Joint Ventures

In order to remain competitive in face of liberalized trade, Mexican producers are beginning to form joint ventures with American companies. Some are opening subsidiaries in the United States.

For example, *Industrias Sucarne*, a pork processor based in Mexico City, opened a new hog slaughtering facility in San Antonio, Texas, in late 1993. The objective was to gain access to new pork supplies. The company invested about US $3 million to renovate an old facility, which now operates as Hemco Packing Inc. The plant slaughters about 300 hogs daily, and parts are shipped to the *Sucarne* facility in Mexico City. According to *Sucarne* owner José Hernández Estrella, hogs are in short supply in the Mexico City area.

In January 1994, the American conglomerate, ConAgra Inc., entered into an agreement with *Grupo Desc*, for a 20 percent share of its *Univasa* pork and poultry processing subsidiary. ConAgra has an option to purchase another 29.9 percent.

In another development, U.S.-based IBP Incorporated, the largest producer of beef and pork in the world, has begun talks with *Grupo Gigante* and is also studying joint ventures with other Mexican firms.

Strengths and Weaknesses of the Mexican Pork Processing Industry

Strengths	Weaknesses
A good understanding of local tastes and product demands.	A lack of adequate refrigerated storage facilities.
The Mexican market consumes almost all of the carcass, with virtually no waste.	The presence of pork cholera (except in Sonora and Yucatán) or pork fever sometimes complicates processing and merchandising.
The market tends to focus on cuts of leg, loin and bellies (bacon).	A bad reputation for sanitation, mainly because of media documentation of slaughterhouses that do not conform to *Tipo Inspección Federal (TIF)*, sanitary inspection standards.
The cost of labour is low, providing a competitive edge for high value-added cuts.	
Most important processors and producers in the industry have their own well-established channels of distribution.	
Their local presence allows Mexican producers to respond quickly to changes in product trends.	

Source: Interviews.

Foreign Competitors

The United States dominates the market for imported pork. Some importers deal exclusively in American products, often in association with firms in the United States. Other important sources of imported pork are Spain and Denmark.

Canada's share of the import market rose from 2.2 percent in 1989 to 17.6 percent in 1993, but fell to 14 percent in 1994. The growth of Canada's sales has come mostly at the expense of U.S. market share. The combined Canada/American market share has fluctuated in the 95 percent range in recent years. But the American share fell from 96 percent in 1989 to 80 percent in 1994.

In 1993, the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development, initiated an investigation into complaints that American producers were selling hogs and pork products in Mexico at "less than fair market value". The investigation included non-purebred hogs, all chilled and frozen pork, and all fresh or frozen offal, including pork livers and fat. The U.S. National Pork Producer's Council has strongly contested these allegations. In