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OPPORTUNITIES IN MEXICO: PORK PRODUCTS




 Department of Foreign Affairs and International Trade
 Ministère des Affaires étrangères et du Commerce international
 Latin America & Caribbean Trade Division



M A R K E T P R O F I L E - M E X I C O

Market Profile – Mexico

Opportunities in Mexico: Pork Products was developed jointly by the Department of Foreign Affairs and International Trade (DFAIT) and Prospectus Inc. It was researched and written with the collaboration of Canada Pork International. This market profile was made possible through the support of the Toronto office of Baker & McKenzie.

This market profile is designed to provide an overview of the market for **Pork Products** in Mexico. Although efforts have been made to avoid errors and inaccuracies in this document, it is not intended to be used as the only source of market information on this sector. We encourage the reader to use this publication as one of several resources for commercial dealings with Mexico.

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OPPORTUNITIES IN MEXICO:

PORK PRODUCTS

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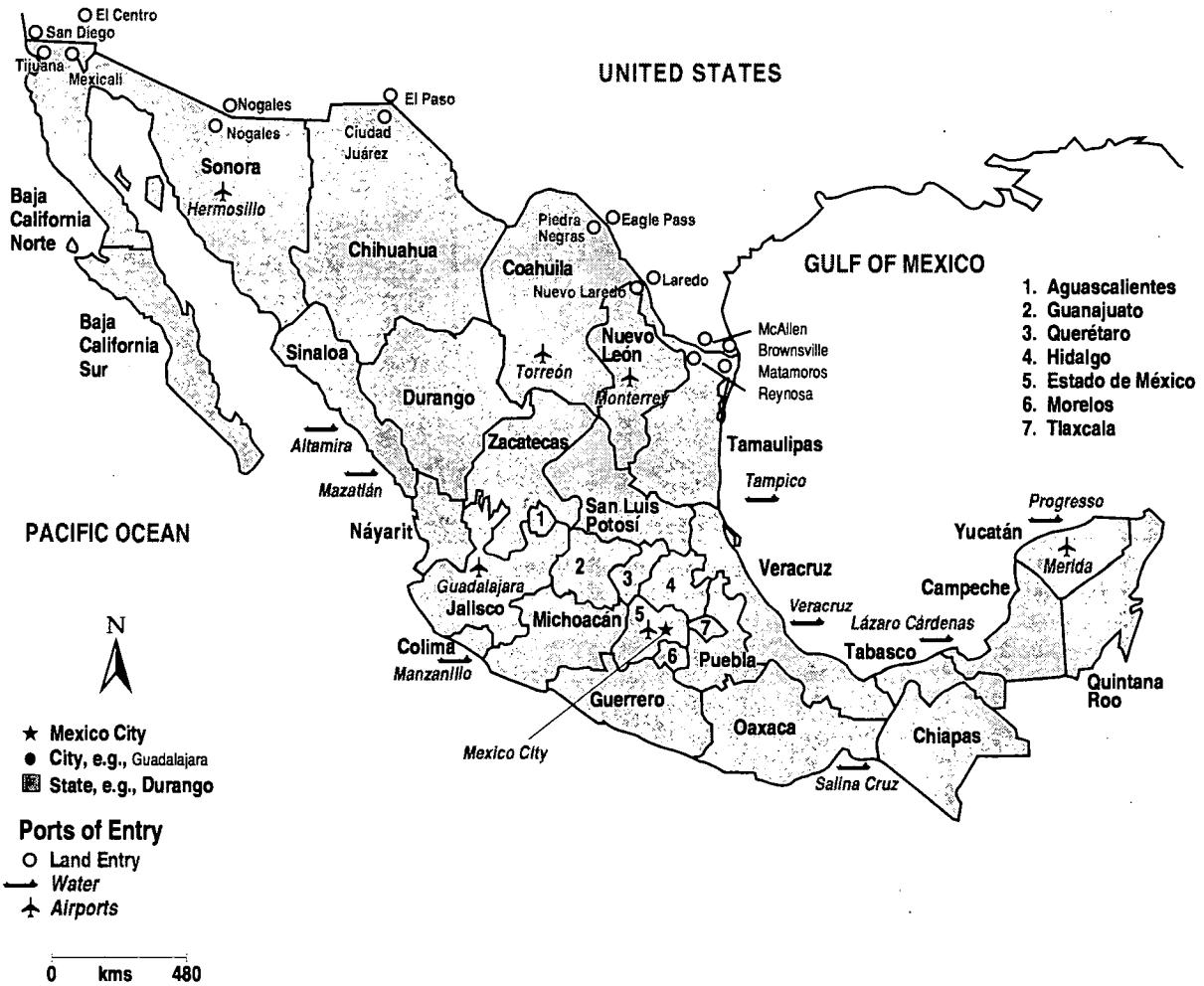


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The NAFTA expands Canada's free-trade area of 270 million people into a market of 360 million — a market larger than the population of the 15 countries of the European Union and one with a total North American output of \$7 trillion.

Mexico is Canada's most important trading partner in Latin America. Two-way merchandise trade with Mexico exceeded \$5.5 billion in 1994 and is expected to exceed \$7 billion by the end of the decade.

Canadian direct investment in Mexico is growing rapidly, increasing from \$452 million in 1992 to over \$1.2 billion in 1994.

This guide has been prepared with the problems inherent to the new exporter in mind. However, it is not exhaustive. The differing circumstances, interests and needs of individual companies will influence their strategies for the Mexican market.

Further assistance can be obtained by addressing requests to:

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THE MEXICAN PORK SECTOR

In 1993, each Mexican consumed almost 11 kilograms of pork. The estimate for the year 2000 is 20 kilograms.

Pork has always been an important component of the Mexican diet. Mexicans consume virtually every part of the pig, including the intestines, brains and *codillos*, pork hocks. Pork is served with any of the traditional *tortilla*-based meals as well as a wide variety of local native dishes. Ham and pork sausages are both immensely popular. Fried pork is sold by street vendors in the form of *carnitas* and *chicharrones*, cracklings.

Mexico's consumption of pork in 1993 was just over one million tonnes. Per capita consumption for 1993 was somewhere between 10 to 11 kilograms, a substantial drop from a peak of 20 kilograms per capita in 1984. This decline is attributed mainly to falling real incomes, particularly for lower-income Mexicans. According to industry experts, consumption could regain 1984 levels by 2000.

Mexican pork producers were able to supply domestic demand until fairly recently. For decades, the industry developed under the protection of government-imposed price controls and import restrictions. Although these policies succeeded in fostering the development of small producers, the end effect was an inefficient industry that was ultimately unable to meet the nation's needs.

Beginning in 1988, the government embarked on a sweeping program of reforms, affecting the entire economy. Price controls were eliminated, and imports of pork products were allowed for the first time. Competition from imports increased sharply as a result. Combined with the effects of the North American Free Trade Agreement (NAFTA), these reforms are forcing Mexican pork producers to modernize. Other policy changes are supporting this trend by allowing foreign ownership and by encouraging alliances between pork processors and *ejidatarios*, owners of small farms.

Canada's exports of pork to Mexico have increased steadily since imports were first allowed in 1988. According to official Mexican data, the value of exports rose tenfold from US \$3.6 million in 1989 to US \$36 million in 1994. The sharp devaluation of the peso, which occurred in December 1994, is expected to curtail imports during 1995. The impact will be mitigated by consumers switching from beef to pork, but imports of all consumer goods fell by almost 40 percent in the first half of 1995.

Some analysts believe that Canada could increase its market share dramatically, from about 14 percent in 1994 to as much as 50 percent of the total market for imported pork. The key is to establish an image of Canadian pork as a safe, high-quality product. This will require a concerted effort by the industry. A quality-branding system of Canadian pork has been suggested as one of the possibilities, because Mexican consumers are not generally aware of high-quality pork products.

MEXICAN PORK PRODUCTION

Only about 40 percent of Mexico's pork production meets government health standards. Vertical integration is seen as the main solution.

PRODUCTION LEVELS

Mexican pork production is not sufficient to satisfy demand. Many processors import meat from the United States and cut it in Mexico. In concert with the pork producer's association, the government is attempting to simultaneously increase production and per capita consumption through a variety of promotional programs. The Mexican government is also working to improve sanitary conditions and reduce disease. Five Mexican states are free of pork cholera and the disease is being eradicated in 15 more states. About 70 percent of production takes place in the central states. Total production is 9.5 million head, which is more than 800,000 tonnes of meat, plus about 130,000 tonnes of offal. This includes the output of the informal sector. Imports are roughly 220,000 tonnes per year, bringing total consumption to more than 1.1 million tonnes.

According to industry experts, physical capacity is expected to grow about 7 percent annually over the next 15 years, with a 14 percent annual growth in dollar value. These figures include the processing of all cuts, including *chicharrones*, cracklings, intestines, brains, and *codillos*, pork hocks. Mexicans use virtually all of the carcass and, therefore, almost every kilogram of meat involves some form of processing.

PORK PRODUCING REGIONS

Hogs are raised in 30 Mexican states, but the bulk of production takes place in the states of Jalisco, México, Michoacán, Sinaloa, Sonora, Puebla, Guanajuato and Veracruz. The large technologically-advanced hog producers are located mainly in the northwest states of Sonora and Sinaloa, as well as in the central states of Jalisco and, to a lesser degree, in Puebla and Tlaxcala.

The state of Yucatán is rapidly emerging as a major hog producer, especially since the building of new production plants as part of the *Henequén* farm project. Chiapas has a higher population of pigs than any state except Jalisco and Sonora, but most of the production is destined for immediate local consumption. The pork-production industry is not significant in Chiapas, but this could change if government plans to expand the state's infrastructure materialize.

MEXICAN PORK PRODUCTION BY REGION, 1994

State	Percentage
Jalisco	19.9
Guanajuato	12.6
Michoacán	7.4
Puebla	7.2
Sonora	13.8
Veracruz	4.8
Other	34.2
Total	100.0

Source: Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR), Secretariat of Agriculture, Livestock and Rural Development, 1994.

HOG PRODUCERS

Mexican hog producers are classified by the *Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR)*, Secretariat of Agriculture, Livestock and Rural Development, according to the level of technology they employ. They are described as technified, semi-technified or *rural o transpatio*, family units.

TECHNIFIED PRODUCERS

Highly technified producers account for about 40 percent of Mexican pork production. They maintain specialized sites and operate under strict controls. Reproduction techniques and genetics play an important role, although artificial insemination is still uncommon in Mexico.

These producers depend mainly on high-quality imported breeding animals. About 85 percent comes from the United States and the balance from Canada. The most common breeds are Yorkshire, Duroc, Hampshire, Spotted and Landrace.

The use of careful stock selection, superior technology and controlled breeding conditions results in relatively high productivity for the technified producers. Their average fertility rate is 21 offspring per female per year, compared with 17 in family units. Their mortality rate is lower and the number of offspring weaned per female per year is 18.4 compared with 14.5 in family units.

Technified producers typically wean offspring in 22 to 25 days and fatten them for 150 days. Weight gain averages 685 grams per day, a total of about 103 kilograms, to reach a final weight of approximately 112 kilograms. The average carcass weight is roughly 78 kilograms, compared to 47 kilograms in the family sector.

Feeds are selected according to the six phases of the productive cycle. They are based on grains and oilseed meals and are generally produced locally by the breeders. Technified units are concentrated in the states of Jalisco, Sonora, Michoacán and Guanajuato.

For the most part, the technified sector is able to meet the official Mexican sanitary inspection standards known as *Tipo Inspección Federal (TIF)*. This standard also satisfies the requirements of the United States Food and Drug Administration (USFDA) and the European Union (EU).

SEMI-TECHNIFIED PRODUCERS

Semi-technified producers take only limited advantage of advanced breeding methods, and tend to be more traditional. Sanitary control is generally deficient and genetic quality is often low.

These producers use commercially-purchased balanced feeds. As a result, they are extremely sensitive to changes in the feed costs. Although labour costs are relatively low, feed makes up about two-thirds of production costs. The feed is usually made from sorghum, as well as corn and oilseed meals of which most is soya. Many semi-technified producers are beginning to import lower-cost animal feed from the United States.

Productivity is lower than in the technified sector. It is estimated that semi-technified producers account for 30 percent of total production. Semi-technified producers are concentrated in the central states of Michoacán, Puebla, Tlaxcala, México, Jalisco and in the Bajío area.

