

BEVERAGES

JOHN LABATT EXPANDS INTO MEXICO

Canada's John Labatt increased its brewing volume by about 40 percent in July 1994, with the purchase of a 22 percent share in Mexico's second-largest brewer *Fomento Económico Mexicano (FEMSA)*. With sales of US \$2.4 billion in 1993, 37,000 employees, and exports to 55 countries, *FEMSA* is Mexico's second-largest brewer with 48 percent of the market. A diversified food and beverage conglomerate, it has a share of the lucrative soft-drinks market through a 51 percent holding in *Coca-Cola FEMSA*, and operates more than 600,000 convenience stores across Mexico. Typical of many food and beverage conglomerates today, Monterrey-based *FEMSA* was founded as a family business, with roots dating back to the 1890s.

Mexicans consume more carbonated beverages per capita than any country in the world except the United States. Coca-Cola is reputed to have about 55 percent of the soft drink market, and 75 percent of the cola market. Cadbury-Schweppes has recently purchased a major Mexican bottler, *Peñafiel*, and some U.S. brands are moving in with aluminum-packed products.

Competition is also increasing in the juice market. Frozen juices are not as well developed due to the relative lack of freezer space in Mexico. Two juice and nectar producers, *Jugos del Valle* and *Jumex* control about two-thirds of the market, while the top five producers together account for 96 percent of total Mexican consumption.

The bottled water market is very crowded, with more than 40 brands competing for available shelf-space in this subsector. Price competition is fierce, and a shake-out of this industry is expected. "Designer" labels such as Perrier and Evian have an edge over some lesser-advertised brands.

Milk mixes from the market leader Procter and Gamble (Chocomilk), and Nestlé (Quik) have found a loyal customer base among young consumers in Mexico. The market for beverage mixes prepared with water is dominated by Kraft, whose products Kool-Aid and Tang take up about 70 percent of shelf-space in this category.

Teas, especially the traditional herbal flavors, such as *manzanilla*, are important consumer items. The Mexican tea, *La Pastora*, shares the overall tea market with McCormick and *Laggs*. Most of the major American processed coffee brands can be found on supermarket shelves, and there is also a large market for roasted coffee beans from Mexican and Latin American packers.

Mexican beer is produced by major brewers such as *Cervecería Moctezuma*, *Grupo Modelo* and *Cervecería Cuauhtémoc*. The latter firm is part of the food, beverage and packaging conglomerate *Valores Industriales*.