

Mexico³

The Mexican Market for Processed Food

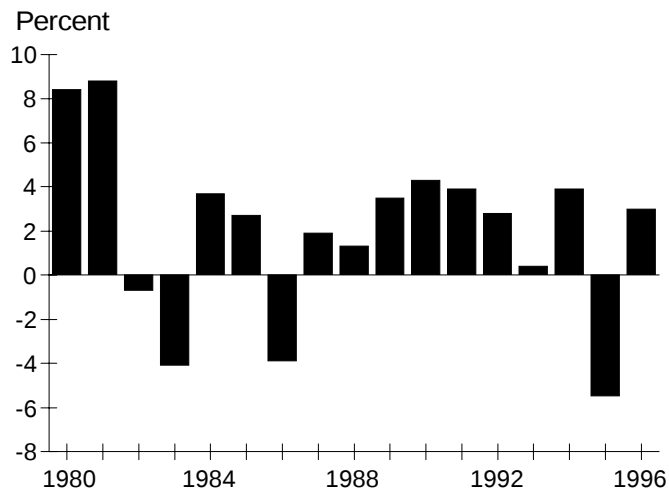
Mexicans spend about 35 percent of their incomes on food, making Mexico one of the largest markets for processed food from the United States. Upper- and upper-middle income consumers, who comprise 17 percent of the population, spend a far smaller share of their income on food but easily account for the greatest proportion of food spending in Mexico. While lower income Mexicans grow their own produce and buy many items at the local market or government shop, many urban consumers shop at modern national grocery chains. These urban consumers, particularly in Mexico City (population 23 million), are beginning to favor higher value products such as meat, milk, fruits, and vegetables over grains and beans.

Most domestically produced food products stay in Mexico. Eighty percent of Mexico's horticultural production, for example, is for domestic use. The bulk of the products of the largest U.S. food processing firms that operate in Mexico also stay in Mexico. Per capita consumption of many processed foods starts at a low base, so most increases in income are translated to food consumption.

³The material in this section is synthesized from a variety of sources, including FAS Online Food Market Overview, World Bank, Grupo Financiero SERFIN, *Wall Street Journal*, *Journal of Commerce*, and Sundue (Canada). Complete citations are given in the References.

Figure 13

Mexico: Growth in real GDP



Source: Economic Research Service compiled from World Bank, Economic Indicators STARS program data.

NAFTA and related reforms in Mexico's economy set the stage for long-term economic growth, although Mexico suffered a setback in 1995 and early 1996. Mexico enjoyed real growth of nearly 20 percent between 1990 and 1994. Mexico's real GDP declined by more than 6.5 percent in 1995, and recuperated by 3 percent in 1996 (fig. 13). These shocks to the economy carried over to retail food sales.

Mexico has about 680,000 foodstores that employ 1.16 million people. Most are small specialty stores that sell bread or tortillas, but Mexico also has modern national grocery chains, including Cifra, Grupo Gigante, and Comercial Mexicana; regional chains such as Soriana, Chedraui, and Casa Ley; and convenience stores such as Oxxo, Super 7, and 2+2 Serviplus. It is estimated that Mexican foodstores had sales of \$18 billion in 1994. Local chains have 14 percent of the sales, compared with 19 percent for regional chains, and 67 percent for national chains.

Mexico's Processed Food Industry

Mexico's \$21 billion food processing industry is quite diversified, with modern technology being employed alongside antiquated methods. Some sectors of the industry, such as beer and wine and liquor, are concentrated, while other segments, such as dairy, are not concentrated at all.

Leading Sectors

The tortilla industry is Mexico's largest processed food sector, followed by nonalcoholic beverages and the beer

Table 17— Mexico's processed food industry by sector, 1995

Industry	Gross sales	Employees
	<i>Billion U.S. dollars</i>	<i>Number</i>
Tortilla	3.8	90,000
Beverages	3.0	100,000
Beer	2.6	20,000
Dairy	2.5	50,000
Milling and baking	2.0	NA
Flour milling	NA	18,000
Baking	NA	126,000
Pasta	NA	31,000
Meat	1.5	40,000
Wines and liquors	1.5	7,000
Total	21.5	578,500

Source: Economic Research Service compiled from 1996 SERFIN Grupo Financiero Sectorial data.

NA = Not available.

industry (table 17). Cerveceria Modelo is Mexico's largest food processing company, followed by Grupo Industrial Bimbo and FEMSA Cervesa (table 18).

Vegetable oils. The sector's principal products are oils (mainly safflower and soybean), fats, margarine (22 percent of the value of total production), and soybean meal for livestock feed. Vegetable oils are also used for industrial products, such as paints, detergents, soaps, and industrial products. Most future growth in this sector will be in industrial uses of vegetable oils.

