

Increased competition and rising demand, coupled with a reduction in the government's role in the economy, has forced a massive restructuring of the industry. The larger, better capitalized companies have been able to expand their markets and rationalize their production processes through acquisitions or mergers. Smaller companies that were not able to make this transition are struggling to survive. According to the *Cámara Nacional de la Industria de Transformación (CANACINTRA)*, National Chamber of Manufacturing Industry, the number of food processing companies in Mexico declined by 20 percent in 1993 and more failures were expected. New foreign investment combined with aggressive joint-venturing with foreign food processors has made this sector one of the most fiercely competitive in the country.

The sharp devaluation of the peso in December 1994 will not diminish the need to modernize, but it will limit financing. This creates opportunities for Canadian companies to form joint ventures with Mexican firms, as a means of entering the market. The economic crisis that was precipitated by the devaluation cut into consumer spending power, and sharply increased the relative cost of imports. Retail sales for April 1995 were almost one-third lower than the same month in 1994. On the other hand, the devaluation has improved the position of Mexican companies which have export markets. Canadians seeking to move into Mexico should focus on niche markets, and potential joint ventures. Whichever approach they prefer, they will have to adopt a long-term strategy.

THE MEXICAN FOOD PROCESSING INDUSTRY

About 8,000 food processing companies are registered with the *Cámara Nacional de la Industria de Transformación (CANACINTRA)*, National Chamber of Manufacturing Industry. About 19 percent of these firms are classified as "large" or "medium". The rest are small or micro-enterprises which supply 'mom-and-

pop' style stores within a few blocks or a few kilometres of their processing facilities.

This US \$10 billion industry is dominated by a few major players, including *Grupo Industrial Bimbo*, *Grupo Maseca (GRUMA)* and *Herdez*. The 100 largest companies account for about 85 percent of the market and two-thirds of the labour force. Thirty-five food processors are listed in the magazine *Expansión 500*. This includes Mexican family firms that have expanded to become industry leaders, as well as a number of large multinational firms that have subsidiaries or partnerships in Mexico. For example, *Grupo Industrial Bimbo* is the ninth largest corporation in Mexico, and *Compañía Nestlé* is tenth. These rankings are from the annual *Expansión 500* listings, and do not necessarily include privately-held companies that do not publish financial details.

Large foreign food companies typically own and operate Mexican plants, create a joint venture with a Mexican partner, or license their brands to Mexican firms. They generally use Mexican primary food products. International joint ventures formed during 1994 include the following:

- *Herdez*, a major producer of mayonnaise and tomato paste, formed joint ventures with Heinz and Hormel.
- *Kir Alimentos*, a meat processor, became associated with Sara Lee.
- *Grupo Industrial Bimbo*, Mexico's largest bread and pastry manufacturer, established a joint venture with American-based Mrs. Baird.
- *Univasa*, a major poultry producer, sold 20 percent of its business to Con Agra.

THE ROLE OF IMPORTS

Mexico is relatively self sufficient in processed foods. Import penetration in 1994 was only 5.6 percent, which is very low compared with other sectors. Domestic production, however, is heavily concentrated in products with relatively little processing. The market for highly-processed foods, featuring

advanced packaging, is only beginning to develop in Mexico. Imports have done well in a number of niche markets. This includes deli-products, processed fish and pasta, as well as snack foods and confections.

Major Mexican Food Processing Companies

	1993 Sales N\$ '000 pesos
Grupo Industrial Bimbo	5,096,866
Compañía Nestlé	4,205,000
Grupo Industrial Maseca	1,924,648
Anderson Clayton	1,348,732
Industrias Bachoco	1,223,651
Ganaderos Productores de Leche Pura	1,005,966
Herdez	881,491
Sigma	733,531
Agrobíos	597,774
Promotora Industrial Azucarera	580,605
Pasteurizadora Laguna	457,678
Lechera Guadalajara	420,630
Danone de México	402,691
Ingenio Tres Valles	391,500
Tablex	368,592
Corporación Azucarera de Tala	359,384
Helados Holanda	277,081
Productos de Leche	274,811
Pasteurizadora del Nazas	270,187
Molinos Azteca	267,356
Ultra Lala	231,495
Derivados de Maíz Alimenticio	203,648
Ingenio Adolfo López Mateos	183,738
Compañía Azucarera del Río Guayalejo	168,326
Laboratorios y Agencias Unidas	159,134
Pasteurizadora de Acapulco	117,735
Productos Chata	108,919
Compañía Industrial Azucarera San Pedro	91,552
Chocolatera de Jalisco	80,089
Lala Derivados Lacteos	76,320
Conservas La Torre	55,339
Birds Eye de México	51,082
Martín Cubero	50,254
Refre-Mex	48,810
Pizza del Rey de Chihuahua	12,475
Total	22,727,090

Source: *Expansión*, August 1994.