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Food Processing Ingredients Sector

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Report Highlights:

Mexico offers very good opportunities for U.S. suppliers to the processed foods sector. The demand for processed foods is increasing and the Mexican industry is keeping pace; the sector grew about 25 percent from 1999 - 2002. U.S. suppliers already dominate the imports into this market and are well-positioned to capitalize on the growing demand for high-quality ingredients.

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MEXICO'S FOOD PROCESSING SECTOR

Mexico offers very good opportunities for suppliers to the processed foods sector. The demand for processed foods is increasing and the industry is keeping pace; the sector grew by an average 8.1 percent annually from 1999 to 2002. U.S. suppliers dominate Mexican imports of raw materials for the sector and are well-positioned to capitalize on increased demand for high quality food ingredients.

SECTION I. MARKET SUMMARY

According to the Mexican Secretary of Commerce business registry (SIEM), there are 7,065 food manufacturing companies processing a wide range of products including red meat, poultry, fish and dairy products, baked goods, snack foods, prepared fruit and vegetables, oilseed products, beverages, dry goods, condiments, specialized food ingredients and prepared meals. The industry produced \$38.3 billion in 2002.

From 1999 to 2002, the industry grew by an average 8.1 percent per year in production value. The following sub-sectors experienced the highest growth in this period: Beverages (41.1 percent), Baked Goods (38.4 percent), Confection, (27.9 percent), Snack Foods (26.9 percent), Canned Foods (25.6 percent), Dairy (24.5 percent), Meat and Poultry (21.4 percent), Other (coffee, gelatins, yeast, syrup, concentrates, etc.) (17.3 percent), Sugar (14.7 percent), Animal Feed (13.7 percent), Fish and Seafood (12.4 percent), Flour and Grains (7.5 percent), Vegetable Oil (0.9 percent). The sector is expected to produce \$41.3 billion in 2003.

Production Value of Mexico's Food Processing Industry (USD Millions)

Industry	Number of Firms (1)	Total Inputs (2)	1999 (3)	2000	2001	2002	Growth 99-02
Meat and Poultry	526	1,400	2,117	2,440	2,555	2,571	21.4%
Dairy	426	2,600	3,198	3,684	4,005	3,982	24.5%
Canned Foods	100	715	2,037	2,216	2,505	2,559	25.6%
Fish and Seafood	59	198	275	279	292	309	12.4%
Flour and Grains	337	778	1,301	1,284	1,366	1,399	7.5%
Baked Goods	3,963	703	1,605	1,853	2,090	2,222	38.4%
Vegetable Oil	75	1,200	2,001	1,951	2,008	2,020	0.9%
Sugar	61	1,100	1,908	1,848	2,368	2,188	14.7%
Confection	280	250	727	861	861	930	27.9%
Snack Foods	163	341	1,612	1,949	2,106	2,045	26.9%
Other (coffee, gelatins, yeast, syrup, concentrates, etc.)	263	1,400	2,891	3,198	3,327	3,390	17.3%
Animal Feed	163	1,200	1,561	1,599	1,775	1,775	13.7%
Beverage Industry	649	2,500	9,122	11,030	12,006	12,870	41.1%
Total	7,065	14,385	30,355	34,192	37,264	38,260	26.0%

Source: 1. SIEM; 2. INEGI Encuesta Industrial 2000; 3. INEGI Encuesta Industrial Mensual 2002

Trade statistics paint a favorable picture for U.S. suppliers to the food processing sector. Mexico imports from the United States almost five times as much raw material¹ for the industry as it exports. Moreover, imports rose 22 percent while exports fell almost 30 percent between 2000 and 2002. Although a strong peso during the period may account for some of this imbalance, the figures indicate a strong and growing dependence on foreign suppliers to the industry.

The following imports of raw materials for the food processing sector experienced the highest rates of growth from 2000 to 2002: Cloves (660 percent); Cereal grains, germs (490

¹ CCG selected approximately 70 categories of "food ingredients" from government statistics in determining the trade balance between the United States and Mexico.

percent); Vanilla beans (450 percent); Soybean residues (262 percent); Cocoa paste (200 percent); Other fixed vegetable oil (179 percent); Anim/veg hydrogenated (179 percent); Oats (131 percent); Soybean oil (131 percent); Various spice seeds (117 percent); Palm nut or kernel (100 percent); Vegetable waste for animal feed (95 percent); Unsweetened cocoa powder (80 percent); Bran (79 percent); Olive oil (75 percent); Wheat or meslin flour (73 percent); Cane/beet, solid form (73 percent); Rapeseed, colzo/mustard (68 percent); Yeasts; baking powder (50 percent); Palm oil (not chemically modified) (47 percent); Wheat and meslin (40 percent).