The industry has 181 companies and is relatively concentrated, with seven establishments controlling 50 percent of the market. The principal groups are AGYDSA-Patrona, Hidrogenadora Nacional, Anderson-Clayton, El Zapote-Aceitera La Junta, Industrias Regar SA, Grupo Industrial Aceitera, Oleaginosas del Sureste, and Productos de Mais y Arancia. Nearly 65 percent of the companies have modern equipment. Oil processing mills have a capacity of 300-400 tons a day, compared with 1,000-1,500 tons per day for U.S. mills.

Fruit and vegetable preparations. The industry produces a wide variety of products, primarily chili peppers, tomato puree, fruit nectars and juices, salsa, and frozen fruits. The industry includes more than 550 establishments that are distinct in their organizational structure, technology, and product mix. The industry is relatively concentrated, with the 30 largest companies controlling 90 percent of the sales. They include Herdez (13 percent of the market), Productos Del Monte (6 percent), Kraft Foods of Mexico (5 percent), Clemente Jacques (4 percent), Productos Del Fuerte, Jugos del Valle, Jugomex, Campbell's de Mexico, Conservas La Catena, and McCormick de Mexico. The industry is concentrated in the States of Baja California, Sinaloa, Guanajuato, Veracruz, and the Federal District. Companies with obsolete technology coexist with companies that are totally modern. Equipment is from the United States, Germany, and Italy.

Mexico's exports from the industry reached \$207 million in 1994, of which \$43 million were from orange juice and \$21 million were from processed tomatoes. NAFTA trade liberalization has benefited these industries' trade prospects by lowering the tariffs that these products face when exported to the United States. Mexico also has 20 freezing plants for fruits and vegetables, with an effective capacity of 700 million tons. The industry is concentrated in the state of Guanajuato, in the Bajio region (Hinojosa-Ojeda, 1996). In the late 1970's, large plants were built

Table 18—Mexico's top 20 food processing companies, according to 1994 sales

Company	Principal industry	Sales
		<i>Million dollars</i>
Cerveceria Modelo	Breweries	2,050
Grupo Industrial Bimbo	Bread baking	1,787
FEMSA Cervesa	Breweries	1,750
Compañía Nestlé	Coffee processing dairy products	1,416
Gruma	Tortillas	1,190
Grupo Industrial Maseca	Tortillas	625
Grupo Industrial Lala	Dairy products	454
Sigma Alimentos	Meat products	435
Industrias Bachoco	Poultry products	418
Anderson Clayton	Livestock feeds vegetable oils	409
Ganaderos Productores de Leche Pura	Dairy products	338
Grupo Herdez	Canned fruits and vegetables	305
Agrobios	Consulting food processing	218
Pasteurizadora Laguna	Dairy products	192
Jugos del Valle	Fruit juices	164
Grupo Quan	Ice cream	154
Promotora Industrial Azucarera	Sugar products	153
Danone de Mexico	Dairy products	141
Lechera Guadalajara	Dairy products	139
Tablex	Pasta	139

Source: Economic Research Service compiled from material received from Embassy of Mexico, Washington, DC.

by Mexican growers, primarily La Huerta, COVEMEX, MarBran, and Productos Frugo.

Sugar. Mexico has 61 sugar mills located in 15 States, with 22 located in Veracruz. The principal producer groups are Escorpion (25 percent of the market), Machado (11 percent), Sucrum (11 percent), and Beta San Miguel (10 percent). The principal sugar cane producing areas are in Veracruz, Jalisco, San Luis Potosí, Oaxaca, Sinaloa, and Nayarit.

Coffee processing. This industry is composed of two distinct processors: companies that wash and ferment coffee beans, and roasters and grinders that remove hulls and grade beans. There are 2,000 companies that wash and ferment the coffee beans, 445 dryers, and 491 coffee roasters. There are three types of roaster companies: large companies, roasters that are integrated with the primary production, and small roasters. Large roasters

sell their production to supermarkets and stores. Of the 20 largest companies, only 6 make instant coffee: Nestlé, with 80 percent of the market, Combate, Marino, International, Domino, and Cafe Solubles Monterrey. Until 1989, INMECAFE had control of a large part of the production. The 48 producers attached to INMECAFE were transferred to the social sector (ejiditarios), and the organization became the Mexican Council of Coffee.

Dairy industry. Mexico has 108 pasteurizing plants; 1,390 plants that produce cream, cheese, and butter; 18 plants that make condensed, evaporated, and dried milk; 357 that bottle milk (in cartons); and more than 9,000 establishments that make ice cream. Dairy technology varies from traditional methods to the most modern.

