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Mexico

Product Brief

The Mexican Market for Beef & Beef Products 2005

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Report Highlights: Currently, Mexico is the largest market for US beef and beef variety meat exports. The Mexican market was opened in March, 2004 to US beef muscle meat products derived from animals under 30 months old, after a three-month ban due to the spongiform encephalopathy (BSE) case in the United States in December, 2003.

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SECTION 1. MARKET OVERVIEW

Market conditions and high prices in 2004 enticed cattle breeders to export live cattle. Therefore, Mexican beef production is forecast to decrease to 2 million MT through the end of 2005. Mexico still bans head meat, bone-in cuts, and all meat from animals older than 30 months of age due to BSE. Countries supplying beef to Mexico include New Zealand, Australia and Nicaragua.

Supply of Meat, Beef and Veal. (K Metric Tons)

Country:	Mexico		
	2004	2005	2006
Production	2090	2150	2175
Imports	287	320	350
Total Supply	2386	2470	2525
Exports	7	25	30
Consumption	2366	2450	2505
Total Distribution	2386	2470	2525

Source: GAIN report MX5077

Advantages	Challenges
Zero tariffs and no quota restrictions for most US beef and variety meat imports. WTO tariffs 10-25 %	Prices of US products are more expensive than domestic goods.
Lower transportation costs compared to foreign competitors	Higher production costs than some of the main US foreign competitors (New Zealand, Uruguay and Argentina)
Mexican consumers recognize US brands and labels and associate US products with high quality and value	Mexico continues to explore individual product by product measures on a few sensitive items to protect the domestic industry, such as considering safeguard and anti-dumping cases
The US has a strong reputation for consistency in the quality and supply of US products among retail chains, hotels and restaurants.	Increasing competition from Mexican food processing companies
The major retailers are developing more sophisticated distribution systems, which will provide more space and better cold chain technology for high-value imports	Mexican consumers are very price conscious, and imported US processed products are, in many cases, 15-40 percent higher in price
Population in urban centers is growing and the rate of employment among women continues to grow	Imported products are subject to Mexican quality standards (NOMs) and labeling requirements
	Mexico has signed 10 trade agreements in the last decade covering 60 percent of the world's GDP, including Europe; thus increasing third country competition

SECTION 11. MARKET SECTOR OPPORTUNITIES AND CHALLENGES

Currently, Mexico is the largest market for US beef and beef variety meat exports. The Mexican market was opened in March, 2004 to US beef muscle meat products derived from animals under 30 months old, after a three-month ban due to the brain spongiform encephalopathy (BSE) case in the United States in December, 2003. Since then, a variety of meat products have also been allowed to enter the market. The most common exported cuts are gooseneck round, clod, inside round and tripe.

The principal buyers of beef and beef products in Mexico are retailers, hotels and the restaurant sectors. A brief description of these activities are as follows:

Retail Sector

The retail sector is the most significant distributor of beef and beef products in Mexico. The formal part of this sector is represented by the large retail chains and convenience stores, which for the most part, are well organized. They use modern retailing and marketing techniques, face fierce domestic competition, and represent around 60 to 70 percent of total retail sales in Mexico.

Hotel Sector

The hotel sector contributes 1.5 percent of Mexican GDP and account for 30 percent of the GDP of the tourism sector. Most of the leading international hotel chains are actively doing business in Mexico such as: Hyatt, ITT Sheraton, Westin, Howard Johnson, Four Seasons, Marriott, Nikko, Mission, Best Western, Calinda, Presidente, Quinta Real. The Special Class, Grand Tourism, Five Star and Four Star hotels cater to international and wealthy local tourists. These hotels are the prime buyers of imported beef products. Like most high-level hotels, Five Star hotels purchase their products from specialized companies and, in some cases, directly from the packer. However, they also deal with large central wholesale markets.

Restaurant Sector

The Mexican restaurant industry is made up of 225,000 establishments representing 1.9 percent of total employment in Mexico and contributing 2.3 percent to Mexico's GDP. The top five percent of the restaurants in Mexico, chains and luxury establishments, represents 45.1 percent of sales and 56 percent of employment in the sector. These are the companies considered to be of "international tourism quality" with excellent cuisine, promotional campaigns and usually with 30 or more employees. Mexico City has the largest concentration of restaurants with approximately 31,000 establishments of which 2,500 are international tourism quality. Restaurants are an important sector for generating foreign currency income, and it is estimated that 30 percent of tourist's total expenses are for food.

