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Mexico

Product Brief

Frozen Foods Market Brief

2003

Approved by:
Bruce Zanin
Agricultural Trade Office

Prepared by:
Alfredo Gayou - Pablo Orozco

Report Highlights:
Mexican consumption of processed frozen products increased from $58.5 million in 1999 to an estimatred $649.6 million in 2001. Local production is the main source of supply for domestic demand; however, the Mexican market for processed frozen foods holds great potential for US exporters. In 2001, US exports of processed frozen foods totaled $93.4 million, more than 80 percent of Mexico's total import market for these products.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico (MX)
[MX]

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SECTION I. MARKET OVERVIEW

The Mexican import market for processed frozen foods continues to expand in one of the fastest growing import markets in the world. The increasing per capita income in Mexico, consumers' recognition of U.S. products' high quality and value, and consumption trends toward more international tastes create very good entry opportunities for U.S. producers. The United States has an 80 percent share of the import market for processed frozen foods in Mexico. Domestic demand continues to grow; the market experienced an increase in average annual sales of 10 percent from 1999 to 2001. [1]

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

SECTION II. MARKET SECTOR OPPORTUNITIES AND CHALLENGES

a. Domestic Production

The Mexican frozen food processing sector is still relatively small; however, it is growing to meet the needs of a wealthier and larger middle class. The growing number of new companies, an increasing customer base and more cold storage space available for these products in retail stores indicate that the industry will continue to expand. Mexican production of frozen foods in dollar terms increased from an estimated $505.5 million in 1999 to approximately $578.5 million in 2001.

Table 1: Mexican Production of Frozen Processed Foods, 1999-2001
(U.S. Million Dollars)

	1999	2000	2001
Production	505.5	551.0	578.5

Source: Instituto Nacional de Estadística, Geografía e Informática-INEGI (National Institute of Statistics, Geography and Informatics)

The four leading processed frozen food producers in Mexico in order of importance are Grupo Ind. Bimbo, Nestle-Mexico, Sigma Alimentos and Corporativo Unilever.

b. Imports and Foreign Competition

Mexican consumers, especially the younger generation, are rapidly adapting to more international ways of life and purchasing imported items; of the approximately 100.4 million

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

Mexicans, a significant and growing share, approximately 22 percent, have the purchasing power and disposition to buy imported goods. Mexican imports of processed frozen foods increased from $84.9 million in 1999 to $115.7 million in 2001.

Table 2: Mexican Imports of Processed Frozen Foods, 1999-2001
(U.S. Million Dollars)

Import Code Numbers	1999	2000	2001
2004-Prepared Vegetables, Frozen	34.3	45.4	48.9
2009-1101-Frozen Orange Juice	0.4	0.5	0.6
2105-Ice Cream	23.4	19.1	24.2
1602-Other Prepared or Preserved Meat, Meat Offal or Blood	26.8	34.6	42.0
Total	**84.9**	**99.6**	**115.7**

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

U.S. Exports to Mexico

The value of U.S. exports of processed frozen foods to Mexico, based on Mexican statistical figures, increased from $66.1 million in 1999 to $84.1 million in 2000 and later to $93.4 million in 2001.

Table 3: U.S. Processed Frozen Food Exports to Mexico, 1999-2001
(U.S. Million Dollars)

Import Code Numbers	1999	2000	2001
20041001-Frozen potatoes	26.7	34.8	37.4
2004.9001-Antipasto	0	0	0
2004.9002-Beans	0	0	0
2004.9099-Other frozen vegetables	1.2	1.6	1.5
2009.1101-Frozen orange juice	0.4	0.5	0.2
2105.0001-Ice cream and other edible ice	12.7	14.2	15.2
1602.1001-Homogenized meat preparations	0	0.1	0.1
1602.1099-Other homogenized meat preparations	0	0	0
1602.2001-Homogenized preparations of liver of chicken and turkey	0	0	0
1602.2099-Other liver meat preparations	0	0	0
1602.3101-Meat preparations based on turkey	11.5	9.2	11.8
1602.3901-Others meat preparations	5.7	12.1	12.5
1602.3999-Other poultry preparations	0	0	0.2
1602.4101-Meat preparations based on swine ham	1.7	1.4	2.4
1602.4201-Meat preparations based on shoulder cuts from swine	0	0	0
1602.4901-Pig skin, cooked in pellets	1.0	3.0	3.0
1602.4999-Other swine meat preparations including mixtures	2.6	3.5	4.1
1602.5099-Other swine meat offal	2.6	3.7	5.2
Total	**66.1**	**84.1**	**93.4**

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

Official Mexican import statistics listed 22 other countries exporting processed frozen foods to Mexico during the 1999-2001 period. U.S. exporters are the leaders in this market with a market share of 78.7 percent in 1999, 84.4 percent in 2000, and 80.7 percent in 2001. Export sales, by principal countries, and their respective market shares are listed below.

