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Mexico

Market Development Reports

Mexico's Caribbean Market for Food Products

2001

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Report Highlights:

Mexico offers a dynamic market for exports of US food and agricultural products. In particular, the Caribbean region represents 30 percent of foreign revenues earned by Mexico's growing tourism industry. Over 5 million tourists visit this area annually, and 6,200 more rooms are under construction in this region.

Includes PSD changes: No
Includes Trade Matrix: No
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This report is for informational purposes only to assist exporters of US produced food and agricultural products. The data in this report were collected from local trade and government sources and are not necessarily official US 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 US Agricultural Trade Office (ATO) nor the USDA endorses any firm contained herein. US exporters should take normal commercial cautions when dealing with any potential importer, including checking references.

SECTION I. MARKET SUMMARY

Mexico, with its large and growing population, stable economy, liberalized import policy and ideal geographic location, is a dynamic market for exports of US food and agricultural products. From 1995 to 2001, the total value of US exports of food and agricultural products to Mexico swelled over 100 percent, from US \$3.8 billion to \$7.8 billion. Growth in the sales of consumer-ready products accounted for 58 percent of that impressive increase, surging from US \$952 million in 1995 to US \$3.2 billion, representing an average annual growth of 23 percent, according to the US Bureau of the Census. Among the US consumer-ready products exported to Mexico in 2001, exports of pet and snack foods increased by over 50 percent, followed in order of importance by dairy products, red meats, fresh fruit, processed fruit and vegetables, tree nuts, wine & beer, fresh vegetables and poultry meat.

The hotel, restaurant and tourism industries are a largely untapped goldmine of opportunities for US exporters of value-added, consumer-ready and frozen food products. The Mexican tourism industry is ranked seventh in the world with respect to the volume of visitors, and sixteenth with respect to tourism-generated income. Tourism contributes eight percent of GDP and represents six percent of total employment.

Mexico is one of the world's principal tourist destinations, with 20.6 million tourists visiting Mexico in 2000, representing a 37 percent increase from 1995. Spending by visitors increased 34 percent from US\$231.70 to US\$311.80 per capita. Eighty percent of these tourists come from the United States, five percent from Canada, five percent from Europe and the balance from other countries.

The Southeast region of Mexico constitutes the most important region for tourism in Mexico. It includes the states of Quintana Roo, Yucatán, Oaxaca and Tabasco with Cancun, Merida, Oaxaca, and Villahermosa being their principle cities, respectively. Quintana Roo alone, generates around 30 percent of the total foreign currency income from tourism into Mexico, and represents great potential for the food service industry.

Quintana Roo, of which Cancun is its best known tourist destination, is divided into three zones (Caribe Norte, Zona Maya and Zona Sur), formed by seven municipalities (Solidaridad, Benito Juárez, Cozumel, Isla Mujeres, Lázaro Cárdenas, Felipe Carillo Puerto and Othon Pompeyo Blanco).

Caribe Norte:	It begins in Holbox and ends in Tulum, and includes Isla Mujeres, Cancun, Puerto Morelos, Playa del Carmen, Puerto Aventuras, Xcaret and Tulum and Cozumel among other).
Costa Maya:	It goes from Carrillo Puerto to Chetumal on the cost side and includes smaller towns such as Bacalar.
Zona Sur:	It goes from Chetumal (which is the state capital city) all the way down to the south of the state.

The Caribe Norte zone presents the best business opportunities for the US food and beverage industry. Cancun, its heart of tourism which is formed by 28 kms. of beach, has grown rapidly in the past 10-15 years. However, strong growth in the coming years is expected in what is called the Mayan Riviera. It is formed by 130 kms of white beaches and beautiful resorts and includes cities such as Puerto Morelos, Playa del Carmen, Xcaret, Puerto Aventuras, Xel-Ha and Tulum. Isla Mujeres and Cozumel are two beautiful islands that are frequently visited throughout the year.

Cancun alone has 143 hotels with 26,024 rooms. It has around 700,000 inhabitants and receives over three million visitors per year. The number of visitors increases at about six percent per year. It is estimated that for Cancun the number of rooms will continue to grow at an average of 1000 rooms per year.

