

U.S. Department of Agriculture
Foreign Agricultural Service

July 1992

MARKET PROFILE



MEXICO: THE MARKET FOR U.S. FOOD AND FARM PRODUCTS

Market Overview

Mexico is a net importer of food and agricultural products, with purchases totaling \$4.3 billion in 1990 versus sales of \$2.8 billion. The main agricultural imports are livestock, poultry and products, grains, sugar, and oilseeds and products. Farm imports represent 20 percent of domestic food consumption.

Almost 70 percent of Mexico's food and agricultural imports in 1990 were from the United States. Mexico was the third largest single market for U.S. farm exports in 1991 (behind Japan and Canada), with purchases over \$2.8 billion. In 1992, Mexico is predicted to purchase a record \$3.4 billion in U.S. agricultural products, up 20 percent from 1991.

In 1986 Mexico liberalized its economy and joined the General Agreement on Tariffs and Trade. As a result, tariffs have been lowered and import licensing requirements have been cut significantly. These trade reforms are making the country a much more accessible market for U.S. food exporters. Since liberalization, U.S. agricultural exports to Mexico have more than doubled. Growth in the future is likely to be even greater, considering that Mexico's population will top 100 million within the next 5 years. However, growth is also dependent on Mexico reducing its foreign debt service burden so that it can buy more food and farm commodities, as well as other goods necessary for economic growth.

Another significant change in the Mexican economy having market impact is the growth of the middle class. Combined with the upper-income bracket, these consumers compose 30 percent of Mexico's population and represent the group of consumers most likely to purchase imports. Since the United States already has a major share of the Mexican market, further increases in U.S. sales depend on the growing size of this group of consumers.

The biggest potential growth markets in Mexico for U.S. food exporters are the retail market for processed foods, followed by the hotel, restaurant, and institutional markets catering to the tourist and resort trade. In fact, U.S. exports of consumer-oriented, high-value products, such as red meats, fresh and processed fruit and vegetables, poultry meat, dairy products, and snack foods, are expected to quadruple in 1992. The Mexican market is expected to expand even further if a North American Free Trade Agreement is reached.

The business environment is complicated by language differences, a cumbersome business administrative system, and poor communications facilities. Regulatory and administrative difficulties sometimes require substantial financial and labor investments by U.S. exporters.

The advertising media in Mexico are relatively well developed and accessible to U.S. exporters. Several U.S. advertising and market research firms have offices in Mexico City to service the needs of U.S. exporters.

Mexico at a Glance

Agricultural imports:	\$4.3 bil	Population:	92.2 mil
Share of all imports:	15%	Population growth rate:	2.2%
High-value:	\$600 mil	Urban population:	53%
Bulk:	\$3.6 bil	Urban growth rate:	2%
*Ag imports from U.S.:	\$2.9 bil	Women as part of work force:	15%
*Ag exports to U.S.:	\$2.5 bil	Per capita GDP:	\$2,250
Major metropolitan areas:	4	Per capita food expenditures:	\$800

*U.S. census data, calendar 1990. Other data from reporting country.

U.S. Market Position

The United States has been the largest supplier of most products imported by Mexico for many years. Mexico is one of the largest markets for bulk commodities, such as grains and oilseeds, animal and animal products, and forest products, and one of the United States' largest and fastest growing high-value markets. Recent changes in Mexican import policy have resulted in record increases in imports of high-value foods, such as high-quality beef, wines, and frozen and processed foods.

Market Competition

Many countries view Mexico as an increasingly attractive market for food and farm products. Primary competitors include Canada, the European Community (EC), and Argentina. The United States dominates the Mexican import market for bulk commodities, supplying the country with 75 percent of its total imports. The only other significant competitor is Canada. For Mexico's intermediate, high-value import market, the United States is also the primary supplier, accounting for 72 percent of total intermediate imports. The United States is followed by the EC and Argentina. In the consumer-oriented import market, of which the United States

recorded the top share in 1989, the nearest U.S. competitor was the EC, with sales amounting to roughly half of U.S. sales.

Market Trends

Prices for imported food products are high compared to retail prices in the United States, as the number of suppliers is relatively small. Food industry analysts, however, believe that overall margins on imported foods will decrease over the next few years as more importers enter the market. The volume of trade and diversity of products offered to Mexican consumers is expected to increase as disposable incomes rise and imported foods become affordable for more people.

Analysts anticipate economic growth will continue over the near term, primarily due to marked economic policy changes favoring the private sector. This has spurred a new, more positive outlook by Mexicans, resulting in a willingness to invest in the country's future. Sustained market growth is anticipated in many agricultural and fiber products traded between the United States and Mexico. With liberalized market access, the growth in processed and frozen foods is expected to be especially favorable over the next few years. The outlook is particularly bright for Mexican imports of high-quality beef, beers, wines, dairy products, genetic stock, frozen and/or microwaveable foods, candies, and selected fruits and nuts.

The growth in demand for consumer-oriented, high-value products is expected to continue, with 1992 U.S. exports anticipated to reach an all-time high of \$2.4 billion. Since 1986, U.S. exports of consumer-oriented products have more than tripled to Mexico, rising 208 percent to \$513 million. Exports of U.S. high-value commodities to Mexico have risen 71 percent to \$790 million since 1986. The consumer-oriented category accounted for more than half of this increase in total high-value exports and has actually registered the highest growth rate over the past 5 years when compared to bulk and intermediate exports.

Marketing System

There are four basic food markets in Mexico—Mexico City, Guadalajara, Monterrey, and rural Mexico. In Mexico City, seven major grocery store chains, through several hundred outlets, supply most of the food consumed by the city's people. Most imported food products are found in these supermarkets, which generally serve the city's middle- and upper-income inhabitants. Several thousand neighborhood corner food stores called *tiendas* also offer limited amounts of imported foods.

Mexico's truck transport system, liberalized in late 1989, is undergoing fundamental change and is having a difficult time meeting the needs of increased trade. The lack of large freezer trailers and other specialized transport equipment in Mexico is the main trade constraint. Processed and/or frozen foods

cross the border by truck, with only a small percentage crossing via "piggy back" truck and rail service. Highly valuable and/or perishable foods, such as red meats and smoked salmon, are exported to Mexico by air. These air shipments account for less than 1 percent of the high-value food imports. The majority of bulk commodities cross into Mexico by rail.

General Requirements for Packaged Foods

U.S. exporters of consumer-ready products must have a representative Mexican company (an agency representative) registered with the Secretariat of Finance and Public Credit (SHCP) for import and export. The exporter must provide legal certification of such an appointment in Spanish through the Mexican agent. The certification must be approved by the Mexican Consulate in the United States that is nearest to the exporter. The Mexican company must register the product with the Mexican Secretariat of Health to have it checked for compliance with Mexican food safety laws.

Products of foreign origin sold in Mexico must have a label on the consumer container with the following information in Spanish: product name; importer name and address; country of origin; net contents, in units specified by the general system of measurement units; warning notice if the product is dangerous; and handling and storage instructions.

The Government can require that labels be modified with respect to color, letter size, and product description.

Additional Information and Assistance

The Agricultural Affairs Office of the U.S. Embassy offers the following reports for U.S. food exporters:

Mexican Importation, Trade Relations, and Distribution of High-Value, U.S. Processed Foods, Frozen Foods, and Meat Products; and

Transport and Distribution Contacts and Procedures in the Mexican Market for Higher Valued, Processed and Semi-Processed Foods.

For these reports, further information, or assistance, contact:

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