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Report Highlights:
Mexico presents tremendous challenges and opportunities for US wine exporters. Traditionally wine does not figure greatly in Mexican culture with very low per capita consumption rates, ranking only 54th in the world. That said, the long-term prospects for US wine are good: the US faces no import tariff, income levels and wine consumption rates are rising, and, thanks in part to a renaissance in Baja production, the wine culture is growing in Mexico.

Includes PSD Changes: No
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Annual Report
Mexico (MX)
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Executive Summary

Mexico presents tremendous challenges and opportunities to US wine exporters. Traditionally wine does not figure greatly in the Mexican culture, and consequently per capita consumption of wine is among the lowest, 54th, in the world. Among those who do buy wine, Spanish and French wines have the longest tradition in Mexico, and Mexican consumers tend to select wines of these national origins over a similarly priced US bottle. That said, the long-term prospects for US wine are good. Per capita income and consumption of wines are increasing. Younger consumers of wine and more educated wine consumers recognize the quality and variety of US wines. As Mexican wine production undergoes a renaissance in the Baja peninsula, a wine culture has started to emerge and world-class enologists and sommeliers in Mexico are helping to facilitate the change. Since 2003 the United States has faced no import tariff on wines, enabling US wine to compete on a level playing field with other countries such as Chile, and with a tax advantage over Argentinian and European producers. The regulatory and import processes for wines in Mexico are complicated, but partnered with an experienced and innovate importer/distributor, a US wine producer can find success in the market.

Section I: Situation and Outlook

For 2003 the reported exports of US wine to Mexico vary significantly depending on the information source. The United States Department of Commerce's, US Trade database reports an increase of 14 percent to $5.7 million. Mexican statistics report a 25 percent decline in sales by value from $5.6 million in 2002 to $4.0 million in 2003, after several years of growth. Mexican statistics from the Secretary of the Economy are usually considered reliable because they are based on a luxury (IEPS) tax applied upon import for all alcohol products. Prospects look better for 2004, with the Mexican statistics indicating a 40 percent increase in sales of US wines by value the first three months of 2004 as compared to the same period in 2003. Mexican importers and distributors report that they saw no change or slight growth in sales of US wines in 2003, indicating that the strong growth or strong decline are both overstated. They also reported strong regional growth in Mexico's Caribbean market and in Baja California Sur, and no change in the major metropolitan areas of Mexico City, Monterrey and Guadalajara. Importers do report stronger growth in sales of US wines for 2004.

Wine imports to Mexico from the world grew 11 percent in 2003 as Mexico's economy rebounded from a GDP growth rate in 2002 of less than one percent to a growth rate of about 1.3 percent in 2003, resulting in a GDP of $687 billion, or $6,608 per capita. Projections for 2004 put annual growth at about 3.4 percent, for an estimated GDP of $712 billion, or $6,758 per capita[1]. The population is about 105 million and is growing at an annual rate of 1.1 percent. Inflation is 3.8 percent, and the peso is hovering between 11 to 11.5 pesos to the US dollar, depreciating about 10 percent over the past year. Recent press reports project a slightly slower rate of GDP growth, slowing inflation, and an exchange rate of about 11.6 pesos to the dollar for 2005. Based on modest growth and the stable economy and exchange rate, modest growth in sales for US wines is likely in 2005.

[1] The Mexican Ministry of Finance projects GDP growth at 3.5 percent, but other independent organizations project more modest gains.

In 2003 Mexico ranked twelfth in importance for US wine exports by value. US wine exports to Mexico will continue to grow over the long term, helped in part by the full implementation of NAFTA and the growing awareness of wine and wine culture in Mexico. However, at this point, most countries in Europe, Canada, developed countries in Asia, and Latin American countries with an older wine tradition such as Chile and Argentina, import more US wine. The US pays no import duties on wine to Mexico. Other countries have also negotiated the elimination of or lowered import duties for wines as well. Chile has not faced a duty on its wines exported to Mexico since 1996; however, Argentina still faces a duty of 30 percent. In 2000, the Mexico/EU free trade agreement resulted in a lowering of duties for EU wines from 30 to 20 percent at the time of the agreement, with a gradual reduction to zero by 2008. Currently wines from the EU face a 9 to 13 percent duty, depending on the value of the wine and its source.

Price, quality, availability, and brand name familiarity are factors considered by Mexican consumers when buying imported wines. Spain, France, and Chile have a considerably larger share of Mexico's wine market compared to the United States. Since 1998, Spain has overtaken France and enjoys the largest share of the Mexican import market, with Chile losing some market share to France since 2000. Italy increased its share of the wine import market and is now fourth in importance with an import market share of 6.5 percent, ranking above the US for the first time since 2000.

