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Mexico

Food Processing Ingredients Sector

Report

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Report Highlights:

Mexico imported approximately \$500 million of US food ingredients in 2000. Mexico's food processing sector is large, diverse and growing, which bodes well for continued US exports of food ingredients. The United States is the leading exporter to Mexico in every major food ingredient category. Major categories include, among others: fats of bovine animals, food preparations, other sugars, starches, whey, lard and enzymes.

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

This report is for informational purposes only to assist US exporters in their sales and promotional efforts of food and agricultural products 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 cautions when dealing with any potential importer, including checking references.

1. PRODUCT DEFINITION

The products included in this report are food ingredients. Sub-Chapters 04.04, 11.08; 15.01; 15.02; 17.02; 21.02; 21.03; 21.06 and 35.07. of the Mexican Tariff System contain the tariffs for food ingredients. In total, there are 51 specific tariff codes related to food ingredients

2. MARKET SIZE

Production

There are no official Mexican figures on the production of food ingredients. However, the following data is estimated based on information from trade contacts. Mexican production of food ingredients was estimated to have increased from US \$937.1 million in 1998 to US \$974.5 million in 1999, and to US \$1.0 billion in 2000. The food ingredients included in these production figures are whey protein, food starches, animal lard and fats, yeasts, sauces, mixed seasoning and mixed condiments, enzymes, etc. See table 1.

Table 1
MEXICAN PRODUCTION OF FOOD INGREDIENTS
1998-2000
 (US Million Dollars)

	1998	1999	2000
Production	937.1	974.5	1009.6

Source: Trade contacts and own estimates.

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: 9.2, 9.7 and 9.5 pesos per US dollar for 1998, 1999 and 2000, respectively.

Imports

Total Mexican imports of food ingredients increased from US \$536.0 million in 1998 to US \$540.2 million in 1999, and to US \$572.3 million in 2000. The most important import product categories are "Food preparations not elsewhere specified" ("Protein concentrates and textured protein substances," "Other aromatized syrups containing added coloring," and "Other food preparations not specified elsewhere"), "Other sugars" and "Fats of bovine animals." US exporters should take note that Mexican foreign trade data for food ingredients does not necessarily correlate with US trade data. See table 2.

Table 2
TOTAL MEXICAN IMPORTS OF FOOD INGREDIENTS
1998-2000
 (US Million Dollars)

Tariff Code Categories-Products	1998	1999	2000
04.04- Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other as sweetening matter, nor elsewhere specified or included.	41.1	34.8	37.0
11.08- Starches.	14.6	15.3	16.9
15.01- Lard; other pig fat and poultry fat, rendered, whether or not pressed or solvent extracted.	17.0	15.9	10.9
15.02- Fats of bovine animals; sheep or goats, raw or rendered, whether pressed or solvent extracted.	150.9	110.0	85.9
17.02- Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavoring; artificial honey, whether or not mixed with natural honey; caramel.	81.9	73.6	93.1
21.02- Yeast (active or inactive) other single cell micro-organisms, dead (but not including vaccines on heading 30.02), prepared baking powder.	4.2	4.5	6.1
21.03- Sauces and preparations thereof; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.	50.4	54.6	3.2
21.06- Food preparations not elsewhere specified or included.	140.1	190.8	207.0
35.07- Enzymes; prepared enzymes not elsewhere specified or included.	35.8	44.3	41.7
Total	536.0	540.2	572.3

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

US Exports To Mexico

US exports to Mexico of food ingredients decreased slightly from US \$471.8 million in 1998 to US \$464.9 million in 1999, but increased to US \$486.9 million in 2000. The most important import product categories are “Food preparations not elsewhere specified” (“Protein concentrates and textured protein substances,” “Other aromatized syrups containing added coloring” and “Other food preparations not specified elsewhere”), “Fats of bovine animals” and “Other sugars.” The US is the leading exporter to Mexico in every single food ingredient category. See table 3.

Table 3
US FOOD INGREDIENT EXPORTS TO MEXICO
1998-2000
 (US Million Dollars)

Import Code Numbers-Products	1998	1999	2000
04.04- Whey, whether or not concentrated or containing	34.4	26.9	30.7

added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other as sweetening matter, nor elsewhere specified or included.			
11.08- Starches.	6.8	6.6	16.7
15.01- Lard; other pig fat and poultry fat, rendered, whether or not pressed or solvent extracted.	16.3	13.9	10.9
15.02- Fats of bovine animals; sheep or goats, raw or rendered, whether pressed or solvent extracted.	144.8	108.0	85.7
17.02- Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavoring; artificial honey, whether or not mixed with natural honey; caramel.	79.3	71.1	64.3
21.02- Yeast (active or inactive) other single cell microorganisms, dead (but not including vaccines on heading 30.02), prepared baking powder.	2.2	2.8	6.1
21.03- Sauces and preparations thereof; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.	47.4	51.3	67.5
21.06- Food preparations not elsewhere specified or included.	116.5	159.9	167.4
35.07- Enzymes; prepared enzymes not elsewhere specified or included.	24.1	22.4	27.0
TOTAL	471.8	464.9	486.9

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

Other Foreign Competitors

Official Mexican import statistics listed 40 other countries as exporting food ingredients to Mexico during 1998-2000. Export sales, by principal countries, and their respective market shares are listed below. See table 4.

