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Mexico

HRI Food Service Sector

The Mexican Caribbean Market for Food

2008

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Report Highlights:

The Mexican Caribbean provides excellent opportunities for U.S. suppliers of food to the hotel and restaurant sector. This region accounts for over half of all international tourists to Mexico. Food expenditures by tourists in this market were \$1.8 billion in 2007.

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Trade Report
Mexico City ATO [MX2]
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SECTION I. MARKET SUMMARY

Mexico is currently the world's 8th largest tourist destination with respect to the volume of international visitors received and 14th with respect to tourism-generated income. According to Mexico's Secretariat of Tourism (Sectur), Mexico received 92.2 million foreign visitors in 2007, which included cruise passengers, border crossers and one-day excursions. More importantly, 21.4 million of the foreign visitors were overnight tourists. The average per capita spending of international tourists in 2007 was US\$750.

During 2007, Quintana Roo and Cancun alone attracted 11 million tourists (51 percent of Mexico's overnight tourists) representing a slightly increase from 2004 levels when it received 10.9 million, but a large increase after the loss of tourists due to Hurricanes Emily and Wilma in 2005. Of these tourists, 78 percent came from the United States, 12 percent from Europe, five percent from Canada, and the balance from other countries. These visitors generated US\$5.4 billion in revenue, or 41 percent of the US\$12.9 billion in tourism generated foreign currency earned nationally. About 30 to 35 percent of this income is spent on food and beverages making it a market of over \$1.8 billion with good potential for suppliers to the food service industry.

Tourism in the Caribe Mexicano, known internationally as the Mexican Caribbean, began 33 years ago, although its major growth has taken place in the last 15 years. Cancun is its best-known tourist destination and is formed by 28 kilometers of beach, followed by the Riviera Maya, Cozumel, Isla Mujeres and Chetumal. The Riviera Maya has 120 kilometers of white beaches and beautiful resorts.



Riviera Maya continues to experience the strongest growth in the area although the southern region (Chetumal) has been the target of strong investments especially in infrastructure. A four-lane highway from Cancun to Chetumal is in the last construction stages and is expected to be ready next year. A professional soccer stadium was just built to host their first division soccer team "Atlante" and attracts tourists from other nearby states.

Quintana Roo is divided into three zones (Caribe Norte, Zona Maya and Zona Sur), formed by eight municipalities (Solidaridad, Benito Juarez, Cozumel, Isla Mujeres, Lázaro Cárdenas, Felipe Carrillo Puerto, Othon Pompeyo Blanco and the recent inclusión of Tulum as of May 2008).

Caribe Norte:

Begins in Holbox and ends in Tulum, and includes Isla Mujeres, Cancun, Puerto Morelos, Playa del Carmen, Playacar, Puerto Aventuras, Xcaret, Tulum and Cozumel.

Costa Maya:	Ranges from Carrillo Puerto to Chetumal on the coast side and includes smaller towns such as Majahual and Bacalar.
Zona Sur:	Ranges from Chetumal (which is the state capital city) to the southern border.

Caribe Norte: Cancun, Riviera Maya, Cozumel and Isla Mujeres

Cancun:

Cancun is the largest city of Quintana Roo with around 650,000 inhabitants (50% of the total population of the state). In 2007, it received over three million international tourists, a 9 percent decrease from 3.4 million in 2004. Although the tendency of the tourists is to go further south (to the Mayan Riviera), Cancun is still the main city of the region accounting for 43 percent of the total tourists. It has 148 hotels with 28,218 rooms which represents 20 percent of the 746 hotels and 38 percent of the 73,709 hotel rooms available in the Caribe Mexicano.

Riviera Maya:

The Riviera Maya received 2.8 million international tourists in 2007, representing an increase of 15 percent over 2004 when it received 2.4 million. This area has been growing drastically in the past 10 years and will continue to do so in the coming years. It currently has 336 hotels and 34,765 rooms accounting for 45 percent of the hotels and 47 percent of the rooms available in the Caribe Mexicano. This area includes cities such as Playa del Carmen and Playacar (with the majority of hotels and rooms available), Puerto Morelos, Xcaret, Puerto Aventuras, Xel-Ha and Tulum.

