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Mexico's Central Market Thrives in the Modern World

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Report Highlights:

Mexico City's Central Wholesale Market (CA) handles over 50 percent of all food products sold in Mexico reaching more than 700,000 traditional outdoor markets, mom-pop stores and street vendors. As a point of entry into Mexico, the CA offers unique opportunities for U.S. products particularly for fresh fruits and vegetables. This wholesale market is the largest in the world and is the gateway to reaching Mexico City's 20 million residents.

General Information:

Mexico City's Central Wholesale Market

Introduction

Spread over an area of 304 hectares, Mexico City's Central Wholesale Market, known locally as *Central de Abastos*, deals in just about everything from fruit and vegetables, flowers, birds and meat, fish and seafood to dairy products, groceries, sweets, seeds, cereals, – and countless more! In all, it generates more than 10 billion dollars annually and supplies the daily needs of 25 million people. It is the country's largest business center, second only to the Mexican Stock Market, and is the largest wholesale market of its kind in the world.

As one of 60 central markets located nationwide, Mexico City's Central Wholesale Market (CA) is the backbone to the traditional market segment in Mexico. While modern retailers are well entrenched locally, the traditional central market segment still handles over 50 percent of all food products sold in Mexico. There are over 700,000 traditional retailers in Mexico which are defined as open-air markets, "tianguis" and mom/ pop stores, street vendors and are serviced directly or indirectly by the Mexico City CA.

As a point of entry into Mexico, the CA offers unique opportunities for U.S products. Smaller traditional markets throughout the country can be reached through the network of distributors, buyers and sellers servicing the traditional segment of Mexican retail making up more than 50% of all food sales in the country. With its intricate system of packers, distributors, wholesalers and more, commerce through the Central de Abastos in Mexico City can be a viable way to bring U.S. agricultural products into Mexico.

In this modern age of technology and international business, the Mexico City CA finds its niche as an immense wholesale distribution center of food and related products 1982 as a leading edge commercial market. It strives to keep abreast of demands of Mexico and its consumers nationwide.

Its history is firmly entrenched in pre-Hispanic markets which are still very relevant in the Mexican culture today, commonly known as "tianguis." As demand grew for larger business centers, other markets such as La Merced (original CA) grew in size bringing with its growth many logistical problems. By 1957 La Merced was divided in two, adding the Jamaica market as an annex and both boasting modern buildings to overcome the problems of the past. These markets continue to be well entrenched in Mexico City and continue to assist the CA in reaching its widespread distribution.

Iztapalapa, the modern day location of the CA in the outskirts of Mexico City, is also a pre-Hispanic town founded in 1430 by the Aztecs and visited by Hernan Cortez en-route to Mexico City. As such, it came as no surprise that this central location was chosen as the new site for the modern day CA, designating 324 hectares for its modern day functions.

Today the CA has a clearly defined function of bringing together large quantities of goods, satisfying businesses, retailers and consumers nationwide. Based on its past history and its well entrenched presence within the Mexican society, the traditional market segment remains a very important part of the retail environment locally.

The Mexico City Central Wholesale Market as an Organization

The CA was established in 1981 by the city, granting use of current property for a period of 99 years. This market is the largest wholesale complex in the world belonging to the Association of Wholesale World Markets with yearly transactions and sales of more than \$10 billion dollars, making this institution second in size only to the Mexican Stock Market.

The CA operates 24/7, 365 days per year giving priority to perishable product types with all products and customers have specific scheduled timings to insure all have a succinct moment for business within this complex business community. More than 300,000 visitors enter the market daily, making the scheduled business programs indispensable in guaranteeing proper running of the market.

The Mexico City CA is held as a trust by the City and acts as a fiduciary institution under Banco Santander Mexicano S.A. The governing body of the CA is comprised of members of the public and private business sectors as well as from the local and federal governments. The administrative team constantly monitors changes in market operations adapting to meet the dynamic business environment of modern business practices. The team sets regulatory practices to insure safety within the market as well as to manage the entity's budgets. All merchants operating within the market pay a monthly service fee or are charged a per diem fee to cover all operational costs.

Importantly, the CA provides many social related functions to the internal community working through the market, which is why space and support has been given to organizations such as the Family Development office (DIF), The Center for Support to the Minor Worker (CAMT) and to the National Institute for Adult Education (INEA).

In addition, the governing body of the CA plays a key role in organizing and disbursing food assistance for emergencies such as those created by natural disasters. Non-profit organizations work closely with CA merchants to channel donations through groups such as "Solo Por Ayudar" and "Alimentos Para Todos" for reaching communities in need.

