	209,830	232,873	295,849	319,248
Other Processed Foods	2,865	2,606,369	2,986,349	3,409,587	3,788,678
Soluble Coffee	7	458,446	490,824	562,580	559,671
Concentrates, Syrups, Natural Food Coloring	145	793,761	914,828	1,020,936	1,159,469
Starches and Yeast	21	336,615	450,461	550,932	593,823
Powdered Gelatin, Flan, and Deserts	121	96,118	104,045	106,412	102,452
Other Snacks and Corn Products	1,945	867,050	957,941	1,094,237	1,301,372
Other Products for Human Consumption	626	54,379	68,250	74,489	71,556
Non-Alcoholic Beverages	1,929	3,031,502	3,248,708	3,583,299	4,060,868
Soft Drinks and Non-Alcoholic Beverages	1,929	3,031,502	3,248,708	3,583,299	4,060,868
TOTAL	12,998	18,486,645	21,249,649	22,481,111	23,449,698

Source: INEGI

Major Players

Large food processing companies dominate production in Mexico, although they comprise a relatively small percentage of the total number of companies. Many of these are efficient operations that rival the best processors in the world. The following table presents general information on some of the largest companies in the Mexican processed foods industry.

Principal Companies in the Mexican Processed Foods Sector

Co. Name	Sales (US\$000)	Products	Procurement Channels	Tel/Fax Numbers
Grupo Industrial Bimbo	2,000,000	Bread	Direct imports	T: 52-58-66-00 F: 52-58-66-25
Nestlé	1,240,000	Chocolate, milk, instant coffee	Direct imports	T: 52-50-99-44 F: 52-58-66-25
Gruma	1,160,000	Cornmeal, bread, tortillas	Direct imports	T: 83-35-99-00 F: 83-99-33-59
Grupo Industrial Lala	563,000	milk, yogurt, butter, cream, cheese, juice	Direct imports	T: 17-50-05-04 F: 17-50-02-09
Grupo Industrial	486,000	Cornmeal, bread,	Direct imports	T: 83-33-60-11

Maseca		tortillas		F: 83-99-90-75
Sigma Alimentos	482,000	Processed meats, dairy products	Direct imports	T: 83-99-90-00 F: 83-99-90-75
Bachoco	469,000	Poultry and eggs	Direct imports	T: 46-11-62-62 F: 46-11-65-02
Ganaderos Productores de Leche Pura	351,000	Milk, cream, yogurt, butter, cheese, flan	National products	T: 58-99-20-00 F: 58-99-20-61
Grupo Herdez	360,000	Sauces, canned goods	Direct imports	T: 53-58-30-19 F: 55-76-69-29
Pasteurizadora Laguna	200,000	Milk, yogurt, butter, cream, juice	National products	T: 17-29-24-50 F: 17-29-24-50
Grupo Minsa	195,000	Flour	National products	T: 53-90-70-68 F: 55-65-59-51
Tablex	160,000	Pasta, flour, snack food	National products	T: 72-79-79-01 F: 72-79-79-80
Lechera Guadalajara	134,000	Milk, yogurt, butter, cream, juice	National products	T: 36-57-92-97 F: 36-57-99-37
Jugos Del Valle	125,000	Juice	Direct imports	T: 55-57-97-77 F: 53-95-89-18
Grupo Chilchota	120,000	Milk, cream, butter, cheese, yogurt	National products	T: 17-19-24-44 F: 17-19-24-45
Pasteurizadora Nazas	119,000	Milk, butter, cheese, cream, flan, yogurt, juice	National products	T: 83-99-55-00 F: 83-73-12-01
Industrial Patrona	119,000	Vegetable oil	Direct imports	T: 27-12-55-99 F: 27-14-32-43
Ultra Lala	97,000	Dairy	National products	T: 17-50-06-02 F: 17-50-08-99
Malta Texo de Mexico	93,000	Pet food	Import through distributors	T: 57-29-85-00 F: 55-67-69-12
Chilchota Alimentos	76,000	Milk, cream, cheese, butter, yogurt	National products	T: 17-19-24-44 F: 17-19-24-45
Grupo Bafar	64,000	Processed meat	Direct imports	T: 14-39-01-00 F: 14-34-00-23
Anderson Clayton	N/A	Condiments, baking ingredients, sauces, dairy products	Direct imports	T. 326-0300
Conservas la Costeña	N/A	Conserves, sauces		T. 775-2552

Source: Expansión and telephone interviews.