Cozumel:

A total of 553,000 international tourists stayed on this island in 2007, which is a 32 percent increase from 2004, the largest increase in the region. Cozumel is also a mini hub port for cruise trips around the Caribbean Region and during 2007 it received an additional 2.4 million one-day cruise ship tourists. It has 33 hotels and 4,373 rooms, accounting for less than 5 percent of the total hotels and 6 percent of the rooms available in the Caribe Mexicano. It is known worldwide for its scuba diving resorts.

Isla Mujeres:

This island is small but growing in terms of permanent housing and day visitors. Its continental part Playa Mujeres is booming with two large high class all-inclusive hotels operated by the Excellence group recently opened. There is a state of the art golf course in the area and private condominiums are under construction. It has a total of 48 hotels and 1,043 rooms available.

Zona Sur

Chetumal:

The Capital City of Quintana Roo is located in the south and is part of the new project called Costa Maya. This region has received large investments the local and Federal governments as well as the private sector in recent years. A four-lane highway from Cancun to Majahual is under construction and should be finished in a year or two. A state of the art pier was inaugurated in 2001 and is rapidly gaining importance as an international cruise port. Although the pier was torn down by the 2005 hurricanes it is almost fully restored. This port has been taking from the cruises that traditionally went to Cozumel. Growth in the region is expected to go this way. Currently there are 62 hotels and 1,746 rooms but this number is expected to grow fast in the next few years.

Hurricanes Emily and Wilma in July and October of 2005 hit the entire region hard almost totally destroying areas like Xcaret, Puerto Aventuras, Cancun, Cozumel and the pier in Chetumal. After the hurricanes the region received 10 million tourists (a 10 percent reduction over 2004 levels). An intense reconstruction process took place in the past two years and the effects of the hurricanes are almost gone. Cancun and the Riviera Maya are fully recovered. Cozumel and Chetumal are also coming back and the over 73,000 rooms available in the Caribe Mexicano will continue to grow in the coming years especially in the Riviera Maya area.

Quintana Roo has enjoyed preferential tax treatments for a long time. Cancun is considered a border city and duty free area enjoying a 10 percent value added tax (IVA) vs. 15 percent in the rest of the country. This gives an advantage for imports of food products coming from countries that do not have trade agreements with Mexico. For example, imported European Gouda cheese pays a 20 percent duty while in Cancun it only pays 5 percent. The same applies to some Asian products that pay duties as high as 40 percent within the country and only 5 percent in Cancun. However, these privileges will expire at the end of 2008 and locals are hoping for the government to renew them.

According to CANIRAC (National Food and Beverage Association in Cancun), there are around 750 independent restaurants in Cancun. About 300 of these restaurants are targeted to tourists and are established in the hotel zone of Cancun while the rest are located in the city. Also, there are some 450 additional tourist class restaurants located within hotels. The average per person consumption in restaurants is estimated to be US\$25, but depending on the type of restaurant this varies from US\$10 to US\$100.

It seems that the cheap all-inclusive trend, where tourists paid for hotel and food in one package, is stopped and now most all inclusive hotels have raised their food standards going from US\$5 per person for all food and beverages per day to around US\$10 in most of them and as high as US\$18 per person in the higher quality ones. The tendency in the market is to continue to elevate the quality of the foods served in these resorts and to get away from the cheap image they earned in previous years.

Cancun's OVC-Oficina de Visitantes y Convenciones (visitors and conventions office) will invest around US\$6 million to promote tourism in the Caribe Mexicano in 2008. This money will be devoted to position the region on the world map of convention destinations by participating at international tourism fairs and promotional tours around the world. It will also be used to promote domestic tourism.