The industry has little concentration in the pasteurization of milk and manufacture of ice cream, but high concentration in the production of condensed, dried, and evaporated milk, with an important presence of foreign capital. The principal companies of the sector are Nestlé, Chichota, and Tec-Lac.

Dairy production is found throughout Mexico, principally in the Federal District, Jalisco, Veracruz, and Chihuahua. Fluid milk comprises 47 percent of the sector's value of production; cream, cheese, and butter, 23 percent; condensed and evaporated milk, 16 percent; ice cream, 7 percent; and other milk products, 6 percent.

CONASUPO plays an important role in the dairy industry as the sole importer of dried milk, which is reconstituted at its dairy LICONSA for the poorer segments of Mexico's population. Most of Mexico's milk production comes from a large number of small producers with low levels of technology and production, which increases the cost of the primary product (raw milk). The costs of milk production in Mexico are three times the costs of efficient producers such as New Zealand.

Milling and baking industry. The principal components are bread baking (70 percent of the value), pastas (17 percent), and wheat flour (13 percent). The breadbaking sector is comprised of 21,500 establishments that are concentrated according to the population. Bread is made both at small bakeries and in large companies. Bimbo, one of the largest food processing companies in Mexico, dominates the breadbaking industry.

The pasta sector is comprised of nearly 1,000 companies employing 31,000 workers. Large companies control 35

percent of pasta production, 65 percent of the cookie production, and 35 percent of the prepared flour production.

Meat industry. Mexico has over 3,000 slaughterhouses for beef and poultry, 500 plants that pack and freeze meat, and 700 companies that can meat. There are many small companies, but the modern part of the industry is relatively concentrated, with 27 establishments processing 50 percent of the slaughter and 9 packers processing 66 percent of the fresh beef. Only six large companies (including Sigma, Kir, and Zwanenberg) serve 60 percent of the market. Nuevo Leone and the Federal District are Mexico's major beef processing areas. Jalisco, Mexico, and Michoacan are the principal pork slaughtering areas. The processing sector is 85 percent Mexican-owned. Grupo Alpro operates Mexico's largest pork processing plant.

Tortilla industry. The tortilla industry is comprised of 11,000 small corn mills, and 3 large and 30,000 small companies that produce tortillas. The industry's sales increased 2.4 percent in 1995 and were expected to increase 2.6 percent in 1996. During the past 15 years, technological processes have been developed to produce flour for tortillas on a large scale. The principal producers are Maseca (69 percent of the market), Minsa (25 percent), and Agroinsa (6 percent). The Government intervenes in the tortilla industry through consumer subsidies from CONASUPO. The price of a tortilla is N\$1.10 (about 13 cents), with the subsidy, in the Federal District, while prices range from N\$1.40 (about 15 cents) to N\$1.70 (about 22 cents) in the rest of the country. (Note: N\$ = new pesos).

Breweries. The Mexican beer industry is a duopoly—with Cerveceria Modelo and FEMSA Cerveza (Cerveceria Cuauhtemoc-Moctezuma) sharing a 54/46 split of the market. The companies have 14 breweries with an installed capacity of 15 million gallons. Breweries are fully integrated, from contracting the barley harvest to beer distribution. Both companies increased their plant capacity in Zacatecas and Ciudad Obregon in 1995. Cerveceria Modelo is allied with Anheuser-Busch and Cerveceria Cuauhtemoc-Moctezuma is allied with John Labatt Limited.

Beverages. In the beverage sector, there are 236 plants of diverse sizes: 22 large companies that produce more than 11 million cases; 63 medium-sized companies that produce 5-11 million cases; and 151 small companies that produce less than 5 million cases. In addition, there are more than 1,600 establishments that produce other types of nonalcoholic beverages.

Mexico has the largest per capita consumption of nonalcoholic beverages of all Western Hemisphere countries but the United States—24.4 cases/year in Mexico compared with 31.8 cases/year in the United States. The principal companies include Grupo Continental, Coca-Cola FEMSA, Argos, Grupo Embotelladoras Unidas, Grupo Embotellador de Mexico, Grupo AGA, Embotelladoras del Valle de Anahuac, and Grupo Azteca. These companies are franchises of multinational companies. Most bottlers also manage their own brands of soft drinks and mineral waters, but these are limited to local markets.

The industry is undergoing considerable restructuring and modernization. Some companies have acquired sugar mills and others, such as Consorcio AGA, work with plants that produce fruit concentrates. Most companies also have plants that make plastic bottles and other beverage containers and own transportation companies.

Wine and liquor industry. The wine and liquor industry has 487 establishments. The industry's principal products are brandy and table wines (47 percent), rum (35 percent), and tequila (14 percent). The industry is highly concentrated in such companies as Bobadilla, Martel, Potosí, and Potrero.

