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Mexico

HRI Food Service Sector

Hotel, Restaurant and Institutional Food

Service Sector

2000

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Market Summary

Overview

Mexico provides excellent opportunities for supplying the hotel, restaurant, and institutional food services (HRI) sector. As total spending by international tourists and Mexicans alike has increased, so too have the sales recorded by hotels, restaurants, and institutional food services. This section will detail the HRI market size, trends, and advantages and challenges facing U.S. exporters targeting this industry.

Market Size

Total hotel and restaurant sales are estimated at \$35 billion for 1998. HRI growth from the first quarter to the fourth quarter in 1998 increased six percent, and is expected to maintain a similar growth rate in the near future.

Hotel and Restaurant Sales in Mexico (000s of US\$)

	1997	1998*
Hotel Sales	21,943,103	24,137,413
Restaurant Sales	9,679,680	10,647,648
Total	31,624,780	34,785,061

Source: Castillo Miranda, Mexico City (hotel sales); CANIRAC (restaurant sales)

* 1998 figures are estimated

Mexico is ranked as the seventh largest tourist destination in the world, with 3.6 percent of all world tourists. Arrivals from the United States represent more than 90 percent of total international tourism to Mexico. The percentage of visitors to Mexico increased by 12 percent from 1995 to 1998, while the spending by visitors increased by 28 percent. It is projected that for the year 2000, there will be approximately 120 million foreign visitors to Mexico who will spend just over US\$1 billion.

Foreign Visitors To Mexico (000s of people)

Year	Number of Visitors (000s)	Total Spending (000s of US\$)
1995	85,446	657,393.6
1996	90,403	737,702.1
1997	92,914	807,787.2
1998	95,631	840,148.9

Source: Secretary of Tourism

According to the Secretary of Tourism, there are 9,545 registered hotels with 395,968 rooms

throughout Mexico. Total annual sales were approximately US\$ 24 billion in 1998.

The Mexican restaurant industry comprises approximately 184,000 establishments. In 1997, total restaurant sales approached US\$10 billion, nearly three percent of Mexican gross national production. The National Restaurant Chamber (CANIRAC) reports that restaurant sales grew by approximately four percent in 1998. Nearly a million people are employed in the Mexican restaurant industry representing two percent of total employment. The institutional foods sector includes company cafeterias, hospitals, nursing homes, schools, prisons, golf courses, theme parks and casinos, catering for airlines, trains, and ships.

Market Trends

There are several trends affecting growth in the HRI sector: changing tastes, more women in the work force, and investment in the hotel/restaurant industry.

- └ Increasingly, Mexican tastes are becoming “American,” and more and more Mexicans are eating in U.S.-style restaurants.
- └ Mexico’s population is very young -- over half are under the age of 25 – and will become more demanding in their purchases of foods in the future.
- └ More women are working. According to INEGI, 39.4 percent of the Mexican workforce is made up of women, a 3 percent increase from 1996. As more women enter the workforce, their families will eat out more often and will turn to prepared meals.

Women in the Mexican Workforce

Year	Percent of Women in the Workforce
1996	38.2
1997	39.3
1998	39.4

Source: INEGI

- └ According to the National Association of Retail and Department Stores (ANTAD), the average number of times Mexicans eat out per month has increased by 67 percent since 1995.
- └ As the number of tourists visiting Mexico reached a record high in 1998 – an increase of nearly 12 percent from 1995 - restaurants in the tourist industry also recorded high levels of growth.
- └ As the tourism industry grows, so does investment from foreign hotel and restaurant chains that serve higher quality imported food products to their international clientele.

Advantages and Challenges Facing U.S. Products in Mexico

Mexico’s proximity to the United States, strong relationship, and the implementation of the North American Free Trade Agreement (NAFTA) all give American products an advantage in the Mexican market. The following table presents these advantages, as well as challenges facing U.S. exporters.

Advantages	Challenges
Large, youthful, growing market	Mexican economic volatility; currency fluctuations
Popularity of American culture carries over to American food	U.S. products are usually more expensive
Large reduction in trade barriers with the implementation of NAFTA	Barriers still remain in some product categories
Belief among Mexican consumers that U.S. products are superior	Increasing competition from Mexican and, to a lesser extent, European companies
Consistency in quality and supply	Mexican companies improving quality
Lower production costs on many items	Transportation and distribution methods make it difficult to serve market.
Increased investment from U.S. hotel and restaurant chains in Mexico	Convincing U.S. chains to continue using their U.S. suppliers despite local competition
Large number of international visitors demanding high-quality foods	Competition from Mexican suppliers

Road Map for Market Entry

This section will discuss the unique aspects of Mexico's HRI sector and examine the best method for approaching the market. First, the individual sub-sectors of hotels, restaurants and institutional food service will be discussed. Next, the distribution system to the sector will be examined. And finally, a market entry strategy is presented.