Table 1. Caribe Mexicano 2004/2007

	2004	2005	2006	2007
Tourists and Visitors	10.8 million	10.1 million	9.9 million	11 million
- Overnight Tourists	6.7 million	6.1 million	5.9 million	7 million
- Cruise Lines Tourists	3.6 million	3.4 million	3.4 million	3.3 million
- Border Visitors	523 thousand	567 thousand	614 thousand	718 thousand
Tourism Generated Income	\$4.1 billion	\$3.8 billion	\$4 billion	\$5.4 billion
Hotels	763	780	722	746
- Rooms	59,497	61,375	63,322	73,709
- Average Occupancy Rate	70 %	55 %	67 %	60%
Cruise Lines	1,655 ships	1,529 ships	1,450 ships	1,389 ships
- Passengers	3.6 million	3.4 million	3.4 million	3.3 million

Source: Quintana Roo State Government, Tourist Secretariat info.

Table 2. Caribe Mexicano Hotels/Rooms 2007

CITY	HOTELS	ROOMS
Cancún	148	28,218
Riviera Maya (Playa del Carmen, Playacar, Puerto Aventuras, Akumal)	336	34,765
Chetumal	62	1,746
Cozumel	33	4,373
Puerto Morelos	22	2,585
Isla Mujeres	48	1,043
Gran Costa Maya (Bacalar y Majahual)	51	427
Felipe Carrillo Puerto (Zona Maya)	4	97
Holbox	27	312
José María Morelos	5	54
Other (Chiquila, Kantunilkin, Ignacio Zaragoza)	10	89
Total Quintana Roo	746	73,709

Table 3. Caribe Mexicano Tourist Income Statistics 2007

	International Visitors (thousands)	Tourism Generated Income (million \$)	Average Expenditure Per Capita
Cancún	3,004	\$3,073	\$1,029
Riviera Maya	2,837	\$1,787	\$630
Cozumel	553	\$502	\$538
Isla Mujeres	117	\$31	\$266
Chetumal	493	\$59	\$120

Source: Quintana Roo State Government, Tourism Secretariat info

Table 4. Cruise movements and number of cruise visitors to the area 2004/2007

DESTINATION	2004		2005		2006		2007	
	Ships	Visitors (000)	Ships	Visitors (000)	Ships	Visitors (000)	Ships	Visitors (000)
Cozumel	1,302	2,862	1,124	2,519	989	2,352	1,052	2,488
Costa Maya	241	565	294	650	348	811	234	574
Riviera Maya	112	186	74	156	113	240	103	211
Cancún	0	0	37	62	0	0	0	0
QUINTANA ROO	1,655	3,613	1,529	3,387	1,450	3,403	1,389	3,273

Source: Integral Port Administration (API)

Table 5. Advantages and Challenges for U.S. Suppliers of Food and Beverages

Advantages	Challenges
The IVA (or Value Added Tax-VAT) in Cancun is 10 percent, compared to 15 percent in most of Mexico. The rebate of the IVA for all tourists is under discussion and it could be approved shortly.	This agreement expires at the end 2008. The trade is hoping for the government to continue to allow this treatment to the region.
The overall prices charged at this resort are higher than in the rest of the country providing a good venue for high value foods.	Transportation costs from the U.S. are higher than those for domestic products and for vessels coming from Europe.

Production of food products is scarce in the area so most products are brought in from other parts of the country and imported from other countries.	Although the general infrastructure at the main port has improved drastically there is still only one shipping company operating, increasing costs. Companies are forced to go to Puerto Progreso in Merida for their imports.
The Mayan Riviera, as well as the south of the state continues to grow rapidly, increasing the demand for imported goods.	There are still only few specialized customs agents and distributors with adequate infrastructure, particularly cold storage.
The cheaper all inclusive fashion that has affected the quality food market in the past five-eight years is changing again to higher standards.	All-inclusive hotels have limited growth potential of independent restaurants.
There are three international airports in the area and Cancun's airport, with nearly 200 flights per day, is the second largest in the country. A fourth airport has been approved for the Riviera Maya-Tulum area and construction should begin in the next few months.	Competition from South American and European countries is growing especially for certain high-value products such as wine, meats, cheese and seafood.
Over 70 percent of international tourists come to Cancun from the U.S. therefore creating strong demand for familiar U.S. products.	Growing Spanish investment and increasing numbers of European tourists could raise demand for European products.
Major club stores and retailers such as Costco, SAMS and Wal-Mart have a growing presence in the region with a larger supply of U.S. goods.	The rapid involvement of club stores in the food service sector is taking market share from traditional HRI importers and distributors.
A weak dollar represents an added advantage to U.S. exports currently.	It is a temporary advantage.
Together with Veracruz, Cancun serves as a gateway to Campeche, an important market for high quality food due to the presence of the oil industry and workers at offshore petroleum wells.	The Mexican food industry is strong and the main supplier to the HRI sector. Several multinational firms (Del Monte, General Mills, Kraft Foods, Campbell's, Nestle, Unilever, etc.) manufacture in Mexico.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Importers/distributors continue to be the most important players in the importation of food products in this region handling around 80 percent by value of all products sold in the region. However, club stores such as Costco and City Club have gained market share for both the retail and food service (HRI) sectors. SAMS will place stronger competition as it also plans to purchase a fleet of refrigerated trucks to provide the same service.