Table 4
MEXICAN IMPORTS OF FOOD INGREDIENTS, BY COUNTRY
1998-2000
 (US Million Dollars and Percentage)

COUNTRIES	1998	1999	2000
United States	471.8	464.9	486.9
Percentage Market Share	88.0	86.1	85.1
Denmark	7.3	15.1	10.4
Percentage Market Share	1.4	2.8	1.8
France	7.5	7.1	10.0
Percentage Market Share	1.4	1.3	1.7
Germany	9.9	9.8	8.2
Percentage Market Share	1.8	1.8	1.4
Canada	9.4	4.3	5.9

Percentage Market Share	1.8	0.8	1.0
Other Countries	30.1	39.0	50.9
Percentage Market Share	5.6	7.2	9.0
Total	536.0	540.2	572.3

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

US producers of food ingredients identified in the market place include the following brands/companies: Best Foods, Campbell Soup Co., Kraft Foods, Hunt Wesson Inc., McCormick, H.J. Heinz Co., The Red Wing Co., S&W Fine Foods, J.E.S. Foods Co., S & B Int. Corp., Tone's, Hellman's, La Torre Prepared Foods Inc.; Clement Pappas & Co., General Mills Inc., Weight Watchers, Estee, Del Sol Foods Co. Inc., Nabisco Inc., Ragù, Reckitt & Colman Inc., Red Gold Inc., Orchard Mills Brand; C.H. Guenther & Son Inc., Reese, etc.

Domestic Consumption

Mexican consumption of food ingredients increased from an estimated US\$1.3 billion in 1998 to US\$1.4 billion in 2000. National production is the main source of supply for national consumption. Imports during this period consistently accounted for nearly 40 percent of domestic consumption. See table 5.

Table 5
MEXICAN CONSUMPTION OF FOOD INGREDIENTS
1998-2000

(US Million Dollars)

	1998	1999	2000
Production (1)	937.1	974.5	1,009.6
Imports (2)	536.0	540.2	572.3
Exports (2)	116.5	91.3	138.5
Consumption	1,356.6	1,423.4	1,443.4
Imports as percent of consumption	39.5	37.9	39.6

Sources: (1)-Trade contacts and own estimates

(2)- Banco Nacional de Comercio Exterior-BANCOMEXT

3. DOMESTIC PRODUCTION

Mexico's food processing industry (food, beverages and tobacco sectors) grew 6.6 percent, 4.0 percent and 5.3 percent in 1998, 1999 and 2000, respectively.

GROWTH COMPARISON OF MEXICAN ECONOMY, INDUSTRY AND FOOD PROCESSING SECTORS
1998-2000

(Percentages)

	Annual Growth Rates			
	1998	1999	2000	1Q 2001
Mexican Economy	4.9	3.8	6.9	1.9
Mexican Industry	7.4	4.2	7.1	-1.2

Mexican Food Processing Industry	6.6	4.0	3.6	1.5
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Source: INEGE

Mexican producers of food ingredients include Alimentos y Condimentos Mauri, Anderson Clayton (Unilever) Condimentos y Productos Marín, Ernesto Ibarra y Cia., Formex-Ibarra, French Reckitt & Colman de Mexico, S.A. de C.V., French's, Kraft Foods de México, La Costeña, McCormick, Nestle, Nutrimentos y Complementos Alimenticios, S.A. de C.V., Productos de Maiz, S.A. de C.V., Productos del Monte, Rus Internacional, S.A.; and San Lazaro, S.A. de C.V., among others.

4. IMPORT REQUIREMENTS

Tariffs

Mexican import duties are classified according to the Standard International Harmonized System, as established under the provisions of the North America Free Trade Agreement (NAFTA). Sub-Chapters 04.04; 11.08; 15.01; 15.02; 17.02; 21.02; 21.03; 21.06 and 35.07. of the Mexican Tariff System contain the tariffs for food ingredients. In total, there are 51 specific tariff codes related to food ingredients

As part of the NAFTA agreement, those products which have reached zero tariffs and are no longer subject to import duties are the following:

Tariff Code	Food Ingredients
35.07.90.03	Enzymes: Pepsin, trypsin or quimotrypsin, invertase, bromelin
35.07.90.04	Lysosyme chloride
35.07.90.05	Pancreatin
35.07.90.06	Aspargilus orizae diatase
35.07.90.07	Cellulase; peptidase; fibrinuclease
5.07.90.08	Amylases; protease; mix of protease and amylase
35.07.90.09	Preparation of protelyptic enzymes obtained from the submerged fermentation of the "Subtilis Bacilus" or "Licheniformis Bacilus"
35.07.90.10	Preparation of peptolytic enzymes
35.07.90.11	Mix of trypsin or quimotrypsin including with ribonuclease

Product groups "A", "B", "C" and "D" will be duty-free on January 1, 2003. However, items in group "A" will be levied with a two percent ad-valorem duty during 2001, and a one percent duty during 2002. Items in group "B" will be assessed with a three percent ad-valorem duty during 2001 and a one and a half percent duty during 2002. Products in group "C" will be levied a four percent ad-valorem duty in 2001 and a two percent in duty 2002. Finally, items in group "D" will be assessed with a 107 percent ad-valorem duty or US\$0.353, per kilogram, in 2001 and a 53.5 percent ad-valorem duty or US\$0.176, per kilogram, whichever is higher in 2002.