While the above companies are the largest, they are by no means the only firms with a strong presence on the shelves in Mexico. The following information was gathered from the shelves of

several retail outlets in Mexico City. Under each category, products are listed by their brand name/name of manufacturer. The order in which they are listed indicates their dominance on the shelf in that category. Imported products are not listed.

Canned Fruit, Vegetables, Tomato Paste, Beans, Chiles: Herdez/Herdez SA; Del Monte/Productos del Monte, S.A. de C.V.; La Costeña/Conservas la Costeña S.A. de C.V.; Del Fuerte/Alimentos Del Fuerte, S.A. de C.V.; Clemente Jaques/Anderson Clayton, S.A. de C.V.; La Sierra/SaborMex S.A. de C.V.; Monteblanco/Hongos de Mexico, S.A. de C.V.

Butter, cream, milk, cheese, yogurt: Nestle/Nestlé de México S.A. de C.V.; Alpura/Ganaderos Productores de Leche Pura, S.A. de C.V.; Lala/Lala Derivados Lácteos, S.A. de C.V.; Esmeralda/Derivados de Leche la Esmeralda S.A. de C.V.; Kraft/ Kraft Foods de México S de R.L.; Los Volcanes/Evaporadora Mexicana S.A. de C.V.; Caperucita/ Zwanberg de México S.A. de C.V.; Chipilo/Grupo Prolesa S.A. de C.V.; Danone/Danone de Mexico S.A. de C.V.; Iberia and Primavera/Anderson Clayton and Co. S.A. de C.V.; Yoplait and Chalet/Sigma Alimentos; Parmalat/Parmalat de Mexico, S.A. de C.V.; Baden/Evaporadora Mexicana, S.A. de C.V.; Boreal/Evaporadora Mexicana, S.A. de C.V.; San Marcos/Pasteurizadora Aguascalientes, S.A. de C.V.

Frozen, Ready to Eat Foods: Delimex/Delimex S.A. de C.V.; Doña Carmen/Industrias Alimenticias de Querétaro, S.A. de C.V.; Nicolasa/Maristmo S.A. de C.V.; La Ibérica/La Ibérica S.A. de C.V.; Lonchibon/Suandy de Mexico, S.A. de C.V.; El Cazo/Sigma Alimentos Congelados, S.A. de C.V.

Frozen Vegetables: La Huerta/Frigorizados La Huerta S.A. de C.V.; El Gran Portal/Expohort S.A. de C.V.

Salsas: Del Monte/Del Monte; Herdez and Búfalo/Herdez S.A. de C.V.; La Costeña/Conservas la Costeña; Valentina and Tamazunta/Salsa Tamazula S.A. de C.V.; Clemente Jaques/Anderson Clayton S.A. de C.V.; La Gloria/ Cremería Americana S.A. de C.V.; San Marcos/ Empacadora San Marcos S.A. de C.V.

Chips and Salty Snacks: Sabritas/Mafer/Barcel

Crackers: Gamesa/Grupo Gamesa, S.A. de C.V.

Juices: Del Valle/Jugos del Valle, S.A. de C.V.; Jumex/Jugomex, S.A. de C.V.; Boing/Sociedad Cooperativa “Trabajadores de Pascual”, SCL; Sonrisa/ Valle Redondo S.A. de C.V.; Florida/ Zano Alimentos S.A. de C.V.; Herdez/Herdez S.A. de C.V.; Nestle/Nestlé México S.A. de C.V.; Parmalat/ Parmalat, S.A. de C.V.

Spices: Spice Island/Rus International S.A. de C.V.; French’s/ Reckitt and Coleman S.A. de C.V.; McCormick/Herdez S.A. de C.V.; Carmencita/Proalimient Jesús Navarro S.A.; Knorr (powdered chicken broth)/Productos de Maiz S.A. de C.V.

Liquid Seasonings: Maggi/Nestlé Mexico S.A. de C.V

Canned Soup: Campbells

Pastas: Pinerolo/Pastas Cora S.A.de C.V.; Barilla/Barilla S.A.de C.V. ; La Moderna/Fabrica de Pastas; Alimenticias La Moderna S.A.de C.V.; Cora/Pastas Cora S.A.de C.V.; Tres Estrellas/Nabisco, S.A. de C.V.; Italpasta/La Italiana, S.A. de C.V.; Rex/Pastas Cora, S.A. de C.V.