The recommended method of entering this market is to identify and select a knowledgeable local importer/distributor. There are several importers/distributors devoted almost exclusively to supply the HRI sector in this market. Some of them specialize in large product

groups such as refrigerated/frozen products (cheeses and all types of meats), dry goods in general and other perishables (fruits and vegetables). There are a few large companies (small SYSCO type firms) that handle both refrigerated as well as dry goods, such as PACSA and EXIM del Caribe. Other large companies that only handle refrigerated/frozen products are COMALCA 2000 and Comercial Norteamericana. There are other distributors dedicated to one type of products such as wines (World of Wines, Vinoteca, CAVISA and Empresas Comerciales who is also an importer); fruits and vegetables (Dac, Bautista, el Campo) and seafood (Ocean Leader, Marimex and Comermares) just to mention a few.

A few large importers/distributors (5 to 6) have 60 percent market share and are those handling a wider range of products. A smaller distributor may be a better option for smaller U.S. exporters, but exporters must decide upon and select a distributor that best meets their needs. The importer/distributor will import, store, promote, and sell your products to the HRI sector. There is a central market in Cancun where a wide variety of food products are sold and where many of the major importers/distributors are located. These importers deliver directly to their buyers in their own special trucks.

The key to become a successful distributor is to have financial capability to grant long credit terms especially to hotels that tend to request 30-60 day credit and to be flexible with their policies.

Importers/distributors have direct and constant contact with the client giving them an advantage over warehouse stores. Personal attention and flexible credit policies are considered valuable in the food service sector, thus protecting the importers/distributors from major losses to club store distribution.

Once a business relationship between a U.S. exporter and a local importer/distributor is established, it is essential to develop and maintain that relationship. This will help the U.S. exporter to become familiar with the market needs, local competition, prices and trends, and will keep him or her informed of changes concerning import requirements and procedures.

Brand recognition is important and some U.S. companies such as Lamb Weston and Rich Products have established operations in the market with success. Other brands well regarded in this market are Angus Beef, Maple Leaf, Sugar Dale, Belgiosso and Simplot.

Brands like Unilever, General Mills, Kraft, and Nestle are successful since they have staff from their headquarters working together with their local distributors and supporting their marketing efforts.

The best way to understand the market is:

- Visit the marketplace, talk to buyers, retailers, distributors and other players.
- Do basic market research in order to better understand the market and its opportunities, as well as competition from local suppliers.
- Learn the import process.
- Prepare a consistent entry strategy and be prepared to support your new importer/distributor in its marketing objectives over the long term.
- Be flexible.

Exporters can begin to investigate and better understand the market by participating at major HRI trade shows in Cancun such as EXPHOTEL (in June), LAFS-Latin American Food Show (in September) and KAPTA (in November). Exphotel is the largest and best established event of all three and the U.S. Agricultural Trade Office (ATO) has been successfully organizing a U.S. Pavilion at this show for the past 10 years. The ATO can also provide

information on the market, trade contacts and assist U.S. exporters in their marketing efforts throughout Mexico, including the Cancun region.

