Micro-bakeries are struggling to adapt to the recent elimination of flour subsidies. They must now invest in new equipment to increase efficiency and reduce waste. Packing opportunities are limited, however, since bread is sold in plain paper bags, and tortillas in brown paper or directly into a purchaser's cloth napkin.

#### BEVERAGES

Beverage packaging is fairly standard, with brand name products being marketed in bottles or cans. Juices and nectars are regularly merchandised in one-litre and 250-millilitre tetrapaks, and in one-litre bottles. About 80 percent of all soft drinks are purchased in reusable containers.

#### CANNED PRODUCTS

Mexican-made equipment for canned food processing accounts for between 40 percent to 50 percent of the market. Imports tend to fill market niches, ranging from large-volume, high-efficiency machines, to smaller-scale, semi-automatic equipment.

There is also a healthy import market for used and rebuilt equipment from the U.S. and Canada. This less-sophisticated equipment meets the needs of many small- and medium-sized firms, where servicing can often be done by in-house technicians.

#### CONFECTIONERY AND CANDY

There is growing recognition that the confectionery and candy subsector needs to upgrade its packaging. Industry watchers say this subsector is 10 to 15 years behind its competition. Domestic processing and packaging equipment consists mainly of sugar mixers and medium-technology packaging equipment. Some packaging is still done by hand. Imported products include cleaners, predryers, roasters, presses, refiners and pulverizers.

#### DAIRY PRODUCTS

Few domestic equipment manufacturers are in a position to supply the large dairy companies with the highly sophisticated equipment they need. Almost all of their equipment is imported from the U.S. or Europe.

Until recently, reusable and recyclable packaging materials have not been available for dairy products. However, the need for environmentally-appropriate packaging is gradually becoming understood, and there will be growing demand for such products in the future.

#### EDIBLE OILS

The edible oil subsector is unusual because it uses state-of-the-art technology and has an installed capacity that exceeds demand. Nonetheless, there are some opportunities for packaging equipment suppliers. Advanced packaging materials and labellers are among the more promising prospects.

Milling equipment typically comes from the U.S., while the equipment used for refining and secondary production is imported from Italy, Germany and the U.S.. *Fábrica de Jabón la Corona* recently purchased equipment from Husky, a Canadian company.

#### PROCESSED MEAT

Competition from imported processed meat producers is challenging domestic suppliers to import more efficient technology that can lower production costs. The equipment market is driven by strong price competition, strict sanitary requirements, and a demand for less labour intensive processes. More sophisticated equipment and storage facilities can satisfy all three of these needs.

In order to export, meat processors must first get their plant accredited as a *Tipo Inspección Fiscal (TIF)* plant, which means it complies with high sanitary and production standards. Equipment is typically changed every five-to-ten years, fuelling demand for high technology equipment from foreign suppliers.

#### SALTY FOODS

Except for the very large producers, Mexican salty food manufacturers tend to use medium-level technology. Since this is a very image-conscious industry, there are major opportunities in packaging. Plant managers are looking for multi-tasking equipment that can weigh, fill and pack in one production run.

## MARKET ENTRY STRATEGIES

*A local presence is essential and a Mexican agent or partner is a good way to get established. However, it takes time to understand the market and its players*

#### ESTABLISHING A LOCAL PRESENCE

Canadian firms that have been active in Mexico stress that a local presence is essential for success. This can mean retaining the services of a Mexican representative, agent or subcontractor, or establishing a strategic partnership with a Mexican producer. Alternatively, a Canadian company may open its own office in Mexico. No matter what approach is chosen, it is important to demonstrate a commitment to the market and assure clients that after-sales service will be available.

Distributors are commonly found through contacts made at food industry trade shows. Many experienced distributors are members of regional or industry associations. These associations can be important contact points for finding qualified distributors or disseminating information on new products.

## THE REGULATORY ENVIRONMENT

*Few barriers stand in the way of Canadian equipment producers who want to move into Mexico.*