Based on the Mexican import data, US wines have a 6 percent share of the Mexican import market. However, the predominance of US wines varies by region. For example, while US wines constitute less than 8 percent of sales in central Mexico, in Mexico's Caribbean region (Cancun and South) sales of US wines account for about 17 percent of all sales. White wines from California enjoy the greatest recognition in Mexico, but all US wines appear to be gaining in popularity with Mexican importers and distributors. Consumers are still hesitant to buy a medium priced US wine over a similarly priced European wine due to the higher brand recognition of wines from Europe, particularly Spain and France. Additionally, members of the traditional Mexican upper class tend to purchase European wines, as many have familial and historical ties to the region. The increase in Chilean wine sales since 1996 is due to the zero import tariff, a greater recognition of Chilean wines due to aggressive marketing campaigns, and relatively less expensive Chilean wines. For example, Chilean wines of mid-range quality and price average about 40-60 pesos a bottle, while US wines of mid-range price average about 100-250 pesos a bottle. Popularity of Italian wines such as Pinot Grigio and Chianti and a push in advertising and marketing campaigns by the Italian government and regional administrative areas, such as Tuscany, have raised the awareness and availability of these wines over the past year.

Imports of Wine by Mexico

	2000		2001		2002		2003	
Country	**Import Value (1000 USD)**	***Market Share (%)***	**Import Value (1000 USD)**	***Market Share (%)***	**Import Value (1000 USD)**	***Market Share (%)***	**Import Value (1000 USD)**	***Market Share (%)***
Spain	13,990	27	19,573	31	20,425	31	25,187	34
France	12,409	24	12,834	20	15,024	23	17,880	24
Chile	12,484	24	13,992	22	14,035	21.5	13,649	19
Italy	2,874	5.5	3,772	6	3,842	6	4,805	6.5
United States	*5,149*	*10*	*4,792*	*8*	*5,551*	*8.5*	*4,153*	*6*
Germany	2,960	6	5,418	9	4,080	6	4,142	6
Argentina	819	1.5	1,151	2	1,345	2	1867	2.5
Portugal	597	1	784	1	876	1	786	1
Others	486	1	655	1	656	1	733	1
Total	51,768	100	62,971	100	65,834	100	73,202	100

Source: Secrataría de Economía, Subsecretaría de Negociaciones Comerciales Internacionales and Banxico; includes imports of wine and sparkling wine, HS code 2204
Note: Figures for same year may change slightly from previous years due to corrections submitted to the Secrataría de Economía in Mexico.

Section II: Narrative on Production and Consumption, Regulations and Marketing

Production[2]

Though Mexico has the oldest history of wine making in the Western Hemisphere, thanks to Spanish missionaries who brought with them Spanish varietals, the industry produces only about 40 percent of the wine consumed domestically. New strategies by Mexican producers to promote the wine culture and the improved quality of Mexican wines are making domestically produced wines more popular in Mexico and abroad. In recent years, investments in viticulture, including land use, capital, and technical investments have increased the production of Mexican wine. Much of the investment has been in the state of Baja California Norte (henceforth referred to as Baja or Baja California) that produces 90-95 percent of all wine in Mexico. Most of the remainder of Mexican wine is produced in the states of Coahuila and Querétaro. The states of Zacatecas, Sonora and Aguascalientes produce wine on a very small scale.

The producing areas in the three states with significant wine production are:

Baja California	**Coahuila**
Valle de Calafia	**Parras**
Valle de Guadalupe	**Querétaro**
Santo Tomás	**San Juan del Río**
Tecate / Valle Las Palmas	**Tequisquiapan**
Ensenada	**Ezequiel Montes**
San Vicente / Llano Colorado	
San Antonio de las Minas	

The principle wine varieties produced in Mexico are:

Reds	
Barbera	**Ruby Red, Ruby Cabernet**
Bourdeaux	**Shiraz**
Cabernet Sauvignon, Cabernet Franc	**Tempranillo**
Cariñena	**Zinfandel**
Claret	**Nebbiolo**
Grenache	**Palomino**
Malbec	**Petit Sirah**
Merlot	**Mission**

[2] Mr. Jorge Barrios, an expert on Mexican wine and wine production in Baja provided the reporting on statistics and updates on trends in Mexican wine production for this report. Contact information for his company is available in Section III.