Advantages/Challenges for U.S. Exporters Targeting Mexico's Food Processing Sector:

Advantages	Challenges
The United States is already the leading supplier of ingredients to Mexico's food processing industry.	The European Union, Chile and other Central American and South American countries have free trade agreements with Mexico giving them preferential duties for some products.
Geographical proximity gives U.S. exporters a competitive advantage over third country suppliers.	As Mexico's transportation and distribution infrastructure improves, other countries will be able to deliver product more efficiently to the Mexican market.
Because of NAFTA, U.S. products have preferential import duties compared to products from many third country suppliers. As of 2003, most U.S. food and agricultural product exports to Mexico are duty-free.	Commercial barriers such as labeling, phytosanitary and sanitary regulations and NOMs (Mexican quality standards) continue to pose obstacles for importing some U.S. products.
Rising per capital income, more women in the work-force, and increasing foreign investment are driving the demand for processed foods.	U.S. firms must aggressively solicit new business and establish in-country sales and servicing infrastructure.
Raw materials for the industry imported from the U.S. by Mexican food processors are subject to less stringent labeling requirements.	U.S. exporters still must comply with all sanitary and phytosanitary requirements, which are frequently modified.
Mexico's domestic production of milk powder, lactose and sweet whey, poultry, red meat, cocoa, grains and flour, canned fruits, sugar, cereals and pet food cannot meet domestic demand. (Source: Bancomext)	Imported products are relatively more expensive and take longer to arrive.
Mexican processors view U.S. ingredients such as red meat, pork, dairy, poultry and other products as having high quality.	Strong competition from local producers and Asian and European suppliers.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. OVERVIEW

Because of the personal nature of conducting business in Mexico, U.S. companies wishing to serve the food processing sector must establish strong relationships with buyers. The question is: how to build those relationships? U.S. suppliers have essentially two options.

1. *Sell through a Mexican distributor/representative.* For low-volume or perishable products, Mexican food processors may insist on purchasing from a local supplier. Thus, the U.S. company should consider a Mexican distributor of similar but non-competitive products. The rep may act merely as a sales agent taking orders for product shipped directly, or may also serve as importer who stocks and distributes the product through its own sales force.
2. *Establish a Mexican sales subsidiary.* Foreign firms with higher sales volume frequently have their own representative offices in Mexico, providing sales support and/or warehousing with distribution services.

A good first step for U.S. suppliers is to visit Mexico and meet with potential customers and distributors. Visiting with buyers for food processors accomplishes several things. First, it gives the U.S. company a general feel for the market. Second, it allows them to identify specific needs. Third, it will tell them whether the market is worth pursuing. Finally, they can investigate the best method to distribute their product and ask buyers for recommendations of good distributors.

U.S. suppliers are also advised to attend a trade show in Mexico. Mexico does not host an event focusing specifically on servicing the food processing sector. The Expo Carne (Meat Expo) show, however, is an excellent venue for identifying opportunities in the meat processing market and gauging the competition. This show, which is held every other March in Monterrey, is the largest of its kind in Latin America. Similarly, MexiPan (Bread Expo, every other September, next in 2004) treats the baked goods market and Confitexpo (Candy Expo, every July in Guadalajara) the candy manufacturing market. Attending a show allows U.S. firms to simultaneously investigate the market, meet with buyers, and interview potential distributors. A trip can be combined with interviews set up by the U.S. Agricultural Trade Office, U.S. Commercial Service, or one of 30 U.S. state representative offices.