Table 4: Mexican Imports of Processed Frozen Foods by Country, 1999-2001

(Million Dollars and Percentage)

COUNTRIES	1999	2000	2001
United States	66.1	84.1	93.4
Percentage Market Share	78.7	84.4	80.7
Canada	8.6	10.9	13.0
Percentage Market Share	10.2	11.0	11.2
Spain	4.1	0.7	2.9
Percentage Market Share	4.9	0.7	2.5
Chile	5.1	2.3	4.4
Percentage Market Share	6.1	2.3	3.8
Other	0.1	1.6	2.0
Percentage Market Share	0.1	1.6	1.8
Total	**84.0**	**99.6**	**115.7**

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

c. Domestic Consumption

Mexican consumption of processed frozen food increased from $528.5 million in 1999 to an estimated $649.6 million in 2001.

d. Market Structure

The principal channel for processed frozen food sales in Mexico is the retail market, with most products being sold through supermarkets and convenience store chains, as well as through wholesalers in central markets (*centrales de abasto*) to mom & pop and corner grocery stores.[2]

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

Chinese Food:
- Chung's Gourmet Food

French Fries:
- Interstate Potato Packers
- T.J. Farms
- Ore-Lda Foods Inc.
- La Plaza
- ConAgra

Frozen Meals:
- ConAgra Frozen Foods

Frozen Pastries and Breakfast Products:
- Sara Lee
- Pillsbury
- McCain
- Continental Mills
- Kellogg's
- Tofutti Brands
- Pepperidge Farm Inc.
- Kahn's

Seafood:
- Higher Liner Foods Inc.

Dairy Products:
- Fieldcrest
- Hygeia
- Dean Foods
- Kraft Foods Int. Inc.

Kosher Products:
- Best Kosher Foods Corp.
- Sinai Kosher
- Empire Kosher

Pizzas:
- Pizza Ent. Inc.
- K.W. Foods

Poultry and Poultry Products:
- Maple Leaf Farms Inc.
- Sunday House Foods Inc.
- Tyson

Red Meats:
- Hillshire Farm
- Oscar Mayer

Vegetables:
- Green Giant

[2] For a detailed study of the Mexican retail market see report MX1080 on FAS-USDA site: http://www.fas.usda.gov/scriptsw/attacherep/default.asp

SECTION III. ENTRY STRATEGY

a. Business Culture

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

- *Business is generally conducted in Spanish.* Though many educated Mexicans speak English, many professional business people (potential key contacts) do not. Assume business and communication will be conducted in Spanish and have a translator, or better yet, a person working for you that speaks Spanish.

- *Personal face-to-face communication is critical.* Personal contact with buyers is essential to initiate business relations in Mexico; a fax or an email is not considered reliable or appropriate for initial communication and will often be completely ignored. A business that is serious about sales will need to visit the market in person to explore the opportunities for their product and develop personal contacts. Follow-up by email or fax is appropriate, but having an in-country representative or making periodic personal visits is also important.

- *Importers/distributors are a key component to export sales in Mexico.* Finding a good importer/distributor in Mexico is a critical part of success in exporting to Mexico. A good distributor should promote sales and make sure that the imported products are available at points of sale. Importers/distributors serve as a link to buyers and in-country representatives, have the expertise to handle complicated regulations and can trouble-shoot problems that imports can face at the border. Avoiding these key links in the distribution process to save money will almost always result in a loss of resources.

b. Trade Services Available and Events

U.S. firms should consider using a variety of marketing tools to effectively distribute their products in Mexico. These promotional activities could include:

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

The Agricultural Trade Offices in Mexico, Mexico City and Monterrey, provide services to help you access the market. In addition to sponsoring U.S. Pavilions (see below) the office can provide information about local distributors and contacts, and can arrange services from a contractor who can set up individual in-country meetings for you for a fee. These contractors, referred to as Ag Aides, can provide a link to distributors and retailers of processed frozen foods in Mexico. For more information on available services, or to connect with our Ag Aides, please contact our office in Mexico City or Monterrey. (See contact information in Section V.)