FAMILY UNITS

Family production of pork is still very common in Mexico, accounting for about 30 percent of production and 40 percent of the national stock of pigs. They are especially prevalent along the coasts, in the tropical and sub-tropical areas, and among low-income families. Animals are weaned relatively late, after an average of 46 days, and are then primarily fed with garbage. Some balanced feeds are used prior to slaughter. Sanitary problems are frequent and productivity is quite low. These producers are under pressure to cut costs and improve quality. Many of them are combining their operations to take better advantage of economies of scale.

Intensive campaigns have been undertaken to eradicate these common and frequent sanitary problems. The gravest problems are pork cholera, the Aujesky disease and several types of parasitosis.

VERTICAL INTEGRATION

Compliance with *Tipo Inspección Federal (TIF)*, sanitary inspection standards, is key to commercially-successful operations. Vertically-integrated companies are in the best position to comply, because they control the entire process from hog production to distribution. Many of them own their own refrigerated trucks and warehouses, giving them an advantage over competitors who are hampered by Mexico's underdeveloped transportation and storage infrastructure, especially for refrigerated products.

For these reasons, pork processing firms with access to financing are beginning to integrate backwards into hog production. In spite of the advantages of vertical integration, however, the standards are also met by alliances of hog producers who sell to independent *TIF*-compliant slaughterhouses. Although many independent slaughter facilities are not yet *TIF* certified, they are gradually complying with the regulations.

The integrated firms account for approximately 30 percent of hog production. Another 30 percent is attributed to medium-sized farms and alliances of producers. Many of them are still in the process of developing the facilities required to be certified as *TIF* producers.

The remaining 40 percent of production comes from small rural producers where pigs are "grown on" and compete for food with their owners. Meat quality is poor and disease levels are high. The animals are usually slaughtered for domestic use or are sold to clandestine slaughterhouses that lack refrigeration and acceptable hygiene standards.

Recently, agrarian reform has allowed joint ventures and collaborative alliances to emerge between processors and *ejidatarios*, owners of small farms. The latter are farmers who own small plots of land thanks to federal programs, and who often come together to form collective operations.

SLAUGHTERHOUSES

In 1993, there were 444 municipal and private pork slaughterhouses, about two-thirds of which were in the states of Jalisco, México, Michoacán, Sinaloa, Nayarit and Puebla. In addition, there were 109 plants complying with Mexico's *Tipo Inspección Federal (TIF)*, sanitary inspection standards. Twenty-five of these, representing 11 companies, are exclusively pork plants. The others are mainly beef and poultry plants, although some slaughter both beef and pork.

Ten of the 109 *TIF* plants are accredited by the United States Food and Drug Administration (USFDA) to ship meat to the United States. About 80 percent of all *TIF* plants are owned and operated by the regional livestock producers unions.

PROCESSORS

There are an estimated 150 meat processing companies in Mexico producing a wide variety of fresh pork cuts and processed pork products from domestic and imported half-carasses and imported carcasses as well as prime cuts.

The processing sector is about 85 percent Mexican-owned, and consists mostly of large companies. Foreign multinationals account for about 15 percent of production. The domestic firms benefit from a detailed knowledge of local tastes that is needed to produce many popular value-added cuts.

DISTRIBUTION

Distribution channels vary according to cut, quality and price. There are two market segments with approximately equal shares of the market:

- the "formal" market, formed by large firms, focusses mainly on supplying the supermarkets and large wholesalers; and
- the "informal" market, composed of a large number of small companies, caters to minor retail stores in urban areas and small towns.

There are an estimated 600 sausage and packing plants that range from highly sophisticated, world-class operations to small-scale operators.

Small packers and processors prefer to deal with minor retailers because they represent a cash market. Supermarkets use discounts that are charged back to the processor. Furthermore, they take 40 days or more to pay and have demanding service requirements.

A MODERN PORK PRODUCER

Grupo Alpro is a member-owned group of 55 farmers in the Hemosillo region in the state of Sonora. With 1993 sales of US \$70 million, *Grupo Alpro* is the area's largest producer of both hogs and swine feed. It also operates Mexico's largest pork processing plant, with a capacity of 2,000 hogs per day.

Grupo Alpro uses every part of the pig, and produces about 100 different products. According to *Alpro's* President Jorge Landgrave, quoted in the September 1994 issue of *Meat Processing*, the company averages five days from kill to sale. About 85 percent of the product is sold frozen and the rest fresh.

Growers share plant expenses and receive payment according to lean meat content, as measured by infrared measurements and the Canada Rating System. This provides incentives for improved quality.

Although Sonora has been declared pork cholera-free by Mexican authorities, health regulations presently preclude exports to the U.S., which is only three hours north. American and Mexican officials are working to eliminate all "standard" hog diseases, but they have not yet reached the standards required for export. Also, production costs are still about 20 percent higher than in the United States. As a result, live hogs are shipped by truck to Mexico City, a two-day drive, resulting in an 8 percent weight loss.

Grupo Alpro has been exporting to Japan since 1991 partly because Japan's regulation of import prices excludes low-cost competition. These exports are primarily value-added products such as trimmed meat that is virtually fat-free. The company is now building other Asian markets. Exports were projected at 1,700 tonnes for 1994.

The company recognizes that leaner hogs and higher production efficiency will be needed for the plant to become internationally competitive, especially as tariffs are eliminated under the North American Free Trade Agreement (NAFTA). Improved efficiency in the feedmill is a major priority. The mill produces 3,600 metric tonnes per month. Output has been expanded by selling about 20 percent of output to non-participating producers. The company is also considering importing Canadian feed products via the port of Guaymas, 100 kilometres away. Remaining efficiency barriers include electricity prices that rise with consumption and the need to pump water for irrigation.

Overall, large supermarkets account for half the market, followed by smaller retailers with about 40 percent. Direct distribution by wholesalers makes up the other 10 percent of the market.

LABOUR

The Mexican pork industry is characterized by a large informal sector and shifting seasonal demand. Therefore, estimates of employment levels are imprecise, ranging from 120,000 to 150,000.

Most industry participants interviewed for this study said that there is no shortage of labour. Although training is required, the necessary skills are easily taught. About 30 percent of pork industry employees are involved in production, 10 percent in administration and 60 percent in sales. The high proportion of sales workers reflects the practice in Mexico of requiring meat suppliers to provide point-of-sale staff at supermarkets, particularly in the deli departments.

PROCESSING TECHNOLOGIES

Traditionally, low salaries have encouraged the use of labour over expensive technology. This is slowly changing, however, and the Mexican pork industry is under considerable pressure to modernize. So far, the pressure has come mainly from the regulatory authorities, but the need to improve cost competitiveness is increasingly a driving force.

The following technologies are only now beginning to be introduced into the Mexican pork processing industry:

- multi-laminates as well as vacuum and aseptic packaging are seldom used except in plants meeting Mexico's *Tipo Inspección Federal (TIF)*, sanitary inspection standards;
- electric soldering of cans was only recently introduced;
- individual quick freeze (IQF) is generally lacking. Conventional freezing is common but some small plants still pack with block ice;
- the industry lacks access to chemicals that will alter the pH balance of meat to extend shelf-life;
- services related to the application of technology to the production process are not always accessible;

- there is a shortage of adequate refrigerated storage. In particular, there is a lack of Thermokeen units; and
- there is a lack of loading and unloading infrastructure at the distribution level.

Production innovations are considered unusual. In the sausage industry, *Zwanenberg* recently developed a pepperoni sausage product presented in individual portions, targeted at children – but this is a rare exception.

FOREIGN TRADE

In 1994, Mexico imported one-quarter of all its pork requirements. Canada's share is about 14 percent of imports and more than 3 percent of consumption.

Mexico's pork imports for 1994 have been estimated by the *Comisión Nacional de Porcicultores (CONAPOR)*, National Commission of Pork Producers, at 221,404 tonnes or about 22 percent of the market. According to official government data, imports in 1994 had a value of US \$257 million. This was a 34 percent increase, from the previous year, driven mainly by a 42 percent rise in imports from the United States. Import penetration for 1994 was estimated by CONAPOR at 24 percent by volume.

More than 30 percent of Mexican imports consist of offal. Carcasses and other unprocessed meat make up almost 30 percent and live animals about 8 percent of the total. The balance consists mostly of processed pork, including sausages, bacon, hams and other value-added products.

Most unprocessed imported products have little value-added and are cheaper than competing Mexican products. On the other hand, value-added products enjoy more prestige than the equivalent Mexican products. Mexicans are very brand-conscious and are willing to pay extra for prestige brands.

MEXICAN PORK IMPORTS US \$ MILLIONS

	1992	1993	1994
Live swine for breeding	12.3	6.5	8.0
Live swine for meat	7.8	1.8	12.4
Carcasses and half-carcasses, fresh	11.5	10.2	17.6
Carcasses and half-carcasses, frozen	2.5	2.7	0.3
Hams, shoulders and cuts thereof, bone-in, fresh	26.7	21.1	31.1
Hams, shoulders and cuts thereof, bone-in, frozen	13.0	8.0	9.9

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	1992	1993	1994
Hams, shoulders and cuts thereof, bone-in, preserved	2.2	5.5	2.2
Other preserved hams and cuts thereof	4.1	5.5	6.3
Sausages and similar products	1.0	1.8	19.2
Meat of swine bellies, including bacon	4.7	8.7	14.1
Offal, fresh	0.7	0.6	0.7
Offal, frozen	75.3	76.3	78.6
Other pork meat, fresh	3.9	6.7	11.9
Other pork meat, frozen	22.0	23.7	34.2
Other pork meat, preserved	10.4	8.1	5.3
Other pork meat, prepared	5.0	4.4	5.2
Total	203.2	191.8	257.0

Source: Prepared from the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development, data.

CANADIAN EXPORTS

Canada's pork exports to Mexico in 1994 were valued at US \$36 million, for a market share of 14 percent. This implies a total market share of more than 3 percent.

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

MEXICAN PORK IMPORTS FROM CANADA US \$

Product	1992	1993	1994
Live swine	2,226,716	1,700,865	2,455,136
Carcasses and half carcasses, fresh	2,887,487	4,259,855	5,938,228
Carcasses and half carcasses, frozen	224,048	0	0
Hams, shoulders and cuts thereof, bone-in, fresh	2,321,800	934,123	797,797
Hams, shoulders and cuts thereof, bone-in, frozen	1,730,591	2,330,715	2,951,053
Hams, shoulders and cuts thereof, bone-in, preserved	1,206,082	4,163,043	1,028,723
Other preserved hams and cuts thereof	234,403	909,546	1,172,669

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Product	1992	1993	1994
Sausages and similar products	0	289	536,342
Meat of swine bellies, including bacon	1,005,679	869,172	1,283,219
Offal, fresh	10,360	0	4,118
Offal, frozen	5,774,889	7,204,333	10,877,106
Other pork meat, fresh	293,076	313,677	537,111
Other pork meat, frozen	6,160,607	4,285,843	5,238,333
Other pork meat, preserved	7,518,683	6,779,652	3,212,588
Other pork meat, prepared	77	48,714	2,542
Total	31,594,498	33,799,827	36,034,965

Source: Prepared from the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development, data.

CUSTOMERS

Pork consumption is likely to increase in some income groups as families respond to the economic crisis by substituting pork for beef. Low-income groups will reduce all meat consumption.

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. Prior to the devaluation, the minimum wage was the equivalent of approximately US \$1,690 per year. In 1992, 57 percent of all Mexicans were members of families with an income of five times the minimum wage or less, roughly US \$8,500.00. On the other hand, there are more than a million people with an annual family income of at least US \$85,000 and three million who receive more than US \$40,000. One estimate puts the proportion of Mexicans who receive ten times the minimum wage or more at about 15 percent. This group, which numbers more than 13 million, constitutes the most important market for imported foods.

These statistics are based on pre-devaluation exchange rates. The devaluation of the peso in December 1994 cut deeply into the spending power of most Mexicans at least as far as imports are concerned. One estimate is that real incomes declined by almost 10 percent in the first five months of 1995. Many observers believe that the situation will stabilize by 1996 and that incomes will gradually rise after that.