U.S. Investment in Mexico's Processed Food Industry

The United States has also historically had a larger direct investment in Mexico than Mexico has had in the United States. U.S. direct investment in Mexico quadrupled between 1985 and 1995. U.S. capital flows to the Mexican food industry were especially high in 1993 and 1994 (table 19). The devaluation of the Mexican peso in 1995 temporarily slowed U.S. investment, even though a few industries that use Mexican raw materials and labor and export their products to the United States may have gained from the devaluation. Mexico in general began to

receive increased flows of foreign direct investment after the mid-1980's as a result of its successful debt-equity conversion program and a number of macroeconomic factors that led to reduced inflation and changed investors' perceptions of the country's growth potential. Prior to the signing of the NAFTA, Mexico's government changed its investment laws considerably to accommodate foreign direct investment.

Many U.S. food manufacturing companies, such as Campbell Soup, General Mills, Ralston Purina, and PepsiCo, have invested in Mexico for decades, while others, such as Tyson Foods and Sara Lee, are more recent entries into the Mexican market (table 20). A special arrangement between the United States and Mexico is the maquiladora system, which is more prevalent in Mexico's clothing industry than in the food industry. Under the maquiladora system, Mexico imports inputs to produce value-added products that are, in turn, exported to the United States with special tariff benefits.

U.S. investment in Mexico's food industry can be found in nearly all sectors, but mostly in candies, soft drinks, livestock feed, frozen fruits and vegetables, vegetable oils, and seafood processing. In 1995, Mexican affiliates of U.S. food processing companies had sales of \$5.6 billion, and paid \$807 million in salaries in Mexico.

Mexico's Investment in the U.S. Processed Food Industry

Mexico's investment in the U.S. food industry is very small and regional, totaling \$79 million in 1994. Gruma and Bimbo, two of Mexico's largest food processing companies, have invested in U.S. corn processing and tortilla facilities since 1994. In 1995, U.S. affiliates of Mexican companies had sales of \$594 million and employed about 5,200 persons with compensation of \$130 million.

Table 19—U.S. direct investment in Mexico: Benchmark statistics

Statistic	Unit	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
U.S. FDI	Mil. dollars	421	456	321	210	278	618	1,119	1,382	1,371	2,349	2,805	2,943	3,977
Sales	Mil. dollars	1,847	1,196	1,674	1,596	1,207	2,754	3,218	4,269	5,100	6,033	6,029	5,596	NA
Employment	1,000	48.7	46.9	50.5	48.5	46.4	53.8	44.3	57.3	79.4	96.6	84.1	84.8	NA
Employee comp.	Mil. dollars	177	197	174	167	215	311	338	500	587	999	846	807	NA

Source: Economic Research Service compiled from U.S. Department of Commerce, Bureau of Economic Analysis data.

Note: U.S. FDI is defined here as the end-of-year stock. NA = Not available.