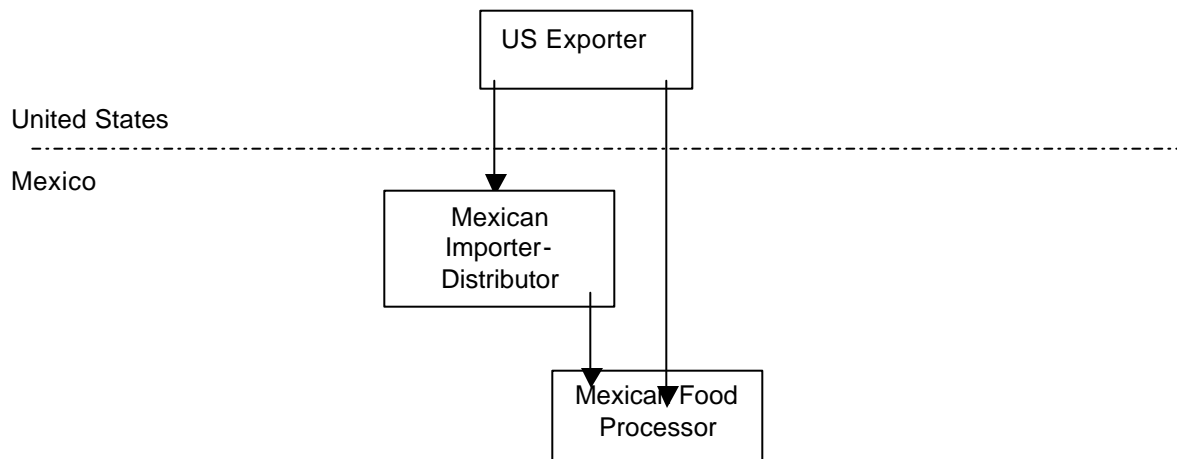
B. MARKET STRUCTURE

The vast majority of raw materials used by food processors are purchased directly from the producer. Grupo Herdez (canned goods and sauces), Unilever (vegetable oil and ice cream), Grupo Modelo (beer), Jugos del Valle (non-alcoholic beverages), and Ricolino (candy) reported that they purchase approximately 80 percent of their raw materials this way. Most companies interviewed prefer to deal with the local representatives of foreign raw material suppliers.

Distribution and Transportation

The first step towards distributing in Mexico is getting the product across the border. Since the largest Mexican markets are located in the interior of the country, ground transportation is the most logical option for delivery. The Mexican national railway is antiquated, although recent privatization will increase its usage for bulk shipments. Maritime transportation of bulk commodities may be considered for delivery to Veracruz or Cancun (east coast) or Manzanillo (west coast). Bimbo, for example, imports wheat from the United States that is shipped to Cancun and is then transported by truck to its main processing plants.

Trucking companies cannot bring merchandise directly from the United States to Mexico. A U.S. trucking company drives the shipment to the border and transfers its trailer to a Mexican rig. The best way to ship by truck is to use an internationally bonded carrier that has relationships with Mexican truckers. Thus, U.S. exporters typically are only responsible for delivering to the border where the importing company takes care of transporting the goods to the processing plant.



Mexican food processors consider several factors when deciding between domestic and imported raw materials. Transportation costs and potential delays are chief among these. Also, because Mexico's climate is often hot and varied, storage and refrigeration costs are important considerations.

C. COMPANY PROFILES

Nine individual products accounted for approximately 65 percent of the total food processing production value: Soft drinks and non-alcoholic beverages (18 percent), beer (10 percent), packaged milk (seven percent), sugar products (six percent), vegetable oil and shortening (five percent), animal feed (five percent), breads and baked desserts (five percent), corn-based snacks (five percent) and red meat and poultry (three percent).

The following table provides detailed information on some of the largest processors in Mexico.

Company	Industry	Sales 2002 (in 000s USD)	End-Use Channel	Production Location	Procurement
Agro Industrial Exportadora, S.A. de C.V.	Processed fruit and vegetables	350	Export	Jalisco	NA
Alfa, S.A. de C.V. (holding): Sigma Alimentos S.A. de C.V.	red meat, poultry, dairy, prepared and frozen meals	5,300; 100	Retail	Nuevo Leon (2) (HQ), San Luis Potosi, Chihuahua, Jalisco (2), Hidalgo, Mexico City; Total: 8	Direct
Grupo Bafar S.A. de C.V.	red meat, poultry, and dairy	53	Retail	Chihuahua (HQ), Cd. Obregon; Sonora; Total: 2	Direct
Industrias Bachoco	tobacco, poultry, red meat and eggs	1,100	Retail, HRI	Total: 400	Direct & Brokers
Grupo Mac Ma	prepared gourmet meals, cookies and confection	18	Retail		NA
Qualtia Alimentos S.A. de C.V.	red meat, poultry products and dairy	NA	Retail	Nuevo Leon (HQ); Total: 3	Direct
Grupo Corvi	confection	1,400	Retail	Mexico City (HQ); Total: 4	Direct
Grupo Industrial Lala S.A. de C.V.	dairy	NA	Retail	Nuevo Leon, Coahuila (HQ) Durango (4); Total: 7	Direct
Ragasa Industrias S.A. de C.V.	oilseed	NA	Retail & Processors	Nuevo Leon (2) (HQ), Tamaulipas; Total: 4	Direct
Grupo Minsa	corn flour, tortillas and other products	202	Retail and Processors	Edo de Mexico (HQ), Sinaloa, Coahuila, Jalisco, Veracruz, Chiapas; Total: 6	NA
Grupo Birbo S.A. de C.V.	confection, baked goods and snacks	4,200	Retail	Total: 44	Direct
PepsiCo Inc (holding): Gamesa S.A. de C.V.; Sabritas S.A. de C.V.	snack food	NA	Retail	Gamesa: Nuevo Leon (2) (HQ); Total: 8 Sabritas: Total: 7	Direct
Grupo La Moderna S.A. de C.V.	baked goods and wheat flour	281	Retail		NA
Nacional de Alimentos y Helados SA de CV (Botanas Bokados)	snack food	NA	Retail	Nuevo Leon (HQ); Total: 1	Direct
Nutrisa	Health foods and snacks	29	Retail		Direct
Jugos del Valle S.A. de C.V.	fruit juice	370 **	Retail	Edo. de Mex, Mexico City (HQ), Nuevo Leon, Zacatecas, Baja California, Veracruz; Total: 8 Mexico, 1 Brazil	Direct & Brokers
Grupo Herdez	400 prod.- canned fruit and veg., pasta, sauces, etc.	471	Retail, HRI	Ensenada, Yavaros, S.L.P. (2), Celaya, Mexico DF (2), Cuernavaca, Veracruz, Chiapas; Total: 10	NA
Grupo Azucarera de Mexico	Refined sugar and	37	Retail	Mexico City (HQ), Jalisco, Michoacan.	NA