The Mayan Riviera has the largest growth potential in the coming years. To date it has over 17,000 rooms available and around 6,200 additional rooms are planned to be constructed in the next couple of years. Around 1.2 million tourists visited this area during 2001. This region is expected to grow at an average of 3,000 rooms, per year, during the next five to ten years. Other regions such as Isla Mujeres, Cozumel, the Costa Maya and Chetumal, receive around 800,000 visitors annually.

According to the Quintana Roo Hotel Association, around 58 percent of tourists, come from the United States, 26 percent from Mexico and 16 percent come from other countries. It is estimated that the average visitor spends \$720 dollars, per trip. With 5 million visitors a year, total expenditure reaches around \$3.6 billion dollars, per year. Of this total, around 30 percent or about \$1.1 billion is spent in restaurants.

Advantages	Challenges
The IVA (or Value Added Tax-VAT) in Cancun is 10 percent, compared to 15 IVA in most of Mexico.	The products are sold at higher prices than in the rest of the country. Cancun is known for being an expensive place.
Cancun is considered a free port for the sale of some items such as hard liquors and tobacco.	Transportation costs are normally higher.
There is no local production of food products around this area, therefore all products have to be brought into the region.	The general infrastructure is weak especially for products that need refrigerated facilities and specialized transportation.
The Mayan Riviera is growing rapidly, increasing the demand for imported goods.	There are very few specialized customs agents and distributors with adequate in

	infrastructure.
Cancun has the second largest international airport in the country.	Port infrastructure is poor with small inadequate facilities.
Over 60 percent of tourists in Cancun are from the US therefore creating strong demand for US products.	The Mexican food industry is strong and the main supplier to the HRI sector. Several multinational firms (Del Monte, General Mills, Kraft Foods, Campbell's, Nestle, Unilever, etc.) are in Mexico.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Importers/distributors are the most important figure in the distribution of imported food products in this region. Therefore, the best and easiest way to enter this market is to identify and select a knowledgeable local importer/distributor. There are not very many importers/distributors in this area and some specialize in certain product categories, such as meat, seafood, dairy, etc. However, there are a few large importers/distributors that handle a wide range of products. The importer/distributor will import, store, promote, and sell your products to the HRI sector.

There is a central market where all food products are sold and where most major importers/distributors are located. Food suppliers deliver the products to their clients directly. There are five or six large suppliers in the area that dominate most of the market. However, there are many smaller reps that may be better options for smaller US exporters.

The retail sector has been growing rapidly in Cancun. Most major retail chains have stores there. The retail sector is mainly focused in the supply of food and beverages (among other products) to the general population. However, Sams and Cosco are present in the market and they also sale wholesale for the restaurant industry.

Recently, Cosco began operations in the HRI business providing delivery services to their clients at very convenient prices; therefore, rapidly gaining market share in this sector that was traditionally handled by independent distributors.

To maintain close contact with your distributor and to become familiar with the local competition, prices and trends is a must, especially concerning changes in import requirements and procedures.

The best way to understand the market is:

- Visit the marketplace, talk to buyers, retailers, distributors and other players.
- Do basic market research in order to better understand the market and its opportunities and be prepared to face local competition.
- Learn the import process.
- Get in touch with the key decision makers. In most of the cases, the Chefs play a very important role in food purchase decisions.
- Prepare a consistent entry strategy, be prepared to support your new importer/distributor

in its marketing objectives over the long term.

This can be easily accomplished by participating at the major HRI trade show EXPHOTEL that takes place in Cancun every June. The Agricultural Trade Office (ATO) of the US Embassy organizes a US Pavilion in this annual show and can provide information on the market, trade contacts and assist US exporters in their marketing efforts throughout Mexico, including the Cancun region.

B. Market Size, Structure, Trends

The hotel sector in this market is composed by 567 hotels with 49,971 rooms. At least 30 percent of the hotels are Grand Tourism, 5 or 4 star hotels and are located throughout Quintana Roo. All of these hotels have at least two or three top end restaurants within their facilities and represent good business opportunities for quality food suppliers.

