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Product Brief

Mexico : The Mexican Market for Health Foods

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Mexico ATO [MX2], MX

THE MEXICAN MARKET FOR HEALTH FOODS

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 nor the USDA endorses any firm contained herein. U.S. exporters should take normal commercial cautions when dealing with any potential importer, including checking credit references.

I. MARKET OVERVIEW

In 1999, Mexico's population was estimated at 98.5 million. It is growing at a rate of 1.88 percent, per year, or about two million persons annually. Mexico's population should reach 100 million by the year 2000. The population is estimated to be almost equally divided between men (49 percent) and women (51 percent), with life expectancy of 71 years for men and 77 for women. Approximately 61 percent of the population is under 21 years of age.

Mexico City accounts for 21 percent of the total population, or roughly 20 million people, in its extended metropolitan area. The next two major cities are Guadalajara and Monterrey, each with more than 3 million inhabitants. The cities along the U.S. border such as Juarez, Tijuana and Mexicali are among the most rapidly expanding in the country.

The region formed by Mexico City and the cities located within 1½ hours, including Cuernavaca, Querétaro, Toluca, Puebla and Pachuca reportedly accounts for 45 percent of the retail purchases in Mexico.

Mexico has become one of the most dynamic markets for U.S. food and agricultural exports, which expanded from $4.8 billion in 1994 to $6.6 billion in 1998, a 38 percent increase in spite of the economic crisis of 1994. The North American Free Trade Agreement (NAFTA) has and will continue to facilitate further increases. Although the devaluation intensified competition with domestic producers, import demand for many products has remained strong and is expected to continue in the long term.

Growing imports from the United States are being driven by the increasing openness of the Mexican market, improving affluence, changing tastes of its consumers, and the modernization of the food distribution network. One part of this change is the development of specialty health food stores, both chains and independent entities, as well as the introduction of "health foods" in supermarkets, pharmacies, department stores and health clubs.

The health food market covered in this report is basically limited to that which is serviced by these specialty health food stores in Mexico. However, it also discusses to a limited extent similar health foods which are sold by the major supermarkets, pharmacies, department stores and health clubs which includes many regular food items modified to be considered more "healthy", e.g., low fat, los cholesterol, sugarless, diet products, etc.

U.S. Health Foods in Mexico

- The health food market in Mexico is small but growing rapidly, especially among young people; over 60 percent of the population is under the age of 25.
- Retail chains, pharmacies, department stores, and health clubs are becoming increasingly important in the distribution of health foods and products.
- U.S. products play a major role in the Mexican health food market, especially in the food supplements market and in processed *"healthier"* foods.
- Import regulations and limited, although growing, nutritional awareness by consumers are hindrances to the industry's ongoing expansion.

II. RETAIL AND INSTITUTIONAL SALES

The health food market in Mexico is growing rapidly. Health food stores in Mexico began to proliferate in the early 1990's. Very few existed prior to 1985. The market took off around 1987, coinciding with growth in the economy, and has been expanding rapidly ever since. There now may be as many as 800 stores handling health foods in Mexico, more than 80 percent of which are located in Mexico City, Guadalajara and Monterrey. The average store has total sales estimated at $500,000 annually, making this a $400 million, per year, retail business.

Although retail chains represent only 20 percent of all retail outlets, they sell approximately 70 percent of health food imports. Pharmacies, department stores and supermarkets account for another 20 percent, and the remaining 10 percent is sold in specialty independent health food stores. Important health food chains in Mexico include:

- Nutrisa Alimentos Naturales S.A.
- General Nutrition Center (GNC–a rapidly expanding U.S. franchise)
- Nutrisoya S.A.
- Golden Harvest (Mexican)
- Super Soya (Chain & Distributor)

The growth of Nutrisa Alimentos and GNC reflects the general expansion of the market. Today Nutrisa has 25 stores, up from eight in 1992 and GNC has over 90 stores throughout the country up from 15 in 1992.

As a result of the rapid expansion, this market now has a health food store association called Asociación Nacional de la Industria de Productos Naturales, A.C. (ANIPRON) . This association is organizing an annual trade show, which will take place for the third consecutive year on February 25-27, 2000 at the Sports Palace (Palacio de los Deportes) in Mexico City. For further information on this event please contact the association at the address below. There is a list of additional industry contacts in SECTION VI of this report.