Group A

04.04.10.01	Whey, whether or not modified, including concentrated or with sugar or other sweeteners concentrated or containing added sugar or other sweetening matter.
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15.02.00.01	Fats of bovine animals; sheep or goats, raw or rendered, whether or not pressed or solvent extracted
17.02.10.01	Lactose, except 1702.10.02
17.02.10.02	Lactose in raw state, with a nitrogen content not above 4 percent
21.06.10.01	Concentrates of soy sauce
21.06.90.04	Food preparations based on pulverized beef heart, sesame oil, tapioca starch, sugar, vitamins and minerals

Group B

11.08.11.01	Wheat starch
11.08.12.01	Corn starch
11.08.13.01	Potato starch
11.08.14.01	Cassava starch
11.08.19.01	Sago starch
11.08.19.99	Other starches
11.08.20.01	Inulin
17.02.10.99	Other lactose
17.02.20.01	Maple sugar and maple syrup
17.02.30.01	Glucose and glucose syrup, with a content of 20 percent of fructose or less
17.02.30.99	Other glucose
17.02.40.01	Glucose and glucose syrup, with a content of 20 percent of fructose or more
17.02.40.99	Other Glucose
17.02.50.01	Chemically pure fructose
17.02.60.01	Other fructose and fructose syrups with a fructose content above 50 percent
17.02.90.99	Other sugars
21.06.10.02	Milk protein derivatives
21.06.10.03	Food preparations used for making bread, pastry, cookies, chocolates and similar products
21.06.10.99	Other food preparations
21.06.90.01	Powders for the preparation of puddings and gelatins for diabetics
21.06.90.02	Food preparations used for making bread, pastry, cookies, chocolates and similar products
21.06.90.03	Yeast
21.06.90.06	Juice concentrates of a single fruit or vegetable enriched with minerals or vitamins
21.06.90.07	Mixture of fruit or vegetable concentrates enriched with minerals or vitamins
21.06.90.08	With a content of solid lacteous above 10 percent
21.06.90.09	Egg based food preparations
21.06.90.99	Other food preparations
35.07.90.02	Papain
35.07.90.99	Other enzymes

Group C

04.04.90.99	Others
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21.03.90.99	Other sauces and preparations
21.03.10.01	Soy Sauce
21.03.20.99	Other ketchup

Grupo D

15.01.00.01	Lard, other pig fat and poultry fat, rendered, whether or not pressed or solvent extracted
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The following products will reach zero duties as of January 1, 2008:

17.02.90.01	Refined liquid sugar and invert sugar-
21.06.90.05	Aromatized syrups or with colorants

Mexico also has a fifteen percent value-added tax (VAT, or IVA in Spanish) which is only applied to processed foods and not basic food products. Mexican Customs collect the VAT on foreign transactions upon entry of the merchandise into the country. The following example illustrates how these duties are calculated as compared to a locally produced item.

	<u>Imported Products</u>	<u>Domestic Products</u>
F.O.B. Invoice value	\$100.00	\$100.00
Ad-Valorem duty (6 percent)	<u>6.00</u>	<u>N.A.</u>
Sub-total	\$106.00	\$100.00
Value-added tax (15 percent)	<u>15.90</u>	<u>15.00</u>
Total	<u>\$121.90</u>	<u>\$115.00</u>

Customs brokers use this total figure to calculate their fees, which are usually 0.5 percent, plus any storage and handling fees.

The basic Mexican import document is the Pedimento de Importacion (Importation Request), which should be presented to Mexican Customs together with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notification or the NOM certification. Mexican quality standards are designated as Normas Oficiales Mexicanas –NOMs (Mexican Official Norms). The government has been the primary actor in determining product standards, labeling and certification policy, with some input from the private sector and, to a lesser extent, from consumers. These are mandatory technical regulations and are government mandated. If there is a mandatory product standard in force for an specific product, then all domestic, as well as imported goods, must comply with the applicable NOM.

Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. This form is available from the US Customs Service, freight forwarders, local US chambers or state departments of agriculture and does not have to be validated or formalized and is filled out by the manufacturer. Mexican Customs Law are 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.

Sanitary Requirements

Under NAFTA, Mexican imports of food ingredients do not require import permits. However, the Ministry of Health (Secretaria de Salud) requires that some food ingredient products have to secure an "Import Sanitary Notification" (Aviso de Importacion) and for others an "Sanitary Authorization Prior Importation (Autorizacion Sanitaria Previa de Importacion) to obtain NOM certification. This requirement is stated in the "Decree that establishes the classification and codification of merchandise and products that prior to importing, exporting, internment or exit are subject to sanitary regulation," (Acuerdo que establece la clasificacion y codificacion de mercancias y productos cuya importacion, exportacion, internacion o salida esta sujeta a regulacion sanitaria por parte de la SS,) published on January 21, 1998 in the Official Gazette (Diario Oficial).