Table 20—U.S. affiliates in Mexico's food processing industry

U.S. company	Address	Economic activity	U.S. affiliate or joint venture (% share)	Address
Amex Casing Company	San Antonio, TX	Tripe processing and sausage casing	Amex Casing SA de CV	Coahuila
American Home Products Corp.	New York, NY	Food products	Home Products de Mexico SA de CV	Mexico City
Andrew and Williamson Sales Co.	Bakersfield, CA	Importer of tomatoes and strawberries	Andrew and Williamson	NA
Anheuser-Busch	St. Louis, MO	Breweries	Grupo Modelo SA de CV, Diblo (a subsidiary)	Mexico City
Arbor Acres Farm, Inc.	Glastonbury, CT	Poultry breeding stock	Arbor Acres de Mexico SA de CV	Queretaro
Arbor Confections	Brownsville, TX	Candies	Dulces Arbor SA de CV	Chihuahua
Arby's	Atlanta, GA	Fast foods	Arby's	Mexico City
Archer Daniels Midland	Decatur, IL	Flour mill, wet corn milling, and soybean products	Grupo Maseca SA de CV, Gruma (22%), ALMEX (joint venture)	Mexico City, Torreon, Guadalajara
Asgrow Seed Company	Kalamazoo, MI	Vegetable seeds	Asgrow Mexicana SA	Brownsville, TX, Matamoros
Basic American Food	San Francisco, CA	Dehydrated vegetables	Productos Vegetales de Mexico	Tamaulipas
Borden's	New York, NY	Ice cream	Borden's	Mexico City
Calavo	Santa Paula, CA	Avocados and avocado products	Calavo	Mexicali
California Agribusiness	San Diego, CA	Almond sorting and packing	Industrializadora del Cid	Tijuana
Campbell Soup Company	Camden, NJ	Food products	Campbell's de Mexico, Sinaloa Pasta	Guanajuato Mexico City Bajío
Canada Dry International Co.	Atlanta, GA	Soft drinks	Extractos y Derivativos SA de CV	Mexico City
Cargill	Minneapolis, MN	Food products and livestock feeds	Carmex SA, Alimentos Colonial SA, Cargill de Mexico SA de CV, Hidrogenadora Nacional de Aceites del Bajío	Mexico City, Cuauhtemoc, Saltillo, Juarez, Tula, Atitalaquia
Carl's	Los Angeles, CA	Fast foods	Carl's Jr.	Mexico City
Chili's	Dallas, TX	Restaurant chain	Chili's	Mexico City
Coca Cola Company	Atlanta, GA	Bottling soft drinks	Embotelladora Peninsular Grupo Continental SA Fomento Economico Mexicano (FEMSA)	Yucatan Mexico City
ConAgra	Des Moines, IA	Pork and poultry processing	Universa SA de CV (Grupo Desc)	NA
CPC International	Englewood Cliffs, NJ	Corn refining and food products	Productos de Maiz SA, Arancia	Mexico City, San Juan del Rio, Guadalajara, Aguascalientes, Aguidá, Lerna, Tlaxiálpantla
Del Monte	San Francisco, CA	Pasta	Alimentos Mexicanos Selectos	NA
DNA Plant Technology Corp.	Oakland, CA	Plant technology (joint venture)	Empresas La Moderna SA de CV	Monterrey
Farron Trading Company	Eagle Pass, TX	Sausage casings del Norte SA de CV	Empaques Naturales	Coahuila
General Foods	White Plains, NY	Frozen vegetables	Birdseye de Mexico SA de CV (maquiladora)	Tamaulipas
Germain Seed	NA	Seeds	ABT of Mexico	NA
G.M. Trading Company	San Antonio, TX	Animal hide processing	Procesos G.M. de Mexico SA de CV	Coahuila

Continued—

Table 20—U.S. affiliates in Mexico's food processing industry—cont'd

U.S. company	Address	Economic activity	U.S. affiliate or joint venture (% share)	Address
Hector Garcia	Calixico, CA	Fruit and juice concentrates	Frutindustrias Mexicali SA de CV	Mexicali, Galvin
Hershey Foods	Hershey, PA	Chocolate products	Hershey SA de CV, Nacionales de Dulces	Guadalajara
Hicks, Muse, Tate, & Furst	Dallas, TX	Investments	Productos Del Monte	Mexico City
H.J. Heinz	Pittsburg, PA	Food products	HoldMex	Mexico City
Hormel Foods	Austin, MN	Food products	Hormel Alimentos SA de CV	Mexico City
Hunt-Wesson	Fullerton, CA	Tomato products	Productos Industrializados del Fuerte	Los Mochis, Sinaloa
I Can't Believe It's Yogurt	Dallas, TX	Fast foods	I Can't Believe It's Yogurt	Mexico City
Imexco Enterprises	Calixico, CA	Flour mills	Molinera del Valles	Mexicali
International Minerals and Chemical Company	Northbrook, IL	Flavorings	Frier and Frier Int'l de Mexico, SA de CV	Mexico City
Itek Corporation	Hidalgo, TX	Fruit concentrate and frozen fruit	Frutico SA de CV	Tamaulipas
International Multifoods Corp.	Minneapolis, MN	Production and sale of animal feeds, seeds, and poultry products	Mexicana de Inversiones Femac, SA de CV, La Hacienda S.A. de C.V.	Mexico City, Texcoco, Guadalajara, Apizaco, Tlaxacala Celaya, Monterrey
Jack in the Box	San Diego, CA	Fast foods	Jack in the Box	Tijuana
Kellogg Company	Battle Creek, MI	Cereal products	Kellogg de Mexico SA de CV	Queretaro
Kentucky Fried Chicken	Louisville, KY	Fast foods	Kentucky Fried Chicken	Mexico City
Kraft Foods	New York, NY	Frozen foods and dairy products	Kraft SA de CV, Productos de Alimentacion de Salud de Mexico SA de CV	Mexico City
Lopez Brothers La Bodega	San Ysidro, CA	Vegetable oils	B.I. Gonzales	San Luis Potosi
L.T. Endo	San Francisco, CA	Frozen chicken meat and cube steaks	Kanshoku de Mexico SA de CV	Nuevo Leon
Lyntec	Brownsville, TX	Agricultural products	Lyntec de Mexico SA de CV	Sinaloa, Nayarit, Zacatecas
Martek Enterprises	Brownsville, TX	Seafood processing	Perecederos y Congelados SA de CV	Tamaulipas
McCormick & Company/Schilling Division	Hunt Valley, MD	Seasonings and flavorings	McCormick de Mexico SA de CV, Grupo Herdez, joint venture, Festin Foods, Grupo Pesa	Mexico City
McDonald's	Oak Brook, IL	Fast foods	McDonald's	Mexico City, Guadalajara
Meyer Tomatoes	King City, CA	Shipper, fresh tomatoes	Meyer Tomatoes	Culiacan, Los Mochis
Munoz, Inc.	Rome, TX	Bakery products	Indabil SA de CV	Tamaulipas
Orville Kent Food	Wheeling, IL	Frozen fruit cocktail	Orval Kent de Linares SA de CV	Nuevo Leon
Patterson Foods	Patterson, CA	Frozen foods	Estrella	Zamora, Jalisco
Peavey Co./ConAgra Trading Companies	Minneapolis, MN	Flour, feeds, and seeds	ConAgra Trading Co.	Mexico City
PepsiCo, Inc., Frito-Lay	Purchase, NY; Dallas, TX	Beverages and food products	Pepsi- Cola Mexicana SA, Temati SA de CV, Sonrics, Gamesa (80%, 1995), Marcas Alimentaciones Internacionales SA de CV, Gemex (25%)	Mexico City, Tijuana

