

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/28/2010

GAIN Report Number: MX0321

Mexico

Retail Foods

Mexico Retail Sector Report 2010 - Updated

Approved By:

Erik W. Hansen

Prepared By:

Fabiola McClellan

Report Highlights:

The retail sector has undergone a transformation over the past 15 years, beginning with Wal-Mart entering the market in association with Aurrera (Grupo Cifra) in 1997. Through its entrance into the Mexican supermarket sector, Wal-Mart has redefined the local retail industry, forcing major changes and creating a more modern, dynamic retail segment. High-quality transportation methods are available in Mexico from the U.S. border, throughout the country, and all the way to the Guatemalan border and beyond. While there is still a need to improve the handling of refrigerated and frozen products, more sophisticated practices in cold chain distribution are ensuring that American perishables reach their destinations with little loss along the way. Mexico's expanding retail sector is opening new opportunities for U.S. products in the local market.

Post:

Mexico ATO

Executive Summary:

2009 was a historically poor year for the Mexican economy. The Mexican retail sector also suffered and experienced dips in sales, income and spending. For 2010, Mexico's GDP is projected to grow by 5.1% helping the economy recover. This increase reflects consumer confidence and spending will surpass not only 2009 levels, but also the historically high levels recorded in 2008. Additionally, foreign direct investment for 2010 will surpass that of 2008, bringing in much needed capital into Mexico. In 2010, Mexican imports increased by 13% and exports by 36%, as reported by the American Chamber of Commerce (AMCHAM) in Mexico². Inflation is expected to close at 4.32%, while the exchange rate has decreased to an average 12.27 pesos per dollar in 2010, from 13.07 pesos per dollar in 2009, and 13.83 pesos per dollar in 2008. Remittances are also on the rise, contributing up to 4% of Mexico's GDP. Overall, this upswing in the economy is being reflected in Mexico's expanding retail sector which is opening new opportunities for U.S. products in the local market.

Author Defined:**Section I. Market Summary**

The retail sector has undergone a transformation over the past 15 years, beginning with Wal-Mart entering the market in association with Aurrera (Grupo Cifra) in 1997. Through its entrance into the Mexican supermarket sector, Wal-Mart has redefined the local retail industry, forcing major changes and creating a more modern, dynamic retail segment. Other international retailers such as HEB and Carrefour have entered the market with varying degrees of success. While HEB continues to grow across northern Mexico, Carrefour has been taken over by Chedraui, a regional Mexican retailer that is expanding nationwide. Local retailers were forced to modernize their businesses, adopting the latest technology and distribution methods. As a result, the Mexican retail segment has become more competitive, offering consumers better quality at significantly lower prices with wider distribution nationwide. Products that were once available only seasonally or in specialty stores in large cities are now available year round throughout the country.

Today, retail practices of all major players in the Mexican retail market are current, mirroring successful U.S. business practices and adapting to meet the needs of the local market. This modern, extremely competitive arena has local retailers such as Soriana and Chedraui in Mexico competing effectively with Wal-Mart and other foreign companies in every segment of the retail market.

Mexico's retail sector is bouncing back from the all-time low recorded in 2009. For 2010, retail sales are expected to close with an increase of 8.7% over last year, closing at 913 billion pesos or \$74.4 billion USD, primarily attributed to new store openings. Retail outlets directed at the lower economic segment of the population are driving growth through new floor space, reaching deeper into neighborhoods where no supermarket presence previously existed. This supermarket sector is projected to grow 8.1% by year end. The retail segment with the overall highest growth for 2010 was "specialty" stores as defined by the Association of Nationwide Retailers (ANTAD), driven by the 8.8% growth rate in 2010 of convenience stores³.

Supermarkets are also implementing new formats such as Bodega Express by Wal-Mart. Bodega Express caters to lower-end consumer markets and is driving growth because of its success in reaching a large

segment of the population in Mexico that was previously ignored. Many of these customers are new to the segment and historically conducted most of their shopping in street markets or “*tianguis*.” These smaller, more efficient retail stores offer U.S. goods increased opportunity to expand into the Mexican market, reaching more consumers throughout the country. By comparison, high-end supermarkets such as Superama or City Market had very few or no new store openings in 2010.