Whites

Chardonnay	**Riesling**
Chenin Blanc	**Sauvingon**
Fume Blanc	**Semillon**
French Colombard	**Viogner**

Land cultivated by wine growers declined from 1984 until 1999. This decline is in part because changes in Mexican government regulations in 1982 eased the regulatory burden on imported wine and forced Mexican producers to compete in the international market. Based on Mexican National Statistics, since 1999 the acreage has stabilized. In 1984, 173,590 acres were dedicated to wine production compared to about 123,551 acres cultivated in 1999. Though national statistics are not available from 2000 forward, according to statistics from Baja California, the acreage dedicated to wine production in this area is growing. International statistics on wine production in Mexico estimate that less land was dedicated to wine production, about 101,000 acres from 1997-2000, with a decrease to 96,000 acres in 2001.[2] The reported decrease could reflect a transition to other crops for vineyards outside of the Baja producing region. Based on the most recently available statistics, Mexico was ranked 34th in the world in vineyard acreage and 21nd in the world in wine production in 2001. The quantity of production declined through the late 1980s and early 1990s, but production has been steady with a slight increase annually since 1998. Though the quantity of wine by volume has not increased dramatically, the value of Mexican wine production has increased with wine producers placing greater emphasis on grape quality rather than increasing yields.

Changes in Mexican Wine Production[3]

Baja California experienced a wine quality renaissance in the mid-1990s. In response to the global market, Baja wine makers replaced traditional grape varietals such as the Mission grape with internationally accepted new varietals such as Cabernet Sauvignon, and began to focus on quality over quantity. Currently there are more than 15 vineyards/wineries (including small boutique producers) operating in Baja. The four largest vineyards (from largest to smallest) are LA Cetto, Domecq, Santo Tomas and Monte Xanic. Several boutique wineries are currently producing small-quantity, high-value wines, some with excellent success in international wine competitions. Most of Baja's vineyards look to Europe's winemaking tradition as their guide. Several of the important winemakers of the region were trained in France and the majority of the new vines have come from Europe, despite the region's similar climate and proximity to winemaking areas in California.

Pedro Domecq, perhaps the most widely recognized Mexican brand in the world, began producing brandy in 1956 and table wines in 1972, and is currently one of the largest producers of wines in Mexico. It is owned by the Allied Corporation of the United Kingdom. Domecq

[2] Wine Institute figures based on data from Office International de la Vigne et du Vin.
[3] Many thanks to enologists, vineyard managers and winery owners who openly discussed changes in the Baja wine industry, including trends and marketing strategies. These include Case de Piedra, Chateau Camou, Vinas Valmar, Pedro Domecq, Monte Xanic, LA Cetto, Santo Tomas and Vinas Liceaga.

currently cultivates 1235 acres of vines and produces about 208,000 cases of wine annually. Domecq produces its own grapes and also purchases grapes from independent grape growers. Grape growers selling to the larger wineries has a long tradition in Baja, but with the trend for increased quality most vineyards have decreased these purchases. Domecq relies on exports for about half of its sales, with 40 percent destined for Europe. The Pedro Domecq winery facility in Calafia Valley closed in September 2004, so now their grape production must be trucked to Zacatecas from Baja for processing. Sources close to the company predict that Domecq's production will be processed primarily in the State of Sonora in the future.

Other major wineries are LA Cetto, founded in the 1960's; Santo Tomas, founded originally with the mission grape in the 19th century; and Monte Xanic founded in 1988; all have internationally recognized blends and rely on a variety of marketing outlets. LA Cetto is the largest of the three with 6,178 acres producing 840,000 cases and has the most traditional distribution system, focusing on domestic marketing and sales, particularly in Mexico City and other major metropolitan areas. Santo Tomas, which produces about 50,000 cases a year on 697 acres, has arrangements with wineries in the United States and Switzerland to produce wines. Duetto, which is produced by shipping US wine (from Wente Vineyards) for blending and aging at Santo Tomas, was one of their joint ventures. The winery also ships bulk wine in tankers to Switzerland to be further processed, bottled and sold in Europe, and is in the process of negotiating a similar arrangement in France. In addition the vineyard has started a joint venture with the European Southern Wine Group. Monte Xanic, which produces about 50,000 cases of wine annually on 153 acres and hopes to grow to 90,000 cases a year, has recently entered into a partnership with the Chalon group, an association of wine producers that relies on the distribution system of other wineries in their group, including US wineries Edna Valley and Canon Ridge. Through this association, Monte Xanic hopes to sell more of its product to the United States, which currently purchases about 10 percent of its production. A recent association has been announced between Caliterra, a Chilean company and Monte Xanic. Creative marketing systems and partnerships such as these are also important for the smaller, newer boutique wineries found in Baja and many are looking to ventures with Mexican as well as foreign investors and organizations to expand marketing opportunities.