Sub-Sector Profiles

Hotels. According to the Secretary of Tourism, there are 9,545 registered hotels with 395,968 rooms throughout Mexico. Total annual sales were approximately US\$24 billion in 1998. Of this amount, 28 percent, or \$6.7 billion, represented food and beverage sales.

While one, two, three star and uncategorized hotels constitute 87 percent of the number of units, four and five star hotels comprise almost 40 percent of the number of rooms in Mexico. This is significant since imported food products are more likely to be used in the more expensive four and five star hotels.

Hotels by Category and Number of Rooms

Category	Number of Hotels	Number of Rooms
Five Star	406	81389
Four Star	811	73044
Three Star	1430	65558
Two Star	1465	47410
One Star	1568	42943
No Category	3865	85624
TOTAL	9545	395968

Source: The Mexican Association of Hotels and Motels. *Includes villas, aparthotels, guest houses, bungalows, inns, furnished rooms, camps, and cabanas.

The hotel industry is dominated by a few groups in Mexico. The largest, Grupo Posadas, manages 41 properties. Grupo Situr, the state-owned tourism development company, is the developer of 52

properties. Fratur, Hoteles Camino Real, Grupo Calinda, Grupo Cosamex, and Hotelera Chicome are also principal players.

Principal Hotel Groups in Mexico

Company Name	Sales (US\$000s)	Hotel Name	Units	Contact
Grupo Posadas y Subs	154,587	Fiesta Americana, Fiesta Inn	41	T: 53-26-67-00 F: 53-26-67-08
Grupo Situr	353,971	Continental Plaza, Plaza las Glorias, Hoteles Sierra.	26	T: 36-78-59-33 F: 36-78-59-46
Situr Desarrollos Turisticos	63,085	Continental Plaza, Plaza las Glorias, Hoteles, Sierra	26	T: 36-69-55-89 F: 36-69-55-88
Fratur	8,063	Howard Johnson, Days Inn	25	T: 55-31-52-46 F: 52-50-02-53
Hoteles Camino Real	80,527	Camino Real.	18	T: 52-03-31-13 F: 52-03-31-13
Grupo Calinda	25,363	Calinda.	14	T: 55-33-64-00 F: 55-33-09-55
Grupo Costamex	70,920	Hyatt, Sheraton.	13	T: 56-27-88-80 F: 56-27-88-56
Hotelera Chicome	17,107	Hilton, Krystal, Travel Lodge.	11	T: 98-83-11-33 F: 98-83-17-90
Grupo Chartwell** de Mexico y Subs	48,444	Krystal, Hilton.	8	T: 57-26-99-55 F: 56-04-33-12
Promotora Turistica Mexicana	15,618	Hilton, Krystal.	8	T: 32-24-13-78 F: 32-24-02-22
Hotelera de la Parra	8,186	Krystal, Hilton.	8	T: 52-28-99-28 F: 52-11-25-71
Hotelera Caracol	7,509	Krystal, Hilton.	8	T: 75-53-03-33 F: 75-53-02-16
Hoteles Presidente	79,535	Presidente, Intercontinental.	7	T: 53-27-77-70 F: 53-27-77-19
Consorcio Artistas y Cias Subs	10,092	Hotel Aristos	5	T: 55-74-80-77 F: 55-74-51-86
Operadora Turistica y Hotelera Playa Sabalo	17,408	El Cid Mega Resort.	4	T: 69-13-33-33 F: 69-13-33-33
Valle Grande	13,044	Holiday Inn	4	T: 62-14-43-10 F: 62-15-17-25
Grupe SA CV y Subs	31,138	Playa Sabalo, Castilla	3	T: 69-16-07-69 F: 69-13-12-53
Hoteles Casa Grande	5,134	Casa Grande	3	T: 14-39-44-44 F: 14-39-44-61
Inmobiliaria Cancun Caribe	9,862	Hyatt Cancun Caribe.	1	T: 98-85-15-33 F: 98-85-15-33
Marina del Sabalo	7,546	Marina El Cid and Yacht Club.	1	T: 69-13-33-33 F: 69-14-33-10

Source: Expansion and telephone interviews. **Many of the hotel groups have the same Krystal, Hilton listing. All hotel groups that maintain the Krystal and Hilton name fall under the Chartwell Group.