High quality transportation methods are available in Mexico from the U.S. border, throughout the country, and all the way to the Guatemalan border and beyond. While there is still a need to improve the handling of refrigerated and frozen products, more sophisticated practices in cold chain distribution are ensuring that American perishables reach their destinations with little loss along the way. Unfortunately, retaliatory tariffs from Mexico resulting from the U.S.-Mexico cross border trucking dispute have affected trade of many U.S. agricultural products destined to Mexico. These tariffs are reflected by higher prices at the point of sale, where the added costs are passed on to consumers.

While the deteriorating security situation is an ongoing threat, transportation companies such as Celadon⁴ are teaming up with the growing number of security specialists to ensure that commerce is not affected. Celadon, with 150,000 border crossings per year, has taken measures to safeguard its presence in the NAFTA region. The company has installed surveillance cameras in all of its terminals and anti-theft tracking devices on trailers and tractors into Mexico. With these types of measures Celadon, as well as other transportation companies, ensures deliveries are met and can recuperate merchandise and equipment if problems arise. An increase in both new store investments and retail sales demonstrates that retailers are pushing to grow their businesses in Mexico despite current security threats.

Retail Outlets in Mexico

ANTAD reported over 19,000 stores nationwide as of August, 2010. These stores include supermarkets, department stores, and “specialized” stores grouping pharmacies, office supply stores, and convenience stores among others.

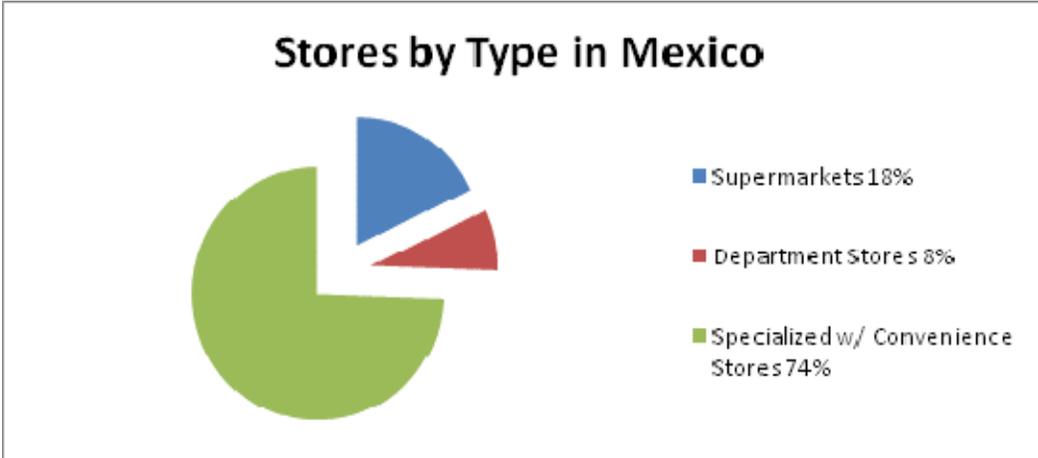
Figure 1

Retail Chains	Number of Stores	Meters ² (in thousands)	Direct Jobs
Total	19,044	18,719	642,000
Super Markets	3,398	11,012	326,000
Department Stores	1,473	4,048	180,000
Specialized Stores	14,177	3,659	136,000

Source: ANTAD

There are a total of 3,394 supermarket stores employing 326,000 employees nationwide, occupying 11 million square meters of floor space. This reflects a 3% growth in total retail floor-space, driven by Oxxo convenience stores with 14.5% new store openings, Wal-Mart with new Bodega stores increasing 12% and Soriana’s Bodega Express store growth of 8%.

Figure 2



Source: ANTAD

Figure 3



Source: ANTAD

Section II. Types of Stores:

A. Hypermarkets (“Hipermercados”)

Hypermarket stores offer a large variety of products, with multiple options within each product category. While hypermarket sales are driven by perishable and grocery products, these stores also include clothing, home products, and electronics, with up to 50% of sales attributed to general merchandise. These stores are considered supermarkets because of their high sales in groceries and perishables. They offer a large variety of higher priced items such as gourmet foods and specialty items, including on-site tortilla production. Their product offerings can go up to 50,000 SKU’s (Stock Keeping Unit- acronym used to denote the number of items offered in a store) with larger stores reaching 60,000 SKU’s. Hypermarket stores are typically located around urban areas with over 100,000 inhabitants. Hypermarkets in Mexico range in size from 5,000 to 11,000 square meters. Industry leaders in Mexico include Wal-Mart Supercenters, Mega Comercial Mexicana, Soriana Hipermercado (including Gigante superstores purchased in 2007), HEB, and Chedraui (which purchased Carrefour in 2005).