Arq. Jorge Ibarra Baz, President and Director General
Periférico Sur No. 5482-A
Col. Pedregal de Carrasco, 04700 México, D.F.
Tel. (011-52-5) 665-5802 and 665-7790; Fax. (011-52-5) 665-9248
CONTACT: Lic. Héctor Olvera, Executive Director and Booth Sales

Products Handled

Health food stores handle a variety of products. The most important products, listed in descending order of sales volume, include 1) muscle building and weight gain products; 2) vitamins and fiber supplements; 3) fat burners and weight loss products; and 4) "rebuilding tonics," e.g., ginseng.
Although product specific consumption data on these and other health foods are not available, the table below provides a summary of what products a typical store handles.

TYPICAL HEALTH STORE SHELF SPACE, BY PRODUCT CATEGORY

Product	Relative Size of Shelf Space	Estimated US Share Indicated (%)	Examples of U.S. Suppliers/Brands
Muscle builders	A	90	Joe Weider, Salt Lake City, UT
Vitamins	A	50	Twinlab-Ronkanken, NY Natural Wealth-Bohemia, NY Prime Natural Health Labs-Carson, CA Hudson Corp-Bohemia, NY
Fiber supplements	A	None	
Fat burners	A	90	Joe Weider, Victory, Twinlab
Teas	B	None	
Ginseng	B	None	
Diet products	B	80	Weight Watchers, Joe Weider, Twin Lab
High fiber cookies	C	None	
Power candy bars	C	80	Tiger Milk, Power Bar
Nuts	C	10	
Athletic drinks	C	50	Gatorade

A = These products occupy approximately 50 percent of store shelf space; **B** = These goods are allocated 30 percent of shelf space; **C** = These items occupy 20 percent of shelf space
Source: ATO Estimates

U.S. products are dominant or significant in the following categories; including muscle builders, vitamins, diet products, fat burners, power candy bars, and athletic drinks. Retail chains such as GNC sell the vast majority of imported health food products. In these stores, the items designated "A" in the above table occupy nearly 100 percent of the shelf space. These muscle builders, vitamins and fat burners appeal mainly to recreational and professional athletes.

A few factors currently constrain growth in Mexico's health food market. Recent import regulations have slowed health food imports in the past few years, and a general lack of nutritional education is a short-term constraint to further growth.

III. MARKET OPPORTUNITIES

Product categories which appear to offer untapped potential for U.S. shippers include fiber supplements, athletic beverages, herbal teas and power candy bars. In certain of these product categories–i.e., athletic beverages, power candy bars -- some U.S. producers are already active in Mexico, dealing mainly through supermarkets. However, to date, they have not apparently penetrated the health food stores. In addition, the existing market for vitamins and minerals appears to be expanding -- many physicians are recommending the use of these items in the treatment of common health problems such as stress, insomnia, etc.

IV. 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 health food stores in Mexico.

There are essentially two types of distributors serving the health foods market in Mexico. The direct importers have their own distribution centers and act as chains; while the other importers supply the remaining markets including, supermarkets, sports clubs, specialty stores, etc. Both types of distributors have to be authorized by the Mexican Health Ministry and the Mexican Department of Commerce as importers of health products that sometimes are considered as medicine and, therefore, require additional registration and paperwork in order to be allowed into the country.

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

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 of companies. Imported products are almost always supplied to the market via importer-distributors. The reason for this is clear: many outlets typically require micro-servicing that only distributors can supply. Some stores import directly, but this is the exception rather than the norm.

Trucks are the most likely form of transportation for U.S. health food products. 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 $1,000; a refrigerated trailer will cost around $1,500. Although the Mexican national railway system is undergoing a major modernization process, it is not yet an option for anything but bulk commodities. Maritime transportation is generally not very practical for processed foods. A limited amount of products, usually fresh fish, is sent from the United States by air.

Distributors' mark-up can range between 15 to 40 percent, depending on the product. 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.

V. MARKET CONSTRAINTS

Since mid-1994, when the Mexican government instituted new regulations, the health foods industry has faced difficulties. This regulation essentially defines most "natural foods" (including many health foods, such as vitamins and minerals) as drugs or medicines. This classification subjects them to the same restrictions (labeling, formal approval of content, permits from the Mexican Health Ministry, etc.) as pharmaceutical products. These restrictions are enforced by the Mexican Health Ministry (SSA) and the Treasury Department (SHCP) through Mexican Customs, all of which has combined to slow imports.