In some income groups, declining income has a positive influence on pork demand, because it encourages its 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 almost 300,000 retail units and the population per unit is only about 300, compared with about 900 in Canada. On the other hand, the market is dominated by very large retail supermarkets. Major supermarkets make up only about 5 percent of retail outlets, but account for 40 percent of sales. Experts predict that the market share of supermarkets will expand further to about 70 percent over the next several years.

OVERVIEW OF THE MEXICAN RETAIL SECTOR

Type of outlet	Typical size	Number of outlets
Hypermarkets	>1500 sq. metres	445
Supermarkets	<1500 sq. metres	1,215
Large traditional stores	One check-out	17,341
Small traditional stores	One clerk	154,522
Small kiosks and stands	n/a	98,472

Source: Canada Pork International, Ottawa, 1994.

There are five very large supermarket chains in Mexico. Three of them, *Grupo Cifra*, *Gigante* and *Comercial Mexicana* operate on a national basis. Mexican supermarkets typically devote less than one-third of their space to food products. Health and personal care products use about 30 percent of the space, with another 40 percent allocated to other non-food products, including clothing.

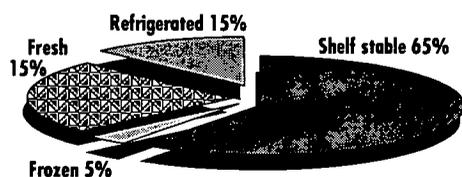
The large supermarket chains also operate other types of stores, including *bodegas*, warehouse stores, offer lower priced products to lower-income customers.

Large American retail chains including Wal-Mart, K-Mart, Woolworth, Fleming Companies, Nash-Finch, Smart and Final, as well as Price Club have entered the Mexican market, either on their own or in partnership with Mexican retailers.

Marca libre or private brands are becoming increasingly common, especially in the regional and national chains. *Aurrera*, for example, carries more than 60 private labels, compared with about a dozen four years ago.

Supermarkets typically buy on consignment, and the responsibility for damaged, out-of-date or even stolen products rests with the distributor.

MEXICO SUPERMARKET SHELF SPACE



Source: Interviews.

MAJOR MEXICAN SUPERMARKET CHAINS

Chain	Market	Number of stores	Square metres	Annual sales US \$ billions
Grupo Cifra				1.7
Aurrera	national	35	210,000	
Superama	national	35	47,000	
Bodega Aurrera	national	39	170,000	
Club Aurrera	Mexico City	3	27,000	
Gigante	national	101	544,000	1.4
Comercial Mexicana	national	87	537,000	1.2
Soriana	north	18	166,000	n/a
Casa Ley	northwest	40	152,000	n/a

Source: Canada Pork International, Ottawa, 1994.

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. Many of them are interested in product festivals and other promotions. In Mexico City, the Nikko, Sheraton and *Camino Real* hotels buy fresh meat products, whereas the *Presidente* buys frozen meat. According to interviews conducted for Canada Pork International in 1994, the larger hotels buy a wide range of pork products. In particular, various kinds of high-quality ham are purchased in substantial quantities. Some hotels buy whole pigs. Others also buy lower-quality products such as pork heads and feet for employee lunches.

Some restaurants and restaurant chains also purchase imported pork products. For example, *VIPS* is a nation-wide restaurant chain with sales in the order of US \$500 million per year. A buyer in Mexico City purchases for 74 *VIPS* restaurants as well as 20 *El Portón*, four White Table and four Boston Pizza restaurants. *VIPS* buys frozen meat products exclusively. Purchases of pork products are in the order of 35 tonnes per month. The company imports directly and only in full truckload (FTL) quantities, although this can be a combination of products. Smaller orders are obtained from importer/distributors. The larger distributors are described in the following sections.

LABATT MÉXICO

Labatt México is a joint venture between a branch of the Gutierrez family of Mexico and the Labatt family from Texas. The company distributes to the food service sector, while *Surtimex*, an associated company, sells to the retail sector. Annual sales are in the order of US \$5 million.

Labatt sells to medium and large restaurant chains including the Hard Rock Café, as well as the high-class hotels including the *Presidente* and the Nikko. *Labatt* handles an inventory of more than 1,000 items, more than half of which are imported. *Labatt* buyers say that there is potential for Canadian imports of deli-products and bacon.

MEXPO

Mexpo is the exclusive importer-distributor for McCain in Mexico. About 70 percent of their sales are to the food services sector with the balance going to the retail sector. The company's clients include the major retail chains as well as McDonalds, *VIPS*, Sanborns and a number of airlines. It mainly imports frozen meat products.

FOOD SERVICES DE MÉXICO

Food Services de México is a Mexican company that is associated with Sysco, based in the United States. Sales are about 80 percent food and 20 percent equipment. Meat is a relatively new product for the company and volume is relatively low so far. The company imports entirely from the United States. Products include about 364 kilograms of bacon per month, and about 909 kilograms of ribs per month.

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. There are numerous importer/distributors in Mexico; a few of the largest are described in the following sections.

SERVICIOS INTEGRALES DE REFRIGERACIÓN

Servicios Integrales de Refrigeración is the most important importer and distributor of fresh and frozen food products in Mexico City. This young company achieved sales of US \$15 million in its second year. The company is owned jointly by Mexican and American interests. It operates cold storage facilities in Monterrey, Mexico City and Guadalajara. Facilities include six freezers with a capacity of 360 pallets frozen and 200 pallets refrigerated. The company presently handles only American products, of which pork comprises about 20 percent.

JAMÓN SERRANO DE MÉXICO

Jamón Serrano de México is a small Mexican processor of Spanish-type cured ham. It operates a facility near Mexico City, with annual sales in the order of US \$2 million. *Jamón Serrano* uses its own fleet of trucks to supply delicatessens, four- and five-star restaurants and hotels, as well as the major retail chains. The company distributes only in the Mexico City area.

Products are purchased from domestic suppliers including *Kowi*, *Lancer*, *Alpro* and *Pisa*. They purchase about 1,800 hams per month and require a weight of between 9 and 9.5 kilograms each.

The company formerly imported deli-products from Spain but this was stopped because of health regulation problems. It wants to find Canadian suppliers for raw materials for processing into sausages and cured or cooked products. *Jamón Serrano* would also like to import Italian-type cured ham, and deli-products such as salami, mortadela, bacon and hot dogs.

SURTIMEX

Surtimex is dedicated to the retail sector with sales in the order of US \$20 million. The company covers three major markets: Mexico City, Monterrey and Guadalajara. It also has subdistributors in other parts of the country. It is associated with *Labatt México*, which distributes to the food service sector. Although it has limited refrigerated storage, it has access to *Labatt's* facilities when needed. It operates a fleet of 12 trucks and caters mainly to the large supermarket chains.

Surtimex imports processed deli-products as well as frozen and fresh pork, mainly from U.S.-based John Morell. Products include pork ribs, pork shoulders, bacon, entrecôte, loin and sirloin. Imports amount to about one full truckload (FTL) per month. Prospects for imports from Canada would depend on the availability of less-than-truckload (LTL) quantities of high-quality products.

OBRADOR DE TOCINERÍA Y SALCHICHONERÍA DONFER

Obrador de Tocinería y Salchichonería Donfer is a Mexican processor of deli-products. It is part of a group that manufactures the *Riojano* and *Alpino* brands as well as a variety of private brands. It operates its own refrigerated warehouse. Although it is primarily a manufacturer, the company imports some products to round out its lines. It imports fresh and frozen bacon, ham and frozen pork shoulders as well as *lomo*, pork loin. About 20 percent of its imports are from Canada.

GOVERNMENTS

A variety of government entities purchase food products, including pork, for meals in government institutions. There are also a large number of retail outlets operated for use by government employees. Purchases are usually by formal tender.

Most producers and processors are hesitant to sell to government entities because of widespread corruption, lack of adequate storage and delivery infrastructure, late payments, and high levels of employee theft.

COMPETITION

Canadian pork is price-competitive in Mexico. Most consumers consider it superior to American products, but not as good as top-quality Mexican pork.

MEXICAN COMPETITORS

The pork processing industry is dominated by a group of large firms. Most are either Mexican-owned or have alliances with foreign companies.

LEADING MEXICAN PORK PROCESSING COMPANIES

Company	Percentage market share	Ownership
Sigma	35	part of Grupo Alfa, 2.5 percent U.S. and 97.5 percent Mexican
Zwanenberg	12	subsidiary of Unilever (UK 100 percent)
Rion	11	unknown
Kir	9	100 percent Mexican
Alpro	9	100 percent Mexican
Kowi	5	100 percent Mexican
Pisa	3	unknown
Lancer	2	100 percent Mexican
Aric F. Mayo	2	unknown
Parma	1	Italian/Mexican
Campofrío	1	Spanish/Mexican
Others	10	n/a

Mexican hog producers are only partly competitive compared to American and Canadian operations.

- Animal feed is 2.5 to 3 times as expensive as in the United States. It is cheaper to import one kilogram of meat than the seven kilograms of grain required to produce it.
- High interest rates limit producers' ability to improve productivity and quality standards. At the same time, it is getting harder to sell meat that does not conform to Mexico's *Tipo Inspección Federal (TIF)*, sanitary inspection standards.

- There is a lack of credit for expanding Mexico's waste management facilities.
- The warmer climate requires a greater use of vaccines.

Until recently, grain prices were established by the Mexican government at higher-than-market levels. Farmers could sell their grain to the government at inflated prices. Pork producers were forced to match the government price or else import. Many opted to use chick-peas rather than corn as feed, but because it takes more of the former to fatten the animal, fattening costs were higher. Some producers are still hesitant to use grain feed given the political sensitivity of competing with human beings for the available grain stocks. Grain prices are expected to fall over the next ten years as a result of the North American Free Trade Agreement (NAFTA).

Parts of northern Mexico have suffered from a serious drought in early 1995. Rainfall in the states of Chihuahua, Coahuila, Durango, Nuevo León and Tamaulipas has been 40 percent below normal. According to estimates by the *Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR)*, Secretariat of Agriculture, Livestock and Rural Development, farmers in these states have been prevented from planting almost 700,000 hectares of crops and the conditions have also killed more than 200,000 head of cattle. There are no reports on the impact on hog production, but at the very least, elevated prices of feed can be expected to prevail for some time.

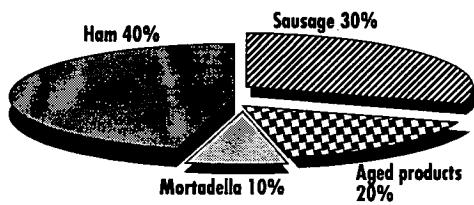
PRODUCTS

Processed meat consumption in Mexico has risen from 2.3 kilograms per capita in 1989 to 4.6 kilograms in 1993. There are about 450 brands of deli-products in the Mexican market. The formal supply of processed meat is very concentrated and dominated by *Sigma Alimentos*. *Sigma* imports about 20 percent of its sales, mostly through a joint venture with Oscar Meyer. *Zwanenberg*, another major producer, buys imported meat because of the shortage of pork carcasses in Mexico that conform to *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 comprise 300,000 tonnes of processed meat annually.

Ham accounts for about 40 percent of the Mexican market for processed pork. The average meat content of a medium-quality, cooked ham is about 35 percent. Processors use front legs, potato flour and soya, among other ingredients. High-quality ham brands are *Campofrío Extra*, *Zwan Piernil Holandés*, and *Bernina*. The price ranges from N \$32 pesos to N \$36 pesos per kilogram. High-quality hams account for more than 10 percent of the market.

MARKET FOR PROCESSED PORK



Source: Interviews.

Another 30 percent of processed pork products are sold as sausages. About 60 percent of these are hot dogs. German-type wieners and frankfurters each account for 20 percent of sausage sales.

Mortadella and aged products make up the rest of the processed pork market. Aged products include *chorizo*, salami and *jamón serrano*, a smoked ham.

Some foreign food-chains require specific cuts and sauces to go with their meats. For example, the Hard Rock Café needs Texas-style ribs, complete with sauce and condiments tailored to their specifications.

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 industrialists in the sector believe that they have to prepare for the time when American and Canadian producers finally succeed in penetrating the Mexican market. The next five-to-ten years are considered a head-start.