The import sanitary notification is a free-style letter, written in Spanish on the company's letterhead, that must contain the following information: name of product; trade brand; specific quantity; name and address of producer; name and address of importer; port of entry and import tariffs numbers. This document should be addressed to the Secretaria de Salud; Direccion General de Calidad Sanitaria de Bienes y Servicios and presented at the port of entry to the Mexican Customs Officials, since the Health Ministry does not have personnel at border points.

In order to secure a prior sanitary authorization for importation, the interested importer must present the following documents: notification of incorporation of the company; a completed form of "Application for a Sanitary Authorization Prior Importation," an original label in Spanish, an invoice with a receipt of payment of fees for this form (original and two copies, and which as of April 2001 had a cost of \$1,105 pesos) and an original sanitary statement. The sanitary statement must come from the exporting country's respective sanitary authorities, or a FDA-certified laboratory declaring that the products, identified by production lot, are safe and fit for human consumption; indicating their physical-chemical analysis; microbiological analysis; and if applicable, specific analysis; country of origin and expiration date, by lot.

The following documents are all obligatory components of the sanitary statement: free sale certificate, a document which is issued by a FDA-certified laboratory that declares that the product fulfills all the legal dispositions and is used and sold freely without any restrictions in the country of origin; certificate of origin, a document issued in the country or origin and specified by lot that states the geographical origin of the product to be imported; physical-chemical analysis which is conducted in the country of origin by the manufacturer or a FDA-certified laboratory which identifies the product's representative values, presented on the company's letterhead with name and signature of the responsible chemist and valid by lot; microbiological analysis, which is a determination of pathogenic and non-pathogenic microorganisms, conducted in the country of origin, by the manufacturer or a FDA-certified laboratory, presented on the company's letterhead with name and signature of the chemist responsible and valid by lot, or finally, a quantitative composition formula can also be presented in the case of products which are imported into Mexico for the first time or when this formula has been changed. This requisite will always be included for products with food supplements.

After the application has been submitted, the Secretariat of Health will take five days to return the results.

If the importer's application is not rejected, then one of two things will happen: The first possibility is that the imported products are selected, from a random sample of the applications, for an on site analysis. In this case, the importer receives a temporary import permit and he/she must subsequently comply with the product inspection/analysis. The importer must inform the Ministry of Health office that the product is in Mexico so they can visit their installations and conduct their analysis. The importer is notified of the on site analysis, five days after the initial submission for the sanitary authorization for importing, before the products are actually imported. The Secretariat of Health will charge a fee of \$815 pesos for this sampling.

In the second case, the sanitary authorization for importing is granted without a sampling process and the importer may bring his products into Mexico. The Secretariat of Health does not have representatives at the border entry points, so these documents will be handed to the Customs Official. All of these procedures, including the review of the sanitary approval and sampling process, are paid for by presenting two copies of a standard No. 5 form of the Sistema de Administracion Tributaria(SAT), at any bank. The importer must also present three copies of the SAT form 5 to the Ministry of Health.

The food ingredients covered by the "Import Sanitary Notification" requisite are:

1108.1101	Wheat starch
1108.1201	Corn starch
1108.1301	Potato starch
1108.1401	Manioc starch
1108.1901	Sago starch
1108.1999	Others starches
1702.1999	Other lactose and lactose syrup
2102.1001	Active yeasts
2102.3001	Prepared baking powders
2103.1001	Soy sauce
2103.2099	Tomato ketchup and other tomato sauces
2103.9099	Other tomato sauces
2106.1003	Protein concentrates and textured protein substances
2106.9004	Other protein concentrates and textured protein substances
2106.9005	Aromatized syrup

The food ingredients covered by the "Sanitary Authorization Prior to Importation" requisite are the following:

0404.10	Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter
0404.1099	Other modified whey
0404.9099	Other whey
1702.19	Lactose
2106.1001	Protein concentrates and textured protein substances from soy
2106.1002	Protein concentrates and textured protein substances from milk protein derivable products

2106.9001	Powder for cakes and jellies for diabetics
3507.9001	Hyalurodinase
3507.9002	Papain
3507.9003	Enzymes: pepsin, trypsin or quimotrypsin, invertase, bromelin
3507.9099	Other enzymes

Labeling

Food ingredients are also subject to a NOM labeling requirement. The principal and specific NOM for labeling is NOM-051-SCFI-1994, published in the Diario Oficial (Official Gazette) on January 24, 1996. This Mexican standard applies to food ingredients, both from local production and foreign sources. The general requisites of this NOM specify that labels must contain the following information in Spanish: name of product; list of ingredients clearly specified; net content; name and fiscal address of importer; country of origin; production lot and expiration date. Information on nutritional values is voluntary and only becomes obligatory when these values are enhanced either in a quantitative or qualitative form.

For additional information on NOMS on labeling, interested exporters can 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). The Mexican Government has issued 900 NOMS in total since its conception in 1992, of which 76 are for food products.

To obtain a NOM certification, the Mexican manufacturer/importer must send samples to a Mexico-based test laboratory accredited by the General Office of Standards of the Ministry of Economy, formerly the Secretaria de Comercio y Fomento Industrial -SECOFI. The Mexican Health Ministry has an address in the Internet [Http://ww.ssa.gob.mx/nom/index.html](http://ww.ssa.gob.mx/nom/index.html) where more information on these NOMs can be obtained.