Around five years ago, the all inclusive concept arrived in Cancun. According to food and beverage specialists and restaurant owners, the market for independent restaurants and high quality food has been hard hit. The all inclusive system has been growing rapidly, and it is estimated that around 33 percent of the hotels in the area offer all inclusive services. In Cancun alone, during 2000, over 1 million visitors stayed at all inclusive resorts. The average cost per meal in this type of hotel is estimated between \$5 and \$6 dollars. Unfortunately, this trend is expected to continue to grow in the future, however, at much slower rates.

The restaurant sector is composed of a wide variety of establishments. There are around 580 restaurants registered with the CANIRAC (National Food and Beverage Association in Cancun), and a similar number is estimated to exist but they are considered inexpensive establishments. Also, there are around 300 additional restaurants located within the hotels. There are over 200 independent establishments (not including those inside hotels), that are considered high end quality restaurants that are the main customer for US suppliers of high quality food and beverages. Some of these restaurants belong to well known restaurant chains such as Hard Rock Café, Italianis, Tony Roma's, Ruth Chris, Planet Hollywood, Rainforest Café, etc.; fast food chains such as Mc Donalds, Kentucky Fried Chicken, Domino's Pizza, etc. are located throughout the state, as well.

The average per person consumption in restaurants varies from \$4 to \$25 dollars. According to CANIRAC, the number of restaurants in Cancun has remained more or less steady throughout the year. The all inclusive concept has hard hit this sector during the last five years. Restaurant owners are providing shows and other attractions at their establishments to attract consumers.

Before the devaluation of 1994, at least 40 to 50 percent of all food products came from the United States. After the crisis, prices raised significantly and for a long time imports of food and beverage products were drastically reduced. This situation has improved, with imports increasing again due to the strengthening of the Mexican peso vis-a-vis the US dollar.

C. Sub-Sector Profiles

1. Hotels.

It is expected that within the next 2 years Cancun and the Mayan Riviera will go from 49,971 rooms to 57,000.

HOTEL STRUCTURE

CANCUN TOURIST AREA			
TYPE OF HOTEL	# OF HOTELS	# OF ROOMS	# OF VISITORS
Grand Tourism	18	7,694	
5 stars	30	9,706	
4 stars	28	4,577	
3 stars	18	1,636	
SUB-TOTAL	94	23,613	
CANCUN DOWNTOWN AREA			
4 stars	4	640	
3 stars	14	833	
2 stars	13	453	
1 star	17	485	
SUB-TOTAL	48	2,411	
TOTAL CANCUN	142	26,024	3,044,682

OTHER CITIES AND REGIONS			
Isla Mujeres	46	900	144,793
Riviera Maya (including Puerto Morelos, Playa del Carmen, Puerto Aventuras and Tulum among other)	262	17,731	1,184,249
Cozumel	60	3,956	421,541
Costa Maya (From Tulum to Bacalar)	23	234	N/A
Chetumal	33	1,126	207,582
SUB-TOTAL	424	23,947	1,958,165
GRAND TOTAL	566	49,971	5,002,847

Some of the many projects either underway in Cancun or being planed for the future that will significantly contribute to growth are:

INFRASTRUCTURE AND DEVELOPMENT PROJECTS

PROJECT	AREA	TOTAL INVESTMENT	TIME-LINE
Puerto Cancun	340 Hectares to be developed	\$60 million dollars to include: * Marina * Residential area * Golf Course	5 years
		\$500 million dollars to include: * Hotels and Restaurants * Stores * Etc.	10-15 years
Cancun Tourist Area 3 rd and 4 th Stage		\$130 million dollars to include basic infrastructure	Begins in 2003
Various projects within Cancun:			
Corazone Project	In Punta Cancun	\$20 million dollars to include urban restoration	
Riviera Maya project	130 kms of beach	New hotels with around 6,000 rooms	2001-2004
Isla Mujeres	6 kms of beach	Various projects	
Playa Mujeres, Puerto Cancun		\$100 million dollars	2002-2010

2. Restaurants.

Restaurants are an important sector for generating foreign currency income since, according to trade estimates, 30 percent of tourist's total expenses are for food.