Chateau Camou produces a large quantity of wines (25,000 cases on 86 acres) but focuses on quality and high value wines, rather than increasing production. The vineyard produces many varietals and has won awards in international competitions with several of them including Chardonnay, Fume/Sauvignon Blanc, Claret, and red blends such as Cabernet Zinfandel, and Cabernet Franc/Sauvignon, and Merlot). Casa de Piedra, founded in 1997, is a well known but smaller winery. It produces high quality wines and focuses on a few varietals (Chardonnay, Tempranillo and Cabernet) rather than on quantity or growth. It produces about 2,300 cases on 62 acres. The vineyard is able to operate successfully in part because of the quality of its wines and its unique marketing system. Over 70 percent of its production is bought on shares through futures prior to the grape harvest for the year the shares were bought. It is an investment for those purchasing shares and provides operating expenses for the vineyard. The sole American-owned vineyard in the region is Adobe Guadalupe, which also runs an inn on the site of the vineyard. Well-known Mexican enologist Hugo d'Acosta, also the owner of Casa de Piedra, is the technical advisor for this vineyard with 60 acres of planted vines.[3] The most recent addition is Baron Balché, which opened in 2003, and focuses on production of high-quality boutique wines. It produces 3,000 cases on 25 acres. Another significant addition is Vinisterra, with much of its acreage in the Santo Tomas Valley; its goal is to produce 5,000 cases annually on 38 acres in the next five to ten years. Due to the increasing wine culture in the region, several very small artisan wineries have emerged each producing less than 500 cases a year, they include Acrata, Alvarolo, Californiano, La Farga, Pijoan, Roganto, Sueños, and Tres Valles-Jala.

Production by Select Baja Vineyards, estimates 2003/2004
Listed in order of production levels

Winery	Acres (Owned and Rented)	Production in Cases	Destination of Exports/Percent exported:	Alliances/Associations
L.A. Cetto	6,178	840,000	US, Europe, Asia, Central America/N/A	--
Pedro Domecq	1,235	208,000	US, Europe, Asia/50	Allied Group-UK
Santo Tomas	697	35,000-50,000	Europe/10-15	Southern Wine Group-Europe; Wente-US
Monte Xanic	153	33,000-50,000	US/10	Chalon Wine Group-US; Caliterra-Chile
Chateau Camou	86	25,000	US/25	--

Though the vineyards in Baja vary dramatically in size and type of production, certain trends in the region's vineyards affect all of its production:

- Focus on quality of wine over quantity of production, which has been true for all of the production in the boutique vineyards, and is now true for a portion of the production in the larger vineyards, each now producing at least one high-value wine;

- Movement to internationally popular grape varietals such as Chardonnay, Merlot and Cabernet Sauvignon, away from the traditional grapes of the region for most production, though since 2002 some producers are experimenting with local varietals, particularly in blends;

[3] D'Acosta is considered a highly skilled and creative enologist and is opening an artisan wine school in Baja likely to attract producers from around the world. He is also a major promoter of the Baja California wine festival and fair held annually in August.

- Increase in recognition and investment in the "wine culture", shown by the opening of wine bars such as Sede Vino Riedel and the recently opened Vino & Riquezas Regionales Boutique as well as a proliferation of events attracting both tourists and wine connoisseurs to the region; [4]

- Vineyards focusing on grape quality throughout the entire planting, growing and harvest process; and

- Increased concern about pressure on the water resources available, and recognition that sound government regulations will be needed to ensure that the region's viniculture continues to grow and thrive.

In Baja, larger vineyards have the largest per hectare production, with smaller vineyards producing the smallest yields. The 2003 wine grape production in Baja decreased to four to six tons per acre from the normal production range of five to seven tons per hectare.[5] For comparison, 12 to 15 tons per hectare is typical in vineyards in Europe and the United States, and Chile averages about 20 tons per hectare. Despite average precipitation of 11 inches, temperatures remained below normal, slowing development of the grapes. The quality of the fruit suffered and fewer grapes were available for processing. In contrast, the 2004 harvest is considered very good to excellent, with optimal climatic conditions throughout the season. Many producers in the region predict a banner year in terms of production and quality, on par with the excellent vintages from 1997, 2000 and 2002.