Some restaurants, particularly chains like Sanborn's, TOKs and VIPS have central purchasing departments. This unit selects suppliers through a competitive bidding process in which the quality-price-service relationship is carefully analyzed. The different sections of the chain send their requests to the purchasing department, which then secures the needed products. The chef or a purchasing employee at individual restaurants is responsible for selecting and buying what they need.

Purchases are regularly done from a selected butcher who specializes in catering to the sector.

1.- Entry Strategy

The best way to understand the Mexican market is to visit the marketplace and to talk to buyers, retailers, distributors and other players in order to prepare a more effective entry strategy. US 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. In addition, the US Meat Export Federation (USMEF) has offices in Monterrey, Mexico that can assist exporters.

US exporters should consider contacting local distributors/importers as an important early step in their efforts to establish themselves in the Mexican market. A good distributor should promote sales and make sure that the imported products are available at points of sale. It is essential to maintain close contact with your representative, especially regarding changes in import procedures and documentation.

An affordable way to investigate the market is to participate in and/or attend Mexican trade shows, particularly US Pavilions organized at selected shows. These shows 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. If possible, develop product information/promotional pamphlets in Spanish.

More information is available on specific import regulations in the GAINS report number MX1205 includes information on the processes and procedures for exporting products across the US-Mexican border. Furthermore, the US Agricultural Trade Offices (ATO) of the US Embassy with offices in Mexico City and Monterrey can provide general market and sector specific information, as well as assist US exporters in identifying trade contacts and developing their marketing strategies in Mexico.