The hotel industry derives approximately 28 percent of its total income from the sale of food and

beverages.

Hotel Income Source	Percent of Total Income
Rooms	62%
Food	18%
Drinks	8%
Other Income from Food and Drinks	2%
Telephones	3%
Laundry	2%
Rent and Other Income	6%
Total	100%

Source: Castillo Miranda, Mexico City.

Restaurants. The Mexican restaurant sector represents nearly 200,000 restaurants and had sales of almost \$10 billion in 1998. Approximately 8,000 of the restaurants in Mexico belong to the “organized” sector of chains and large establishments. The remaining restaurants belong to the traditional sector that is comprised of small, family owned restaurants and cafeterias.

There are approximately 70 registered restaurant chains in Mexico. In this category, there are basically three styles: fast food chains; economical sit-down family restaurants; and international theme restaurants.

Profile of Major Restaurant Groups in Mexico (by Category)

Type of Restaurant	No. of Units	Parent Company	Contact Info
Fast Food			
McDonalds	150	McDonald's	T: 56-27-08-00 F: 56-27-08-71
KFC	128	Tri Con	T: 53-62-40-56 F: 52-58-04-45
Pizza Hut	91	Tri Con	T: 53-62-40-56 F: 52-58-04-45
Burger King	85		T: 52-83-59-00 F: 52-83-59-04
Arby's	9		T: 55-75-01-24 F: 55-75-37-20
Domino's Pizza	278	Grupo Alcea	T: 54-45-14-00 F: 56-52-0974
Benedetti's Pizza	65		T: 55-32-25-48 F: 56-74-57-64
Broaster Fried Chicken	117		T: 73-12-21-31 F: 73-12-21-31
Church's Chicken	22		T: 87-15-94-00 F: 87-15-92-40
Las Flautas	6		T: 55-84-03-69 F: 55-84-03-69
Shakey's Pizza-Pollo	9		T: 55-84-82-99 F: 55-84-73-52
Bing	425		T: 36-34-00-35 F: 36-32-94-13
La Baguette	8		T: 56-61-41-65 F: 56-61-41-65
Las Mil Y Una Donas	8		T: 52-59-16-09 F: 52-57-12-93
Paletas Manhattan	20		T: 36-16-05-06 F: 36-16-78-50

Type of Restaurant	No. of Units	Parent Company	Contact Info
Family Style			
VIPs	156	Cifra & Subs.	T: 56-28-60-00 F: 56-28-61-40
Sanborns	136	Grupo Carso	T: 53-25-99-00 F: 56-54-29-33
Wings	50	Corp. Mexicana de Restaurantes (CMR)	T: 52-50-94-00 F: 53-27-71-21
El Porton	26	Cifra & Subs	T: 56-28-60-00 F: 56-28-61-40
Fonda de Santa Clara	4	CMR	T: 52-50-94-00 F: 53-27-71-21
Toks Restaurant	35		T: 53-95-62-11 F: 53-95-70-73
Freeday	15		T: 55-75-68-64 F: 55-59-38-46
Taco Inn	49		T: 56-0-46-44 F: 56-80-36-30
Tourist/Int'l/Theme			
Anderson's*	62	Grupo Anderson	T: 52-02-54-00 F: 52-02-55-80
Chili's	13	CMR	T: 52-50-94-00 F: 53-27-71-21
TGI Fridays	6		
Hard Rock Café	5	ECE	T: 53-27-71-10 F: 53-27-71-21
Planet Hollywood	3	ECE	T: 53-27-71-10 F: 53-27-71-21
All Star Café	2	ECE	T: 53-27-71-10 F: 53-27-71-21
Rainforest Café	4	ECE	T: 53-27-71-10 F: 53-27-71-21
Hooters	3	ECE	
Italianos	8	Cifra & Subs	T: 56-28-60-00 F: 56-28-61-40

Source: Phone interviews *Anderson's includes Carlos 'n Charlie's, Sr. Frog's and others

There are several important players that manage large numbers of restaurants. Grupo Cifra, owner of VIPs and Portones restaurants, manages 180 outlets. Corporacion Mexicana de Restaurantes owns 65 outlets that include several exclusive restaurants.