Trade Events

Abastur Rest-Hotel 2003
When: October 1-3, 2003
Where: Banamex Convention Center**,** Mexico City
Contact: Vicente Verni, Remex
Tel: (011-5255) 5237-9939, 5237-9984, 5237-9988; **Fax**: (011-5255) 5657-5926
Email: vverni@remex-cie.com, info@remex-cie.com
Show Type: One of the most important hotel, restaurant and hospitality international shows Latin America with more than 18,000 participants

ANTAD 2004
When: March 12-14, 2004
Where: Expo Guadalajara Convention Center, Guadalajara, Mexico
Contact: Carlos Zertuche, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-5255) 5280-5291; **Fax:** (011-5255) 5281-6093
Email: carlos.zertuche@usda.gov
Show Type: Mexico's largest retail and supermarket show

Alimentaria 2004
When: June 2-4, 2004
Where: Banamex Convention Center**,** Mexico City
Contact: Rosa Maria Rivera, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-5255) 5280-5291; **Fax:** (011-5255) 5281-6093
Email: rosa.rivera@usda.gov
Show Type: One of the most important international food and beverage shows in Mexico

Exphotel 2004
When: June 9-11
Where: Cancun Convention Center, Cancun Quintana Roo, Mexico
Contact: Lourdes Guzman, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-5255) 5280-5291; **Fax:** (011-5255) 5281-6093
Email: lourdes.guzman@usda.gov
Show Type: Largest international hotel and restaurant industry show in Mexico's East Coast and in one of the most important tourist destinations in Mexico

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

- **"Cadenas,"** a monthly directed to the Managers and Directors of the retail trade; published by Editorial Multicolor, contact: Javier Ortiz Camorlinga, General Manager, Tel: (011- 5255) 5545-6960; Fax: (011-5255) 5250-8824
- **"Business Mexico,"** published monthly in English by the American Chamber of Commerce of Mexico-Tel: (011-5255) 5724-3800 ext. 3335, Fax: (011-5255) 5703-2911, contact: Diane Hemelberg de Hernandez, Editor or Cristina Bustos, Advertising Dept.
- **"MB,"** published monthly in English by Hemisphere Publishers Group Inc., contact: Lorena Jimenez, Advertising Director, Tel: (011-5255) 5540-7977 and Fax: (011-5255) 5202-8478.

- **"El Asesor,"** a business weekly for Mexico City and Monterrey published in Spanish published by Crain Communications, S. de R.L. de C.V., contact: Sales Dept., Tel: (011-5255) 5563-0341 X103 and Fax: (011-5255) 5611-3829

SECTION IV. IMPORT REQUIREMENTS[3]

a. Tariffs and Taxes

All import tariffs for the following processed frozen food products have reached zero on January 1, 2003: [4]

2004.9001-Antipasto
2004.9002-Beans
2105.0001-Ice cream and other edible ices
1602.1001-Homogenized meat preparations
1602.1099-Other homogenized meat preparations
1602.2001-Homogenized preparations of liver of chicken and turkey
1602.2099-Other liver meat preparations
1602.3101-Meat preparations based on turkey
1602.3201-Others
1602.3999-Other poultry preparations
1602.4101-Meat preparations based on swine ham
1602.4201-Meat preparations based on shoulder cuts from swine
1602.4901-Pig skin, cooked in pellets
1602.4999-Other swine meat preparations including mixtures
1602.5099-Other swine meat offal
2004.1001-Frozen potatoes
2004.9099-Other frozen vegetables

Frozen orange juice (import code number 2009.1101) is levied 6.29 U.S. cents tax per liter, from 1999-2004; 4.71 U.S. cents, per liter, from 2004-2005; 3.14 U.S. cents, per liter, from 2005-2006; 1.57 U.S. cents, per liter, from 2006-2008; and will reach zero duties January 1, 2008. Frozen orange juice is subject to annual quotas with slightly lower in-quota duties. Imports within the annual fixed quota of 734,670 liters are levied a 10 percent duty, or 4.625 U.S. cents per liter, which ever is lower. Imports above the quotas are levied a 20 percent duty per liter, as described above, reaching zero duties January 1, 2008.