Continued—

Table 20—U.S. affiliates in Mexico's food processing industry—cont'd

U.S. company	Address	Economic activity	U.S. affiliate or joint venture (% share)	Address
Perfect Crab	Brownsville, TX	Crab processing	Perfect Crab Compañía de Mexico SA	Tamaulipas
Pet, Incorporated	St. Louis, MO	Specialty foods	Almacenes Refrigerantes SA de CV	Santa Clara
Philip Morris	New York, NY	Cigarettes	Cigata (30%)	Mexico City
Pilgrim Foods	Hingham, ME	Frozen orange juice	Oranjugos SA de CV	Nuevo Leon
Pilgrim's Pride Corporation	Arlington, TX	Poultry processing	Union de Queretaro	Queretaro
Pioneer Hi-Bred International	Des Moines, IA	Farm products and corn seed	Hibridos Pioneer de Mexico SA de CV	Guadalajara, Jalisco
Proctor & Gamble	Cincinnati, OH	Food products	Proctor & Gamble	Mexico City
Price Cosco	San Diego, CA	Discount stores	Price Venture Mexico	Mexico City
Quaker Oats Company	Chicago, IL	Food products and pet products	Fabrica de Chocolates, Mesaheria, Carlos V, Larin	Mexico City
Ralston Purina Company	St. Louis, MO	Poultry and livestock feeds	Purina SA de CV	Tijuana
RJR Nabisco	East Hanover, NJ	Food products	Grupo Gamesa SA (30%), Marcas Alimenticias Internacionales SA de CV, Nabisco Famoso SA, Lance Marcas Alimenticias Internacionales SA de CV	Mexico City, Guadalajara, Matahuala, Reynosa
San Diego Seafoods	Brownsville, TX	Shrimp processing	Heriberto Jara	Mexico City
Sara Lee	Deerfield, IL	Food processing and clothing	Grupo Industrial Bimbo (joint venture)	Tamaulipas
Sea King	Brownsville, TX	Shrimp processing	Congeladora y Enpacadora Peninsular	Mexico City
Seven-Up International	New York, NY	Soft drinks	Seven-Up Mexicana SA	Irapuato, Celaya Morelia, Michoacan
Simplot	Santa Maria, CA	Frozen foods and guacamole	Marbran, Congeladora y Empacadora Nacional, S.A.	Mexico City
Sirloin Stockade	Albuquerque, NM	Restaurant chain	Sirloin Stockade	Sonora
Sonora Produce Corporation	Nogales, AZ	Fruit juices	Jugo Fresco y National Fruit Juice Extracting	Sinaloa
Stokeley Company	Oconomowoc, WI	Food processing	Stokeley Mexicana SA de CV	Sinaloa
Subway	Milford, CT	Fast foods	Subway	Mexico City
Sun World	Coachella, CA	Vegetable packing	Agrícola BAS SA de CV (joint venture)	Culiacan, Sinaloa
Superior Jojoba Oil	Tucson, AZ	Jojoba, almond, and other nut oils	Productos Arizona International	Sonora
Tanimura & Antle	Yuma, AZ	Vegetable packing	Tecnica Exportadora del Valle	Sonora
Tastee Freeze, Inc. (De Novo Corporation)	Utica, NY	Fast food	Tastee Freeze	Mexico City
T.G.I. Friday's	Addison, TX	Restaurant chain	T.G.I. Friday's	Mexico City
Tootsie Roll Industries	Chicago, IL	Candies	Tutsi SA de CV	Mexico City
Trans-Agra Holiday Corp.	Calixico, CA	Fruit processing	Procesadora Internacional de Frutas, SA	Chihuahua
Tyson Foods	Springdale, AR	Chicken products	Procesadora Industrial Citra SA de CV, Trasgo SA de CV	Durango, Jalisco, Tlaxcala