5. WHO BUYS IMPORTED PRODUCTS IN MEXICO

The most important Mexican buyers of imported food ingredients are the retail and foodservice sectors.

Retail

There are approximately 3,638 retail stores in Mexico. This figure includes outlets for the major retail chains, government and convenience stores. The Mexican retail market was characterized by moderate sales growth and strong competition during 2000. Total-store sales were 10.0 percent higher than sales in 1999 and 3.0 percent higher than sales in 1999 as measured by a same-stores index.

The sector's retailers invested approximately \$1.8 billion in 2000 in order to establish distribution centers, new outlets and increase floor space. Although there is no official estimate currently available for 2001, industry sources estimate that investments will be around US \$1.1 to US \$1.3 billion. For example, Wal-Mex will invest around US \$526.3 million for three distribution centers, 62 new units and for revamping 45 stores during the next 18 months. Soriana plans to invest US \$200 million to open 10 new stores; Gigante is also investing US \$147.4 million to open 62 new

stores, of which forty will be under the new format of “Superprices,” which target consumers in lower-income brackets. Comercial Mexicana will open a new distribution center, 10 new stores and eight new restaurants during 2001 with an investment of US \$147.4 million. For 2002, Comercial Mexicana will inaugurate 16 new outlets and 10 new restaurants, with an investment of US \$157.9 million.

Original sales estimates for 2001 (same-store sales growth) are expected to reach 1.8-2.2 percent, and 7.3 percent in total-store sales as compared to 1999. However, during the first five months of 2001, the strength of the peso and low interest rates, contributed in generating better-than-expected sales results. The Wal-Mex group increased total-store sales by 15.5 percent over the first five months of the previous year. Comparing same store sales, this increase was six percent over the same period in 2000.

Foodservice

Mexico has a rapidly growing food service sector. The most important segments for US suppliers of food ingredients are: 1) hotels; 2) upscale restaurants and restaurant chains, and 3) fast food chains. The major five-star hotels and upscale restaurants are concentrated in Mexico City, Guadalajara, Monterrey and the beach/resort areas. These establishments are collectively big buyers of imported food products and they purchase individually through Mexican wholesalers specializing in this sector. Following is a summary of these subsectors.

Hotel Sector

In 2000, the Mexican hotel industry had 9,650 registered establishments with almost 420,000 hotel rooms and generating approximately 209,500 jobs. Most of the leading international hotel chains actively doing business in Mexico include Hyatt, ITT Sheraton, Westin, Howard Johnson, Four Seasons, Marriot, Nikko, Mission, Best Western, Calinda, Presidente Inter-Continental, and Quinta Real, among others. The principal hotel chain is Grupo Posada, operator of the Fiesta Inn (with hotels in 12 cities) and Fiesta Americana hotels (13). In the top 500 companies in Mexico, 20 hotel companies are listed. The Asociacion Mexicana de Hoteles y Moteles (Mexican Association of Hotels and Motels) is the principal trade association for the sector.

The Mexican restaurant industry is made up of 183,782 establishments that generate 525,000 direct positions and 408,877 indirect jobs, representing 1.9 percent of total employment in Mexico and contributing with three percent to Mexico's GDP. Mexico City has the largest concentration of restaurants with approximately 31,000 establishments (of which 2,500 are international tourism quality), and employing 293,000 persons. Restaurants are an important sector for generating foreign currency income since 30 percent of tourist's total expenses are for food. The trade association that represents this sector is the Camara Nacional de la Industria de Restaurantes y Alimentos Condimentados-CANIRAC (National Chamber of the Restaurant and Condimented Food Industry). Some of the most important restaurant chains in Mexico are: Sanborn's, VIPS, Lynis, Anderson's, Wings, Denny's, Tok's, Woolworth, and Sushi-Ito, among others.

One of the most dynamic segments of this market is the fast-food sector. The segments in the fast-food market are hamburgers, with a 37 percent market share; pizza, 24 percent; chicken, 30 percent; and others with nine percent. The pizza segment is the third largest and one of fastest growing segments. During 1999, there were approximately 750 pizzerias; this number is growing at a rate of

22 percent, annually. The Domino's franchise is the largest in Mexico, with approximately 440 restaurants, followed by Pizza Hut with 270 outlets, Benedetti's with 58 locales and Telepizza with 36 restaurants. Approximately 70 percent (or about 69 million persons) of Mexican consumers are regular pizza eaters. Refried beans, sauces and other bean dishes also have the potential to be included in fast food meals.

6. DISTRIBUTION OF PRODUCT IN MEXICO

US firms wishing to penetrate the Mexican market must have a locally based distributor/representative in order to operate and to establish a successful business relationship with domestic buyers. For the majority of small and medium sized US food companies, it is probably best to tap into a preexisting distribution network, either that of a distribution company or a Mexican food processor.

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

In Mexico, trucks are the most reliable method of delivery for food ingredients, accounting for approximately 60 percent of cargo volume. Rail and maritime shipping is more widely used for bulk commodities, and airfreight is only used for highly perishable items. Trucking companies cannot bring merchandise directly from the United States to Mexico. A US 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 an established business relationship with Mexican carriers. Mexican trucking companies generally determine their fees by mileage or distance, weight and type of merchandise.