(holding company)	honey			Veracruz (2), Tabasco; Total: 5	
Fomento Economico Mexicano, S.A. de C.V. (FEMSA) (holding): Cerveceria Cuauhtemoc Moctezuma	alcoholic drinks	5,500; 2,100	Retail & Food Service	Nuevo Leon (HQ); Total: 6	Direct & Distributors
Grupo Modelo	alcoholic drinks	3,700	Retail & Food Service	Zacatecas , Coahuila , Sonora, Sinaloa, Jalisco, Oaxaca, Mexico City (HQ); Total: 7	Direct
Grupo Continental (holding)	soft drinks	1,000	Retail & Food Service	Tamaulipas (HQ); Total: 17	Direct
Pepsico (holding): Grupo de Embotelladoras Unidas	soft drinks	329	Retail	Guadalajara, Morelia, Ur uapan and Celaya	Direct
Embotelladoras Arca (holding):	soft drinks	1,400	Retail & Food Service	Nuevo Leon (2) (HQ); Total:18	Direct
Gruma S.A. de C.V. (holding): GIMSA S.A. de C.V., Molinera de Mexico S.A. de C.V., Gruma Corp.	corn & wheat flour, tortillas	2,000 ; 491; 146*; 775*	Processing Ind. & Retail; Bakery Industry, Retail & HRI	Nuevo Leon (HQ), Total: 17; Total: 9; USA: 13	Direct & Distributors
PepsiCo Inc (holding): Sonic's	confection	NA	Retail	Total: 1	Direct
Grupo Sanborns S.A. de C.V. (holding): Controladora y Administradora de Pastelerias S.A. de C.V.	bakery products	1,800; 74*	Retail & Food Service	Total: 123	Direct & Distributors
Fomento Economico Mexicano, S.A. de C.V. (FEMSA) (holding): Coca Cola FEMSA	soft drinks	5,450; 1,800	Retail & Food Service	Total: 8	Direct
Nestle de Mexico	Pet food, coffee, cereals, ice cream, powdered milk, confection, etc.	NA	Retail	Edo. de Mexico, Queretaro, Tlaxcala, Cuauhtepic, Chiapas, Jalisco, Puebla, Mexico City (HQ) , Monterrey; Total: 16	Direct
Unilever de Mexico	Ice Cream, margarine, sauce, vegetable oil	NA	Retail	Edo de Mex, Mexico City (HQ), Morelos; Total: 3	Mostly Direct

* Figures from 2001, **Figures from 2000; HQ = Headquarters

Source: Bolsa Mexicana de Valores and Direct Contacts.

D. SECTOR TRENDS

Foreign Direct Investment

Between 1999 and 2002, \$3.6 billion in foreign direct investment (FDI) flowed into 635 of Mexico's food, beverage, and tobacco firms. Of these, the United States invests in 312 companies, or 56.5 percent of the total. Regarding the number of firms with foreign investors, 15.3 percent are food processors, 14.5 percent are dedicated to soft drinks, 7.1 percent prepare bottled fruits and vegetables and 5.3 percent cultivate other products.

Tobacco, soft drink, cream/butter/cheese, and beer processors in Mexico received 38.5 percent, 13.8 percent, 6.7, and 5.7 percent respectively of total FDI in the processed food sector. According to the Secretary of the Economy statistics, 20 percent of processed food companies account for 67 percent of FDI within the sector.