Flour: Tres Estrellas/Nabisco S.A. de C.V.; Selecta/Molinera de Mexico S.A. de C.V.; San Blas/Molino Harinero San Blas S.A. de C.V.

Non-sugar sweeteners: Savien/Otto Heinz Lara; Sussly/Técnica Mexicana de Alimentación, S.A. de C.V.; Dilis/Técnica Mexicana de Alimentación, S.A. de C.V.; Sucrel/Laboratorio Columbia, S.A. de C.V.

Soup Mixes: La Sierra/Sabormex; Maggi/Nestlé Mexico, S.A. de C.V.

Competition

The main competition for US food processors in Mexico comes from Mexican companies. Mexican companies dominate many of the sub-sectors and are large, self-sufficient operations. Competition from European companies is strong in certain sub-sectors (e.g. confectionery and candy), but is less pervasive throughout the market. The following table illustrates the competition, by sub-sector, in the Mexican processed foods industry:

Level of Competition by Sub-Sector in the Mexican Processed Foods Industry

Sub-Sector	Level of Competitiveness
Beverages	Medium-high
Canned Goods	Very high, especially from frozen fruits/vegetables
Cereals	Low
Confectionery and Candy	High; Nestlé dominates the industry
Dairy Products	Medium; Very high for yogurt, and high end cheeses
Edible Oils	Medium
Processed Meats	High, except on gourmet deli goods.
Salty Snacks	Medium

Source: Industry interviews.

In food ingredients, the United States dominate the supply of imports to Mexico.

L Whey Protein. The United States supplies almost 80 percent of Mexico's imports, with the balance evenly divided between Canada, France, and New Zealand.

L Food Starches. Mexico is fairly self sufficient in starches, exporting approximately 40 percent as much as it imports. The United States supplies a little more than half of all Mexican imports, with Germany as the largest single competitor.

L Tallow. Mexico is almost totally dependent on the United States for tallow.

L Edible Lactose. Mexico does produce edible lactose, some of which is exported. Still, Mexico

has substantial imports, 97 percent of which come from the United States.

- L *Seasonings*. Mexico has strong national production, exporting almost 70 percent as much as it imports. The United States has a 95 percent share of all imports.
- L *Natural and Artificial Sweeteners, Coloring, Flavoring, Dough Conditioners, Beverage Bases*. Mexico also has significant national production, exporting almost half of what it imports. The United States dominates imports with almost 82 percent of the total, with Denmark, France and Israel supplying the balance.
- L *Enzymes*. Mexico is fairly dependent upon imports for its needs. The United States has two-thirds of the import market, with the rest being supplied by Denmark, Ireland, Germany, and Finland.

**Mexican Imports and Exports of Food Ingredients
(US\$000)**

Product	1996	1997	1998
0404 Whey Protein			
Total Imports	30,720	33,843	43,933
Total Exports	0	0,038	0,052
Imports From US	28,578	28,342	34,366
Exports to US	0	0,018	0,032
1108 Food Starches			
Total Imports	14,591	21,941	17,851
Total Exports	15,432	14,312	13,349
Imports from US	6,956	13,642	9,576
Exports to US	1,64	2,677	3,398
1501 Tallow			
Total Imports	20,747	19,207	16,972
Total Exports	0,017	0,095	0,087
Imports from US	20,747	18,835	16,270
Exports to US	-	-	-
1702 Edible Lactose			
Total Imports	80,876	101,150	91,677
Total Exports	11,933	11,102	12,722
Imports from US	78,433	98,325	89,061
Exports to US	0,471	1,876	3,426
2103 Seasonings			
Total Imports	46,733	48,825	54,949
Total Exports	22,286	32,693	39,165
Imports from US	43,363	44,336	51,946
Exports to US	19,480	27,125	32,799
2106 Natural and Artificial Sweeteners, coloring, flavoring, dough conditioners, beverage bases			
Total Imports	94,672	120,418	144,764

Total Exports	44,603	61,439	67,006
Imports from US	76,759	97,338	120,627
Exports to US	21,032	28,792	34,475
3507 Enzymes			
Total Imports	28,298	33,675	36,332
Total Exports	4,793	8,524	6,885
Imports from US	18,441	24,738	24,413
Exports to US	2,089	2,855	3,216