The credit system at the CA is a major component in the organization's success offering commercial giants as well as small distributors the opportunity for credit. This system is organized as a pyramid, having larger players extend credit terms to smaller players who have demonstrated good business practices and thus offering purchasing power to smaller businesses which would otherwise not be able to fund purchases.

Distribution

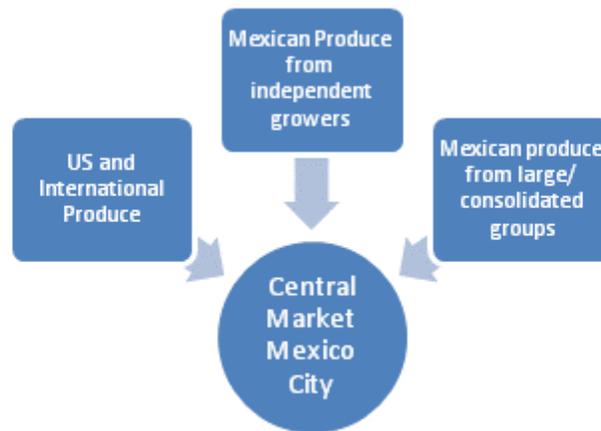
Many times products come in to the CA in bulk, shipped out for packing and processing and then sold through the distribution channels offered at the CA. More than 59,000 vehicles arrive daily with at least 30% being cargo trucks and 18-wheel trailers insuring vast distribution nationwide.

Much of the business done at the Mexico City CA is broker to broker. For example, one large broker buys quantities to capitalize on economies of scale passing on the savings to smaller brokers or packers targeting smaller niches.

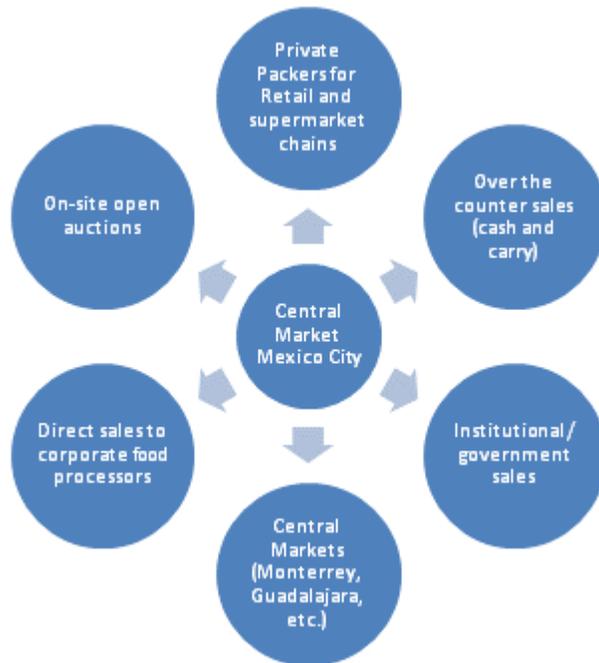
The most sophisticated distribution networks operate in this market, including the latest technologies in cold storage, dry storage and product handling.

Automated systems are in place to keep the most professional, up-to-date records, insuring a world class market for local as well as international buyers.

The Central Market in Mexico City serves as a collection point for agricultural products from all over the country and abroad:



The products are then sold and distributed to other key central markets throughout Mexico to be sent on to various destinations in the industry as well as smaller wet markets in towns all over the country.



Key Players

While there are very large businesses operating in the Central de Abastos in Mexico City, key players can be grouped by their roles in the distribution systems operating within the market:

- Key retailers such as Wal-Mart and Comercial Mexicana have representatives at the CA to supply their club stores directly as well as their supermarket chains nationwide.
- Wholesalers for other central markets in the country have offices representing their cities and thus insuring the supply chain is maintained for their local markets.
- Multi-national food giants and food industry leaders maintain buying offices at the CA in Mexico City to oversee shipments of their products that have been bought and sold outside of the actual market. But, due to economies-of-scale many of these sales exchange hands in nearby warehouses built for this purpose alone.
- Large Mexican buyers and distributors have offices in the U.S. as well as in other producing regions of Mexico in order to best service their clients' needs. In this instance, many of the actual transactions occur from the CA but products may come through this venue on paper only with actual merchandise being delivered directly from producer to client within Mexico and abroad.

Products

Today, approximately 50% of all food products in Mexico continue to go through the CA. As Mexico's premiere food distribution mechanism, all food products are represented here.

International produce from over 20 countries find a consolidated market within the CA from which to

launch their domestic sales into the Mexican territory when not sold directly to end users, insuring wide domestic distribution through one central location.