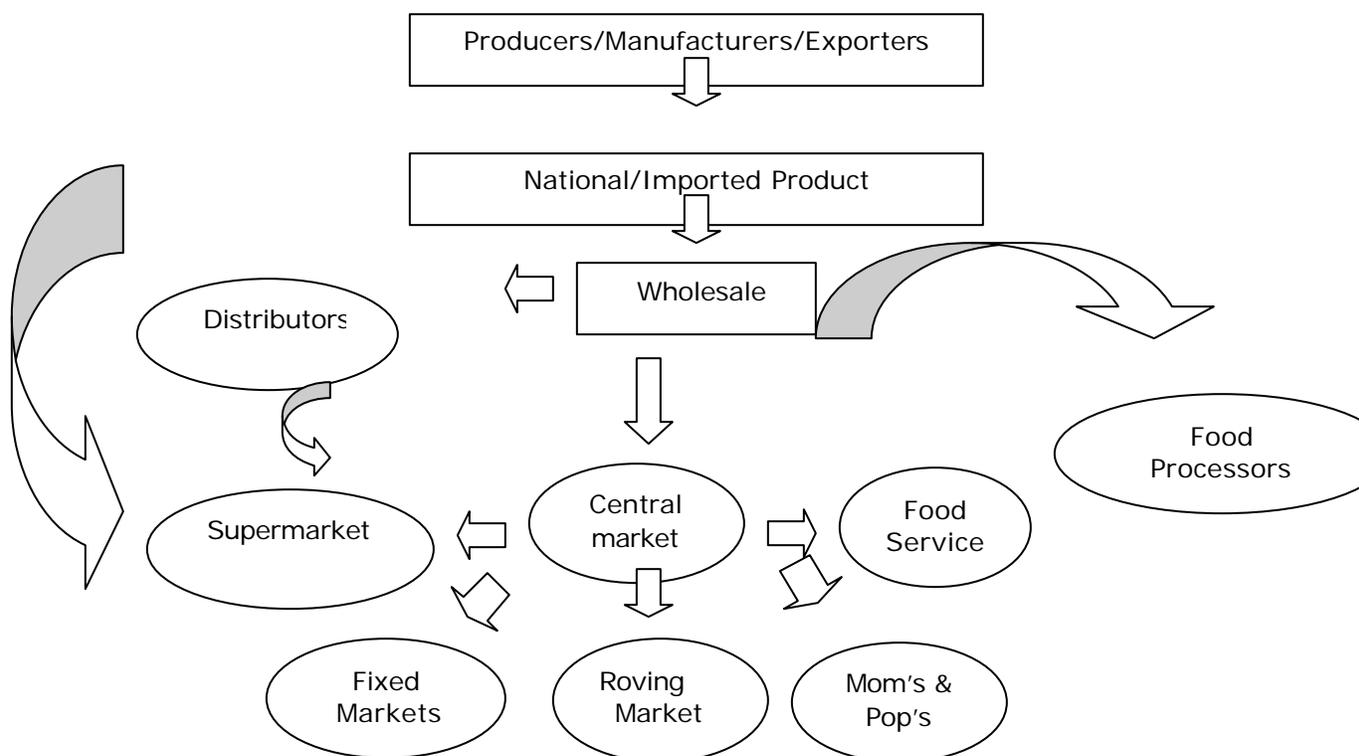
2.- Market Size, Structure, Trends

Beef production in Mexico is insufficient to satisfy domestic demand. There is a large export market for Mexican calves to the US for fattening and slaughter – 1.4 million calves in 2004. In addition, Mexico exported about 28 thousand metric tons of beef to Asia last year. But the deficit in beef consumption over production overshadows the export figures. That deficit was 287 thousand metric tons in 2004. The deficit is likely to grow this year as drought conditions have severely impacted one of the main producing regions in the central part of the country. Because of the drought-reduced production and the ongoing upward trend in consumption, FAS forecasts beef imports to reach 350 thousand metric tons in 2006.

Beef consumption is growing for a number of reasons:

- There is a direct correlation between increasing incomes and increasing beef consumption;
- Consumption of beef within the HRI sector is increasing even faster as the Mexican tourism industry flourishes; and
- The aggressive and targeted trainings and promotions of the US Meat Export Federation are affecting positively beef consumption in both the retail and HRI sectors.

FOOD DISTRIBUTION FLOW CHART



3. Chain Restaurants

Company (Product Types)	Sales (\$Mil)/Year	End-Use Channels	Production Location	Procurement Channels
McDonald's de Mexico SA de CV	MX\$2,473 million	277 McDonald's	Mexico	Importers Direct
Yum! Brands Mexico	MX\$3,665 million	300 KFC, 223 Pizza Hut, 8 Taco Bell	Mexico	Importers Direct
Alsea SA de CV	MX\$2,659 million	501 Domino's Pizza, 192 Burger King, 3 Starbucks	Mexico	Importers

Grupo Carso SA de CV	MX\$2,025 .1 million	139 Sanborns, 69 Anderson's, 67 Coffee Factory	Mexico	Importers
Corporacion Mexicana de Restaurantes SA de CV	MX\$640.2 million	52 Wings; 18 Baron Rojo	Mexico	Importers

Source: Company's annual reports, Euromonitor. Data 2003.

SECTION III. COSTS AND PRICES

Tariffs

On August 2, 1999, the Mexican Government, through the Secretaria de Comercio (SECO) Ministry of Commerce, imposed provisional compensatory duties on beef meat imports from the United States. The products affected by this dumping investigation include carcasses and half carcasses, bone-in, boneless, fresh, chilled, frozen, tongues, livers and other edible variety meats.

On April 28, 2000, (SECO) published in the Mexican *Diario Oficial* (Federal Register) a final finding in the antidumping complaint against exporters of US beef meat and edible offals (HTS# 0201.10.01, 0202.10.01, 0201.20.99, 0201.30.01, 0206.21.01, 0206.22.01 and 0206.29.99). SECO's finding assesses compensatory duties against the following products and US exporters. Also, as explained below, selected products from certain US exporters are exempt from additional duties. This is a summary derived from the Spanish-language announcement, following the same headings and order of the published text. All duties are specific, in US dollars.

Current Compensatory Duties			
	Boneless Meat	Bone-in Meat	Carcass
Company		Imports Temporarily Banned	Imports Temporarily Banned
Excel Corp.			
Sunland	0.25/Kg		
Sam Kane	0.15/Kg		
Northern			
A.D.T.	0.12/Kg		
H & H	0.07/Kg		
Agriwest	0.07/Kg		
Murco	0.07/Kg		
Packerland	0.07/Kg		
San Angelo	0.07/Kg		
CKE	0.07/Kg		

Source: US Meat Export Federation

In October 20, 2004, the Secretariat of Economy (SE) published in the *Diario Oficial* its decision to eliminate the compensatory duty of USD \$0.07 that was applied to fresh, chilled or frozen carcasses classified under tariff numbers 0201.10.01 and 0202.10.01. However, on balance the changes are marginal and are not likely to significantly reduce the added cost of exporting to Mexico that results from the compensatory duties imposed in April of 2000.

Beef exports of US meat packers, certified by the Mexican sanitary authorities, not included in the list above, are subject to the following import duties.

Compensatory Import Rates	
Product	
Carcass	0.07/Kg
Bone-in Meat	0.80/Kg
Boneless Meat	0.63/Kg

Source: US Meat Export Federation

In addition to compensatory duties, Mexico also has a fifteen percent value-added tax (VAT, or IVA in Spanish). 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. Note – The VAT is not collected on food sales, but is collected for services like handling, custom brokers, etc.