The industry is consolidating itself. Important vertical and horizontal linkages are being forged at every level of the industry:

- hog producers are either being absorbed by processors or coming together into alliances;
- processors are expanding vertically. Some are acquiring breeding facilities, others are developing or buying into their distribution network;
- some processors are creating horizontal links with American producers and processors. The alliance between *Sigma Alimentos* and John Morell is an example; and
- independent distributors are forming alliances in order to cut costs, limit risks and improve service.

This restructuring trend is already evident in many parts of the industry. It is expected that the North American Free Trade Agreement (NAFTA) and recent agrarian reforms will accelerate this trend.

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

A good understanding of local tastes and product demands.

The Mexican market consumes almost all of the carcass, with virtually no waste.

The market tends to focus on cuts of leg, loin and bellies (bacon).

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.

Weaknesses

A lack of adequate refrigerated storage facilities.

The presence of pork cholera (except in Sonora and Yucatán) or pork fever sometimes complicates processing and merchandising.

A bad reputation for sanitation, mainly because of media documentation of slaughterhouses that do not conform to *Tipo Inspección Federal (TIF)*, sanitary inspection standards.

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

August 1994, *SECOFI* announced that it had formally terminated its investigation and that it had found no basis for any action. In November, however, another probe was launched into charges of dumping against Danish pork products levied by the *Consejo Mexicano de Pocericultura (CMP)*, Mexican Council of Pork Producers.

PERCEPTION OF CANADIAN PRODUCTS

Canadian pork enjoys a very good reputation in Mexico. In comparison to American pork, Canadian products are perceived as having better texture, containing less salt and being less greasy. The genetic stock of Canadian pork is considered superior to its American equivalent. High-quality Mexican pork is considered superior to both U.S. and Canadian products.

Many processors and retailers interviewed for this study praised the quality of Canadian pork but complained that they cannot find it due to the lack of a stable Canadian presence in the Mexican market.

Spanish pork products are generally well-accepted but occasionally are considered too salty. The Spanish pork industry has not been able to eradicate pork cholera, thus exports to Mexico are sporadically interrupted due to health regulations.

Most Mexicans who were interviewed felt that Canadian pork products were equal in quality to Danish products.

In spite of the good reputation of Canadian pork, some of the buyers interviewed suggested that Canadian pork exporters will have difficulty obtaining a premium price, even for high-quality products. The reason is that even though Mexican consumers have a high regard for imported products, they are generally unaware of high-quality pork. Even though buyers appreciate the difference, prices are ultimately determined by consumer demand.

PRODUCT TRENDS AND OPPORTUNITIES

Some form of unique product identification will be needed to establish Canadian pork as a safe, high-quality product.

MEXICAN PREFERENCES

Consumer demand is driven mainly by population growth, seasonal trends and a growing trust in the quality of pork meat. Consumption of meat of all kinds is directly related to purchasing power. Pork remains a lower-cost substitute for beef.

Mexican buyers of pork products seek to fill their lines with all the possible types of cuts. This is due to the wide taste of Mexican consumers who demand almost any part of the animal in one form or another. The difference between buyers is mainly the quality and price range of products they carry. Some key demands are readily identifiable:

- in-store butcheries of the large retail stores and certain restaurants and hotels want carcasses;
- retail stores that carry a line of prestigious goods demand high-end deli-products such as smoked meat and cold-cuts;
- large and small retailers located in the lower-class or semi-rural areas need to stock internal organs; and
- the "mom-and-pop" stores require non-sliced or packaged cold-cuts in particular.

Food-service buyers frequently structure their buying lists according to the events they are holding, pre-tailored specifications, such as those required by chains and the quality and taste desires of the chefs. Quality tends to lead over price considerations.

IMPORT MARKET SHARE

The market share of imported pork is expected to increase over the medium term. According to estimates by the *Comisión Nacional de Porcicultores (CONAPOR)*, National Commission of Pork Producers, by the year 2000, 35 percent of the market will be supplied by imports. A rapidly rising population is a major force driving demand growth. Other contributing factors include the following:

- trade barriers are being reduced under the North American Free Trade Agreement (NAFTA);

- Mexican producers that fail to comply with the *Tipo Inspección Federal (TIF)*, sanitary inspection standards, will be displaced by foreign suppliers of higher quality pork;
- higher-income Mexicans will increase their purchases of the more expensive niche products as they become available;
- middle-income Mexicans, faced with declining real incomes, will be looking for cheaper meats to replace beef;
- the improvement of distribution and merchandising infrastructure in Mexico's south and southeast will make pork more readily available;
- many producers and processors from Sonora are increasing their export efforts to exploit markets in Japan, Korea and California. This will reduce domestic supply;
- many Mexican producers and processors will import cheaper pork until feed prices and interest rates come down enough to justify investment in increased Mexican production. Grain prices are expected to come down to competitive levels within about ten years; and
- there will be a general rise in the consumption of pork due to increasing knowledge among consumers of the meat's better and safer quality standards imposed by the *TIF* regulations.

IMPORT SHARE OF THE MEXICAN PORK MARKET

Year	National production in tonnes			Meat and offal	Import share
	Meat	Offal	Total	Imports in tonnes	Percentage
1990	757,851	125,601	883,452	57,303	6.49
1991	811,849	134,550	946,399	173,676	18.35
1992	819,782	135,865	955,647	200,820	21.01
1993	807,320	133,800	941,120	210,861	22.41
1994	795,048	131,766	926,814	221,404	23.89
1995	782,962	129,763	912,725	232,474	25.47
1996	771,060	127,790	898,850	244,098	27.16
1997	759,338	125,848	885,186	258,303	29.18
1998	737,795	123,935	861,730	269,118	31.22
1999	736,428	122,051	858,479	282,574	32.92
2000	755,233	120,195	875,428	296,703	33.90

Source: Comisión Nacional de Paricultores (CONAPOR), National Commission of Pork Producers.

SEASONAL DEMANDS

The demand for pork in Mexico is subject to large seasonal variations. Christmas is a particularly high consumption season, especially for legs and smoked deli-products.

During August and September, there is a period of stocking by school cafeterias for student lunches. Sausages and cold-cuts are popular products for this market.

Lent is a slow period for meat products because of the predominance of the Catholic religion in Mexico. The trend is more noteworthy in small urban and semi-rural areas. On the other hand, meat consumption drastically rises as soon as Lent ends.

OPPORTUNITIES FOR CANADIAN SUPPLIERS

Industry experts in Mexico believe that, assuming Canadian pork products continue to be price competitive relative to American products, Canada could eventually achieve a 50 percent share of the import market. They add that this would require a much larger allocation of resources for promotion. In particular, there is a need for better consumer understanding that Canadian pork is very high quality.

Some observers point out that the U.S. Meat Export Federation has successfully established a beef logo for point-of-sale display. It has been suggested that a similar approach would be effective for Canadian pork.

Increased awareness within the Canadian industry of the types of prime cuts demanded by large Mexican buyers would also help increase market penetration, according to those interviewed. Canada's ability to cater to the Mexican preference for lean, boneless cuts and fresh or chilled meat rather than frozen would be a substantial advantage if it were fully exploited.

Due to high production costs in Mexico, it is more cost-effective to sell mature pigs. Therefore, the supply of *lechón*, or suckling pig, is very limited, and prices are very high. Canadians, with their lower production costs, could do well with this product.

Mexican producers have difficulty producing high-quality, luxury deli-products as well as bacon. Mexican consumers have come to prefer American style bacon such as "Bacon-Maker". This is an exception to the general finding that consumers consider American pork to be excessively greasy and salty compared with both Canadian pork and Mexican. Mexican processors have had difficulty adapting themselves to this new demand. Many of them sell belly fat for industrial purposes such as oils and soaps rather than for human consumption.

PARTNERSHIP OPPORTUNITIES

Mexican pork processors are interested in creating alliances with foreign producers, as a means of improving their cost competitiveness and quality standards. They have a positive perception of the Canadian industry. In particular, they regard the Canadian genetic stock as superior. They consider the quality of Canadian pork to be similar to the high-end Mexican product, which in turn is regarded as superior to American pork. They complain that American pork is too salty and greasy, but they buy it anyway because it is inexpensive.

DISTRIBUTION CHANNELS

Direct distribution to major retailers and food service chains can keep markups to a minimum and retain Canada's cost advantage. It also facilitates quality control.

The distribution system for domestic pork is complex and costly. It has been estimated that the cost of retail pork is increased 7.5 times over the producers' price for the live animal. There can be as many as five levels, or intermediaries, between the producer and the consumer.

The integrated producers have their own slaughterhouses and are able to bypass the intermediaries. They distribute approximately 80 percent of their production as carcasses or prime cuts directly to retail stores and food service establishments. Shipment is usually by refrigerated truck. The other 20 percent is sold as live animals to other slaughterhouses.

The smaller, less-sophisticated producers usually deal with *introductores*, commission agents, collectors or transporters. The *introductor* delivers the live animals to the slaughterhouse and supervises their slaughter. Usually, the entire carcass is taken from the slaughterhouse to the abattoir, to be cut into the different prime cuts. Pork is practically never sold in a carcass form but rather in prime cuts directly by the abattoir or the slaughterhouse. The meat usually is not refrigerated after being slaughtered or during transportation to the abattoir because it is easier to cut with a knife when it is warm. The entrails are mostly sold to wholesalers and the head is often sold to head dealers who break it down and sell the parts to processors of *queso de puerco*, pork headcheese.

The meat packers purchase legs and backs to produce smoked ham, ribs for smoked ribs, trimmings for sausages, salami and *chorizo*, and bellies for bacon. Friers buy the *manteca*, fat, and the skins to prepare *chicharrones*, cracklings, and *carnitas*, small pieces of meat. All of these products are often sold in the streets or from small stands. Butcher shops and supermarkets purchase what is called *capote*, or boneless, fatless meat, such as legs, whole loins and tongues. They then cut the larger pieces into retail pieces, such as chops and loins. The Mexican consumer favours boneless fresh lean meats with no visible fat.

THE MEXICO CITY MARKET

Mexico City consumers are responsible for about 60 percent of Mexican pork consumption. The government is building nine or ten slaughterhouses that conform to *Tipo Inspección Federal (TIF)*, sanitary inspection standards, around Mexico City and more in the main pork producing centres to try to stop the underground market for "warm" meat.

A significant part of the Mexican meat trade goes through the *Central de Abastos*, perishable food terminal, in Mexico City, enroute to small retailers.

The Mexican Government and the *Comisión Nacional de Porcicultores (CONAPOR)*, National Commission for Pork Producers, have embarked on a national campaign to promote the consumption of *TIF* pork, using point-of-sale promotions and discounts.

Total consumption in Mexico City is about 50,000 tonnes per month. Interviews with industry experts suggested that consumption should increase by 40 percent to 70,000 tonnes by 1996, but this was prior to the December 1994 devaluation.

PORK DISTRIBUTION WITHIN MEXICO CITY (TONNES PER MONTH)

Users	1994	1996 est.
Meat packers	20,000	25,000
Butcher shops (carnicerias)	12,000	20,000
Supermarkets	10,000	15,000
Tacos	8,000	10,000
Total		

Source: Canada Pork International, Ottawa, 1994.

IMPORTED PRODUCTS

The distribution system for imported meat is much simpler than the one for domestic pork. Imports usually go directly to a meat processor or to an abattoir or distributor for sale to supermarkets, butcher shops, hotels and restaurants.

To some extent, the simplicity of this distribution system provides an advantage for importers. The Mexican government and the *Confederación Nacional Ganadera (CNG)*, National Livestock Confederation, are intent on eliminating this advantage by simplifying the distribution chain for domestic pork. They hope to simultaneously increase producer returns and reduce the cost to the retail consumer. The various regional and state livestock producer unions have gradually acquired 80 percent of the slaughterhouses conforming to the *Tipo Inspección Federal (TIF)*, sanitary inspection standards. Their objective is to sell carcasses, prime cuts and even some boxed meat directly to meat processors, supermarket chains and butcher shops.

Some Mexican meat processors and retailers prefer to buy imported meat from an importer/distributor, who looks after the necessary import documentation, customs clearance and warehousing, rather than directly from foreign suppliers. This adds a markup of some 30 percent, and a large proportion of imports are direct to the customer. In addition, the lack of national distributors can make this form of distribution cumbersome. The advantage of direct distribution for Canadian suppliers is the elimination of the distributor's margin combined with the opportunity to provide better service and monitor market feedback. Direct distribution to supermarkets is hampered, however, by the fact that most of them do not have central warehouses and expect delivery to individual stores.