Domestic produce accounts for the majority of products sold at the CA, bringing domestic buyers from around the country, insuring nationwide distribution.

Product Classification

A key function of the CA is product classification of agricultural products coming into the market. As most medium and small producers in Mexico do not have established selection processes nor are there industry classification standards for many products types, this function is done by packers servicing the CA and its customers.

Grading of products occurs once the bulk sales are made and the end buyers select or have their packers select certain quality goods for the different customer segments being serviced. This is common practice among national retail chains, the corporate food processor industry as well as most customers making purchases at this venue. Additionally, a trend has become standard practice in moving away from products sold in bulk, to small-sized packages being sold in large volumes.

In the agricultural sector, the activities of this supply center have enabled the transformation of a segmented production, often lacking in quality standards into a homogenous unity, satisfying clients' needs.

Wholesalers working at the CA have taken on the role of product classification and distribution sending on products to packers and other distributors, depending on quality and volumes needed throughout Mexico. Product classification, selection, storage and transportation are done in strict adherence to current Mexican phytosanitary norms in place. Many standards are based on long-standing codes of practice generally accepted by the industry.

Additionally, certain industry leaders have made their mark at the CA by demanding certain products with clear guidelines, thus insuring their quality needs are met.

Types of Products Sold at CA

The types of products sold at the CA in Mexico City as well as most central markets in the country revolve around agricultural and some processed foods. Also there are many products and services offered to facilitate commercial transactions in these sectors.

Products and services are divided into 8 categories (sectors) as follow:

<u>Products</u>	<u>Productos (Mexican Categories)</u>
Fruits/ Legumes	Frutas/ Legumbres
Overnight Facilities	Zona de Pernocta
Grocery Products/ Food Provisions and Supplies	Abarrotes/ Viveres
Vegetables / Fresh Flowers	Hortalizas / Flores

Poultry/ Meats
Auctions/ Producers
Empty Containers
In transit Warehouses

Aves/ Carnicos
Subasta/ Productores
Envaces Vacios
Bodegas de Transferencia

By far the largest segment within the CA is the fruits and legumes sector comprised of 900+ warehouses housed within 8 industrial sites. These have individual names and are given an alpha-numerical listing for easy address identification within the market (i.e. “El Parian” Nave K-L through Z).

Overnight facilities occupy 51 hectares offering secure temporary parking for up to 1000 cargo trucks, functioning as a holding area as trucks and trailers wait for loading and unloading times of products.

With over 340 warehouses housed within 4 industrial sites, the grocery product and food provisions sector sits on over 20 hectares of the market, making it the third largest area in the market. These are named individually with similar addresses going from Nave A-B through H. Here you can find an extensive variety of spices, dried chilies and other dried food stuff such as candy, ingredients, processed foods, dairy and sugar among others. Seventy percent of all dried chili production is sold through the CA, second only to Chinese production.

Finally, the vegetable and flower sector is one of the busiest segments of the market. Housed in numerous warehouses and open areas, this sector covers 16 hectares and sells up to 30% of all vegetables produced in Mexico. Also, Mexico is the second largest flower producer in Latin America, selling over 50% of production within the CA in Mexico City. As an example, more than 25 thousand tons of flowers are sold, along with the thousands of tons of vegetables coming through on a monthly basis.

Retailers at the CA

Retail chains have buyers established permanently at the CA, coordinating purchases, buying from packers who can cater to the chain’s specific needs and consolidating shipments to their distribution centers and outlets nationwide.

As many retailers found repacking their bulk purchases too expensive, they are purchasing more and more from third-party packers who can offer better pricing, more flexibility and well targeted distribution to service the retailers’ needs. Retailers have returned to the CA given the flexibility and good service they are able to find there.

But, many wholesalers selling to retailers at the market are weary of entering bidding wars spurred by competitive retail bidding, eroding product margins. Many have exited the packing business as they had to incur additional expenses in packing per retailer specifications and having to sell at low prices.

As a whole, central market wholesalers (“mayoristas”) do not perceive the established retail chains as direct competition considering that they each serve unique markets. The central market focuses on bulk sales while the retail chains focus on individual and small product sizes; each targeting their specific niches in the market. However, mid-size wholesalers (“medio-mayoristas”) do perceive club stores such as Sam’s and Costco as direct competition given that they service the same type of clients.

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Solo Por Ayudar (Food Bank): www.soloporayudar.org

Alimento Para Todos (Food Bank): www.alimentoparatodos.org.mx

WUWM- World Union of Wholesale Markets: www.wuwm.org