B. Supermarkets

Supermarkets are the most common type of stores in Mexico, offering a broad product mix with various SKU's per product and a wide selection of the highest volume items, satisfying consumers' basic, everyday needs. Supermarkets choose to keep some specialty products (organics, kosher, etc.) on the shelves even though their rotation is low to ensure broad product offerings. While these stores feature good quality groceries and perishable items as the principal offering, they may also sell general merchandise, clothing, and electronics in smaller quantities. Supermarkets target population areas of up to 100,000 inhabitants, both inner city and suburban and range in size from 2,500 to 4,000 square meters. Industry leaders in Mexico include Superama, Chedraui, Soriana, Bodega Aurrera (Wal-Mart), and Comercial Mexicana.

C. Express Supermarkets

Express supermarkets are a newer concept in the Mexican market. Their aim is to get closer to consumers by using smaller stores to satisfy everyday needs. Express type stores look to capture part of the ever-growing convenience store business, focusing just on groceries and perishable items. Express supermarkets in Mexico represent the highest growing segment within the supermarket sector of the economy. All major players within this sector focus on promoting stores that are in every neighborhood giving consumers a place to buy right within their community. These stores are the largest competitors to small mom-and-pop grocery stores called "*tiendas de abarrotes*," and are threatening their survival in the Mexican marketplace. They are rarely larger than 400 square meters though do exist in larger formats and offer a limited mix of basic products but with a broader range of products than those found in convenience stores. They are located in areas with a population of at least 10,000 people. These supermarkets target middle to low-income consumers and are in locations where larger supermarkets are not present. Express supermarkets in Mexico range in size from 400 to 1,000 square meters. Industry leaders in Mexico include Super Che, Bodega Express (Wal-Mart), Alprecio (Comercial Mexicana), and Soriana Express.

D. Club Stores ("*Club de Precio*")

The objective of club stores is to guarantee their members top quality products at discount prices. For a fee of about \$40 U.S. dollars per year, consumers have access to thousands of top quality products of both domestic and international origin. Up to 70% of sales are directed at small and medium size businesses, wholesalers, and institutions, maximizing coverage with a sales force targeting key accounts outside the actual stores. These stores are located in mature, well established locations that are made up of consumers with high purchasing power. They operate with very high volumes and low margins, offering mostly multi or large size packaging. They offer up to 7,000 SKU's ranging from perishables, groceries, general merchandise, and electronics. Club stores in Mexico range in size from 7,000 to 10,000 square meters. Leaders in Mexico include Costco (Comercial Mexicana), City Club (Soriana), and Sam's (Wal-Mart).

E. Wholesale Stores

These retailers cater to small business owners looking to buy products wholesale. Stores offer goods on-line or at a counter as part of a warehouse with merchandise such as groceries and perishable goods. Wholesale stores are regional at best, mostly servicing a few cities within one or two states and tend to operate less than 30 locations in each chain. Wholesale stores in Mexico have an average size of up to 4,000 square meters. A few examples of wholesale stores in Mexico include Zorro Supermercado Mayorista in Mexico City and surrounding areas, Super Willy's in SW Mexico, and Merza Pack.

F. SuperISSSTE

The SuperISSSTE stores are government-owned establishments created for public workers but are now open to the general public. Their mission is to offer basic consumer products and perishables at low cost. They

look to offer the best price possible making everyday items accessible to low-income families nationwide. Total floor space nationwide is over 200,000 square meters. Stores receive more that 98 million customers per year. The SuperISSSTE store sales are not reported in the general retail segment as their information is not tracked by Nielsen nor are they members of ANTAD.

During economic down turns, these types of stores usually takes in additional customers as consumers are looking to maximize value, stretching their budgets to cover basic needs. For 2010, SuperISSSTE is estimated to have a 16% increase in sales over previous year, with 2009 already showing a 13.3% increase in sales over 2008. No new store openings were reported this year.