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

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

Current Prices of bovine and swine.		
	From 4 to 8 July, 2005	Same week last year
Cattle	Average Price	Average Price
	(\$/ kg)	(\$/ kg)
On the hoof		
Bovine	20.93	18.32
Swine	15.94	18.34
Carcass		
Bovine	32.39	27.19
Pork	22.50	25.00

Source: SNIM, Secretaría de Economía

SECTION IV. MARKET ACCESS

Import Requirements

Beef and beef products do not require an import license. However, imports of these products into Mexico are subject to sanitary requirements. Beef and beef products must be from US slaughter plants approved by the US Department of Agriculture's Food Safety Inspection Service (FSIS) as qualified for exporting to Mexico. The exporter must include an invoice, airway bill, certificate of origin, and a certificate of wholesomeness issued by the US sanitary authorities (FSIS), declaring that the products, identified by production lot, are safe and fit for human consumption; indicating the country of origin and expiration date. The importer is responsible for obtaining other documentation required, such as "*Aviso Sanitario de Importacion*," "*Pedimento de Importacion*," "*Constancia Sanitaria*," etc.

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 of Commerce or State Departments of Agriculture, and does not have to be validated or notarized. NOTE: 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. Exporters are advised to employ competent, reputable Mexican importers or custom brokers. Shipments must arrive at a port of entry with available cold storage facilities. The land crossings are Ciudad Juárez, Chihuahua; Matamoros, Tamaulipas; Mexicali, Baja California; Nogales, Sonora; Nuevo Laredo, Tamaulipas; Reynosa, Tamaulipas; Tijuana and Baja California. The sea ports are Manzanillo, Colima; Mazatlán and Sinaloa (see report MX4094).

Sanitary Requirements

On December 24, 2003, the Government of Mexico banned imports of cattle, beef and certain related products following the detection of Bovine Spongiform Encephalopathy in Washington State.

Imports of the following products are currently banned:

- Live cattle
- Bovine viscera
- Bovine offal
- Bovine meat preparations
- Products derived from non-protein-free tallow
- Gelatin and collagen prepared from bone
- Ruminant meal

Permitted products:

- Boneless beef from cattle under 30 months of age
- Marinated boneless beef from cattle under 30 months of age
- Beef based preparations, beef/pork based preparations, beef/sheep based preparations and beef/pork/poultry based preparations
- Veal de-boned or bone-in

Hearts, kidneys, tongue and lips from cattle under 30 months of age
Diaphragm and trimmings from cattle under 30 months of age
Tripe from cattle under 30 months of age
Liver
Milk
Dairy products
Semen
Embryos
Skins and hides
Gelatin and collagen obtained from hides and skins
Pet Food (see MX4040 for more details)
Sausage made from beef and pork with or without cheese

Additional information on sanitary requirements for beef and beef products can be obtained from:

Secretaria de Agricultura, Sanidad Animal
(Ministry of Agriculture, Office of Animal Health)
Municipio Libre 377, 7th Floor
03310 Mexico D.F. Mexico
Ph: 011-52-55-9183-1000
www.senasica.sagarpa.gob.mx

Labeling

In reference to labeling, all beef products must be packaged in boxes or "combos," which is a specialized packaging presentation. A label must be placed in the corner of box or combo and must contain the following information:

- The original label from the plant with the generic name of product, net weight expressed in kilos, name and number of the plant and the packaging date. This information must be in English.
- A label in Spanish, with the name of the exporting country; name, number and address of the plant; name of product with the text "manténgase en refrigeración" (maintain in refrigeration) or "manténganse en congelación" (maintain frozen).
- The boxes or combos must have the inspection seal of the Sanitary Inspection Authority in the country of origin, as well as the lot number, clearly visible.

Labeling for Retail Sale

Bi-lingual (or Spanish only) labels are required upon entry into Mexico for processed meat products for retail sale. Using the information outlined below, exporters are advised to confirm with the importer to see if these requirements apply to the product being exported.

Mexican mandatory labeling features include:

- a. Name of the manufacturer.
- b. Trademark of commercial name brand.
- c. Description of the raw materials involved.
- d. Instructions for use and care.

- e. Product description whenever the product is packed such that it is not visible.
- f. The product's commercial name.
- g. A generic description in Spanish.
- h. A generic description in English.
- i. The Spanish phrase "Producto de EE. UU." which means "Product of the USA" and
- j. The importer's Ministry of Finance Taxation number.
- k. The importer's name and address.