B. Market Size, Structure, Trends

With 40 percent of the total tourism income of the country (of which at least \$1.8 billion is spent on food and beverages), and 70 percent of all international visitors to Cancun coming from the United States, the Caribe Mexicano represents good opportunities for U.S. exporters.

Between 45 and 50 percent of food and beverage sales in the region are imported products with about 72 percent market share for the U.S. Although this trend is likely to continue, there is increasing competition from domestic products as well as from South American and European countries.

The chef is the one making the initial decision of whether to buy a product. Once he decides he wants something the supplier has to negotiate price and payment with the purchasing manager. Schools and universities offering food and beverages training are booming in the area and U.S. suppliers offering training at these premises can get a competitive advantage in the future.

C. Sub-Sector Profiles and Trends

1. Hotels

Currently, there are 746 hotels and 73,709 rooms in the Caribe Mexicano. About 32 percent of the hotels (239) and 83 percent of the rooms (61,449) are Grand Tourism, 5 star and 4 star hotels. Independent restaurants, luxury hotel restaurants and high-end all inclusive resorts are the main clients for high-quality food and beverages.

Several new high end hotels just recently began operations in the area. Some examples are the Aqua Fiesta Americana Hotel, the Fairmont Mayakoba Hotel, the Rosewood Hotel, the Mandarin oriental Hotel, and Princess, among others. Other hotels that are currently under construction are the Viceroy and Banian Tree.

Cancun is the Mexican resort with the largest 5 diamond hotels in the country. Some of these hotels are the Fiesta American Coral Beach, the Meridien, the Ritz Carlton and the JW Marriott among others.

Also, around 5-6 small boutique hotels (30-40 rooms) have opened recently offering gourmet menus to their customers. Fiesta American will open an ecological hotel in one of the best beaches in the Mayan Riviera and more and more hotels are getting into the lower density European style up-scale hotels.

Little by little the Mexican Caribbean is recovering the glamour it enjoyed in the 80's when it was regarded as a high quality place to visit.

Over ten years ago the all-inclusive concept arrived in Cancun affecting the market for high quality products drastically since they were spending an average of US\$5 to US\$6 per guest per day for food. Fortunately, there are only a couple of those cheap hotels left in Cancun and the majority of these types of hotels in the Mexican Caribbean are spending at least US\$9-10 per person now. A new all inclusive trend entering the region is a higher end service with great quality food products and budgets of around US\$16-18 per person. The construction of more upscale all inclusive hotels especially in the Riviera Maya will continue.

The Iberostar hotels just opened one of these new hotels offering higher quality food and beverages to their guests and represent better opportunities for US exporters.

Another type of resort is represented by the Palace Group which is one of the largest chains and accounts for 5,000 or 6,000 rooms in the area under a timeshare concept.

2. Restaurants

Restaurants are an important sector for exporters to tourist locations as 30-35 percent of vacation expenses are for food. The restaurant sector is composed of a wide variety of establishments in this region with about 750 independent restaurants in Cancun of which 300 target tourists and are located in the Hotel Zone. The rest are located in the City of Cancun and about 10-15 of them are frequently visited by tourists as well. Around 450 additional tourist class restaurants are located within hotels.

The main customers for U.S. suppliers of high quality food and beverages are a subset of 40-50 of the independent restaurants. They include the well-known restaurant chains: Ruth's Chris, Outback, Pat O'Brien's, Hard Rock Café, Italianis, Tony Roma's, Planet Hollywood, Rainforest Café, Margaritaville, Chili's, Applebee's, Benigans, and Bubba Gump. In addition food chains such as Mc Donald's, Domino's Pizza, Papa Johns Pizza, Subway, and Kentucky Fried Chicken have grown over 50 percent in recent years and are slowly expanding to other cities.

The average per person consumption in restaurants is estimated to be \$25, but depending on the type of restaurant this varies from \$10 to \$100. According to CANIRAC, the number of tourist restaurants in Cancun has remained more or less steady throughout the year. Growth in the number of local restaurants has increased slightly to serve the demand of a growing local population. According to food and beverage specialists and restaurant owners, the market for independent restaurants and high quality food has been hard hit by the all inclusive concept in recent years. However, the establishment of condominiums has attracted new high end consumers that go to these restaurants.