Figure 4

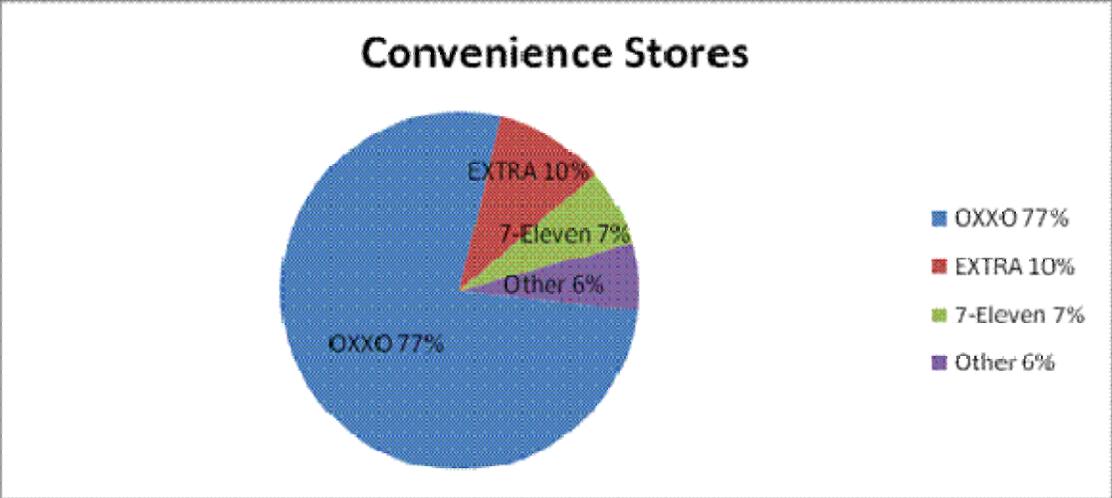


Store Locations: Nationwide, with various store formats
 Number of SuperISSSTE Stores in Mexico: 343

G. Convenience Stores

Convenience stores are growing in importance within the Mexican market. To date, there is an estimate of over 18,000 convenience stores nation-wide, a significantly higher number than is reported by ANTAD. This difference in market information is due to chains not reporting the latest numbers but can be tracked through suppliers to these stores. New store openings are projected to grow by 10% per year over the next five years with Oxxo leading this growth with over 900 new store openings last year alone.

Key players in this segment include Oxxo, owned by Grupo FEMSA, which Coca-Cola as partner, 7-Eleven, and Extra stores nationwide with Super City of Grupo Soriana and Del Rio as regional players. Today, Oxxo has almost 80% of the convenience store market and is present in over 350 cities and towns in Mexico.



Source: Infobasics S.A. de C.V and ANTAD.

H. Wholesale Markets and Mom-and-Pop Stores

Wholesale markets (“*Central de Abastos*”) and small mom-and-pop stores are considered the traditional retail segment in Mexico. The over 280 *Centrales de Abasto* in Mexico to date are the source from which wet markets, “*tianguis*,” mom-and-pop stores and street vendors purchase their food-related products. It is estimated that today over 50% of general retail food sales in Mexico are still generated from these traditional and informal retail segments.

With over 800,000 mom-and-pop stores and street vendors, this channel of distribution is still of significant importance throughout Mexico. During economic down turns, these stores fair very well giving consumers an opportunity to purchase small quantities or individual units of basic goods satisfying immediate needs without a large cash outlay. The average ticket price is 10 pesos (about US\$1) and customers are reported visiting these stores an average of 286 times per year. Minimum wage in Mexico today is 59 pesos or about US\$5 per day.

Mom-and-pop stores cater mostly to the least affluent segment of the population (socio economic groups D and E) making up about 28.5% of Mexican households and contributing approximately 27% of total retail sales. It is estimated that for every small supermarket store that opens in an area, at least 15 mom-and-pop stores are put out of business. This explains why many towns offer resistance to large retail supermarkets opening in their areas, as local commerce is put out of business.