Exports[6]

Mexico's exports of wine rose over 26 percent from 1998 to 2001 to $4.5 million a year. Exports of Mexican wine fell to $2.2 million in 2003 due to the weak international market for wine because of worldwide oversupply and limited wine production in Mexico. Exports have increased almost 60 percent for the first three months of 2004 has compared to the same period in 2003. Mexico exports its wine to over 20 countries and its wines have won over 110 international awards since 1990. The United States purchases the majority of Mexico's wine exports, almost 40 percent of all exports in 2003. The next major importer is France (8.5 percent) followed by Germany (7.5 percent) Great Britain and Switzerland (5 percent each) Canada (4 percent) Slovenia (3 percent) Japan (2 percent), with Belgium, Denmark, Croatia, Yugoslavia, Cuba and Finland each purchasing a percent or less of Mexico's exports.

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[4] **Sede Vino-Riedel** is a wine bar with two locations in Mexico City and a bar-restaurant in Ensenada, Baja. Originally founded by a Baja winery, it has recently been purchased by the high-quality European glass maker Riedel. **Vino & Riquezas Regionales** is a large wine tasting venue in Baja promoting wine from Santo Tomas, as well as local food products and art.

[5] Production estimates are based on observations and contacts with local vineyards by Jorge Barrios, of Wine and Regional Cuisine Mexico, a knowledgeable local on Baja Vineyards.

[6] Export statistics are again based on Mexico data, which differs from US trade statistics, but concurs generally with the UN trade data. For example, both Mexico and FAO Stat, a UN source, states that Mexico exported $3.0 million of wine in 2002 and $2.5 million for 2003.

Consumption

Per capita wine consumption in Mexico is estimated to be .15 liters or about .04 gallons per year, ranking 54th in the world for per capita wine consumption based on the latest available figures.[7] In comparison, France's per capita consumption of wine is about 58 liters, or 15 gallons per year and the US consumption is 7.7 liters, or over 2 gallons per year. Preference for other alcoholic beverages and soft drinks and an underdeveloped consumer awareness of wine are reasons for this very low per capita consumption. The main consumers of wine in Mexico are in their mid-thirties and above, tend to be well educated, and represent the upper middle to high-income segment of the population. Based on discussions with individuals working in the industry in Mexico, there is an increased awareness and consumption among educated Mexicans in metropolitan areas in their mid to late twenties. The growth of a business dedicated to promoting wine consumption and awareness, such as Sede Vino-Riedel and Vino & Riquezas Regionales, both reflects and serves to help this change. Per capita wine consumption should increase over the next ten years if the Mexican economy continues to grow at modest to strong levels. The expanding restaurant, hotel, and tourism industry in Mexico also bodes well for increased consumer awareness of and demand for imported wine.

Most Mexican consumers of wine make their purchasing decisions based first on price. In addition to facing stiff price competition from European and Chilean wines, US wines are competing against the quality image and long standing tradition of European wines in Mexico. Those consumers that are widely traveled, or tourists from the United States, are more willing to pay the comparatively higher prices for US wines. On the other hand, those consumers who are not familiar with the high quality of US wines will choose a national brand, or a Spanish, French or Chilean wine, due to the perceived quality and the usually more attractive price.

Sample white wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

German wines: $40.00 - $250.00
French wines: $55.00-$300.00
Spanish wines: $50.00-$ 350.00
Chilean wines: $28.00-$100.00
US wines: $70.00-$400.00
National brands: $40.00-$300.00

Sample red wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

French wines: $70.00 - $450.00
Spanish wines: $75.00 - $350.00
Chilean wines: $ 40.00 - $170.00
US wines: $57.00 - $450.00
National brands: $95.00-$325.00

[7] Statistics from the Wine Institute from Ivie International based on data from the Office International de la Vigne et du Vin.

Taxes and Regulations

The reasons US producers have not been able to access this market more successfully include the fierce competition from European and Chilean suppliers, increasing competition from Mexican producers, comparatively more expensive US products, a preference for reputable European brands, a relatively unseasoned consumer base (particularly when it comes to US wines) and until 2003, import tariffs on US wines. Since January 1, 2003, the US has not faced import duties on wines. This change has leveled the playing field for the US wine producer exporting to Mexico.

Under NAFTA, wines qualifying, as "North American" must use a certificate of origin in order to ensure that NAFTA tariff benefits accrue only to US, Canadian and Mexican goods. Such certificates are usually obtained through a semi-official organization such as a local chamber of commerce, and do not have to be validated or formalized. Despite changes for the better due to NAFTA, FAS Mexico continues to receive complaints from US exporters about bottles being taken from shipments at the border, cases being held without cause and a long delay for clearance of US wines. We work on these issues on a case-by-case basis, and also express our overall displeasure for unnecessary disruptions. That being said, FAS Mexico does find in many cases that the reason for a delay is grounded in the lack of proper documentation that may be the fault of the importer of the product. The quality of the importer/distributor and the exporter's cooperation with them is an essential component to an exporter's success in the Mexican market.