A few large groups also dominate most of the international franchises and major restaurant chains. In fast food, McDonalds dominates with 150 outlets. Grupo Tricon is the master franchise for KFC and Pizza Hut, together with 220 outlets. ECE owns 19 restaurants, mostly in tourist areas, that include Hard Rock Café, Planet Hollywood, Rainforest Café and others.

These groups are very important for the U.S. exporter for two reasons. First, they usually have uniform purchasing practices that may allow a supplier to distribute to many restaurants in the chain. Second, these are usually higher quality restaurants that purchase a higher percentage of imported products. Distribution practices to these groups will be discussed later.

Institutional food sector. The Mexican institutional food services industry includes prisons, nursing homes, schools, airline and cruise ship catering, theme parks, golf courses, the military, hospitals, and institutional food cafeterias. According to many sources in the industry, the vast majority of the food that goes to the institutional food sector is domestically produced. As such, opportunities for sales of imported food products to the institutional sector are limited.

Airlines. Most airlines purchase prepared meals from food preparation companies called "comisariatos." While there are scores of small companies serving the airlines, the two largest

suppliers are: Lufthansa Services-Skychef and Aerococina.

Airlines such as *Mexicana* select the menu and define the size of portions. Then, the *comisariato* will choose suppliers based upon price and quality defined by the airline. The *comisariatos* rely heavily upon local suppliers for most items, but occasionally import some products, mostly meat.

There are approximately 100 airlines operating in Mexico, including international carriers, regional airlines and charter companies. Of these, perhaps 70 percent purchase from a *comisariato*, the remainder prepare their own meals.

Hospitals. There are approximately 2,500 hospitals in Mexico, 80 percent of which are registered with the National Association of Hospitals. The National Association of Hospitals provided the following data:

Registered Hospitals in Mexico	
Hospital Type	Number of Hospitals
Private Hospitals	1,167
Public Hospitals	355
Social Security Hospitals	349
Military Hospitals	39
Total	1,910

Source: Asociacion Nacional de Hospitales, 1998

Generally there are at least two cafeterias and a restaurant in the private hospitals while the public hospitals often have only one cafeteria. The amount of imported food products is limited in the hospitals.

A buyer at the American British Cowdray Hospital in Mexico City reported that less than ten percent of the food that he buys is imported, and that only five percent of his food products come from the United States. Similarly, the distributor who serves approximately 6,000 meals a day to the Hospital Español and the Palacio de Hierro, a major department store chain in Mexico City, claimed that price was his clients' most important concern and thus he imported only 3 to 5 percent of his products.

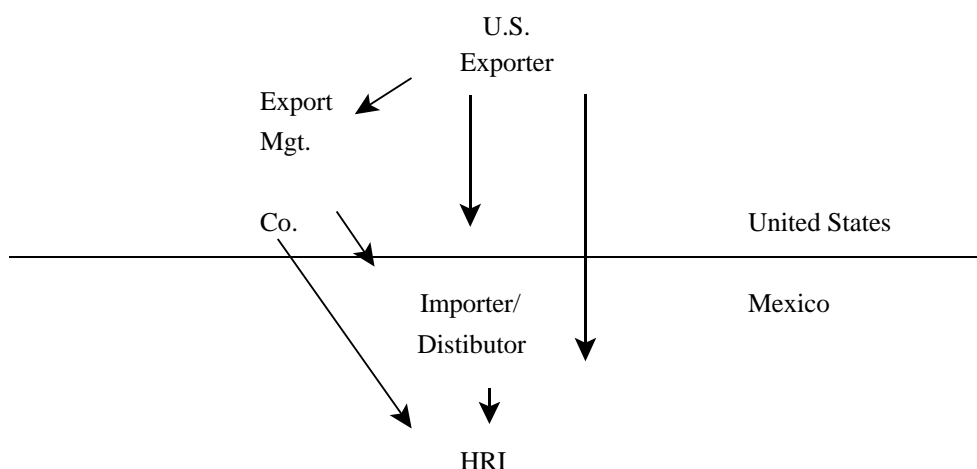
Company cafeterias. A high percentage of Mexican companies provide meals to their employees, either free of charge or at greatly reduced prices. This is true not just of manufacturing facilities, but many offices provide meals to their employees on-site. Again, company cafeterias, such as that of Ford Motor Company, report that they use Mexican products almost exclusively.