I. Supermarket Chains

There are 36 supermarket chains reported by ANTAD in Mexico, some servicing specific regions while others have nationwide coverage. Some cater directly to consumers as do all national chains, while others focus on

wholesalers and small businesses, tending to operate regionally. The ANTAD geographic distribution description is as follows:

Figure 5

Country Location or Zone	Mexican States included:
Metropolitan	Mexico City and surrounding area
Center	Aguascalientes, Colima, Hidalgo, Guanajuato, Jalisco, Michoacán, Morelos, Puebla, Querétaro, San Luis Potosí and Tlaxcala
North	Coahuila, Chihuahua, Durango and Zacatecas
Northeast	Nuevo Leon and Tamaulipas
Northwest	Baja California Norte, Baja California Sur, Nayarit, Sinaloa y Sonora
Southeast	Campeche, Quintana Roo, Tabasco, Veracruz and Yucatán
Southwest	Guerrero, Chiapas and Oaxaca

Supermarket Geographic Locations

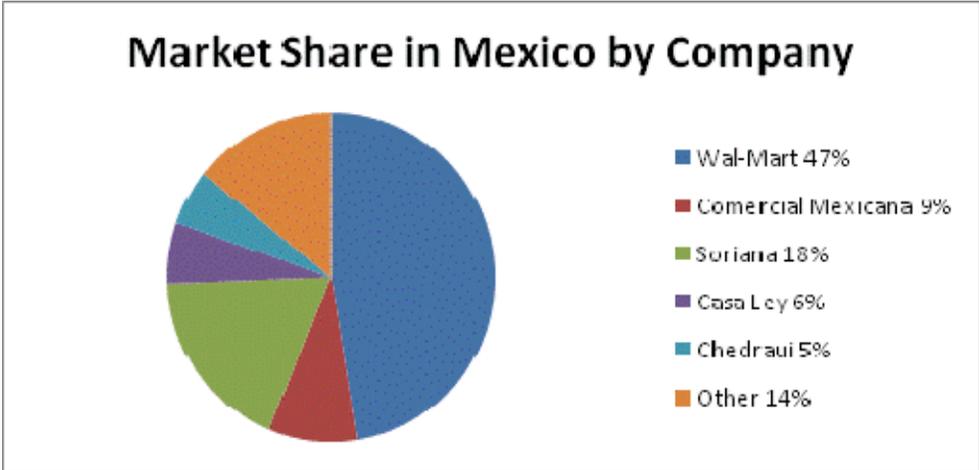
Information is based on first quarter data for 2010 and is estimated only for the top 23 retail members of ANTAD:

Figure 6

	Metropolitan	Center	North	Northeast	Northwest	Southeast	Southwest	Total
Wal-Mart	X	X	X	X	X	X	X	1250
Comercial Mexicana	X	X	X	X	X	X	X	231
Soriana	X	X	X	X	X	X	X	479
Casa Ley	-	X	X	-	X	-	-	158
Chedraui	X	X	-	X	-	X	X	143
Calimax	-	-	-	-	-	X	-	60
Alsuper	-	-	X	-	-	-	-	49
Merco	-	-	X	X	-	-	-	34
S-Mart	-	-	X	X	-	-	-	47
San Fscó de Asís	-	-	-	-	-	X	-	43
Arteli	-	X	-	X	-	X	-	27
Super Kompras	X	X	-	-	-	-	-	21
MZ	-	-	-	-	X	-	-	31
Super Gutierrez	-	-	X	-	-	-	-	12
HEB	-	X	X	X	-	-	-	35
Super del Norte	-	-	-	-	X	-	-	14

