The balance consists mostly of processed pork, including sausages, bacon, hams and other value-added products.

Canada's total pork exports to Mexico in 1994 were valued at US $36 million, a market share of 14 percent.

Canada is mainly an exporter of raw products such as pork carcasses and frozen meat. More than half of the value of exports in 1994 was accounted for by frozen hams, offal and other pork meat. Carcasses were 16 percent of the total. About 90 percent of exported Canadian pork products end up at Mexican processors. Deli-products represent a new market and exports in this area are gradually increasing.

CUSTOMERS

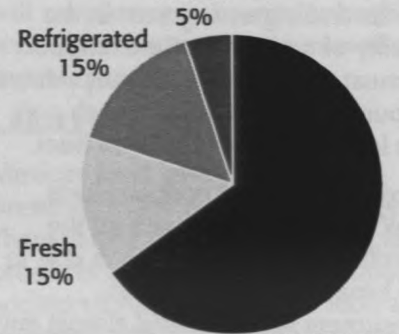
Although a large proportion of Mexicans have very low incomes by Canadian standards, the absolute numbers of people in the higher-income brackets is still relatively large. The devaluation of the peso in December 1994 has cut deeply into the spending power of most Mexicans. Those with pre-devaluation family incomes of US $25,000 or more make up only 15 percent of the population. But there are about 13 million people in this category, and they are considered the most important market for imported foods.

As a result of the devaluation of the peso, real incomes declined by almost 10 percent in the first five months of 1995. In the middle-income groups, declining real income has a positive influence on pork demand, because it encourages substitution for beef. In the lower income groups, the consumption of all meats is likely to decline.

RETAIL STORES

The Mexican retail sector is highly diverse. On one hand, it has a very large number of small retail outlets often referred to as "mom and pop" stores. There are only 300 people per retail unit compared with about 900 in Canada. On the other hand, the market is dominated by very large retail supermarkets, which account for 40 percent of sales, with only 5 percent of outlets. Experts predict that the market share of supermarkets will expand further to about 70 percent over the next several years.

Mexico Supermarket Shelf Space



Source: Interviews.

FOOD SERVICE SECTOR

The food service sector includes hotels, restaurants and caterers. Some of them import high-quality pork products. Many major hotels buy prime cuts, which they further cut and process in their own facilities. Some restaurants and restaurant chains also purchase imported pork products. For example, *VIPS* is a nation-wide restaurant chain which imports full truckloads (FTL) directly from foreign suppliers.

IMPORTERS AND DISTRIBUTORS

Importers and distributors include the *Centrales de Abastos* which are large distribution hubs in urban areas that bring together smaller brokers, import agents and concessionaires. They play an important role in distributing products which are imported in relatively small volumes. On the other hand, they add as much as 30 percent to product cost, and many foreign suppliers prefer to deal directly with retailers for food service establishments.

COMPETITION

The Mexican pork processing industry is dominated by a group of large firms. Most are either Mexican-owned or have alliances with foreign companies. The formal supply of processed meat is dominated by *Sigma Alimentos. Sigma* imports about 20 percent of its sales, mainly through a joint venture with Oscar Meyer. *Zwanenberg*, another major producer, buys imported meat because of the shortage of carcasses that meet *Tipo Inspección Federal (TIF),* sanitary inspection standards.

The most important types of meat produced by the Mexican pork processing industry are cold-cuts, sausages and smoked products. These account for 300,000 tonnes of processed meat annually. Other important products include ready-to-cook cuts for the taco industry as well as certain pre-cut portions for certain retailers and food-service clients.

Restructuring

The pork industry is in the process of restructuring in response to increased competition and liberalized trade. Mexican producers believe that they have to prepare for the time when American and Canadian producers succeed in penetrating the Mexican market. The next five-to-ten years are considered a head-start.