Any federally inspected US meat plant or cold storage facility interested in exporting to Mexico should contact the FSIS's Technical Service Center (TSC); Tel: (402) 221-7400; Fax: (402) 221-7479 and then submit form 9080-3. The TSC certifies to Mexican officials which US establishments are eligible to export. Products should not be shipped until confirmation of certification is received by Mexico from the TSC. Upon notification by Mexican officials that they have received the TSC's approval of the establishments and that they have been added to the current list of approved US facilities, US exporters can then ship their products. This list is available through the TSC's Export Library, or can also be requested from the TSC; Tel: (402) 221-7400.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

<p>US Agricultural Trade Office, Mexico City Bruce Zanin, Director Liverpool St. # 31 Col. Juarez 06600 Mexico, DF Tel: (011-5255) 5080-2000 e-mail: atomexico@usda.gov</p>	<p>US Agricultural Trade Office, Monterrey Dan Martinez, Director Oficinas en el Parque Torrell Blvd. Diaz Ordaz No. 140, Piso 7 Col. Santa Maria, 64650 Monterrey, Nuevo Leon Tel: (011-5281) 8333-5289 Fax: (011-5281) 8333-1248 e-mail: atomonterrey@usda.gov</p>
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<p>US SOYBEAN EXPORT COOUNCIL Mark Andersen, Director Guadalajara World Trade Center Ave. Mariano Otero 1249 Torre Pacifico, Int. B 171 M Col. Rinconada del Bosque 44530 Guadalajara, Jal. Mexico Phone: (011-5233) 5000-0090 Fax: (011-5233) 5000-0099 e-mail: usamex@soyamex.com.mx</p>	<p>US MEAT EXPORT FEDERATION Gilberto Lozano, Director Jaime Balmes # 8 - 601 Col. Los Morales Polanco 11510 Mexico, D.F. Phone: (011-5255) 5281-6100 Fax: (011-5255) 5281-6013 e-mail: mexico@usmef.org Gerardo Rodriguez Monterrey, Mexico Phone: 011-52-81-8989-2323 Fax: 011-52-81-8989-2300 e-mail: usmeat@prodigy.net.mx</p>
<p>US POULTRY & EGG EXPORT COUNCIL Jose Luis Cruz, Director Sierra Candela 111 Desp. 509, Col. Lomas de Chapultepec 11000 Mexico, D.F. Phone: (011-5255) 5980-6090 Fax: (011-5255) 5980-6085 E-mail: aliliadeleon@prodigy.net.mx</p>	<p>AMERICAN CHAMBER OF COMMERCE IN MEXICO Lucerna 78, Col. Juarez 06600 Mexico D.F. Phone: (011-5255) 5724-3800 Fax: (01152-55) 5703-3908 email: www.uscom.org</p>
<p>CONFEDERACION NACIONAL DE ORGANIZACIONES GANADERAS (CNOG) Mariano Escobedo NO. 714 Col. Anzures Mexico, D.F. 11590 Phone. (525) 5254-3245; Fax (525) 5254-2574</p>	<p>CONSEJO NACIONAL DE PORCICULTORES (CMP) Juan de la Barrera NO. 38 Col. Condesa 06140 Mexico, D.F. Phone. (525) 5212-1290, Fax (525) 5211-1379 Enrique Dominguez, General Director</p>

Related Fas/Mexico Reports

Report Number	Title of Report	Date
MX4006	BSE Update	1/09/04
MX4015	BSE Update Second Edition	1/29/04
MX4019	Modifications to NOM-012-ZOO-1993 Animal	2/09/04
MX4036	BSE Update Third Edition	3/11/04
MX4040	BSE Update Fourth Edition	3/24/04
MX4052	BSE Update Fifth Edition	4/21/04
MX4056	BSE Update Sixth Edition	5/03/04
MX4067	BSE Update Seventh Edition	5/26/04
MX4078	NAFTA Panel Decides Favorably for US Exporters	6/30/04
MX4085	BSE Update Eighth Edition	7/08/04
MX4094	Authorized Border Points of Entry for Meat/Offals	6/28/04
MX4106	BSE Update Ninth Edition	8/24/04
MX5077	Livestock Annual	7/01/05
MX5062	BSE Update Tenth Edition	7/25/05

MX5037	Mexico Reviews Compensatory Duties Applied to Bovine Meat	4/27/05
MX5082	Mexico Announces the TRQ for Feeder Cattle Imports	9/19/05
MX5004	Mexico Compensatory Duties on Beef Imports to be determined	1/18/05