Source: Infobasics, SA de CV

Figure 7



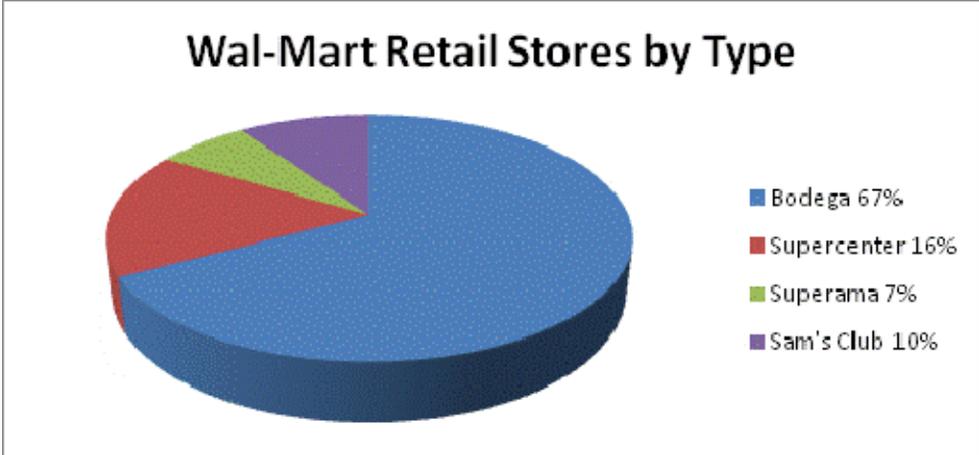
Source: ANTAD and Infobasics SA de CV 2010

Section III. New Store Openings and Investment Plans

A. Wal-Mart de Mexico (WALMEX)

Walmex leads the retail segment in the number of new store openings. Their commitment to the Mexican market is strong, with 300 new stores during 2010. They have spent an estimated one billion U.S. dollars in this aggressive expansion program targeting a 10% increase in floor space per year. Most of the new store openings (257 stores) are in the Mi Bodega, Bodega Aurrera or Bodega Express formats, all catering to the C, D and E socio-economic level of consumers, who are middle-to-low income families earning less than \$3,000 USD per month. To capitalize on its investment in store space, Walmex will continue to expand their Banco Wal-Mart, aiming to capture consumer savings, from this same middle-to-low income target group that is not currently using commercial banks for saving money. Over 160 new bank branches will be incorporated into existing Wal-Mart stores throughout the country by 2011.

Figure 8

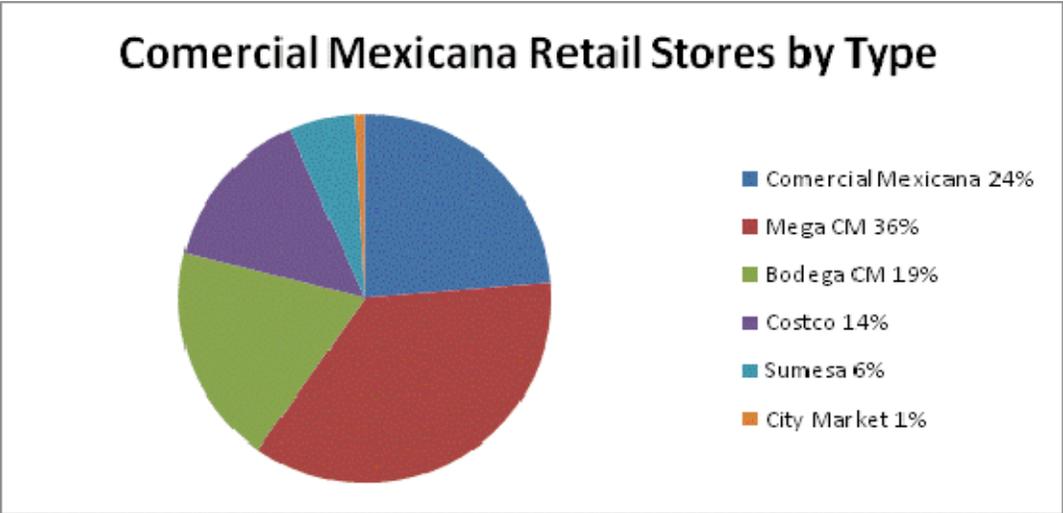


Source: ANTAD and Infobasics SA de CV 2010

B. Comercial Mexicana (Comerci)

Few expansion projects are planned for Comercial Mexicana over the next 2-3 years as it aims to strengthen its financial position. This is primarily due to an aggressive expansion program throughout the 1990's which left the company heavily in debt. Comercial Mexicana grew through an association with Costco U.S. in 1991, purchasing Auchan (European hypermarkets) in 1996 as well as Kmart de Mexico in 1997. Currently their stores include: Comercial Mexicana, Bodega Comercial Mexicana, Sumesa, City Market, Mega Hypermarkets, Costoco and Alprecio.