Some of the larger companies with foreign investment include: Grupo Modelo (35 percent Anheuser Busch); Jerome Mesoro (Jerome Mesoro, USA); Harinera la Espiga (affiliated with General Mills); Gamesa (100% Pepsico); Agroindustrias del Noroeste (Smithfield Foods); Carroll's Foods de Mexico S.A. de C.V. (Carroll's Foods, Inc); Farmland Industrias, SA (Farmland, Kansas City, MO); Tyson de Mexico, S.A. de C.V. (Tyson USA); Delimex de Mexico S.A. de C.V. (Heinz Corporation); Gollek Interamerica, S. de R.L. de C.V. (Kellogg's Company); Grupo Herdez, S.A. de C.V. (McCormick Inc. / Hormel Foods, USA); Grupo La Moderna, S.A. de C.V. (Miller Milling Co.); J.M. Smucker de Mexico, S.A. de C.V.; Kellogg de

Mexico, S.A. de C.V. (Kellogg Company); Kraft Foods de Mexico, (Nabisco) S. de R.L. de C.V. (Kraft Foods North America); Laboratorios Griffith de Mexico, S.A. de C.V. (Laboratorios Griffith Corporate y Griffith Inc., USA); Pillsbury Mexico, S.A. de C.V.; Productos del Monte, S.A. de C.V. (Conagra Grossir and Products); Sana International, S. de R.L. de C.V. (J.R. Simplot); Molinos Azteca, S.A. de C.V. (ADM); Hershey de Mexico S.A. de C.V. (Hershey Foods); La Corona S.A. de C.V. (Newbridge Latin American); Sabritas, S.A. de C.V. (Pepsico); Tecnica Mexicana de Alimentacion S.A. de C.V. (Prisma, USA); Tutsi, S.A. de C.V. (Tootsie Roll Industries Inc.).

Export and Plants Abroad

Following are some of the principal Mexican companies with significant exports and foreign manufacturing operations:

- Grupo Bimbo (Bimbo Bakeries USA) operates 17 plants in California, Texas, and Ohio as well as facilities in Latin America.
- Grupo Industrial Maseca (Gruma Corporation, Irving, Texas) produces tortillas and tortilla flour in the U.S. through two companies: Azteca Milling (five plants producing tortilla flour) and Mission Foods (14 plants producing tortillas, chips, and snacks).
- Jugos del Valle has one production plant in Brazil, which represents approximately six percent of the company's sales. Seventeen percent of annual sales are exported.
- Grupo Modelo has a malting plant in the United States; all other production sites are in Mexico. Twenty five percent of sales exported.
- Ricolino, the confection line of Grupo Bimbo, has one plant in the United States and another in the Czech Republic.
- Grupo Azucarera de Mexico exports at least seven percent of its sugar production.
- Grupo Herdez exports seven percent of the company's sales.
- Nestle de Mexico has 16 plants in the country, and 450 production sites worldwide. Seven percent of Nestle de Mexico production is exported.

Consumption Trends

Following are some of the more important trends affecting processed food production.

- *Quick and easy food.* According to INEGI, more women are working and comprised approximately 38 percent of the formal workforce in 2002. As more women are employed, their families will eat out more often and will turn to easy meal options.
- *Healthy and low-calorie food consumption is increasing.* Most processors, including Nestle de Mexico and Grupo Herdez, confirm that consumers are more health-conscious. But many other companies commented that Mexicans have been slow to demand low-fat foods on a major scale.
- *Frequency of eating out.* According to ANTAD (the Association of Retail Stores), 39 percent of Mexicans eat out no more than once per month.
- *Flavors.* According to Mane, a snack food distributor, there is a worldwide tendency towards "exotic" (Asian, Indian, Tex-Mex, etc.) snack foods. Mexico continues to appreciate the lime and chile combination on snack foods, whether salty or sweet.
- *Changing beer consumption.* Dark beers and ales have grown in popularity over the past year, but industry experts feel that this trend is temporary.

Industry Trends

Following are some of the trends affecting the processed food industry.