RESTAURANT STRUCTURE

TYPE OF FOOD	MARKET SHARE
Italian	25 percent
Fast Food Franchises	25 percent
McDonalds	10
Domino's	15
Kentucky Fried Chicken	5
Pizza Hut	5
Subway	8
Burger King	
Etc.	
Mexican	10 percent
Meat	10 percent
Japanese, Chinese, (oriental)	10 percent
Seafood	10 percent
Others	10 percent

SECTION III. COMPETITION

The Mexican food industry is the main supplier to the HRI sector and represents strong competition for US products. Many multinational firms such as Del Monte, General Mills, Kraft Foods, Campbell's, Danone, Nestle, Unilever, Coca-Cola, Bacardi, etc. sell their products in this region as well. However, there is no local production of food and beverages and, therefore, all these products must be transported into the area by truck.

US exporters are considered to be suppliers of high quality products and are leaders in many imported product categories, such as red meat, certain poultry, and dairy products, and other processed food products and ingredients. The principal advantages for local products are established distribution channels, brand recognition and market presence.

The advantages that imported products have over local products are higher quality expectations, product innovation and consumer status. There is not a "buy-national" attitude negatively affecting foreign products which, in general, enjoy good acceptance among consumers. Besides over 58 percent of the tourists in the area come from the United States with many preferring their own national products.

The United States also face some competition from European products already present in the market that enjoy similar preferential treatment as those from the United States. Fortunately, shipping costs from the US, especially through Miami, FL are still much lower. Some of the EU product categories found in the food service sector are alcoholic beverages, wines, beer, cheese, pastries, jams, baking products, frozen desserts, etc. US producers will have to wait to see the reaction of the market to these products and develop counter strategies as deemed necessary.

A. Pricing Structure and Costs

Traditionally, Cancun has been considered one of the most expensive resorts in Mexico. However, the overall situation has caused service suppliers and specifically restaurant owners to lower their prices to be competitive. Unfortunately, this has in some cases been the result of offering lower quality meals and therefore affecting consumption of imported products.

Payment terms in this market are 30-60 days in 90 percent of the cases. Markups vary between 15 and 30 percent depending on the product. Refrigerated products tend to be at the high end of this scale. Profits are estimated at around 10-13 percent in general. Operational costs are expensive, especially for refrigerated products since appropriate infrastructure is still very scarce.

B. Infrastructure.

Cancun does not have sufficient and efficient infrastructure it needs to handle its international operations. There are very few customs agents, a port with very little capacity, insufficient and inadequate installations, etc. Although this is expected to improve in the coming years, it will not happen overnight.

Seventy percent of imported food and beverage products arrive to Cancun by boat; 25 percent by truck through Laredo and 5 percent by plane (fresh meats, seafood, etc.). There is only one ocean transportation company operating in Cancun and it sends a weekly vessel to Miami. It is a monopoly according to importers/distributors in the area, and there is nothing they can do at this point. There is a project underway to build a new port in the area of Calica near Xcaret. Hopefully it will be able to receive larger vessels and create more competition.

SECTION IV. BEST PRODUCT PROSPECTS

According to industry specialists, the products that have the best potential in this market include: meat cuts, poultry, seafood (shrimp, lobster), fish, dairy (ice creams, cheeses, etc.), carbonated beverages, fruit drinks, power drinks, beer, wine, frozen and dehydrated potatoes, pastas, flour preparations, condiments, spices, dressings, etc.

SECTION V. POST CONTACT AND INFORMATION

The primary mission of the US Agricultural Trade Office (ATO) in Mexico City is to assist in the market development and promotion of US food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATO, along with other private sector representatives called “cooperators,” make available to help develop US agricultural interests in Mexico. US companies interested in exporting their products to Mexico should contact the ATO for information on market opportunities/constraints for their respective US food and agricultural products.

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