Figure 9

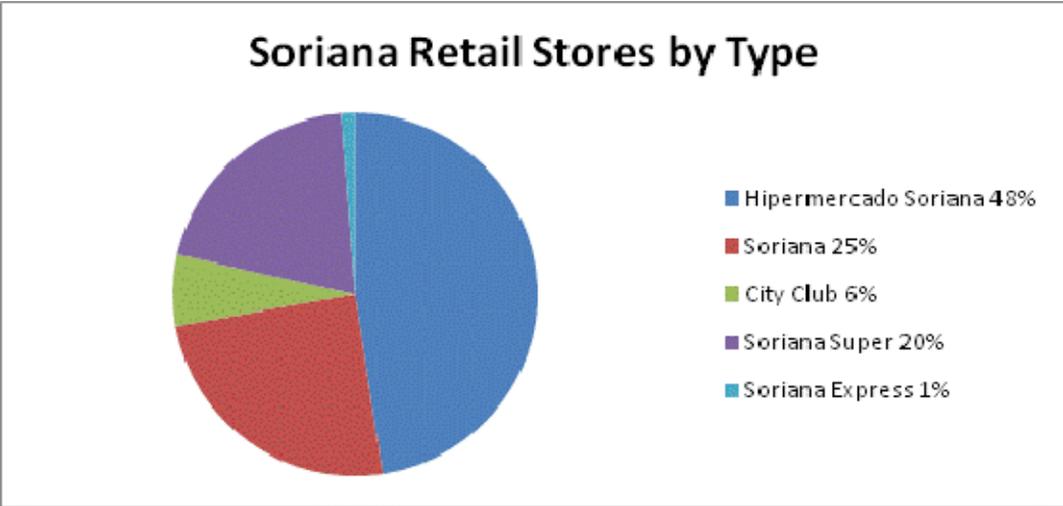


Source: ANTAD and Infobasics SA de CV 2010

C. Organización Soriana (Soriana)

With over 479 supermarket stores nationwide, northern based Soriana is now present nationwide with its entry into Mexico City and surrounding states. With its acquisition of Grupo Gigante supermarkets in 2007, Soriana reached national status and has become an aggressive competitor with successful stores in all formats: Hipermercado Soriana, Mercado Soriana, City Club, Soriana Super, and Soriana Express.

Figure 10



Section IV. Total Imports into Mexico,
Competitors 2009-2010

Figure 11

<u>Commodity</u>	<u>%Change</u>	<u>Rank</u>	<u>Country</u>	<u>% Share</u>
Edible Fruits and Nuts				
HS Code: 08		1	United States	75
Total Net Imports 2009 (USD): \$618.4 million		2	Chile	18
Net Imports YTD Q3 2009: \$476 million		3	Argentina	1.9
Net Imports YTD Q3 2010: \$533 million	12%	4	China	0.9
Fresh Apples, pears and quinces				
HS Code: 0808		1	United States	91
Total Net Imports 2009 (USD): \$259 million		2	Argentina	3
Net Imports YTD Q3 2009: \$234 million		3	Chile	5
Net Imports YTD Q3 2010: \$205 million	14%			
Grapes fresh and dried				
HS Code: 0806		1	Chile	75
Total Net Imports 2009(USD): \$69.4 million		2	United States	24
Net Imports YTD Q3 2009: \$50 million				
Net Imports YTD Q3 2010: \$61 million	23%			
Chicken Meat fresh or frozen				
HS Code: 0207		1	United States	93
Net Imports 2009(USD): \$703.5 million		2	Chile	7
Net Imports YTD Q3 2009: \$529 million				
Net Imports YTD Q3 2010: \$582 million	10%			
Meat frozen				
HS Code: 0202		1	United States	57
Net Imports 2009(USD): \$31 million		2	Costa Rica	4
Net Imports YTD Q3 2009: \$21.9 million		3	Australia	20
Net Imports YTD Q3 2010: \$18.5 million	-15%	4	Canada	7
		5	New Zealand	9
Meat fresh or chilled				
HS Code: 0201		1	United States	80
Net Imports 2009(USD): \$808.1 million		2	Canada	20
Net Imports YTD Q3 2009: \$607 million				

Net Imports YTD Q3 2010: **\$622 million** 2.35

Dairy Products

HS Code: 04		1 United States	66
Net Imports 2009 (USD): \$1.07 billion		2 New Zealand	18
Net Imports YTD Q3 2009: \$767 million		3 Uruguay	5
Net Imports YTD Q3 2010: \$898 million	17%	4 Chile	4
		5 Netherlands	2