Mexican food continues to be the most popular cuisine in the market, followed by red meats, seafood and Italian with oriental and other different types of cuisines gaining some market as well.

3. Condominiums

The newest and fastest growing trend in Cancun and nearby cities is the construction of "Miami type" high rise condominiums worth \$400-\$500 thousand to US\$2-3 million which represents a new market target for U.S. exporters of high value food and beverages. Wealthy people are buying these places and are eating at the restaurants nearby creating additional demand for high quality food supply.

Some of the new projects are Peninsula, Belleview, Capella Residences and Granada Bay. These apartments are selling fast.

4. Retail Sector

The retail sector continues to grow rapidly in Cancun and the Riviera Maya and is slowly growing in other cities. Most, if not all, major Mexico retail chains have stores in the region including, Comercial Mexicana (4), Soriana (3), Wal-Mart (4) and Chedraui (4). The high end supermarket that belongs to the Wal-Mart Group "Superama" will open its first store in the region soon.

The retail sector is primarily focused on the supply of food and beverages (among other products) to the general population. All these stores have local purchasing directors.

There are six Club Stores in the area including one COSTCO, two City Clubs and three SAMS (plus one that will be opened by 2009.) Although the club stores continue to gain market share in HRI sales especially in products such as wines, liquors, frozen potatoes, fruits and vegetables their policies are not very flexible which prevents them from growing more. Purchases for these stores are done centrally, normally in Mexico City.

Upcoming Projects

Over the last few years Cancun and the Riviera Maya have attracted around 57 percent of the countries hotel real estate foreign investment of which 65 percent (around US\$1.2 billion) is Spanish, and 34 percent from the U.S. (\$600 million). Some of the U.S. investors are Orient Express and Ty Warner. Spanish investment will continue in the area for what the locals call "La Reconquista". Ninety percent of the hotels in the Mayan Riviera are Spanish.

The Caribe Mexicano is expected to keep growing in the coming years. Some projects are on hold for ecological impact factors while others are in progress. This will continue for the next 8-10 years:

- **Puerto Cancun** - adding 4,000 hotel rooms, a mall, a PGA quality golf court, and a worldwide class marina for 350 boats with port services and yacht club;
- **Playa Mujeres Resort** - adding 7,000 – 10,000 hotel rooms, two golf courts and a marina for 215 boats; and
- **Costa Maya** with 4,950 high quality hotel rooms and ecotourism development. The goal of the project and ecological attractions are to bring 250,000 visitors and \$125 million annually to this area by 2018.
- **Marina Cozumel** – adding 1,400 rooms

In addition, other tourist facilities and infrastructure investments are planned for the coming years, such as a new airport for the Riviera Maya area, an additional runway for the Cancun airport, and other infrastructure projects such as the road to communicate Cancun with Chetumal.

SECTION III. COMPETITION

A. Domestic

The Mexican food industry is the main supplier to the HRI sector and represents strong competition for U.S. products. Many multinational firms such as Del Monte, General Mills, Kraft Foods, Campbell's, Danone, Nestle, Unilever, Coca-Cola, and Bacardi sell their products in this region. However, there is very little local production of food and beverages so most food and beverages must be brought into the state by truck, ship or airplane.

U.S. exporters are highly regarded as suppliers of consistent, high-quality products and are leaders in many imported product categories, such as red meat, certain poultry and dairy products, seafood, rice, wines, spices, condiments, fresh fruits and other processed food products and ingredients. The principal advantages for domestic products are established distribution channels, brand recognition, price and market presence. The advantages that imported products have over domestic products are the high quality, product innovation and high status with consumers. There is not a "buy-national" attitude negatively affecting

foreign products, which, in general, enjoy good acceptance among consumers. In addition, over 70 percent of the international tourists in the area come from the United States and many prefer familiar U.S. products and brands.