- *Growth in the market in general.* Mexico's food processing sector has been expanding at a brisk pace of eight percent per year over the past three years.
- *Multi-grain/wheat bread.* Multi-grain bread production, mostly from small and mid-sized bakeries, increased from 78,000 tons in 1999 to 115,000 tons in 2002, a 47 percent increase. According to INEGI, annual domestic production of wheat bread/wholemeal bread has grown by more than 35,000 tons between 1999 and 2002.
- *Sugar use will affect production location.* Foods that use sizeable quantities of sugar will increasingly be manufactured domestically, replacing imports. Because of the high cost of sugar and cocoa, the confection industry has been focusing on developing and increasing sales of sweets that are cheaper to manufacture such as marshmallows, tamarind and spicy candies. For example, La Abuelita is using cocoa powder instead of solid bars to make their packaged hot chocolate.
- *Foreign investment.* Although foreign investment dropped significantly in 2002, the food processing industry remains one of the principal sectors for foreign investment receiving \$3.4 billion from 1999 to 2002.
- *Joint ventures.* Sigma Alimentos has established a subsidiary in alliance with ConAgra Foods for prepared meals using the brand names Banquet, Sugerencias del Chef, El Cazo Mexicano and Menu del Sol. Sigma also has distribution rights for Oscar Mayer products.
- *The Hispanic market in the United States has boosted Mexico's exports.* The demand of the large Mexican-American population across the border for familiar processed foods has boosted production in Mexico.
- *Improved packaging.* The canned foods, snack foods, beverage and baked goods industries are focusing attention on modernizing packaging to make products easier to consume and longer lasting.
- *Adapting to regional tastes.* Unilever adapts its products according to the region in which the foods are being marketed. For example, foods sold in Northern Mexico have a higher salt content than in the South and Center of the country.
- *Potential for exports of Mexican foods to the United States to serve a growing Mexican market.* Mexican food processors are taking advantage of the demand for Mexican food among Mexican-American and non-Latin consumers alike. While this trend increases production in Mexico, the effects have not yet been fully realized in snack foods and baked goods since large Mexican producers such as Bimbo have facilities in the U.S.
- *Nutrition is important.* Most producers indicate that nutrition is important to consumers. Others commented that healthy foods have been slow to take hold among Mexican consumers. Virtually all of the industry representatives interviewed stated that their products have been moderately or heavily incorporating different types of additives such as vitamins, calcium and protein.
- *Some imported goods are being replaced by growing domestic production.* It is not cost effective to import some relatively inexpensive products, such as snack foods, because of high freight costs. Thus, these products are increasingly produced locally.
- *Demand for high quality ingredients.* Although Mexican food processors tend to be price-sensitive, they also demand high quality ingredients for increasingly sophisticated products.

SECTION III. COMPETITION

Domestic suppliers are the biggest competitors to U.S. exporters of ingredients to Mexico's food processing industry. Regarding imports, the competition varies depending on the wide variety of products used as food ingredients.

Following is a summary of the main competitors in their respect categories:

Meat

- Top suppliers of imports: United States (81 percent), Canada (12 percent), Australia (3 percent).
- Sigma Alimentos is the country's number one producer of processed red meat, poultry meat and frozen food products.
- Virtually all of Sigma Alimentos's poultry inputs are imported from the United States; their red meat inputs are imported from the United States or are domestically produced.
- Mexican production of sausages and cold cuts is dominated by Sigma Alimentos, Qualtia and Bafar which together account for 75 percent of total domestic production.

Dairy

- Top suppliers of imports: United States (36 percent), New Zealand (25 percent), Canada (eight percent).
- The yogurt industry is dominated by European and Mexican firms: the French company, Danone, commands 35 percent of the national market, while Nestle (Swiss) has 18 percent followed by the Mexican companies Sigma Yoplait (15 percent), Alpura (12 percent) and others (20 percent).
- Unilever (Dutch and British), the maker of Holanda, Bing and Magnum brands, has approximately 60 percent of the ice cream market followed by Nestle (Swiss) which holds another 25 percent.
- The Mexican companies Lala (15 percent UHT, 55 percent fresh), Alpura (45 percent UHT, 20 percent fresh), Parmalat (12 percent UHT), Sello Rojo (10 percent fresh) and San Marcos (8 percent fresh) dominate the sale of fresh and UHT milk.
- Chilchota, Chen, Sigma Alimentos and Lamesa are the leading producers of cheese. Cheese production continues to be largely artisan, and consumer tastes vary by region, making it difficult for producers to achieve nationwide distribution. Mexico produces essentially no hard cheese.

Confection

- Top suppliers of sugar imports: United States (77 percent), Ecuador (4 percent), Spain (3 percent). Top suppliers of cocoa imports: United States (55 percent), Canada (7 percent), Argentina (6 percent).
- Nestle (Swiss), Hershey (U.S.), Joyco (Spain) and Tutsi (U.S.) are the principle foreign companies that process chocolates and sweets in Mexico. According to the National Association of Chocolate, Candy and Related Product Manufacturers (*Asociacion Nacional de Chocolates, Dulces y Similares*), Mexican companies such as Grupo Lorena, Turin, Larin and Grupo Vera hold approximately 35 percent of the market share.
- There continues to be considerable artisan production of sweets that are influenced by regional tastes.