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

b. Import and Health Certificates and Non-Tariff Requirements

Under NAFTA, Mexican imports of frozen processed foods do not require special import permits. However, processed frozen food imports require a written sanitary import notice (Aviso Sanitario de Importación). This is a free-style letter, written in Spanish, which must include:

- Name of product
- Trade brand
- Specific quantity
- Name and address of producer
- Name and address of importer
- Port of entry
- Import tariff numbers

[3] For a detailed study of Mexican Regulations for Exporting/Border Crossing, the Mexico Exporter Guide and Guide to Service Providers in Mexico see reports MX1205, MX2137 and MX2121 on FAS-USDA site: http://www.fas.usda.gov/scriptsw/attacherep/default.asp.
[4] For a full report see Mexico's NAFTA Tariff Schedule for 2003, MX3011.

This document, written in the company's letterhead, must be addressed to the Secretaria de Salud; Dirección General de Calidad Sanitaria de Bienes y Servicios (Ministry of Health; General Directorate of Quality Health of Goods and Services) and presented at the port of entry. Also required are the invoice, airway bill and a Sanitary Statement (Constancia Sanitaria). The sanitary statement must come from the exporting country's respective sanitary authorities, or an FDA-certified laboratory, declaring that the products are safe and fit for human consumption; the statement must indicate products' physical-chemical analysis, microbiological analysis, country of origin and expiration date.

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

c. Labeling

Imported products to be sold at retail must be labeled according to Mexican government specifications. Labeling is subject to a national regulatory requirement termed a "NOM." The principal NOM for processed frozen food labeling, both from local production and foreign sources, is NOM-051-SCFI-1994 . Some U.S. suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product prior to entering the country. All the information on the label must be in Spanish and must include the following data: [5]

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

d. Cargo Unloading, Transport and Storage Fees

Cargo unloading fees vary depending on the weight, number of pieces, type of merchandise and location. These fees are usually charged according to pre-established tables. However, whenever possible, shippers should compare prices between service providers. In general, cargo-unloading fees in Mexico are slightly higher than those in the United States for comparable services.

Trucks are the most reliable method of delivery within Mexico, accounting for approximately 60 percent of cargo volume. Trucking companies cannot bring merchandise directly from the

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

United States to Mexico. A U.S. trucking company drives the shipment to the border and transfers its trailer to a Mexican rig. The best way to ship by truck is to use an internationally bonded carrier that has relationships with Mexican carriers. Mexican trucking companies generally determine their fees by mileage or distance, weight and type of merchandise. Practically all transport companies/freight forwarders offer a basic insurance plan which covers transport and handling of cargo. When selecting a transporter it is recommended to check their claim history and complaints they might have received. While shippers will find that truck transportation is more expensive than "Container in Flat Car" (COFC) or "Trailer Flat Car" (TOFC), in general, transport fees are lower in Mexico by as much as 10 percent.

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

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office, México City, México
Bruce Zanin, Director
Jaime Balmes No. 8-201
Col. Los Morales Polanco
11510 México, DF
Tel: (011-5255) 5280-5291
Fax: (011-5255)-5281-6093
E-mail: atomexico@usda.gov
http://www.fas-la.com/mexico

U.S. Agricultural Trade Office, Monterrey, México
Jeanne Bailey, Director
Oficinas en el Parque Torrell
Blvd. Díaz Ordaz No. 140, Piso 7
Col. Santa María
64650 Monterrey, Nuevo León
Tel: (011-5281) 8333-5289
Fax: (011-5281) 8333-1248
E-mail: atomonterrey@usda.gov

Asociación Nacional de Tiendas de Autoservicio y Departamentales-ANTAD (National Association of Retail and Department Stores)
Horacio 1855-6; Col. Polanco
11560 México, D.F.
Tel: (011-5255) 5580-1772, 5580-0641
Fax (011-5255) 5395-2610
Contact: Rogelio Rodríguez Morales
E-mail: rrodriguez@antad.org.mx
www.antad.org.mx