PRODUCT CARE

Mexican pork processors often complain that many distributors and retailers are not properly equipped or trained to handle their products. They report incidents of physical damage to the product as well as a failure to use proper refrigeration methods.

Refrigeration equipment is becoming more widely used by retailers, but processors say that they often maintain excessively warm temperatures to cut electricity bills. The result is that the products deteriorate before the labelled expiry date, the retailer accuses the processor of providing faulty products and the processor must replace the product. The processors' image in the eyes of the consumer is also tarnished. One of the roles of producer merchandising staff at supermarkets is to ensure proper product handling.

TRANSPORTATION

The bulk of Canadian pork products are shipped to Mexico by refrigerated truck. Air transport is feasible only for high-value products. Ocean freight is not practical because there is no fast, direct ocean freight service capable of handling perishable products. There is a shortage of refrigerated storage in many Mexican ports and poor links to major markets. Rail transportation in Mexico lacks sophisticated refrigeration facilities and is used only for live pigs.

Canadian pork is usually transferred to a Mexican truck at Laredo, Texas. Trucking time from Toronto or Montreal to Laredo is approximately 40 to 48 hours, non-stop with two drivers. One driver takes four-to-five days. Including customs clearance, shipment from the border to Mexico City can take another five days.

A few Canadian trucking companies ship to major Mexican centres or to the border with full truckload (FTL) refrigerated service. Less-than-full-truckload (LTL) is poorly developed in Canada although some services are available. One way to avoid this problem is to ship by FTL to a refrigerated bonded warehouse in Mexico and distribute the product from there. There are also some possibilities for freight consolidation in Canada.

STORAGE FACILITIES

All of the 109 *Tipo Inspección Federal (TIF)*, sanitary inspection standards, plants have refrigerated storage capacity. The 25 *TIF* plants specializing in pork have a total installed capacity of 10,500 head per shift for slaughter and 9,100 head for refrigeration.

There is no official government data on total storage/handling capacity for pork. The *Confederación Nacional Ganadera (CNG)*, National Livestock Confederation, estimates that capacity utilization of slaughterhouses and associated refrigerated storage is only about 60 percent. Ample in-bond storage is also available for Mexican importers of perishable products and is utilized to a limited degree by some pork importers.

THE REGULATORY ENVIRONMENT

Pork products that are fit for retail sale in Canada are readily acceptable in Mexico. There is still lots of paperwork, but things are gradually improving. Under a recent amendment to the labelling law, live animals no longer require labels.

CUSTOMS AND TARIFFS

Under the North American Free Trade Agreement (NAFTA), as of 1995, all Canadian pork commodities are currently subject to 16 percent ad valorem duty. Entrails are subject to a 7 percent duty. These duties will be reduced by 2 percent per year, and will be eliminated in 2003.

SANITARY INSPECTION

The Mexican *Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR)*, Secretariat of Agriculture, Livestock and Rural Development, requires sanitary inspections for a wide variety of unprocessed animal products. The regulations are subject to change, and exporters will need assistance from the importer and/or a customs broker to determine the specific requirements for each product. Arrangements should be made at least three months in advance of shipping.

New certificates must be obtained for each lot. They must demonstrate that the product has been approved for human consumption and complies with all health regulations. Products must originate from establishments registered with Agriculture and Agri-Food Canada; the Department also issues sanitary certificates; they do not normally have to be notarized.

SECRETARIAT OF HEALTH'S SANITARY IMPORT AUTHORIZATION

The *Secretaría de Salud (SS)*, Secretariat of Health regulations encompass a variety of processed foods and beverages, chemicals, pesticides, fertilizers and personal or health-care products, including cosmetics. Most processed foods no longer require prior authorization.

Under the *Ley General de Salud*, General Health Law, every food importer must register with the *Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR)*, Secretariat of Agriculture, Livestock and Rural Development, and provide notice of all food products that will be imported. Regardless of the product involved, the importer is also responsible for obtaining authorization for products that require a prior sanitary import authorization.

If such registration is necessary, an application form called a *Solicitud de Autorización Sanitaria Previa de Importación*, sanitary certificate, must be submitted to SAGAR by the importer, along with the following documentation:

- a sanitary certificate; if one cannot be obtained, a certificate of origin, certificate of free sale, or a report of physiochemical and microbiology analysis must be used; some products also require an analysis of metal and peroxide content, vibro cholerae or radioactive contamination;
- the original product labels must be in Spanish both for individual packages and for bulk containers; and
- an invoice or pro-forma invoice.

The authorizations are valid for three months, and they may cover as many shipments as the importer requests for a given three-month period. The original of the authorization is given to the Mexican customs broker to be presented when the goods cross the border.

SECRETARIAT OF AGRICULTURE'S SANITARY IMPORT AUTHORIZATION

Products requiring prior sanitary authorization by the *Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR)*, Secretariat of Agriculture, Livestock and Rural Development, include a variety of unprocessed plant or animal products. SAGAR uses separate application forms for import authorizations for live animals and animal products. In addition to product descriptions, the forms require a specification of the intended use of the product. The authorization received from SAGAR will specify requirements for health and sanitation certificates as well as any restrictions.

The SAGAR sanitary import authorizations for animal products do not restrict quantities, and the application can cover any number of shipments on different dates, but they are valid for only one port of entry. The original of the permit is sent to the Mexican customs broker. Each time a shipment enters Mexico, the broker produces the authorization and the amount is deducted from the total on the permit. If shipments are to travel by different routes, each customs house involved must be provided with a separate authorization.

LABELLING

Mexican food labelling laws are presently in the process of change. There is one regulation covering all products and another which imposes additional requirements on food and beverage products. Both regulations are expected to be strengthened in 1995, according to draft regulations that were published for "public consultation" in June of 1994.

MINIMUM REQUIREMENTS FOR SPANISH LABELS (ALL CONSUMER PRODUCTS)

Name of the product or good (including a product description, if not described in the name of the product or good).

Name or trade name and address of the importer (this information may be displayed on a separate label and may be added after importation).

Country of origin of the product.

Net contents in accordance with *Normas Oficiales Mexicanas (NOMs)*, official Mexican standards, NOM 030-SCFI-1993.

Warnings or precautions in the case of dangerous products.

Instructions for use, handling and/or preservation of the product.

Source: Government of Canada translation of Article Five of the March 7, 1994 Decree, as amended by letters of clarification from the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development.

Under the current regulations, in addition to the generic requirements box, food and beverage labels must include the following:

- product description;
- date of expiration;
- list of ingredients; and
- nutritional content (if nutritional quality is claimed).

The June 1994 decree establishes a new *norma*, standard, *NOM-050-SCFI-1994* which sets out the minimum commercial information that must be provided on all product labels. The new rules will apply to all products not covered by another *NOM* or regulation.

Under the new rules, Spanish-language labels will have to be “included from origin”. This will formally eliminate the practice of affixing Spanish stickers to English labels. The labels may include other languages as well, but they must meet the metric system requirements set out in *NOM-008* and *NOM-030*.

The most important changes in the proposed rules are requirements for product use instructions. The instructions may be on the label or in a separate booklet, and there must be a notice advising the consumer to read the instructions. The new regulations specifically exclude live animals.

Assuming that the draft regulations become law, there will be a number of additional requirements for food and beverage products. The product description will have to include a list of ingredients, the lot number, the expiry date and special instructions for preservation. A “best before” date is optional.

Under the new rules, outside packages or wrappers will have to contain all of the required information, or allow for the visibility of inside labels. The new regulations also specify certain claims that may not be made on a food or beverage label. These include claims that a balanced diet does not supply adequate nutrition, claims that cannot be proven, and claims that contravene Mexico’s Health Act.

Although these rules are under review, the main requirements are unlikely to change. Exporters would be wise to begin complying with them as soon as possible.

MARKET ENTRY STRATEGIES

Some commercial buyers report that they like Canadian pork, but do not know where to get it.

Many of the industry experts interviewed for this study express surprise that Canada has not been more persistent in promoting its pork products in Mexico. They regard Canadian pork as superior to American products, and believe that it would do well in Mexico if it were effectively promoted. Some observers believe that Canada could claim half of the import market.

Some of the buyers interviewed complained that they knew of no source of Canadian pork and others noted that Canadian forays into the market have been sporadic and not followed up with a permanent presence.

CULTURAL CHALLENGES

Culturally, Mexico presents a variety of challenges to Canadian companies wishing to enter the market. Mexican buyers require a high level of attention and follow-up. Informality prevails and personal contacts, especially in the retail and food service sectors, are essential.

Dishonest “extra fees” may be demanded and Canadians must learn to refuse without being intimidated. The current economic crisis has made financial concessions and flexibility a key to securing deals. Canadians must be accessible, socially graceful, yet hard-nosed if they expect to succeed in Mexico.

Canadians wishing to establish business relations with Mexican firms must have personnel with a working knowledge of Spanish. Although most Mexican firms have English-speaking personnel, a foreigner who speaks Spanish demonstrates interest and respect.

PRODUCT PROMOTION

Mexican buyers for retail and food service companies regard Canadian pork products as superior, but note that this is not necessarily perceived by consumers. This suggests a need for Canadian suppliers to promote their products.

Point-of-sale product promotion is common in Mexico, and retailers usually expect suppliers to support these efforts. Canadian companies can promote the quality, taste, leanness and reputation of their products by helping retailers to convey these qualities to consumers. Handing out samples in retail stores is a common way to do this.

At the processing level, Canadian firms can emphasize the similarity of texture, fat content and taste between Canadian and Mexican pork. They can also point out that Canadian pork has optimal pH levels and, therefore, longer shelf-life.

Mexican industry observers stress that this type of promotion will be effective only if the potential supplier follows up on the initial effort. Mexicans want to see staying power before they enter into long-term business deals with foreign suppliers. Many Mexican retailers and processors would like to do business with Canadian pork producers, and are frustrated at their lack of presence in the market.

Canadians entering the Mexican market will find an advantage in the fact that they are not American. Canadians are perceived as more trustworthy and amiable than Americans. On the other hand, they are viewed as more naïve.

SERVICE

The service expected by retail customers differs between large and small retail outlets. In general large retail customers expect the following services:

- processors usually pay for point-of-sale promotions;
- processors must absorb discounts initiated by retailers;
- processors must replace expired and damaged goods;
- processors must replace stolen goods. This is a serious problem at government employees' stores where corruption is widespread; and
- processors may be expected to pay as much as US \$2,000 per store for shelf-space.

On the other hand, small retail customers expect suppliers to launch independent advertising campaigns, rather than participate in joint, in-store promotions. They also look for products that cater to geographic and seasonal demands. On the other hand, they usually pick up their shipments from wholesalers or food warehouses.

Both types of retailers expect a permanent local presence along with a regular supply of successful products. Large retailers have complained about Canadians not following up on successful "trial-runs" of a product.

STRATEGIC ALLIANCES

Many Canadian companies have found that partnerships or strategic alliances with local companies are an effective way of entering the Mexican market. Vertically-integrated companies that want to fill gaps in their product lines are often good prospects.

Mexican importer/distributors may be interested in switching to Canadian products, provided that the necessary marketing support will be provided.

Sales employees, provided to retail stores by the processors, play an important role in promoting sales. The processed meat market is a price-driven market, and products are sold at the "deli" counters. As much as 2 percent of the product is used as point-of-sale samples. Only 20 percent of the market is considered to be brand-loyal.

TRADE SHOWS

Participation in trade shows is a time-proven method of introducing new products and making contacts with potential customers and partners. There are several relevant shows held regularly in Mexico:

- *Expo-Guadalajara*, held annually in Guadalajara, usually in December;
- *Convención Nacional de Empacadores de Carnes Frías y Embutidos y Exposición Internacional de Proveedores*, a national meat packers' convention and suppliers' exposition held annually during February in Monterrey;
- *Exposición y Convención Nacional de Comercio Detallista*, a national Mexican food and consumer product retailers' convention and trade show held annually during March in Guadalajara;
- *Expo-Alimentos*, a food and beverage industry exhibition held annually during September in Monterrey; and
- *Abastur*, the national salon for the hotel and restaurant industries, sponsored by the International Food Service Manufacturer's Association, held in Mexico City during October.