Military. Military personnel shop in their own stores and consume national dairy products. Schools provide kids with UHT milk. Hospitals/airlines consume national dairy products.

Distribution

Distribution is the single most important factor in any food product's success in Mexico. This section discusses the manner in which food products are distributed to the HRI sector.

The following chart illustrates the primary channels for food products exported from the United States and sold in Mexico.



Types of distributors. There are essentially three types of distributors serving the HRI sector. The first supply basic dry goods and fresh products sourced at the *Central de Abastos*, local suppliers, and other markets. These distributors are basically delivery services for getting products from market to the outlet.

The second type of distributor is a specialized importer. These companies are importer distributors with their own warehousing facilities and delivery vehicles and usually specialize in one type of product. Examples in Mexico City include Monjuic, specializing in imported cheeses, and Vininter, a pasta, wine, and liquor distributor.

The third type of distributor is the major international-style food service distributor. Some of these, like Martin Brower for McDonalds and Ameriserve for KFC and Pizza Hut, are affiliates or subsidiaries of the same companies that specialize in serving. Others serve international chain restaurants, but also provide food products to a wide variety of mostly upscale hotels and eating establishments. Distribuidor Internacional de Alimentos (DIA) and its subsidiary, Exim del Caribe, is a large distributor serving 77 cities with 1800 products. DIA distributes to Domino's, Chili's, TGI Fridays, as well as all of the restaurants in the ECE group. Most important, these distributors handle a high percentage of imported products: Ameriserve's percentage is 20-25 percent and that of DIA is 55 percent.

Distribution methods. The first thing that the U.S. exporter should understand is that you must be a Mexican entity to import to Mexico. The importer is going to be one of three entities, an independent importer-distributor, the hotel or restaurant itself, or a distribution subsidiary of the U.S. supplier.

Since selling to the HRI sector requires micro-servicing of hundreds or thousands of points, a U.S. supplier is almost certainly going to need to work through a local distributor that has the capacity to stock and deliver imported products. Most buyers will insist that a foreign supplier have a local

distributor to deliver product, collect payment and resolve problems since very few hotels or restaurants have their own distribution system. One of the largest chains catering to tourists, for example, Grupo Anderson's, relies exclusively on local distributors. While there is a buyer in the corporate office, purchasing decisions are made at each one of their 62 restaurants.

Some companies begin exporting after being contacted by a Mexican hotel or restaurant chain seeking to import directly. Indeed, some of the major hotel and restaurant chains do import product directly from the United States. The Hotel Presidente, for example, imports meat directly. VIPs, a large family-style restaurant chain, imports some high volume products directly. It should be noted that few hotels and restaurants have the infrastructure to import directly. Thus, even those U.S. companies that do sell direct to the customer should have a distribution system in Mexico that can serve the rest of the market.

Larger companies that have experience in the market may have their own representative and/or distribution system in Mexico. This is the preferred method for most companies since they can maintain control over distribution. Still, it requires a substantial investment and is not a practical option for any but the largest companies.

Distributors' mark-up can range between 15 to 40 percent depending on whether the food item is a gourmet product or more of a commodity. U.S. suppliers are usually shocked at these margins, but a distributor in Mexico has higher costs and risks than does one in the United States. The import process is time consuming and cumbersome. Simply collecting payment from a customer is a major undertaking. Distributors don't wait for checks to come in the mail; they may have to send a messenger several times to a customer's office in order to collect. Hotels and restaurants usually receive 7 to 15 days credit from suppliers.

Hotel distribution. Hotels depend heavily upon local distributors to supply their food products. These distributors source products from a number of different distribution points. Fresh fruit, meat, and fish come from local producers, markets, and the *Central de Abastos* (the city's major central market). Almost all purchases of high quality specialty foods like salmon, Angus beef, and Alaskan King Crab, come from independent distributors and importers. Most dry goods and domestic fresh products are purchased at the *Central de Abastos* and delivered by independent distributors. All wines and liquors are delivered by independent distributors.

Imported products are almost always supplied to hotels via importer-distributors. The reason for this is clear: hotels typically require micro-servicing that only distributors can supply. Some hotels do import directly, but this is the exception rather than the norm. The Presidente Intercontinental, for example, imports fresh, high quality meat directly from U.S. suppliers. Of all food products consumed in hotels, approximately 15 percent is imported, mostly from the United States.