Taxes

All alcoholic beverages sold in Mexico are subject to Mexico's 15 percent value added tax. In addition, alcoholic beverages, whether produced locally or imported, also are subject to the Impuesto Especial de Productos y Servicios-IEPS (Special Tax on Products and Services). This tax, which went into effect on April 1, 1997, and was later modified on December 31, 1998, affects many products including alcoholic beverages, tobacco and gasoline, among other products and services. In the case of alcoholic beverages, the tax is levied according to the alcohol content of the product.

IEPS TAX LEVELS ON ALCOHOLIC BEVERAGES
(Alcoholic Beverage and Percentage of Tax Level)

ALCOHOLIC BEVERAGES	IEPS TAX PERCENT
With alcohol content of up to 13.5 percent	25
With alcohol content from 13.5-20 percent	30
With alcohol content above 20 percent	50*

Source: Secretaria de Hacienda y Credito Público (Ministry of the Treasury)
*Changed in early 2004 from 60

A March 2001 change in the Mexican tax law has modified the way in which the IEPS tax is calculated, which leads to a slightly higher consumer price. Below is a table that shows the IEPS tax calculation applied to wine imports.

Application of IEPS Tax for Wines

	Before Law	After Law
Value (FOB)	**$100.00**	**$100.00**
IEPS tax is applied to:	**$100.00**	**$125* Found in left column**
IEPS (25%)	**x .25**	**x .25**
Equals total IEPS	**$25.00**	**$31.25**
Price	**$100.00**	**$100.00**
Plus total IEPS	**$25.00**	**$31.25**
Price, pre IVA	**$125.00***	**$131.25**
IVA (15%)	**x 1.15**	**x 1.15**
TOTAL	**$143.75**	**$150.94**

Note: In a sense the IEPS tax is now levied on a wine product twice.
For this example, the increase is 5 percent of the final price.

After paying the IEPS tax, importers receive a marbete, or fiscal label, as proof of this payment. These marbetes are affixed individually on the bottles and only after this process can they be sold in the market. The bottles remain in a fiscal warehouse until the labels have been affixed.

Regulatory Requirements

The paperwork required for importing wine is normally completed and filed by a customs house broker. The basic Mexican import document is the Pedimento de Importacion (customs entry document), which should be presented to Mexican Customs, along 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. In addition, Mexican border officials can require a Certificate of Free Sale as it is required for all food products, though do not always ask for this for wine. These certificates are available through all State Departments of Health and FDA. As in the case with US Customs laws, Mexican customs law is also very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. As mentioned above, exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Sanitary Requirements: There are no special requirements from the Mexican health authorities for importing wine into Mexico. However, wine imports do require a written sanitary import notice (Aviso Sanitario de Importacion). This is a free-style letter, written in Spanish 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, written on the company's letterhead, should be addressed to the Secretaria de Salud; Direccion General de Calidad Sanitaria de Bienes y Servicios, and presented at the port of entry. In addition, the invoice, airway bill and a Sanitary Statement (Constancia Sanitaria) are required. The sanitary statement must come from an 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.

Labeling: All imported products destined for retail sale in Mexico must be labeled according to Mexican government specifications as outlined in NOM-142-SSA1-1995, of July 9, 1997, later modified on July 22, 1998. This Mexican norm on labeling states that alcoholic beverages should adhere to the following commercial and sanitary information. A sticker can be affixed in the country prior to retail.

1) Commercial information:
-Brand or commercial name
-Name or generic name of product
-Exporter's name and address
-Indication of the quantity in accordance to NOM-030-SCFI (use metric units)
-Producer's name and address, which, in the case of imported products, will be provided to SECOFI by the importer
-Country of origin (i.e., Producto de EE.UU.)
-Importer's name, company name and address
-In the case of wine coolers, the labels should contain: name, address and taxation code of the importer.

2) Sanitary information:
-All alcoholic beverages should read "El abuso en el consumo de este producto es nocivo para la salud" (The abuse in the consumption of this product is hazardous to your health)
-Alcohol content, percent of alcohol in volume at 20 degrees centigrade displayed as follows: (Number) % Alc. Vol.
- Lot number
-Only prepared drinks and cocktails should include a list of ingredients, which should be listed under the heading "Ingredientes," and they should be listed in the decreasing order of their percentage of the product's total composition.