WHERE TO GET HELP

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (DFAIT)

DFAIT is the Canadian federal government department most directly responsible for trade development. The InfoCentre should be the first contact point for advice on how to start exporting. It provides information on export-related programs and services, acts as an entry point to DFAIT's trade information network, and can provide copies of specialized export publications and market information to interested companies.

InfoCentre

Tel.: 1-800-267-8376 or (613) 944-4000

Fax: (613) 996-9709

FaxLink: (613) 944-4500

InfoCentre Bulletin Board (IBB):

Tel: 1-800-628-1581 or (613) 944-1581

The Latin America and Caribbean Branch promotes trade with Mexico. There are several trade commissioners at the Embassy of Canada in Mexico City, as well as in the satellite offices in Monterrey and Guadalajara. Trade commissioners can provide a range of services including introducing Canadian companies to potential customers in Mexico, advising on marketing channels, assisting those wishing to participate in trade fairs, helping to identify suitable Mexican firms to act as agents, and compiling strategic business intelligence on potential foreign customers.

Latin America and Caribbean Branch

Department of Foreign Affairs and International Trade

Lester B. Pearson Building

125 Sussex Drive

Ottawa, ON K1A 0G2

Tel: (613) 996-5547

Fax: (613) 943-8806

INTERNATIONAL TRADE CENTRES

International Trade Centres have been established across the country as a convenient point of contact to support the exporting efforts of Canadian firms. Co-located with the regional offices of the Department of Industry (DI), the centres operate under the guidance of DFAIT and all have resident trade commissioners. They help companies determine whether or not they are ready to export, assist firms with market research and planning, provide access to government programs designed to promote exports, and arrange for assistance from the trade commissioners in Ottawa and trade officers abroad. Contact the International Trade Centre nearest you:

Newfoundland

International Trade Centre

P.O. Box 8950

Atlantic Place

215 Water Street

Suite 504

St. John's, NF A1B 3R9

Tel.: (709) 772-5511

Fax: (709) 772-2373

Prince Edward Island

International Trade Centre

P.O. Box 1115

Confederation Court Mall

134 Kent Street

Suite 400

Charlottetown, PE C1A 7M8

Tel.: (902) 566-7400

Fax: (902) 566-7450

Nova Scotia

International Trade Centre

P.O. Box 940, Station M

1801 Hollis Street

Halifax, NS B3J 2V9

Tel.: (902) 426-7540

Fax: (902) 426-2624

New Brunswick

International Trade Centre

1045 Main Street

Unit 103

Moncton, NB E1C 1H1

Tel.: (506) 851-6452

Fax: (506) 851-6429

Quebec
International Trade Centre
5 Place Ville-Marie
Seventh Floor
Montreal, PQ H3B 2G2
Tel.: (514) 496-4636
Fax: (514) 283-8794

Ontario
International Trade Centre
Dominion Public Building
1 Front St. West
Fourth Floor
Toronto, ON M5J 1A4
Tel.: (416) 973-5053
Fax: (416) 973-8161

Manitoba
International Trade Centre
P.O. Box 981
330 Portage Avenue
Eighth Floor
Winnipeg, MB R3C 2V2
Tel.: (204) 983-6531
Fax: (204) 983-2187

Saskatchewan
International Trade Centre
The S.J. Cohen Building
119-4th Avenue South
Suite 401
Saskatoon, SK S7K 5X2
Tel.: (306) 975-5315
Fax: (306) 975-5334

Alberta
**Edmonton office is
also responsible for
Northwest Territories*
International Trade Centre
Canada Place
9700 Jasper Avenue
Room 540
Edmonton, AB T5J 4C3
Tel.: (403) 495-2944
Fax: (403) 495-4507

International Trade Centre
510-5th Street S.W.
Suite 1100
Calgary, AB T2P 3S2
Tel.: (403) 292-6660
Fax: (403) 292-4578

British Columbia
**Vancouver office is also
responsible for the Yukon*
International Trade Centre
300 West Georgia Street
Suite 2000
Vancouver, BC V6B 6E1
Tel.: (604) 666-0434
Fax: (604) 666-8330

WORLD INFORMATION NETWORK FOR EXPORTS (WIN EXPORTS)

WIN Exports is a computer-based information system designed by DFAIT to help Canada's trade development officers abroad match foreign needs to Canadian capabilities. It provides users with information on the capabilities, experience and interests of more than 23,000 Canadian exporters. To register on WIN Exports, call (613) 996-5701, or fax 1-800-667-3802 or (613) 944-1078.

PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)

PEMD is DFAIT's primary export promotion program. It supports a variety of activities to help Canadian companies expand into export markets.

PEMD shares up to 50 percent of eligible expenses. Program financial assistance is a repayable contribution, not a grant, and must be approved in advance. Funded activities include:

- Market Development Strategies, which consist of a package of support for visits, trade fairs, and market support initiatives, under one umbrella of the company's marketing plan.
- New to Exporting Companies, which provides a vehicle for these companies to seek out individual export opportunities, either through a market identification visit or participation in an international trade fair.
- Capital Projects Bidding for specific projects outside Canada involving international competition/formal bidding procedures.
- Trade Association Activities undertaken by non-sales national trade or industry associations on behalf of their member companies.

Support is provided for certain types of government-planned activities, such as outgoing trade missions of Canadian business representatives and incoming missions to Canada of foreign business persons and officials who can influence export sales. For general information, call the InfoCentre at 1-800-267-8376. For applications for assistance, call the International Trade Centre nearest you.

INTERNATIONAL FINANCING

DFAIT helps Canadian exporters interested in pursuing multilateral business opportunities financed by international financing institutions (IFIs). Canadian exporters and trade associations can access market data, obtain a better understanding of the competition, and determine if an IFI-funded market opportunity is practical and worth pursuing. DFAIT can provide information and advice on the availability of Canadian government-funded assistance programs and can assist companies in developing effective export marketing. For further information, contact:

International Financing Division
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2
Tel.: (613) 995-7251
Fax: (613) 943-1100

TECHNOLOGY INFLOW PROGRAM (TIP)

Managed by DFAIT and delivered domestically by the National Research Council, TIP is designed to help Canadian companies locate, acquire and adopt foreign technologies by promoting international collaboration. The Department of Industry (DI) also helps in program promotion. TIP officers respond to requests to identify technology sources and opportunities for cooperation between Canadian and foreign firms. The Program also helps Canadian firms make exploratory visits abroad to identify and gain first-hand knowledge of relevant foreign technologies, as well as how to negotiate to acquire them. For information, call (613) 993-5326.

INVESTMENT DEVELOPMENT PROGRAM

The Investment and Technology Bureau (TID) promotes Canada as an attractive, competitive destination for business investment to potential foreign investors. It actively encourages investments that take the form of new plant and equipment, joint ventures or strategic partnerships. The Bureau is especially interested in attracting investment that introduces new technology into Canada, which is key to creating new jobs and economic opportunities. It also helps Canadian companies to find international investment partners and to access international sources of capital and technologies. TID provides support to the chief executive officers of Canadian subsidiaries of multinationals which are seeking to attract manufacturing and R&D mandates to Canada. It also monitors and analyzes investment trends and perceptions of Canada as an investment site. TID works closely with the "geographic" branches of DFAIT and the investment counsellors at Canadian missions around the

world, as well as with provincial and municipal authorities, and professional and business organizations. For more information, contact:

Investment and Technology Bureau (TID)
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2
Tel.: (613) 995-4128
Fax: (613) 995-9604

AGRICULTURE AND AGRI-FOOD CANADA

Meat and Poultry Products
Agriculture and Agri-Food Canada
930 Carling Avenue
Ottawa, ON K1A 0C5
Tel.: (613) 952-8000 ext. 4659
Fax: (613) 998-0958

DEPARTMENT OF INDUSTRY (DI)

DI was created with a broad mandate to make Canada more competitive by fostering the growth of Canadian businesses, by promoting a fair and efficient marketplace for business and consumers, and by encouraging commercial ventures in scientific research and technology. In the area of small business, it has been given specific responsibility to:

- develop, implement and promote national policies to foster the international competitiveness of industry; the enhancement of industrial, scientific and technological development; and the improvement in both the productivity and efficiency of industry;
- promote the mobility of goods, services, and factors of production within Canada;
- develop and implement national policies to foster entrepreneurship and the start-up, growth and expansion of small businesses;
- develop and implement national policies and programs respecting industrial benefits from procurement of goods and services by the Government of Canada; and
- promote and provide support services for the marketing of Canadian goods, services and technology.

The regional offices of DI work directly with Canadian companies to promote industrial, scientific and technological development. They help clients recognize opportunities in a competitive international marketplace by providing services in the areas of business intelligence and information as well as trade and market development. DI also promotes and manages a portfolio of programs and services.

The following are areas in which DI regional offices have special competence:

- access to trade and technology intelligence and expertise;
- entry points to national and international networks;
- industry-sector knowledge base;
- co-location with International Trade Centres connected to DFAIT and Canadian posts abroad;
- client focus on emerging and threshold firms; and
- business intelligence.

For more information, call (613) 941-0222.

Business Service Centre
Department of Industry
235 Queen Street
First Floor, East Tower
Ottawa, ON K1A 0H5
Tel.: (613) 952-4782
Fax: (613) 957-7942

NAFTA Information Desk
Department of Industry
235 Queen Street
Fifth Floor, East Tower
Ottawa, ON K1A 0H5
Fax: (613) 952-0540

THE BUSINESS OPPORTUNITIES SOURCING SYSTEM (BOSS)

BOSS is a computerized databank that profiles over 25,000 Canadian companies. It lists basic information on products, services and operations of use to potential customers. The system was established in 1980 by the Department of Industry (DI) in cooperation with participating provincial governments. BOSS was originally established so that trade commissioners posted around the world by DFAIT could find Canadian companies that

might be able to take advantage of foreign market opportunities. Today, more than 11,000 domestic and international subscribers use the system, not only to locate Canadian suppliers, but also to obtain market intelligence and identify market opportunities. The majority of subscribers are Canadian companies. For more information, call (613) 954-5031.

MARKET INTELLIGENCE SERVICE (MIS)

MIS provides Canadian businesses with detailed market information on a product-specific basis. The service assists Canadian companies in the exploitation of domestic, export, technology transfer and new manufacturing investment opportunities. The intelligence is used by Canadian businesses in decisions regarding manufacturing, product development, marketing and market expansion. A request for information can be custom-tailored to meet each client's particular need. Previously-published customized reports are also available on request. The database is updated quarterly and annually. MIS is offered free of charge by fax, letter or telephone. For more information, contact:

Strategic Information Branch
Department of Industry
235 Queen Street
First Floor, East Tower
Ottawa, ON K1A 0H5
Tel.: (613) 954-5031
Fax: (613) 954-1894

REVENUE CANADA

Revenue Canada, Customs Program Branch provides a NAFTA Help Desk telephone line with service available in Spanish. Revenue Canada publications and customs notices are available by calling or faxing the NAFTA Information Desk. For more information, contact:

NAFTA Spanish Help Desk
Tel.: (613) 941-0965

NAFTA Information Desk
Revenue Canada, Customs Programs Branch
191 Laurier Avenue West
Sixth Floor
Ottawa, ON K1A 0L5
Tel.: 1-800-661-6121, or (613) 941-0965
Fax: (613) 952-0022

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA)

An important possible source of financing for Canadian ventures in Mexico is the special fund available through CIDA under the Industrial Cooperation Program (CIDA/INC). This program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements. INC supports the development of linkages with the private sector in Mexico by encouraging Canadian enterprises to share their skills and experiences with partners in Mexico and other countries. A series of INC mechanisms help enterprises to establish mutually beneficial collaborative arrangements for the transfer of technology and the creation of employment in Mexico.