Restaurant distribution. Approximately 8,000 of the restaurants in Mexico belong to the "organized" sector of chains and large establishments. The remaining restaurants belong to the traditional sector that is comprised of small, family owned restaurants and cafeterias.

Many of the restaurants in the organized sector are served by large distributors that specialize in supplying established international restaurant chain and fast food franchises. These can either be

companies that are owned by the restaurant group or its investors, or are independent entities. These distributors source their products from essentially the same channels as distributors serving the hotel industry. The majority of these products are locally sourced.

Many of the international chains, both fast food and other franchises, begin operations in Mexico by importing virtually all of their consumables from the home distribution center, usually in the United States. This percentage decreases over time as Mexican suppliers fill the gap. The distributor serving KFC and Domino's, for example, imported 80 percent of their food products from the United States just five years ago – now that figure is down to 30 percent. McDonalds has reduced their food imports to about 20 percent.

Restaurants that are classified under the traditional system, rely on suppliers that purchase almost all of their food products from the *Central de Abastos* or other markets. There are very little imported food products found in these establishments.

Transportation. Truck is the most likely form of transportation for U.S. food products. Excluding Cancun, the largest Mexican markets in the HRI sector are located in the interior of the country (or at least, ground transportation to them is still the most logical option for delivery). Approximately 80 percent of all U.S. exports are transported to Mexico via truck. A 40 foot trailer from Laredo to Mexico City will cost approximately \$1000, and a refrigerated trailer will cost around \$1500. The Mexican national railway system is antiquated and disorganized; it is not really an option for anything but bulk commodities. Maritime transportation may be considered for delivery to Cancun, but is generally not very practical for processed foods. A limited amount of product, usually fresh fish, is sent from the United States by air.

Import requirements. Local importers report few major problems importing goods into Mexico, provided Mexican requirements are followed. The Foreign Agricultural Service GAIN Report for Mexico reports that the following labeling requirements are necessary for the importation of agricultural goods from the United States into Mexico.

- └ Name of the product;
- └ Importing company name and address;
- └ Net Content, as required by current Mexican Regulations (NOM-030-SCFI-1993)
- └ Warning about risks and precautionary measures, in case of dangerous products, as required by Mexican Regulations;
- └ Directions for usage, handling and preserving the product, as appropriate; and
- └ Expiration date for dairy products, chocolates, fats and oils.

Products packaged for retail consumption in Mexico must be labeled according to regulations issued by the Mexican Secretary of Commerce (SECOFI). All information must be in Spanish with the exception of the product description. Bilingual printed packaging is recommended. Stickers are allowed, but the font, colors and printing must be consistent with the information in English. Also, the sticker must be prominent, showing product information in Spanish to the consumer. Mexico is still in the process of revising many of its labeling regulations and official standards and the U.S. exporter should rely on their local representative for up to date information.

Products shipped directly to and consumed in certain tourist areas need not conform to these labeling requirements. Cancun, for example, is a free trade zone and products shipped directly there for sale in the port area need not be labeled in Spanish. Also, bulk products that are used in the HRI sector also do not need to be labeled in Spanish since they are not presented to the final consumer.

Entry Strategy

The first step in entering the Mexican market is asking the question: is your product right for Mexico? As a general rule, just about any food product exported from the United States can be successful with the right entry strategy and continued promotional effort. While some products have failed to penetrate the market in the short term, many of these same items could probably provide excellent opportunities for exporters in the long run. Please see the Best Product Prospects section of this report for specific products that show particular promise in the Mexican HRI market.

Without question, the most effective way for a U.S. company to enter the market is by working through a reputable distributor – the key is finding one. There are a limited number of qualified distributors that have the infrastructure to import, store, and deliver product, and also have the contacts and reputation that most exporters require.

The best way to simultaneously find a distributor and determine the viability of your product in the market is to visit Mexico and meet with prospects. These distributors are constantly visiting customers and introducing new products; if anyone knows whether a given food item has possibilities, it is the distributors. The ATO can assist companies identify ways to contact these distributors and arrange interviews in Mexico.

Buyers will insist on having product samples to be tested in the hotel or restaurant. Chefs often make purchasing decisions, so getting the food item tested by these decision-makers is an important first step.

Once a distributor is established, the U.S. supplier needs to nurture the relationship. Good communication between the supplier, distributor, and end-user was cited often by interviewees as one of the most important components to building a successful distribution network in Mexico. Distributors will play the key role in establishing the product, and the U.S. supplier should closely monitor their activities. This includes traveling to the market, going on customer calls, and supporting the distributor's promotional activities.