This information must be in Spanish and may also appear in the original language. The information referring to the brand, type of beverage and quantity should appear on the main label. The other information can be included on any other part of the label or product container. Several importers and distributors noted that in 2004 difficulties at the border and labeling certification problems have increased. The very specific regulations regarding labeling have been interpreted even more strictly, and even minor documentation issues have been used to hold the product. Though the Foreign Agricultural Service will intervene when a shipment is being held without cause, it cannot solve problems that arise from the strict interpretation of approved regulations. This provides another reason that a skilled, experienced importer/distributor is essential to success in Mexico.

Temporary Imports: Mexican import legislation does not recognize temporary imports, which are meant for sampling or for "give aways" during trade shows or other promotional events. Therefore, this ruling does not allow temporary imports of wines or similar products that will be consumed or used as samples in Mexico. Imported wines that are to be promoted during an event in Mexico are subject to import duties. Imported products must obtain a marbete, a fiscal label that ensures that the import duties and IEPS tax have been paid, before the products are imported and consumed in the country.

Exporters should also be aware that Mexican companies importing alcoholic beverages into Mexico must be inscribed in the Mexican Registry of Importers-MRI. Foreign suppliers of alcoholic beverages must have a Mexican importer or a representative registered in the MRI of the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico.

Marketing

Importers/distributors are vital to the success of any imported product, particularly wine, since very few of the major retailers and almost no restaurants import directly. National distribution is the easiest method for supplying the Mexican market, however some distributors only represent regions or select metropolitan areas in Mexico. Select foreign companies have opted to form alliances or joint ventures with established Mexican liquor companies to distribute and represent their product lines. Other companies have established representational offices in Mexico. Another creative strategy can be to form an alliance with one of the wine makers in Mexico to mutually benefit from each other’s distribution channels. See the section on Mexican production for information on creative marketing systems used by some vineyards. In addition, wine clubs are growing in popularity in Mexico, and can be a good way to introduce a new wine to Mexican connaisseurs. A list of the major wine clubs, their programs, as well as their contact information can be found at: http://mexicanwines.homestead.com/wineclubs.html.

Because of the critical role that importers and distributors play in the Mexican wine market, a US company looking to export wine to Mexico for the first time must make finding a distributor their top priority. There are a limited number of reputable distributors that carry US wines, and they can be very selective about which wines they are willing to represent. It can take more than one visit to Mexico to find a distributor who will suit the needs of the exporter. This process of selecting a distributor should not be rushed as changing distributors can be challenging and can cost an exporter time and money. After the exporter and importer/distributor come to an agreement, the registration process for a new wine commences. This process can take from two to six months to work its way through the regulatory process in Mexico. The distributor should help with the necessary documentation and registration, though the exporter is responsible for providing accurate information and the required US documents and certification.

US wineries that are successful in Mexico usually make several trips before making sales. The first visit is used to determine if the target market within Mexico, whether regional (i.e., Cancun, Mexico City and/or Guadalajara) or sector-based (i.e., hotels and restaurants or retail) has an interest in their product. On that same visit they meet with distributors to see if one is interested in representing their wines. Often they travel back a second time to finalize the arrangements with the selected distributor. Before a winery attempts to market directly to the hotel, restaurant or retail sector, a distributor must be located, because the regulatory approval and import processes need to be in place before orders can be fulfilled.

In Mexico, specialty stores, supermarket chains, hotels and restaurants are the primary sales venues for imported wine. As mentioned before, only a handful of the retail chains (such as Costco) import directly, so most alcoholic beverage products are purchased through Mexican-based distributors enabling retail chains to keep inventories at a minimum, thereby avoiding investments in large centralized storage and bypassing the hassles of importing. This system of indirect purchasing is expected to change gradually over the next decade but currently it is the dominant business practice. Generally, larger retailers are very hesitant to take on new wine labels, particularly from the United States, and agree to promotions only when the entire risk is borne by the exporter. Though increasingly importers and distributors acknowledge the high quality of US wines, they still find consumers are more inclined to purchase a European wine for higher priced wines, and Chilean wines for the lower priced bottles.

The growing market opportunities in Mexico for US wine exporters are primarily in the restaurant, hotel, and tourism industry. Groups of wineries or a representative of a large number of wineries, such as a US State association, could consider conducting promotions through a luxury hotel chain for wines that are already in the market. In addition, the California Wine Institute and the Agricultural Trade Offices in Monterrey and Mexico City hold events targeted to the restaurant and hotel sector.

In 2004 the California Wine Institute opened an office in Mexico City to both promote the sales California wines already on the market and help open the market for new wineries. The office holds several events throughout the year promoting California wine and also provides one-on-one counsel for new-to-market wineries. Contact information for the office provided in Section III.