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Table 20—U.S. affiliates in Mexico's food processing industry—cont'd

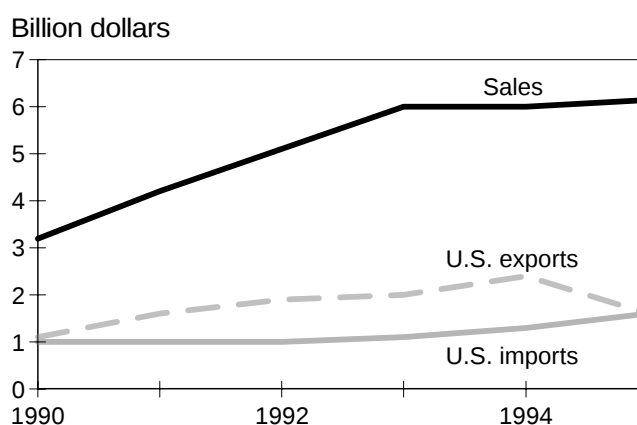
U.S. company	Address	Economic activity	U.S. affiliate or joint venture (% share)	Address
Universal Foods	Milwaukee, WI	Food flavoring and coloring	Universal Flavors/ Ambesco de Mexico, Spectrum Sa	Monterrey
United Catalysts, Inc.	Louisville, KY	Catalysts for food industry	Quimica Somex SA de CV	Mexico City
Usher Candy	San Antonio, TX	Candies	Usher Candies	Tamaulipas
Valley Foreign Trading	McAllen, TX	Vegetable processing	Congelados Don Jose	Tamaulipas
Wal-Mart	Bentonville, AR	General merchandise	Wal-Mart	Mexico City

Sources: Economic Research Service compiled from Bolling, *Journal of Commerce*, *Wall Street Journal*, *Feedstuffs*, and material from Handy.

U.S. Trade in Comparison to Sales from U.S. Affiliates in Mexico

Sales from affiliates of U.S. companies in Mexico are 2.5 times the level of U.S. processed food exports in Mexico. U.S. investment in Mexico is nearly across the whole food processing industry. The largest U.S. exports are in meat packing, poultry slaughter, animal fats, soybean oil, wet corn milling, and dry and condensed milk, mostly as semifinished products (table 21, fig. 14). Affiliate sales grew rapidly from 1989 to 1993, but leveled off in 1994. Preliminary indications are that sales declined in 1995, but not as steeply as U.S. exports. Exports (and probably sales) rebounded in 1996. U.S. processed food imports from Mexico are mostly seafood, beer, and processed fruits and vegetables (table 22). Some seafood originates from affiliates of U.S. companies.

Figure 14
Sales of U.S.-owned affiliates in Mexico vs. U.S. trade in food products



Source: Economic Research Service compiled from USDA, Economic Research Service Processed Foods Trade Data Set and U.S. Department of Commerce, Bureau of Economic Analysis data.

Table 21—U.S. exports of processed foods to Mexico, ranked by 1993-95 average value

SIC code	SIC industry description	1990	1991	1992	1993	1994	1995	1993-95 average
<i>Million dollars</i>								
2011	Meat packing	333	555	578	446	609	305	454
2015	Poultry slaughtering	59	119	174	211	236	172	206
2077	Animal and marine fats	80	92	101	113	121	134	123
2075	Soybean oil	73	104	137	87	134	138	120
2046	Wet corn milling	49	61	76	93	117	101	104
2023	Dry and condensed milk	21	62	75	152	77	77	102
2076	Vegetable oils, other	17	13	37	57	67	140	88
2099	Miscellaneous food preparations	30	38	45	57	76	50	61
2048	Prepared feeds	17	30	53	55	74	43	57
2086	Bottled and canned soft drinks	6	19	43	62	91	18	57
2066	Chocolate and cocoa	37	51	58	50	56	42	49
2026	Fluid milk	21	31	40	49	54	21	41
2043	Cereal breakfast foods	14	12	39	40	54	27	40
2044	Rice milling	38	18	32	36	40	30	35
2033	Canned fruits and vegetables	19	21	37	35	48	21	35
2087	Flavoring extracts	19	14	17	24	37	32	31
2013	Sausage and prepared meats	31	34	34	30	32	21	28
2034	Dried fruits and vegetables	17	16	22	24	38	21	28
2041	Flour and grain milling products	19	21	41	28	28	20	25
2082	Malt beverages	9	11	13	20	29	23	24
2035	Pickled fruits and vegetables	9	14	19	18	31	20	23
2092	Prepared and frozen seafood	8	12	16	23	30	15	22
2022	Natural and processed cheese	4	8	15	20	27	13	20
2079	Shortening and table oils	8	14	19	20	20	15	18
2051	Bread and other bakery products	3	7	15	18	28	8	18
2037	Frozen fruits and vegetables	5	7	12	15	21	14	17
2062	Cane sugar refining	97	93	33	12	12	23	16
2064	Candy and other confectionery	16	15	19	20	20	6	15
2068	Salted and roasted nuts	5	5	9	12	20	10	14
2074	Cottonseed oil	3	8	12	16	14	8	13