Another significant obstacle in the import process is the red tape involved in the customs inspection. In the past, importers and distributors were able to get health foods across the border in bundles of different products, whereas now each product must be imported individually.

Health food products exported to Mexico must have a label, in Spanish, which includes the following information:

- Commercial name
- Producer's name and address
- Exporter's name and address
- Country of origin (i.e., Producto de EE.UU)
- Importer's name, address and RFC number (taxation number)
- Product description in Spanish
- Product description in English
- Preparation and handling instructions
- Net weight in metric units
- SSA registration number
- Date of expiration
- Special warning (if any)

VI. LIST OF CONTACTS

Company	Contact	Address	Telephone/Fax
GOVERNMENT -- MEXICO			
Secretaría de Comercio y Fomento Industrial (SECOFI)	Rocío Ruiz Chávez Director Foreign Trade Services	Insurgentes Sur No. 1940, P.H. Col. Florida 01030 México, D.F.	T: (52-5) 229-6100 Ext. 3300, 3301 F: (52-5) 229-6529
Secretaría de Comercio y Fomento Industrial (SECOFI)	Ma. Teresa Mijares Interim Director Institutional Link Service (NAFTA tariff information)	Alfonso Reyes No. 30, piso 18 Col. Hipódromo Condesa 06140 México, D.F.	T: (52-5) 729-9100 Ext. 6990 to 96 F: (52-5) 729-9364
Secretaría de Salud	Dr. José Meljem Moctezuma Director Food Health Regulations	Donceles No. 39, P. B. Col. Centro 06010 México, D.F.	T: (52-5) 521-3050 T: (52-5) 521-9134 F: (52-5) 512-9628
IMPORTERS, DISTRIBUTORS, RETAILERS			
Nutrisa , S.A. (Manufacturer/Retailer)	Jorge Ibarra Baz Director General President of ANIPRON	Periférico Sur No. 5482 Col. Pedregal Carrasco 04700 México, D.F.	T: (52-5) 665-5802 665-7790 F: (52-5) 665-9248
Abastecedora Pronate S.A. (Distributor/ Retailer)	Sergio Becerril, Manager	José Ma. Olloqui No. 31 Col. Del Valle 03100 México, D.F.	T: (52-5) 524-8622 F: (52-5) 524-3556
GNC-General Nutrition Center (Distributor/Retailer)	Roberto Cisneros, Manager	Lázaro Cárdenas No. 2424 Pte. 66220 Garza García, N.L.	T: (52-8) 363-3700 F: (52-8) 363-4455
Atari S.A. de C.V. (Importer for GNC & market)	Francisco Arriaga Manger	Lázaro Cárdenas No. 2424 Pte. 66220 Garza García, N.L.	T: (52-8) 363-3700 363-2000 F: (52-8) 363-4455
Importaciones y Exportaciones, S.A. (Importer/Distributor)	Victor Manuel de la Cruz, General Manager	Felipe Villanueva No. 100 Col. Peralvillo 06220 México, D.F.	T: (52-5) 537-2246 F: (52-5) 517-1093
Golden Harvest S.A. (Retailer)	Lic. Teresa Ochoa Sandoval Sales Manager	Calle Hocaba No. 354 Col. Pedregal de San Nicolás 14100 México, D.F.	F: (52-5) 644-7407
Super Soya S.A. (Importer/Distributor/Retailer)	Isaac Michan Purchasing	Av 1 de Mayo No. 178 54040 Naucalpan, MX	T: (52-5) 300-5331 F: (52-5) 300-1667
Comercializadora Cosado S.A. (Importer)	Leonardo Domínguez General Manager	Las Huertas No. 107-1008 Col. Del Valle 03100 México, D.F.	T: (52-5) 534-1180 F: (52-5) 534-1180
Ricco, S.A. (Importer)	Carlos Lever Marketing Manager	Presidente Mazarik No. 515-1 Col. Polanco 11550 México, D.F.	T: (52-5) 282-1102 F: (52-5) 280-0595

Company	Contact	Address	Telephone/Fax
Super Mayoreo Naturista S.A. (Importer)	Alex Palombo Manager	Calle 3 No. 13, local 14 Col. Alce Blanco 53370 México, D.F.	T: (52-5) 359-4180 F: (52-5) 359-4186