The Agricultural Trade Office (ATO) in Mexico City can help US wine exporters by supplying them with market information, importer lists, and distributor data, as well as by endorsing US Pavilions at trade shows and organizing various marketing events. For more information please contact the ATO Mexico City or Monterrey offices, contact information is provided in Section III.

A good means of increasing product exposure and making personal contact with wine importers and distributors is by attending trade shows and expositions in Mexico. The following shows provide a venue for US exporters to promote their wines in the Mexican market, and meet with potential importer/distributors:

ANTAD 2005
When: March 10-12, 2005
Where: Expo Guadalajara, Guadalajara, Mexico
Organizer: Asociación Nacional de Tiendas de Autoservicio (ANTAD)
Contact: Carlos Zertuche, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; Ext. 1004
Fax: (011-52-55) 5281-6093
Email: carlos.zertuche@usda.gov
Show Type: Mexico's largest retail and supermarket show. This is the seventh year ATO Mexico City will be organizing a US pavilion at the show.

ALIMENTARIA 2005
When: June 1-3, 2005
Where: Centro Banamex, formerly known as Centro de Exposiciones y Convenciones Las Americas, Hipodromo de Las Americas, Mexico City
Organizer: EJ. Krause de Mexico
Contact: Carlos Zertuche, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; Ext. 1004
Fax: (011-52-55) 5281-6093
Email: carlos.zertuche@usda.gov
Show Type: The only national trade show in Mexico dedicated entirely to food and beverages. ATO Mexico City will be organizing a US pavilion at the show for the first time.

EXPHOTEL 2005
When: June 15-17, 2005
Where: Convention Center, Cancun, Mexico
Contact: Lourdes Guzman, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; 5281-6588 Ext. 1005; 5080-2000 Ext. 4787
Fax: (011-52-55) 5281-6093
Email:lourdes.guzman@usda.gov
Show Type: Mexico's largest hotel, restaurant and hospitality industry show for the Caribbean region. This is the sixth consecutive year that ATO Mexico City is organizing a US Pavilion within the show.

Competitor Programs

There are three foreign export-promotion agencies in Mexico: SOPEXA, from France, which is very active in promoting their national wines together with other food products; Prochile, from Chile, which is almost exclusively dedicated to wine marketing/promotion; and the Agricultural Trade Office-ATO, of the United States, which assists US producers of agricultural, fishery and forest products in the promotion and market development of their products. In addition, in 2004 regional administrative organizations from Italy and the Italian government have begun promotion of Italian wines in Mexico.

SOPEXA, the French Government's marketing organization for food and agricultural products, has a highly refined marketing plan for promoting French wines in the Mexican market by conducting tastings in upscale restaurants and in-store promotions, and by participating in major Mexican food and beverage trade shows. Prochile dedicates most of its budget in Mexico to the promotion of their wines. They use bonuses and free samples to retailers and consumer tastings to promote their product. Italian promotions have included upscale receptions, in-store promotions and travel to Italy to meet with producers as incentives to purchase Italian wines. In addition, Spanish and Portuguese wines also enjoy regular in-store promotions in many of the major supermarket chains.

Mexico's wine producers are becoming more active in promoting their national wines in Mexico as well as abroad. They are using in-store promotions, media events and promotion of the culture of wine through concerts and festivals in the Baja wine region to promote their products.

Section III: Contacts

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Col. Santa Maria, 64650
Monterrey, Nuevo Leon
Tel: (011-5281) 8333-5289
Fax: (011-5281) 8333-1248
e-mail: atomonterrey@usda.gov

The California Wine Institute

Mexico:
Jessika Gonzalez, Representative
Contact ATOs for new Mexico City address in January 2005
Tel/Fax: (011-5255) 5538-3390
Cell: (011-5255) 5805-5998; in Mexico City (044-55) 5805-5998
e-mail: wineinstitute@mexico.com

California:
Contact: Ann Pemberton
425 Market Street Suite 1000
San Francisco, CA 94105
Tel: (415) 512-0151
Fax: (415) 442-0742

Asociacion Nacional de Vitivinicultores, A.C.
(National Association of Wine Growers)
Calzada de Tlalpan 3515
04650, Mexico, D.F., Mexico
Tel: (011)(52)(55) 5666-1331, 5606-9724
Fax: (011)(52)(55) 5606-9724
Mexican association of wine producers

Baja Wine and Regional Products Mexico
Mr. Jorge Barrios, Director
Phone: (646) 174-6051 / Cellular phone: (646) 947 6050
e-mail: vinosjb@telnor.net
Organization promoting the Baja California wine region and Mexican wines, cuisine and art through both excursions to the region and consulting services