There are five INC mechanisms that help eligible Canadian firms to conduct studies and that provide professional guidance and advice to potential clients. Where a project involves environmental improvement, technology transfer, developmental assistance to women, job training or job creation, early contact with CIDA's Industrial Cooperation Division is suggested. An important CIDA criterion is that the project creates jobs in Mexico without threatening jobs in Canada. In fact, most CIDA-assisted projects have produced net increases in Canadian jobs. For more information, contact:

Industrial Cooperation Division
Canadian International Development Agency
200 Promenade du Portage
Hull, PQ K1A 0G4
Tel.: (819) 997-7905/7906
Fax: (819) 953-5024

ATLANTIC CANADA OPPORTUNITIES AGENCY (ACOA)

Atlantic Canadian companies seeking to develop exports to Mexico may be eligible for assistance from the ACOA. The Agency works in partnership with entrepreneurs from the Atlantic region to promote self-sustaining economic activity in Atlantic Canada.

ACOA provides support to businesses as they look to expand existing markets through the development of marketing plans. Efforts include monitoring trade opportunities arising from global economic change, communications efforts to promote the region, trade missions and associated activities, as well as better coordination with federal and provincial bodies that influence trade and investment opportunities. For more information, contact:

Atlantic Canada Opportunities Agency
Blue Cross Centre
644 Main Street
P.O. Box 6051
Moncton, NB E1C 9J8
Tel.: 1-800-561-7862
Fax: (506) 851-7403

WESTERN ECONOMIC DIVERSIFICATION CANADA (WD)

WD is responsible for federal economic development activities in Western Canada. The Department works in partnership with the western provinces, business, industry associations and communities to stimulate the western Canadian economy.

WD's "New Directions" program will work to enhance the export position of western companies by boosting their competitiveness in domestic and global markets.

The Department no longer provides repayable loans to individual companies, but seeks new innovative partnerships within both the public and private sectors. These partnerships will address the needs of small- and medium-sized enterprises for information, business services and capital, particularly for high growth industries critical to Western Canada's economic diversification.

One of WD's new products focused on export development is the International Trade Personnel Program. This federal-provincial initiative links export-focused western firms with recent post-secondary graduates. The program accomplishes two important socio-economic goals: it gives companies the extra person-power they need to penetrate new markets, and it gives recent graduates valuable work experience. Under the new program, the length of export-development projects may vary from one to three years. Approved projects will be eligible for assistance ranging from C \$7,500 for one year, to a maximum of C \$37,500 per graduate. For more information, contact:

Western Economic Diversification Canada
The Cargill Building
240 Graham Avenue
Suite 712
P.O. Box 777
Winnipeg, MB R3C 2L4
Tel.: (204) 983-4472
Fax: (204) 983-4694

EXPORT DEVELOPMENT CORPORATION (EDC)

EDC is a customer-driven, financial services corporation dedicated to helping Canadian businesses succeed in the global marketplace. EDC provides a wide range of risk management services, including insurance, financing and guarantees to Canadian exporters and their customers around the world.

EDC's products fall into four main categories:

- export credit insurance, covering short- and medium-term credits;
- performance-related guarantees and insurance, providing cover for exporters and financial institutions against calls on various performance bonds and obligations normally issued either by banks or surety companies;
- foreign investment insurance, providing political risk protection for Canadian investments abroad; and
- export financing, providing medium- and long-term export financing to foreign buyers of Canadian goods and services.

EDC has established relationships with leading commercial and public sector institutions in Mexico and Latin America. Exporters can call (613) 598-2860 for more information.

Smaller exporters, with annual export sales under C \$1 million, should call the Emerging Exporter Team at 1-800-850-9626.

Exporters in the information technology sector can call EDC's Information Technologies Team at (613) 598-6891.

For information on the full range of EDC services, contact any of the following EDC offices:

Ottawa Export Development Corporation
151 O'Connor Street
Ottawa, ON K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690

Vancouver Export Development Corporation
One Bentall Centre
505 Burrard Street
Suite 1030
Vancouver, BC V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550

Calgary

Export Development Corporation
510-5th Street S.W.
Suite 1030
Calgary, AB T2P 3S2
Tel.: (403) 292-6898
Fax: (403) 292-6902

Winnipeg

**office also serves
Saskatchewan*

Export Development Corporation
330 Portage Avenue
Eighth Floor
Winnipeg, MB R3C 0C4
Tel.: (204) 983-5114
Fax: (204) 983-2187

Toronto

Export Development Corporation
National Bank Building
150 York Street
Suite 810
P.O. Box 810
Toronto, ON M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

London

Export Development Corporation
Talbot Centre
148 Fullarton Street
Suite 1512
London, ON N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580

Montreal

Export Development Corporation
Tour de la Bourse
800 Victoria Square
Suite 4520
P.O. Box 124
Montreal, PQ H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891

Halifax

Export Development Corporation
Purdy's Wharf, Tower 2
1969 Upper Water Street
Suite 1410
Halifax, NS B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881

NATIONAL RESEARCH COUNCIL (NRC)

Canadian companies hoping to succeed in the Mexican marketplace may require additional technology to improve their competitiveness. The NRC works with Canadian firms of all sizes to develop and apply technology for economic benefit. The Council manages the Industrial Research Assistance Program (IRAP), a national network for the diffusion and transfer of technology.

The IRAP network supports the process of developing, accessing, acquiring, implanting and using technology throughout Canadian industry. IRAP has been in existence for 50 years and has acquired a reputation as one of the most flexible and effective federal programs. IRAP takes advantage of an extensive network of more than 190 different locations within approximately 90 communities across Canada, including numerous provincial technology centres, the NRC's own laboratories and research

institutes, federal government departments, and technology transfer offices in Canadian universities. For further information, contact:

Industrial Research Assistance Program

National Research Council
Montreal Road
Building M-55
Ottawa, ON K1A 0R6
Tel.: (613) 993-1770
Fax: (613) 952-1086

KEY CONTACTS IN CANADA

SPONSORING ORGANIZATIONS

BAKER & MCKENZIE

Baker & McKenzie is one of the largest international law firms with offices in 35 countries. They presently have four offices in Mexico, in the cities of Juárez, Mexico City, Monterrey and Tijuana. In addition to providing legal advice, the firm's offices in Canada and Mexico work to assist Canadian companies to find the right partner to enable them to establish or expand their activities in Mexico. For more information, contact:

Baker & McKenzie
Barristers & Solicitors
BCE Place
181 Bay Street
Suite 2100
Toronto, ON M5J 2T3
Tel.: (416) 865-6910/6903
Fax: (416) 863-6275

BUSINESS AND PROFESSIONAL ASSOCIATIONS

Canada Pork International
75 Albert Street
Suite 1104
Ottawa, ON K1P 5E7
Tel.: (613) 236-9886
Fax: (613) 236-6658

The Canadian Council for the Americas

The Council is a non-profit organization formed in 1987 to promote business interests in Latin American as well as Caribbean countries. The CCA promotes events and programs targeted at expanding business and building networking contacts between Canada and the countries of the region.

The Canadian Council for the Americas

Executive Offices
145 Richmond Street West
Third Floor
Toronto, ON M5H 2L2
Tel.: (416) 367-4313
Fax: (416) 367-5460

Canadian Exporters' Association

99 Bank Street
Suite 250
Ottawa, ON K1P 6B9
Tel.: (613) 238-8888
Fax: (613) 563-9218

Canadian Manufacturers' Association

75 International Boulevard
Fourth Floor
Etobicoke, ON M9W 6L9
Tel.: (416) 798-8000
Fax: (416) 798-8050

The Canadian Chamber of Commerce

55 Metcalfe Street
Suite 1160
Ottawa, ON K1P 6N4
Tel.: (613) 238-4000
Fax: (613) 238-7643

Forum for International Trade Training Inc.

155 Queen Street
Suite 608
Ottawa, ON K1P 6L1
Tel.: (613) 230-3553
Fax: (613) 230-6808

Language Information Centre

240 Sparks Street RPO
Box 55011
Ottawa, ON K1P 1A1
Tel.: (613) 523-3510

Open Bidding Service

P.O. Box 22011
Ottawa, ON K1V 0W2
Tel.: 1-800-361-4637 or (613) 737-3374
Fax: (613) 737-3643

MEXICAN GOVERNMENT OFFICES IN**CANADA**

The Embassy of Mexico, Mexican Trade Commissioners in Canada, and Mexican consulates can provide assistance and guidance to Canadian companies in need of information about doing business in Mexico. For more information, contact:

Embassy of Mexico
45 O'Connor Street
Suite 1500
Ottawa, ON K1P 1A4
Tel.: (613) 233-8988
Fax: (613) 235-9123

Mexican Consulate in Ottawa

45 O'Connor Street
Suite 1500
Ottawa, ON K1P 1A4
Tel.: (613) 233-6665
Fax: (613) 235-9123

OTHER MEXICAN CONSULATES GENERAL IN CANADA**Consulate General of Mexico**

2000 Mansfield Street
Suite 1015
Montreal, PQ H3A 2Z7
Tel.: (514) 288-2502/4916
Fax: (514) 288-8287

Consulate General of Mexico

199 Bay Street
Suite 4440
P.O. Box 266, Station Commerce Court West
Toronto, ON M5L 1E9
Tel.: (416) 368-2875/8141/1847
Fax: (416) 368-8342

Consulate General of Mexico

810-1139 West Pender Street
Vancouver, BC V6E 4A4
Tel.: (604) 684-3547/1859
Fax: (604) 684-2485

Mexican Honourary Consulate

380 Chemin St. Louis
Suite 1407
Quebec, PQ G1S 4M1
Tel.: (418) 681-3192
Fax: (418) 683-7843

Mexican Honourary Consulate

830-540 5th Avenue, S.W.
Calgary, AB T2P 0M2
Tel.: (403) 263-7077/7078
Fax: (403) 263-7075

Mexican Honourary Consulate

1900 Commodity Exchange Tower
360 Main Street
Winnipeg, MB R3C 3Z3
Tel.: (202) 944-2540
Fax: (202) 957-1790

MEXICAN FOREIGN TRADE COMMISSIONS

Banco Nacional de Comercio Exterior (Bancomext) is the Mexican Foreign Trade Commission and has offices in Canada. It offers credits, export guarantees and counselling services to Mexican companies seeking to do business in Canada.

Banco de Comercio (Bancomer)

The Royal Bank Plaza
South Tower
Suite 2915
P.O. Box 96
Toronto, ON M5J 2J2
Tel.: (416) 956-4911
Fax: (416) 956-4914

MEXICAN BANKS WITH OFFICES IN CANADA

Banco Nacional de México (Banamex), *Banco de Comercio (Bancomer)*, and *Banca Serfin* are private-sector banks which offer specialized services through their international trade information centres. The centres participate in a computerized communications network with access to numerous economic, governmental and financial databases throughout the world. These banks are located throughout Mexico and maintain offices in Toronto.

Banca Serfin

BCE Place
Canada Trust Tower
161 Bay Street
Suite 4360
P.O. Box 606
Toronto, ON M5J 2S1
Tel.: (416) 360-8900
Fax: (416) 360-1760

Banco Nacional de México (Banamex)

1 First Canadian Place
Suite 3430
P.O. Box 299
Toronto, ON M5X 1C9
Tel.: (416) 368-1399
Fax: (416) 367-2543

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN MEXICO

COMMERCIAL DIVISION

THE EMBASSY OF CANADA IN MEXICO

The Commercial Division of the Canadian Embassy in Mexico can provide vital assistance to Canadians venturing into the Mexican market. The trade commissioners are well-informed about the market and will respond in whatever measures possible to support a Canadian firm's presence in Mexico.

Note: to telephone Mexico City, dial: 011-52-5 before the number shown. For contacts in other cities in Mexico, consult the international code listing at the front of your local telephone directory for the appropriate regional codes.