Baked Goods

- Top suppliers of imports: United States (56 percent), Ireland (nine percent), Netherlands (six percent).
- Although Grupo Bimbo continues to have a near monopoly on the production of white bread, multi-grain breads made by smaller bakeries are making their way onto the retail shelves. Several fairly new brands such as Filler (Mexican), Delibrot (Mexican) and Taifelds have achieved rapid customer acceptance.

- CANAINPA (Baked Goods Chamber of Commerce) and U.S. Wheat Associates concur that there is sizeable room for growth and for companies to use multi-grain formulas for breakfast bars and baking mixes.
- According to the 1999 INEGI Industrial Census there are more than 15,000 baked goods producers that have two or fewer employees. Small and medium sized bakeries dominate production of non-sliced bread.

Snack Foods

- Imports are still dominated by the United States, although they dropped by 52 percent in 2002.
- Mexico has strong domestic production of snack foods and a price advantage over imports. Domestic production value grew 27 percent from 1999 to 2002.
- Healthy snack food selection in Mexico is limited, but there will likely be growth in this area.

Beverages

- Top suppliers of imports: United States (46 percent), Spain (15 percent), France (eight percent).
- Coca-Cola and Pepsico tend to dominate the sale of soft drinks in Mexico, but the country does have several national soft drink brands: Jarritos, Sidral Mundet, Sangria Seniorial.
- Fruit juice production is divided between Jugos del Valle (25 percent), Jumex (25 percent) and Boing (12 percent).
- Grupo Modelo (65 percent) and Cuauhtemoc (35 percent) dominate beer sales almost entirely.

Flour and Grains

- Top suppliers of flour imports: United States (91 percent), France (3 percent), Spain (3 percent). Top suppliers of grains imports: United States (77 percent), Canada (9 percent), France (3 percent).
- Mexico imports practically no milled flour. The country has 93 mills supplying the processed food and retail sectors.
- According to the U.S. Wheat Board, half of the wheat consumed in the country is domestic, while the remainder is imported from the United States (70 percent) or through the Canadian Wheat Board (30 percent).
- Almost all of the yellow corn consumed in Mexico originates from the United States while white corn is nearly entirely domestic. Corn importers must obtain a permit to buy yellow corn.
- According to Grupo Modelo, Mexican breweries are encouraging Mexican barley production by only importing when local production has been exhausted.

SECTION IV. BEST PRODUCT PROSPECTS

PRODUCTS PRESENT IN THE MARKET THAT HAVE GOOD SALES POTENTIAL

- | | | |
|---------------------------------|------------------|---------------------------|
| - Red meat | - Pepperoni | - Liquid cheese |
| - Pork meat | - Sweet whey | - Pizza crust |
| - Beef brisket | - Milk powder | - Soybean |
| - Turkey meat | - Butter | - Soybean meal |
| - Chicken meat | - Lactose | - Soybean oil |
| - Marinated poultry | - Lard | - Fruit flavored drinks |
| - Mechanically de-boned poultry | - Chicken fat | - Isolates |
| - Chicken and turkey parts | - Sunflower | - Dry soup preparations |
| - Italian sausage | - Wheat flour | - Doughnuts |
| - Raw turkey | - Marshmallow | - Concentrates |
| - Shortening | - Yogurt | - Multi-grain baked goods |
| - Mixed fruit juice | - Breakfast bars | - Mixed and salted nuts |
| - Spicy candy | - Ice cream bars | |

PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

- Malt
- Spices
- Artificial and natural seasonings and flavorings
- Iced tea and iced coffee drinks
- Cookie dough and baking mixes
- Variety flavored carton ice cream

PRODUCTS NOT PRESENT OR WHOSE EXPORT TO MEXICO IS PARTICULARLY DIFFICULT BECAUSE OF SIGNIFICANT BARRIERS

Most U.S. food and agricultural products became duty free on January 1, 2003 as the ten-year implementation period for the North America Free Trade Agreement (NAFTA) came to an end. However, the potential increase in imports associated with this opening resulted in negotiations to contain U.S. exports of certain products. Thus, some products still face quotas or other barriers: fresh poultry, beef carcasses, bone-in meat, boneless beef cuts, prime beef cuts, fresh potatoes, sugar, cocoa and cacao, white corn and high fructose corn syrup, among others.

