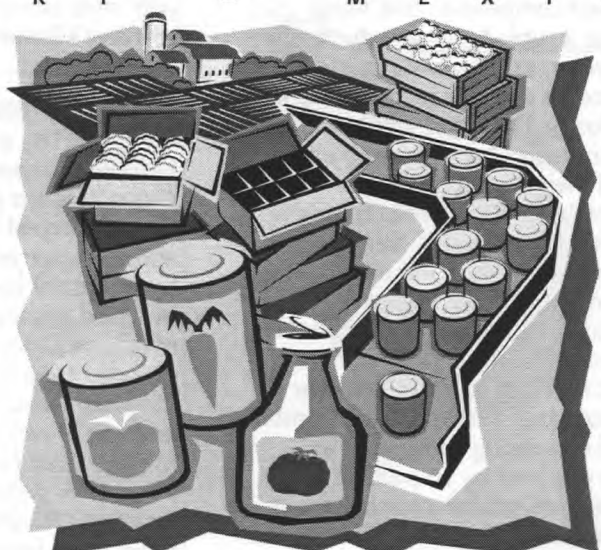


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M A R K E T S U M M A R Y - M E X I C O

# Processed Food Products



## HIGHLIGHTS

The market for convenience foods is just beginning to develop in Mexico, but it offers good long-term potential for Canadian companies.

- Mexicans who can afford to shop in supermarkets, where most imported foods are sold, make up only 20 percent of the population, but they total more than 18 million.
- Two-thirds of Mexicans are less than 30 years old. They have been exposed to American advertising and have a strong preference for imported foods.
- Two incomes are increasingly needed to maintain a middle-class lifestyle. More and more women are entering the labour force, increasing the demand for easy-to-prepare processed foods.
- Mexican supermarket chains are expanding their refrigerated storage and display capacity, in addition to carrying more chilled and frozen items.
- In the medium term, microwave ovens and freezers will become more accessible to middle-class Mexicans, and convenience food sales will grow further.

Unless indicated otherwise, all monetary amounts are expressed in American dollars at the exchange rate prevailing prior to the December 1994 devaluation of the peso.

## THE OPPORTUNITY

The Mexican food processing industry is in a state of transition. The industry developed under an umbrella of protectionism that gave domestic producers little incentive to modernize. The result was an industry structure dominated by small, inefficient, family-owned businesses. In the late 1980s, the government of Mexico launched a sweeping program of

economic reforms. Trade barriers were reduced and restrictions on technology imports were eliminated. Foreign investment regulations were liberalized and government enterprises were sold to private investors. In 1994, the North American Free Trade Agreement (NAFTA) took this process even further.

Mexican food processors were caught in a difficult situation, with insufficient capital to modernize, just as highly-efficient foreign competitors gained access to their market. As a result, imports of processed foods increased from US \$425 million in 1991 to more than US \$500 million in 1994. Many American-based food processing companies took advantage of the relaxed foreign investment rules to buy into Mexican companies or to establish subsidiaries.

Meanwhile, consumer demand for convenience foods is on the increase. The income groups most likely to buy imported food account for less than 20 percent of the Mexican population. But this is still a market of more than 18 million people, and about one-third of them live in the three largest cities. They tend to be well educated and typically have travelled in North America and Europe. They are familiar with imported food products and are very quality conscious.

## SUMMARY REPORT

This market information on the Mexican market for processed food products has been produced and published by Prospectus Inc. under contract with DFAIT, along with other market profiles and summaries on business opportunities in Mexico. It is available from:

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Prospectus Inc. Order Department  
 Tel.: (613) 231-2727  
 Fax: (613) 237-7666

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