Practically all transport companies and 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 any complaints that might have been filed against them. 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 ten percent. The ability to ship by truck to Mexico gives the United States an advantage in shipping costs over third-country competitors. The main Mexican highways run north to south.

Warehousing costs vary depending on the space required and any specific product needs, such as refrigeration. Warehousing fees follow general market trends of supply and demand; however, it is advisable to compare prices, facilities and reputation, and negotiate before contracting. The three most important industrial centers are located in Mexico City, where average warehouse rental fees are around US \$3.90, per m², per month; US \$3.00 per m², per month in the Guadalajara area, and approximately US \$5.80, per m², per month in Monterrey and surrounding areas. The Mexico City Metropolitan Area has six major industrial corridors (Iztacalco/Iztapalapa; Los Reyes/Tlahuac/Tlalpan; Naucalpan; Tlanepantla; Toluca/Lerma and Vallejo); Guadalajara has five (Guadalajara; El Salto; Periferico; Old Industrial and Belenes/San Juan Ocotlan) and Monterrey has five (Apodaca/Miguel Aleman; Santa

Catarina; San Nicolas; Guadalupe/La Silla and Escobedo). In other locations, average rental fees per m², per month are: Tijuana, US \$5.90; Puebla, US \$3.90; Queretaro, US \$3.40 and The State of Mexico, US \$2.70. In-bond storage facilities are a popular storage method used by exporters, at which duties are not paid on the items stored until they are released from the facility for distribution in the market. **NOTE:** 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 can be purchased from a private insurance company.

7. TRADE EVENTS AND SPECIALIZED PUBLICATIONS

Trade Events

There is no specific event in Mexico for food ingredients. However there are other trade shows that promote the food service, food processing and retail sectors.

- **“Expo Alimentos 2002”** is scheduled for late August-early September, 2002. This event is organized in Monterrey at the Cintermex Center. The show is managed by APEX; Contact: Lic. Anylyu Hernandez, Tel: (011)(52) 8369-6660; anypex@cintermex.com.mx This event is focused on the food processing sector, in general.
- **“REST-HOTEL ABASTUR 2002”** is scheduled for October 2-4, 2002 at the World Trade Center in Mexico City. This event is managed by REMEX; Contact: Vicente Verni, Manager; Tel: (011)5237-9984; 5237-9988; Fax: (011)(52) 5657 5926. This show targets the food service industry in Mexico. The Agricultural Trade Office (ATO) in Mexico will organize a US pavilion at REST-HOTEL ABASTUR 2002 to promote business contacts for US exporters with local distributors and buyers. American firms interested in participation should contact the ATO at: Tel: (011)(52) 5280-5291; Fax: (011) (52) 5281-6093; atomexico.@fas.usda.gov
- **"ANTAD"** is Mexico's largest retail exhibition which takes place every March in Guadalajara. This event is organized by the National Association of Retail and Department Stores (Asociacion Nacional de Tiendas de Autoservicio y Departamentales, A.C.-ANTAD), which can be contacted at Tel: (011)(52) 5580-1772; Fax: (011)(52) 5395-2610. The Agricultural Trade Office (ATO) in Mexico organizes a US pavilion at ANTAD to promote business contacts for US exporters with local distributors and buyers. American firms interested in participation should contact the ATO at: Tel: (011)(52) 5280-5291; Fax: (011)(52) 5281-6093; e-mail: atomexico.@fas.usda.gov Some of the leading business publications in Mexico are:
- **"Business Mexico,"** published monthly in English by the American Chamber of Commerce of Mexico-Tel: 011(52)5724-3800 ext. 3335; Fax: (011)(52)5703-2911, contact: Ms. Diane Hemelberg de Hernandez, Editor or Ms. Cristina Bustos, Advertising Dept.;
- **"MB,"** published monthly in English by Hemisphere Publishers Group Inc., contact: Ms. Lorena Jimenez, Advertising Director, Tel: (011)(52) 5540-7977 and Fax: (011)(52) 5202-8478.

8. KEY TRADE CONTACTS

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.

Government Offices, Trade Associations, and Chambers

US Embassy-Agricultural Trade Office-ATO, USDA

Jaime Balmes 8-201; Col. Los Morales Polanco

México 11510; México

Tel: (011)(52)5280-5291, 5281-6586; Fax: (011)(52)5281-6093

E-mail: atomexico.@fas.usda.gov

Contact: Chad R. Russell, Director

Office of the US Department of Agriculture assists US firms in the promotion and market development of their agricultural, fishery and forestry products in Mexico.

Secretaria de Salud (Health Secretariat)

Sanitary Qualification Office

Donceles 39-PB

México 06010, D.F.; México

<http://www.ssa.gob.mx/nom/index.html>

Contact: Dr. Jose Meljem Moctezuma, General Director for Goods and Services

Tel: (011)(52)5521-3050, 5525-9134; Fax: (011)(52)5521-3290

Contact: Berta Hernandez, Sanitary Information Director

Tel: (011)(52) 5518-2692; Fax: (011)(52)5521-3290

Contact: Georgina Cassini, Sanitary procedures Assistant Director,

Tel: (011)(52) 5518-2692; Fax: (011)(52) 5521-3290

Office of the Health Secretariat that regulates specific NOMS on health related issues.