SECTION V. CONTACT INFORMATION²

U.S. Government and Trade Association Contacts:

Organization	Contact	Address	Telephone/Fax/E-mail/Web
U.S. Agricultural Trade Office – Monterrey	Dan Martinez; Director	Blvd. Diaz Ordaz No. 140 Torre II Piso 7; Col. Santa Maria; 64650 Monterrey, N.L.	Tel 52 (81) 8333 5289; Fax 52 (81) 8333 1248; atomonterrey@usda.gov; www.fas.usda.gov
U.S. Agricultural Trade Office – Mexico City	Bruce Zanin; Director	Jaime Balmes 8-201; Col. Los Morales Polanco; 11510 Mexico City	Tel 52 (55) 5280 52 91; Fax 52 (55) 5281 6093; atomexico@usda.gov; www.fas.usda.gov; www.fas-la.com/mexico
American Peanut Council	Sarah Gordon; Golin Harris	Cerrada de la Otra Banda #58-4; Tizapan San Angel; 01090 Mexico City	Tel 52 (55) 5554-5419; Fax 52 (55) 5554-7075; ma_cristina@infosel.net.mx
American Soybean Association	Mark Andersen; Director	Jaime Balmes 8-201; Col. Los Morales Polanco; 11510 Mexico City	Tel 52 (55) 5281 0120; Fax 52 (55) 5281 0174; mwandersen@soybean.com.mx
Grupo PM S.A. de C.V.	Luis Moreno; Director	Mercurio 24; Col. Jardines de Cuemavaca; Cuemavaca, Morelos	Tel 52 (777) 316 7370; Fax 52 (777) 316 7369; luisf@grupopm.com
Marketing Solutions	Raul Caballero; Director	San Juan de los Lagos # 52 Santa Monica; 54050 Naucalpan, Edo de Mx	Tel 52 (55) 5362 7407; Fax 52 (55) 5362 6724; mktsolut@mx.inter.net
National Renderers Association	German Davalos; Director	Jaime Balmes 8-201; Col. Los Morales Polanco; 11510 Mexico City	Tel 52 (55) 5281 6080; Fax 52 (55) 5281 6085; nramex@compuserve.com.mx
National Sunflower Association	Jose Luis Escamilla	Jose Ma. Rico #212-702; Col. Del Valle; 03100 Mexico City	Tel 52 (55) 5524 8273; Fax 52 (55) 5534 8997; escgrain@avantel.net
USA Poultry and Egg Export Council	Jose Luis Cruz; Director	Blvd. Diaz Ordaz No. 140 Torre II Piso 7; Col. Santa Maria; 64650 Monterrey, N.L.	Tel 52 (81) 8333 7582; Fax 52 (81) 8333 1248; luispo@prodigy.net.mx
U.S. Dairy Export Council	Larry Solberg; Director	Matanzas #733 Int C; Col. Lindavista; 07300 Mexico City	Tel 52 (55) 5119 0475; Fax 52 (55) 1997-5758; usdecemex@prodigy.net.mx
U.S. Grains Council	Ricardo Celma; Director	Jaime Balmes 8-201; Col. Los Morales Polanco; 11510 Mexico City	Tel 52 (55) 5282 0973; Fax 52 (55) 5282 0968; roelma@grains.org.mx
U.S. Meat Export Federation	Gustavo Castano; Regional Manager	Jaime Balmes 8-201; Col. Los Morales Polanco; 11510 Mexico City	Tel 52 (55) 5281-6100; Fax 52 (55) 5281-6013 ; mexico@usmef.org
U.S. Rice Federation	Adrian T. Rivera; Director	Camino a los Pirules 18-B; Haciendas de Valle Verde Carretera a Tlacote; 38160 Apaseo el Grande, Gto	Tel 52 (413) 235 0437; Fax 52 (413) 228 0444; mexico@bestapples.com
U.S. Wheat Associates	Mitch Skalicky; Director	Jaime Balmes 8-201; Col. Los Morales Polanco; 11510 Mexico City	Tel 52 (55) 5281 6560; Fax 52 (55) 5281 3455; mskalicky@uswheat.org

² This report is for informational purposes only to assist exporters of U.S. produced food and agricultural products in their sales and promotional efforts in Mexico. The data in this report were collected from local trade and government sources and are not necessarily official U.S. Department of Agriculture (USDA) data. While every effort has been made to provide an accurate list of contacts, telephone and fax numbers change frequently in Mexico. Also, there may be other qualified firms in Mexico and the United States, and their exclusion from any lists or directories is unintentional. Neither the U.S. Agricultural Trade Office (ATO) or the USDA endorse any firm contained herein. U.S. exporters should take normal commercial precautions when dealing with any potential importer, including checking references.