Source: USDA/ERS Processed Foods Trade Data Set.

Table 22—U.S. imports of processed foods from Mexico, ranked by 1993-95 average value

SIC code	SIC industry description	1990	1991	1992	1993	1994	1995	1993-95 average
<i>Million dollars</i>								
2092	Prepared fresh or frozen fish	243	246	202	262	317	428	336
2082	Malt beverages	153	130	148	163	188	238	196
2037	Frozen fruits, juices, and vegetables	191	167	161	160	186	202	183
2085	Distilled and blended spirits	63	67	83	92	97	103	97
2033	Canned fruits and vegetables	90	76	63	81	90	95	88
2035	Pickled fruits and vegetables	43	51	57	53	58	63	58
2068	Salted and roasted nuts	15	26	28	45	22	33	33
2086	Bottled and canned soft drinks	22	24	23	26	33	40	33
2099	Miscellaneous foods	22	30	36	30	30	35	32
2064	Candy and confectionery	8	12	16	21	37	37	32
2051	Bread and other bakery products	6	11	16	19	31	40	30
2066	Chocolate and cocoa products	23	12	22	25	15	33	24
2034	Dried fruits and vegetables	14	13	20	25	23	24	24
2091	Canned and cured fish	36	45	48	29	15	19	21
2052	Cookies and crackers	7	10	13	15	22	21	19
2067	Chewing gum	3	4	5	10	18	29	19
2096	Potato chips and other snack foods	11	14	18	16	18	17	17
2095	Roasted coffee	8	8	7	7	13	23	14
2062	Cane sugar refining	7	19	8	5	12	23	13
2013	Sausage and other prepared meats	12	16	13	12	14	10	12
2011	Meat packing	16	7	9	8	10	17	11
2076	Other vegetable oils	7	15	15	11	8	14	11
2084	Wines and brandy	7	6	7	9	9	10	9
2098	Macaroni and spaghetti	4	4	5	5	7	8	7
2043	Cereal breakfast foods	2	3	4	5	4	10	6
2023	Canned fruits and vegetables	3	1	3	1	3	11	5
2046	Wet corn milling	1	2	2	3	4	4	4
2077	Animal and marine fats and oils	1	1	1	2	2	5	3
2075	Soybean oil	1	1	1	1	2	3	2

Source: USDA/ERS Processed Foods Trade Data Set.

Rules Pertaining to Foreign Direct Investment in Mexico

Main measures

Foreign ownership: Ranging from 10 percent (in producer cooperatives) to 100 percent for food processing, textiles, leather, hotels, and restaurants.

Priority sectors: Export-oriented industries and small and medium-sized businesses. There are also restricted sectors outside of food and agriculture.

Performance requirements are not used for small and medium-sized businesses, foreign-funded businesses, companies that are able to balance foreign inflows and outflows in 3 years, and new investment that creates jobs and uses adequate technology.

Others

Licensing. Approval from the Mexican Foreign Investment Commission (CNIE) is required for all foreign investment in restricted sectors. In most unrestricted sectors, approval is automatic upon registration in the National Registry of Foreign Investment, subject to meeting conditions involving small and medium-sized business and foreign-funded projects.

Taxation. There are national taxes, but no exchange controls.

Recent changes

May 1989. A new law was enacted to promote foreign investment. A major amendment to the 1973 law was passed where 100 percent ownership is allowed in unrestricted sectors. Prior approval by CNIE is not required in most sectors. Foreigners are allowed to enter the stock market.

December 1993. A new investment law was passed. Classification of investment was divided into five groups— foreign investment participation, activities reserved exclusively for the government, activities reserved exclusively for Mexicans (where foreign participation is between 10 and 49 percent), activities requiring approval for foreign participation over 49 percent, and gradually increasing foreign investment from NAFTA economies. Except for regulated cases and those falling into the five groups, unlimited foreign investments are allowed without authorization.

Source: Pacific Economic Cooperation Council, Survey of the Impediments to Trade and Investments in the APEC Region, 1995.