It is important to mention that while the U.S. enjoys a good reputation in the area it is important to take good care of this growing market. The Mexican Caribbean region was a fond consumer of U.S. processed potato products with almost 100 percent of the consumption coming from the United States. With the problems of lack of supply during 2007 while the U.S. was sending all their production to other Asian markets the market turned to other countries for supply. Today the market is dominated by Canadian and European potato products.

B. Foreign

The United States also faces competition from South American and European products that are also perceived by buyers as high-quality. Unfortunately, shipping costs from the United States are becoming higher due to gasoline prices and freight from Europe has become cheaper than from Miami, FL. This poses additional competition for U.S. suppliers. Some of the European products found in the food service sector are alcoholic beverages, cheese, pastries, jams, baking products, and frozen desserts. Chile is the strongest competitor of the United States in both seafood and wine. New Zealand has become a strong competitor in certain meat products such as lamb. Perceptions are important in the market; Chilean is preferred over that from Alaska since the later is almost white and people believe that the quality is not good. Training is needed to overcome some of these misconceptions of U.S. products.

C. Pricing Structure and Costs

Currently freight costs from the U.S. represent a new challenge for exporters of food products. It is less expensive to bring a vessel from Rotterdam to Progreso (\$5,000) than from the Washington State to Cancun (\$6,000). This cost increments affects the price of the imported products hindering their market entrance.

Importers in this market expect 30 to 60 days credit for most of their purchases. The price mark-up varies between 15 and 30 percent of the FOB price depending on the product. Refrigerated products mark-up tends to be higher than mark-ups on shelf-stable products since operational costs are particularly expensive for refrigerated products.

Europe is a very strong player in the area and there is a new importer/distributor called VIMA that is handling European products exclusively posing strong competition among old local importers/distributors.

D. Infrastructure

Importing facilities at the Puerto Morelos port near Cancun continue to have some infrastructure limitations and this together with having only one shipping company authorized to move cargo through it (representing a monopoly) elevates the costs of receiving product. On the other hand the port of Progreso (in Mérida) has drastically improved in recent years. It is now considered a state of the art facility with the ability to handle all kinds of product needs including refrigerated and frozen cargo and has a special area with electricity to plug in the containers. A facility to handle refrigerated products is now available at the Cancún airport which recently opened its third terminal for international flights. Additional customs agents have established operations to handle international imports.

Around sixty percent of imported food and beverage products sold in Cancun arrive in the country by sea. About half of the product arriving by ship enters at Puerto Morelos, with the rest entering at Puerto Progreso in Mérida, Yucatan, the Port of Manzanillo in Colima and the Port of Veracruz. From the ports the cargo is carried by truck to Cancun.

Thirty-five percent of goods arrive to Cancun by truck through Laredo, Texas, and the remaining five percent, generally high value perishables such as meat, some cheeses (mozzarella) and seafood, arrive by plane. In the past product used to come by ship from Louisiana but after hurricane Kathrina this is no longer the case and such exports are now entering the country through Laredo or Miami. This movement forced some of the imports that were traditionally coming by boat to come by truck.

SECTION IV. BEST PRODUCT PROSPECTS

According to industry specialists, the products that have the best potential in this market include:

- red meat
- sausages
- organic salads
- fruits
- pizzas
- poultry
- seafood, particularly fish, shrimp and lobster, crab, salmon (a lot of the alter is coming from Asia)
- dairy products, particularly ice cream, cheese, and whip cream
- fruit juices
- beer
- wine
- frozen and dehydrated potatoes
- pastas
- flour preparations
- condiments and spices
- artesian water

A trend towards organic foods is beginning to grow in the area. Xcaret is one of the resorts that offer high quality food products to their clients. Some products such as Kobe beef, korobuta (pork) and free ranch chicken are in high demand.

SECTION V. POST CONTACT AND INFORMATION

The primary mission of the US Agricultural Trade Office (ATO) in Mexico City is to assist in the market development for 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 U.S. agricultural industry representatives called "cooperators," make available to develop the market for US agricultural products in Mexico. U.S. companies interested in exporting their products to Mexico should contact the ATO for information on market opportunities and constraints for their products.

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REGIONAL ASSOCIATIONS

CANIRAC-Cancún

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