It is possible to bypass a Mexican distributor and to sell directly to hotels or restaurants. The restaurant chain VIPs, for example, imports containers from large suppliers directly from the United States. Smaller suppliers deliver to a warehouse in Laredo where shipments are consolidated for transport across the border. Other large establishments also import direct. But, as emphasized above, few organizations have the infrastructure to import direct and deliver to their own outlets. Thus, even if the exporter does sell direct to one or two customers, they would need a local distributor to service the rest of the market.

Competition

For most food products sold to the HRI sector, the main competition for U.S. exporters will come from established Mexican companies. In many sectors these Mexican companies are large and self-sufficient. Interviewees repeatedly stated that competition in the bread and dairy industry is exceedingly strong and is dominated by Mexican companies. In the alcoholic beverages sector, again, the competition is strong, especially among European manufacturers of wine and liquor and among Mexican breweries. Still, the United States is by far the largest exporter of foods to Mexico with approximately US\$ 5 billion in total food product exports. U.S. companies hold a 78 percent market share in the food ingredient import market.

Best Product Prospects**Products Present in the Market Which Have Good Sales Potential**

Mexican buyers, particularly those in the hotel industry, suggest a strong demand for high quality U.S. meats such as Angus, Rib Eye, and New York Strip. Buyers suggest that fish, especially salmon, and seafood products, particularly Alaskan King Crab and lobster, also present lucrative opportunities. Deserts, specifically high quality ice creams present strong possibilities. Lunch meats, minute steaks, and other processed meats show good prospects, and processed fruits, vegetables, and egg products are expected to record high levels of growth in the near future. Pre-made sauces, particularly dressings and salsas, are solid prospects. Although there is strong competition in snack foods from Mexican manufacturers, the snack food industry has solid potential. Nearly every interviewee suggested that the strongest trend in the market was towards “light” food. Additives such as fat substitutes and artificial sweeteners may show particular promise in the near future. Mexican buyers and distributors repeatedly complained about inadequate domestic packaging.

Products Not Present in Significant Quantities but Which Have Good Sales Potential

According to Mexican buyers, there is strong market potential for gourmet products (and their outlets) such as lobster, Alaskan King Crab, and salmon. High quality U.S. meats such as Rib, Eye, Angus, New York Strip, Prime Rib, and rack of lamb all show real potential, especially for hotels and gourmet restaurants. Requests for duck were also heard.

For theme restaurants catering to international tourists, ready to heat products are increasing in consumption. Similarly, hotels are using more pre-made appetizers for food service and catering.

Products Not Present Because They Face Significant Barriers

The barriers to market entry for Mexico generally are not due to tariffs or government approval, but are rather due to consumer preferences or the domination of an area of the market by a Mexican company. California wines have not done well in Mexico and interviewees cited a Mexican preference for Spanish, French, or Italian wines. Consumption of baking powder is low and has been falling. The production of food starches and bread are dominated by Mexican companies.

Post Contact and Further Information

If you have any questions or comments regarding this report or need assistance exporting processed food products to Mexico, please contact the U.S. Agricultural Trade Office in Mexico City at the following address:

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Other Industry Contacts

Company	Address	Telephone and Fax
National Association of Supermarkets and Retailers (ANTAD)	Homero 109 Piso 11 Col. Polanco 11560 Mexico DF	T: 55-45-88-03, 52-54-17-14 F: 52-03-44-95
National Association of Grocers	Tolsa 54 Col. Centro CP 06040 Mexico DF	T/F: 57-09-36-97, 57-09-37-01
Mexican National Association of Hotels and Motels	Balderas 33-414 Piso 4 Col. Centro 06040 Mexico DF	T: 55-10-86-14, 55-10-86-59 F: 55-10-88-74
Mexican Association of Restaurants (AMR)	Torcuato Tasso 325-103 Col. Polanco 11560 Mexico DF	T: 52-50-11-46, 55-31-09-11 F: 55-45-86-71
National Chamber of Hospitals	Queretaro 210 Col. Roma 06700 Mexico DF	T: 55-74-01-28, 52-37-99-86 F: 56-5759-26
National Chamber of the Industry of Restaurants and Food (CANIRAC)	Aniceto Ortega 1009 Col. Del Valle 03100 Mexico DF	T: 56-04-02-38 F: 56-04-40-86