Secretaria de Economía (formerly the Secretaria de Comercio y Fomento Industrial-SECOFI)

Dirección de Normas

(Formerly the Secretariat of Commerce and Industrial Promotion, Norms Office)

Puente de Tecamachalco 6; Lomas de Tecamachalco

Edo. México 53950; México

Tel: (011)(52)5729-9475 & 5729-9476; Fax: (011)(52)5729-9484 <http://www.secofi.gob.mx>

Contact: Lic. Carmen Quintanilla, Dirección de Normas

The Secretariat of Economy is charged with a wide range of duties including registration of all licensing agreements; granting import licenses and controlling foreign trade; general investment incentive policies; authorization for plant construction; regulating consumer product labeling and advertising; and official review for granting patents and trademarks. This office issues the norms on quality and labeling.

Secretaria de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentos-SAGARPA

Sanidad Vegetal

(Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food; Office of Vegetable Sanitation)

Guillermo Pérez V. 127; Coyoacan

México D.F. 04000; México

Tel: (011)(52) 5554-5147; <http://www.sagar.gob.mx>

Contact: Ing. José Juan Órnelas, Director

Secretaria de Economía (formerly the Secretariat of Comercio y Fomento Industrial-SECOFI)

Información Comercio Internacional

(Secretariat of Economy, formerly the Secretariat of Commerce and Industrial Promotion, Foreign Trade Information)

Alfonso Reyes 30-PB; Col. Hipódromo Condesa,

México 06710, D.F.; México

Tel: (011)(52)5229-6100-X3395 & 4949; <http://www.secofi.gob.mx>

Contact: Roció Ruiz Chávez, Director

Office of SECOFI that provides general information related to NAFTA.

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

Horacio 1855-6; Col. Polanco

México D.F. 11560

México

Tel: (011)(52)5580-1772, 5580-0641; Fax: (011)(52)5395-2610

www.antad.org.mx

Contact: Efren Casas

American Chamber of Commerce-AMCHAM

Lucerna 78 – 4

México 06600

México

Tel: (011)(52)5724-3800; Fax: (011)(52) 5703-2911

e-mail: chawkins@amchammex.com.mx

Contact: Christine Hawkins, Director, International Trade & Investment Consulting

A trade chamber that assists the leading American companies in Mexico with their business activities in Mexico.

Embassy of Mexico (in Washington D.C.)

Agricultural Counselor's Office

1911 Pennsylvania Ave., NW

Washington D.C. 20006

United States

Tel: (202) 7281-729; Fax: (202)728-1728

Retail Sector

Auchan S.A. de C.V.

Miguel Angel de Quevedo No. 443; Col. Romero de Terreros
04310 México, D.F.; México
Tel: (011)(52)5484-1900, 54841949; Fax: (011)(52)5422-0345
Contact: Srita. Alejandra Plata, Purchasing Assistant for General Groceries

Bodegas Gigante, S.A. de C.V.

Av. Ejercito Nacional 769-A
11520, México D.F.; México
Tel: (011)(52)5269-8251, 5269-8000; Fax: (011)(52)5269-8381
<http://www.telbip.com.mex>
Contact: Antonio Gonzalez, Purchasing Manager for Groceries

Bodegas de Comercial Mexicana

Av. López Mateos 201; Col. Sta Cruz Acatlan, Naucalpan
53140 Edo. de México; México
Tel: (011)(52)53717212; Fax: (011)(52)5371-7574, 5723-7495 acsanche@mail.comerci.com.mx
Contact: Srita. Ana Sánchez del Toro, Imports Purchaser

Cadena Comercial OXXO, S.A. de C.V.

Edison 1253 Norte; Col. Talleres
64480 Monterrey, N. L.; México
Tel: (011)(52)8389-2121; Fax: (011)(52)8333-7030
Contact: Sr Sergio Estrada, Purchasing Director

Carrefour-Grandes Superficies de México, S.A. de C.V.

Av. Pte. Mazarik 219-2; Col. Polanco
México D.F. 11579
México
Tel: (011)(52)5283-2900 ext. 2760; Fax: (011)(52)5283-2926, katia@carrefour.com.mx
Contact: Katia Gallardo, Imports Purchasing Manager

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

Carr. Int. Nte. Deportiva Km. 1434
Humaya
80020 Culiacán, Sinaloa, México
Tel: (011)(56)659-1000; Fax: (011)(56)750-5010
Contact: Sr. Martin Ayala, Imported Products Manager

Club Aurrera, S.A. de C.V. (Sam's Club)

Camino Antiguo San Mateo 2
Col. Anexo Coamilco
53240 México D.F.; México
Tel: (011)(52)5899-1200; Fax: (011)(52)5899-1243
Contact: Srita. Victoria Alvarez, Purchasing Manager for Imported Products

Gigante, S.A. de C.V.

Av. Ejercito Nacional 769-A

11520, México D.F.; México

Tel: (011)(52)5269-8251, 5269-8000; Fax: (011)(52)5269-8381

<http://www.telbip.com.mex>

Contact: Lic. Luis Landeros, Purchasing Manager for Sauces and Condiments

Nueva Wal Mart, S.A. de C.V.