Source: INEGI

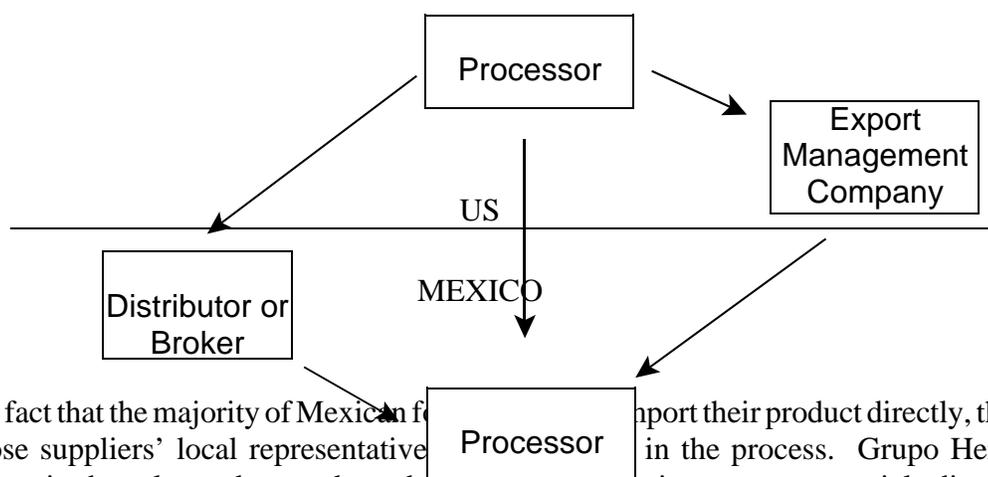
Road Map for Market Entry

This section will discuss the unique aspects of Mexico's food processing sector and examine the best method for approaching the market. First, the distribution system to the industry will be examined. Second, transportation and import requirements are addressed. And finally, a market entry strategy is presented.

Distribution

Distribution is both the most important element of any product's success in Mexico, and one of the most problematic. This section will detail the distribution system to the food processing sector.

For the most part, food ingredients are distributed directly from the US exporter to the processor in Mexico. Most major food processors contacted for this study reported that they import raw materials directly. The following chart shows the flow of processed foods in Mexico.



Despite the fact that the majority of Mexican food processors import their product directly, they often rely on those suppliers' local representative in the process. Grupo Herdez, the biggest player in the salsa and canned goods sector, prefers to import raw materials directly from their foreign suppliers (primarily Hormel) but also buys from a local distributor. Ten percent of their raw materials are imported, half of which comes from the United States. Foreign suppliers give Herdez 30 to 60 days of credit. And Bimbo, the largest bread and baked goods producer in Mexico, imports its products directly from the foreign company, but relies on a local representative when their supplier cannot provide product quickly. Bimbo pays its raw material suppliers in 30 days.

There are several alternatives to selling through a local distributor or directly to the end-user. An Export Management Company (EMC) can act as a *broker*, or a *manufacturer's representative*, to turn export sales into domestic sales. For companies looking to maintain the low risk of a domestic transaction, an EMC may be the best way to sell to Mexico. A *broker* is a "trader" that will identify niches or temporary shortages in certain international markets and will source and supply as needed. A *manufacturer's representative* will go further to act as a foreign producer's sales arm in supplying products to Mexico.

US companies often begin their sales in Mexico after being contacted by end-users or brokers. Following a successful period of growing sales, the US company may establish their own sales subsidiary. The local representative should have experience working with foreign suppliers and be well-connected in the food processing sector in Mexico. The US Agricultural Trade Office (ATO) can identify distributors and help arrange meetings with prospects. For specific inputs to dairy products, the US Dairy Export Council also maintains listings of potential importers.

Transportation

The first step towards distributing in Mexico is getting the product across the border. Since the largest Mexican markets for processed food products are located in the interior of the country, ground transportation is the most logical option for delivery. The Mexican national railway is antiquated and disorganized, although recent privatization will increase its usage for bulk shipments. Maritime transportation of bulk commodities may be considered for delivery to Cancun. Bimbo, for example, imports wheat from the United States which is shipped to Cancun and is then transported by truck to its main processing plants.

Import Requirements

The signing of NAFTA on January 1, 1994 eliminated the vast majority of tariffs for the export of US foods into Mexico, and those that remain are expected to reach zero tariff rates by 2004. Please contact the US Department of Agriculture in Washington, DC or the ATO in Mexico City for tariff information on specific products.