Commercial Division

The Embassy of Canada in Mexico
Schiller No. 529
Apartado Postal 105-05
Col. Polanco
11560 México, D.F.
México
Tel.: 724-7900
Fax: 724-7982

Canadian Business Centre

Centro Canadiense de Negocios
Av. Ejército Nacional No. 926
Col. Polanco
11540 México, D.F.
México
Tel.: 580-1176
Fax: 580-4494

Canadian Consulate

Edificio Kalos, Piso C-1
Local 108-A
Zaragoza y Constitución
64000 Monterrey, Nuevo León
México
Tel.: 344-3200
Fax: 344-3048

Canadian Consulate

Hotel Fiesta Americana
Local 30-A
Aurelio Aceves No. 225
Col. Vallarta Poniente
44110 Guadalajara, Jalisco
México
Tel.: 15-8665
Fax: 15-8665

ADDITIONAL CONTACTS IN MEXICO

MEXICAN GOVERNMENT SECRETARIATS

Secretariat of Commerce and Industrial Development
Secretaría de Comercio y Fomento Industrial (SECOFI)
Sub-Secretaría de Comercio Exterior e Inversión Extranjera
Insurgentes Sur No. 1940 - P.H.
Col. Florida
01030 México, D.F.
México
Tel.: 229-6560/6561/6100
Fax: 229-6568

**Secretariat of Commerce and Industrial Development
Bureau of Standards**
Secretaría de Comercio y Fomento Industrial (SECOFI)
Dirección General de Normas
Av. Puente de Tecamachalco No. 6
Col. Lomas de Tecamachalco
53950 Tecamachalco, Estado de México
México
Tel.: 729-9300
Fax: 729-9484

**Secretariat of Agriculture, Livestock and Rural
Development**
Secretaría de Agricultura, Ganadería y Desarrollo Rural
(SAGAR)
Insurgentes Sur No. 476, Piso 13
Col. Roma Sur
06760 México, D.F.
México
Tel.: 584-0786/0271/6288
Fax: 584-2699

**Secretariat of Agriculture, Livestock and Rural
Development**
Secretaría de Agricultura, Ganadería y Desarrollo Rural
(SAGAR)
Dirección General de Asuntos Internacionales
Rochester No. 14, Piso 7
Col. Nápoles
03810 México, D.F.
México
Tel.: 523-4745/2350
Fax: 223-5563

**Secretariat of Agriculture, Livestock and
Rural Development
Animal Health**
Secretaría de Agricultura, Ganadería y Desarrollo Rural
(SAGAR)
Dirección General de Salud Animal
Recreo No. 14, Piso 11
Col. Actipán del Valle
03230 México, D.F.
México
Tel.: 534-5111/1580/5216
Fax: 534-4961

BUSINESS AND PROFESSIONAL ASSOCIATIONS

**National Commission for the Genetic Improvement
and Animal Reproduction**
*Comisión Nacional para el Mejoramiento Genético y la
Reproducción Animal (CONAMEGRA)*
Carretera México-Toluca
Kilómetro No. 15.5
Col. Palo Alto
05100 México, D.F.
México
Tel.: 570-3066/8009/2689
Fax: 570-7542

Mexican Council of Pork Producers
Consejo Mexicano de Porcicultura (CMP)
Juan de la Barrera No. 38, Piso 2
Col. Condesa
06140 México, D.F.
México
Tel.: 212-1290, 286-9031
Fax: 211-1379

National Commission of Pork Producers
Comisión Nacional de Porcicultores (CONAPOR)
Melchor Ocampo No. 405, Piso 3
Col. Nueva Anzures
11590 México, D.F.
México
Tel.: 255-2848/5621
Fax: 255-1874

National Livestock Confederation
Confederación Nacional Ganadera (CNG)
Mariano Escobedo No. 714
Col. Anzures
11590 México, D.F.
México
Tel.: 533-2175 through 79
Fax: 514-1245

National Council of Cold-Meat Packers
Consejo Nacional de Empacadores de Carnes Frías y Embutidos (CNECFE)
Miguel Angel de Quevedo No. 350
Col. Coyoacán
04000 México, D.F.
México
Tel.: 658-1120/8347
Fax: 658-3688

National Association of TIF Packers
Asociación Nacional de Empacadoras TIF, A.C. (ANETIF)
Miguel Angel de Quevedo No. 350
Col. Coyoacán
04000 México, D.F.
México
Tel.: 659-8610-8749
Fax: 658-3688

National Council of Farming and Animal Husbandry
Consejo Nacional Agropecuario (CANAGRO)
Insurgentes Sur No. 667, Piso 8
Col. Nápoles
03810 México, D.F.
México
Tel.: 669-3536/25
Fax: 669-2912/2241

Coordinating Council of Foods and Beverages Industries (Bacon Producers)
Consejo Coordinador de Industrias de Alimentos y Bebidas (Obradores de Tocinería)
Av. San Antonio No. 256
Col. Ampliación Nápoles
03849 México, D.F.
México
Tel.: 611-2387 ext. 246/248
Fax: 611-2387

Grupo Cifra
José María Castorena No. 470
Col. San José de los Cedros, Cuajimalpa
05200 México, D.F.
México
Tel.: 570-0352, 327-9206/9207
Fax: 327-9282

IMPORTERS

Surtimex, S.A. de C.V.
San Francisco No. 2, Piso 3
Col. del Valle
03100 México, D.F.
México
Tel.: 536-9077
Fax: 536-8673

Embutidos Cumbre S.A. de C.V.
Calle 30 No. 2585
Col. Zona Industrial
44940 Guadalajara, Jalisco
México
Tel.: 611-1619/3811
Fax: 611-5745

Operadora de Productos Pecuarios
Av. Los Angeles No. 1101 Oriente
Col. del Norte
64500 Monterrey, Nuevo León
México
Tel.: 331-1100
Fax: 351-9341

Carnes Frías de Chihuahua
Lago Cuitzco No. 113
Col. Anáhuac
11320 México, D.F.
México
Tel.: 396-0424/0022/0223
Fax: 341-3751

Rogelio Couttolenc Cortés, S.A. de C.V.
Calle 10 No. 113
Col. San Pedro de los Pinos
03800 México, D.F.
México
Tel.: 516-6838, 271-4589
Fax: 277-8163

Alimentos Par, S.A. de C.V.
Sierra Nevada No. 6-12-14
Parque Industrial Netzahualcóyotl
57800 México, D.F.
México
Tel.: 855-5822/2359/2957
Fax: 855-6599

Distribuidora de Carnes Superiores, S.A.
Filiberto Gómez No. 89
54030 Tlalnepantla, Estado de México
México
Tel.: 390-5102/5182
Fax: 390-5142

Donfer, S.A. de C.V.
Centeno No. 132
Col. Granjas Esmeraldas
09060 México, D.F.
México
Tel.: 582-4840
Fax: 670-4989

Empacadora Bernina, S.A. de C.V.
Norte 75 No. 2909
Col. Obrero Popular
02840 México, D.F.
México
Tel.: 396-3647/7587/7359
Fax: 341-0894

Empacadora Aragón, S.A.
Av. 506 No. 90
Col. Unidad Aragón
07920 México, D.F.
México
Tel.: 551-6257
Fax: 551-6257

Empacadora Curiel, S.A.
Iztaccihuatl No. 294
Col. Moctezuma, 2a. Sección
15550 México, D.F.
México
Tel.: 762-2995
Fax: 785-0874

Empacadora Fritz, S.A.
24 Sur No. 2113
Col. Bellavista
72500 Puebla, Puebla
México
Tel.: 43-3744/3617/5783
Fax: 37-6000

Empacadora Harry, S.A.
San Lorenzo No. 909
Col. del Valle
03100 México, D.F.
México
Tel.: 688-4466, 604-1698
Fax: 688-8861

Empacadora Wunsch, S.A. de C.V.
Calle 10 No. 6
Col. San Pedro de los Pinos
03800 México, D.F.
México
Tel.: 516-6838
Fax: 277-8163

Industrias Sucarne, S.A. de C.V.
Tomo No. 161
Col. Sevilla
15840 México, D.F.
México
Tel.: 768-9588/2170
Fax: 740-7011

Sigma Alimentos Centro, S.A. de C.V.
Ernesto Pugibet No. 2
Fraccionamiento Industrial Xalostoc
55340 Xalostoc, Estado de México
México
Tel.: 227-1700
Fax: 714-7072

Zwanenberg de México
Estacas No. 34, esquina Primavera
Col. López Mateos
53070 Naucalpan, Estado de México
México
Tel.: 729-4200, 358-4266
Fax: 729-4245-4246

Jamón Serrano de México, S.A. de C.V.
Zempoala No. 75
Col. Narvarte
03020 México, D.F.
México
Tel.: 538-6958/6211
Fax: 530-2799

Obrador de Tocinería y Salchichonería Donfer, S.A. de C.V.
Javier Rojo Gómez No. 1341-B
Col. Guadalupe del Moral
09300 México, D.F.
México
Tel.: 686-9927
Fax.: 686-8350

SELECTED MEXICAN DEPARTMENT STORES

Gigante

Av. Ejército Nacional No. 796-A
Col. Nueva Granada
11520 México, D.F.
México
Tel.: 724-8000, 2551111
Fax: 724-8380/81

Bodegas Gigante

Av. Jardín No. 245
Col. Tlatilco
02860 México, D.F.
México
Tel.: 355-7555/6999
Fax: 556-2163-4220

Operadora Comercial Mexicana, S. A. de C.V.

Chabacano No. 43
Col. Asturias
06850 México, D.F.
México
Tel.: 723-7111
Fax: 723-7495

Grupo Cifra

Jose María Castorena No. 470
Col. San José de los Cedros, Cuajimalpa
05200 México, D.F.
México
Tel.: 570-0352, 327-9206/9207
Fax: 327-9282

Casa Ley, S.A. de C.V.

Carretera Internacional y Calle Deportiva
Kilómetro No. 1434
80020 Culiacán, Sinaloa
México
Tel.: 59-1000
Fax.: 50-5010/5052

Casa Ley, S.A. de C.V.

Montes Urales No. 635-101
Col. Lomas de Chapultepec
11000 México, D.F.
México
Tel.: 202-0256/0447
Fax: 202-0501

TRADE SHOWS

EXPO ALIMENTOS

Av. Fundidora No. 501
Primer Nivel, Local 22
Col. Obrera
64010 Monterrey, Nuevo León
México
Tel.: 369-6660/6969
Fax: 369-6660

Exposición y Convención Nacional de Comercio Detallista c/o Asociación Nacional de Tiendas de Autoservicio y Departamentales (ANTAD)

Homero No. 109, Piso 11
Col. Polanco
11560 México, D.F.
México
Tel.: 254-6220/1714, 545-8803
Fax: 203-4495, 250-2536

Expo-Guadalajara

Av. Mariano Otero No. 1499
Col. Verde Valle
44550 Guadalajara, Jalisco
México
Tel.: 671-0099
Fax: 671-0044

Convención Nacional de Empacadores de Carnes Frías y Embutidos

Exposición Internacional de Proveedores c/o Consejo Nacional de Empacadores de Carnes Frías y Embutidos

Miguel Angel de Quevedo No. 350
Col. Coyoacán
04000 México, D.F.
México
Tel.: 658-1120/8347
Fax: 658-3688

Abastur

c/o Asociación Mexicana de Abastecedores de la Industria Turística

Calle de Tecamachalco No. 92, Piso 1
Col. Lomas San Isidro
11000 México, D.F.
México
Tel.: 282-4392
Fax: 282-4362

HELP US TO SERVE YOU BETTER

We are interested in your views on this publication. Please take a few minutes to respond to the questions below.

1. What is your overall opinion of this publication?

- very useful
- useful
- moderately useful
- not useful

2. Please provide your assessment of each of the following aspects of this publication.

a) Quality of text discussion (mark one only):

- excellent
- good
- fair
- poor

b) Presentation of information (mark one only):

- excellent
- good
- fair
- poor

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- excellent
- good
- fair
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3. If this publication were updated, revised and re-issued in the future, would you be interested in receiving a copy?

- yes, very interested
- probably interested
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- clear and easy to follow
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- contained a shorter textual discussion
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yes — please specify:

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10. Will this publication assist you in your business development?

yes no

11. a) Does your company currently export?

- Yes, go to 11 b)
- No, go to 11 c)

b) If yes, to which foreign markets?

- U.S.A. Europe Japan
- Mexico Latin America
- Other (please specify) _____

c) If not, are you planning to export within the next 12 months?

Yes, where?

- U.S.A. Europe Japan
- Mexico Latin America
- Other (please specify) _____

12. What is the approximate size of your company?

- under \$1 million
- \$1 to 5 million
- \$5 and \$10 million
- over \$10 million

To discuss this evaluation may we contact you? If so,

Name: _____

Company: _____

Address: _____

Tel.: _____ Fax.: _____

Please return the completed survey by fax to (613) 943-8806 or to the address below:

Latin America and Caribbean Branch
Department of Foreign Affairs and International Trade
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Ottawa, Ontario K1A 0G2

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