Av. Ejercito Nacional 769-A

Col. Nueva Granada

11520 México D.F.

Tel: (011)(52)54200200 X5242; Fax: (011)(52)5420 0209

Contact: Srita. Victoria Alvarez, Purchasing Manager for Imported Products

Operadora de Comercial Mexicana

Av. López Mateos 201; Col. Sta Cruz Acatlan, Naucalpan

53140 Edo. de México; México

Tel: (011)(52)5371-7674, 57297400; Fax: (011)(52)5723-7574, 5723-7495

www.comercialmexicana.com.mex

Contact: Sr. Armando Mairén, Canned Products Purchaser

Organización Soriana, S.A. de C.V.

Alejandro de Rodas 3102-A; Cumbres Sector 8

64610 Monterrey, N.L.; México

Tel: (011)(52)8329-9000; Fax: (011)(52)8329-9180,

Contact: Sr. Mario García, Purchasing Director

Seven-Eleven México, S. A. de C.V.

Av. Munich 195-B; Col. Cuauhtemoc

66450 San. Nicolás de los Garza, Monterrey, N. L. ; México

Tel: (011)(52)8372-1572; Fax: (011)(52)8376-2171

Contact: Lic. Martha Gabriela Bonilla, Purchasing Manager

Lic. Eduardo Avila, Assistant Purchaser

Tiendas Chedraui, S.A. de C.V.

Priv. Antonio Chedraui Caram S/N; Encinal

91180 Xalapa, Veracruz; México

Tel: (011)(52)814-4700; Fax: (011)(52)814-4806

Contact: Sr. Luis Rojas, Purchaser

Comextra, S.A. de C.V. (Extra)

Av. Cuihtlahuac 116; Col. Lorenzo Bouturini

México, D.F. 15820; México

Tel: (011)(52) 5768-5050 x 104; Fax: (011)(52) 5764-4103

Contact: Srita. Pilar Corrales, Purchasing Manager

Distributors

Bodegas La Negrita

Lago Hielmar 78

México, D.F. 11320; México

Tel: (011)(52) 5203-9822; 5250-4855; Fax: (011)(52) 5203-9992

Contact: Lic. Sergio Salazar, Imported Products Buyer

Campbells's de México, S.A. de C.V.

Insurgentes Sur 670-2

México, D.F. 03100

México

Tel: (011)(52) 5448-5700, 5448-5734; Fax: (011)(52) 5448-5734

Contact: Ing. Enrique Hernández, Buyer

Comercializadora Kram, S.A. de C.V.

Doctora 41

México, D.F.; México

Tel: (011)(52) 55161744

México

Contact: Sr. Andrés Sevilla, General Buyer

Costco de México, S.A. de C.V.

Blvd. Magnocentro 4

Huixquilucan, Edo. de México 52760; México

Tel: (011)(52)52-465500; 5246-5582; Fax: (011)(52)5246-5589

Contact: Andrés Segura, Sauces and Ingredients Purchaser

www:costco.com.mx

Danone International Brands, S.A. de C.V.

Guillermo González Camarena 333

México D. F. 02300; México

Tels: (011)(52) 5258-7200, 5292-2590; Fax: (011)(52) 52922590

Contact: Nadejr Laval, Business Manager

E-mail: nlava@danomex.danone.com

Grandes Superficies, S.A. de C.V.

Av. Pte. Mazarik 219-2; Col. Polanco

México D. F. 11579; México

Tel: (011)(52)5283-2900 ext. 2760; Fax: (011)(52)5283-2926

Contact: Sr. Katia Gallardo, Import Purchasing Manager

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

Monte Elbruz 132-504

México, D.F. 11800; México

Tel: (011)(52) 5282-2672, 5280-5584; Fax: (011)(52) 5281-0442

Contact: Jesús Arroyo, Sales Director

Herdez, S.A. de C.V.

Monte Pelvoux 215

México, D. F. 11000; México

Tels: (011)(52) 5201-5600; 52015641; Fax: (011)(52)5201-5646

Contact: Lic. Enrique Lara, Buyer

J.F.C. de México, S.A. de C.V.

Av. Año de Juárez 160-B1

México D. F 09070

México

Tel: (011)(52) 5686-2233; Fax: (011)(52)5686-8868

La Puerta del Sol, S.A. de C.V.

Alambra 506

México, D. F. 03300, México

Tel: (011)(52) 5532-1552; 5512-5532-4344

Contact: Avelino Soberon, Manager

Productos de Maíz, S.A. de C.V.

Av. Rio Consulado 721

México D. F. 06430; México

Tel: (011)(52) 5325-0920; Fax: (011)(52) 5541-3845

Productos Quaker de México, S.A. de C.V.

Prolongación Av. Américas 1000-piso1

Guadalajara, Jal. 44620; México

Tels: (011)(52) 3 819-1900, Fax: (011)(52)3819-1903 (Guadalajara)

(011)(52)5686-9350; 5250-7068, Fax: (011)(52) 5557-8335 (México City)

Southwest International, S.A. de C.V.

Hidalgo 10

Zapopan, Jal. CP 45220; México

Tel: (011)(3)151-0823 & (011)(52)5677-8771

Contact: Sra. Ma. de Lourdes Medina de Torres, Buyer