Local importers report that US exporters should have no problems importing goods into Mexico, providing Mexican requirements are followed. Grupo Herdez reports that although they do not have any formal problems importing products, labeling issues can be problematic. The following labeling requirements are necessary for the importation of agricultural goods from the United States into Mexico:

- └ Name of the product;
- └ Importing company name and address;
- └ Net Content, as required by current Mexican Regulations (NOM-030-SCFI-1993)
- └ Warning about risks and precautionary measures, in case of dangerous products, as required by Mexican Regulations;
- └ Directions for usage, handling and preserving the product, as appropriate; and
- └ Expiration date for dairy products, chocolates, fats and oils.

Products packaged for retail consumption in Mexico must be labeled according to regulations issued by the Mexican Secretary of Commerce (SECOFI). All information must be in Spanish with the exception of the product description. Bilingual printed packaging is recommended. Stickers are allowed, but the font, colors, and printing must be consistent with the information in English. Also, the sticker must be prominent, showing product information in Spanish to the consumer. Mexico is still in the process of revising many of its labeling regulations and official standards and US exporters should rely on their local representative for up-to-date information.

Market Entry Strategy

US companies wishing to serve the Mexican food processing sector must first identify specific Mexican firms using their product. Then, it is recommended that the US company visit with buyers at those companies to determine their level of competitiveness.

Visiting with buyers at food processors accomplishes several things. First, it gives the US company a general feel for the market and the types of companies in their particular subsector. Second, it allows them to identify specific needs and how to fill them. Third, it will tell them whether the market is worth pursuing. And finally, they can find out the best method to distribute their product. If through a distributor, they can ask buyers for recommendations for good distributors that serve them.

A trade show is an efficient first step to identify opportunities in the market. The ATO maintains a listing of trade shows in the food and beverage industry. This allows US firms to simultaneously investigate the market, meet with buyers, and interview potential distributors. This trip can be combined with interviews set up by the US Foreign Commercial Service for small fee.

Best Product Prospects

Products Present in the Market Which Have Good Sales Potential

The best product prospects among food ingredient inputs are shortenings, natural and artificial flavorings, colorings, bases, whey protein, and seasonings.

- └ Shortenings represent the largest potential in volume and value in the Mexican market.
- └ The market for natural and artificial flavorings, colorings, and bases is second to that of shortenings, but may represent the most lucrative opportunities for US companies.
- └ Mexico is second only to the United States in per capita consumption of carbonated beverages, and the juice market is growing quickly.
- └ As Mexican purchasing power recovers, the market for whey protein will improve. Consumption is expected to reach 73,000 MT by the year 2000 -- a 28 percent increase from five years ago. Whey protein concentrates (WPCs) show particular promise and have just recently been introduced to Mexico in substantial quantities.
- └ Spicy seasonings also have strong potential. As Mexican tastes become more international, the demand for non-traditional seasonings will grow, too.

- └ Nearly every interviewee in the food processing industry suggested that the strongest trend in the market is towards “light” food. Additives such as fat substitutes or artificial sweeteners may show particular promise in the near future.
- └ Grupo Herdez reports the need for more imports of spices for their seasonings and salsas.
- └ A buyer at the bread giant, Bimbo, claimed that they need texturizers, emulsifiers, and a bread softener and preservative called More Life.
- └ Mexico is the largest powdered milk importer in the world. A new Mexican social program designed to distribute more than 100,000 metric tons of powdered and fluid milk to the poor, combined with the break up of the former government dairy agency, CONASUPO, presents obvious opportunities for suppliers of inputs of such products as milk powder.

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

As stated by a buyer at Bimbo, the best product prospects are any products that are not found in Mexico. To this end, edible lactose and enzymes have strong growth potential. Edible lactose grew by six percent in 1997 but analysts expect it to reach growth rates of ten percent by the year 2000. The market for enzymes is a young, growing market. Although the United States faces significant competition from Canada, Germany, France, and Japan, US exports are expected to rise. Thickeners, texturizers, preservatives and spices also represent strong prospects. The US Dairy Export Council reports that there are no US exports of de-mineralized whey (all exports come from France) because US prices are too high. If prices could be reduced, there could be a possible market niche for US dairy companies in this field.

Post Contact 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. If you have any questions or comments regarding this report or need assistance exporting processed food products to Mexico, please contact the ATO in Mexico City at the following address:

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National Association of Grocers	Tolsa 54 Col. Centro CP 06040 Mexico DF	T/F: 57-09-36-97, 5-7-*09-37-*01
Mexican Association of Restaurants (AMR)	Torcuato Tasso 325-103 Col. Polanco 11560 Mexico DF	T: 52-50-11-46, 55-31-09-11 F: 55-45-86-71
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