Rice

HS Code: 1006		1 United States	99
Net Imports 2009(USD): \$345.3 million		2 Uruguay	0.08
Net Imports YTD Q3 2009: \$253 million	-7.4%		
Net Imports YTD Q3 2010: \$234 million			

Wheat

HS Code: 1001		1 United States	73
Net Imports 2009(USD): \$728 million		2 Canada	27
Net Imports YTD Q3 2009: \$572 million			
Net Imports YTD Q3 2010: \$620 million	8.4%		

Cereal

HS Code: 10		1 United States	91
Net Imports 2009(USD): \$3.03 billion		2 Canada	8
Net Imports YTD Q3 2009: \$2.4 billion			
Net Imports YTD Q3 2010: \$2.5 billion	5.9%		

Dry Beans and Legumes

HS Code: 0713		1 United States	72
Net Imports 2009(USD): \$208.4 million		2 Canada	24
Net Imports YTD Q3 2009: \$157 million		3 China	4
Net Imports YTD Q3 2010: \$115.6 million	-27%		

Wine

HS Code: 2204		1 Spain	31.5
Net Imports 2009(USD): \$144.3 million		2 Chile	21
Net Imports YTD Q3 2009: \$90.07 million		3 France	17
Net Imports YTD Q3 2010: \$100.5 million	11.53%	4 Italy	10.9
		5 Argentina	9.4
		6 United States	6.04
		7 Germany	1.4

Total Agricultural Trade

HS Code: 1-24		1 United States	72
Net Imports 2009(USD): \$18 billion		2 Canada	7.3

Net Imports YTD Q3 2009: **\$12.9 billion**
Net Imports YTD Q3 2010: **\$14.5 billion**

3	Chile	2.8
4	Guatemala	1.8
5	China	1.4
6	New Zealand	1.3
7	Spain	1.2
8	Argentina	1

Source: Global TI (FAS import information)

Section V. Best Product Prospects

As more women enter the work force and the professional way of life becomes more fast paced, food manufacturers can see growing opportunities for products catering to the restaurant segment, where growth is seen in fast food chains as well as restaurants targeting middle income professionals.

Fresh Food for In-Home Use:

Eating out is still considered an expensive option for most Mexican consumers and eating at local street vendor stalls is considered unhealthy. Eating at home, with meals cooked fresh, is still the practice most Mexican families prefer both because it's less expensive and because traditionally they prefer home cooked meals. These practices ensure a steady market for fresh food in the foreseeable future.

Ready-to-Serve:

Supermarket chains are experiencing growing demand for good quality products targeting those consumers looking for ease of preparation. Ready-to-serve products are a fast growing niche in most high-end-supermarkets as are those products that come ready to cook, with little to no preparation needed.

Ready-to-Eat Products for Convenience Stores:

Convenience stores offer unique opportunities in Mexico given the aggressive growth of 8.8% per year over the past few years. This sector is still expected to continue growing through 2013 at this rate. This channel of distribution poses a challenge for American producers as most products sold here are ready to eat, targeting snacks or a quick lunch on the run. Many convenience stores have a section of warm goods such as hot dogs, sandwiches and instant soups with many offering fresh fruits, both cut and packaged or whole. The latter is offered in a bowl at the counter where as the former is found in the refrigerated sections in single serve packaging.

Health and Wellness Products:

Mexico now is the world leader in obesity of its young population. The Mexican government, as well as the private sector is focusing more and more on products which can contribute to a healthy, well balanced diet. Natural agricultural products are well positioned to capitalize on this growing segment and can benefit from clear health instruction at the point of sale, ensuring that their quality and nutrition are highlighted.

Products for the Low End Market:

With over 400 new "express" type supermarkets opened this year alone, U.S. producers must focus its product offering to this ever expanding market. Products in this sector are very price sensitive so U.S.

exporters must reach economies of scale to offer low priced goods to these budget conscious consumers. As most stores focus on produce and groceries, these offer the most viable opportunities for export.

Products Delivered Locally:

A growing trend by leading retailers is to source the majority of their products locally so exporters who can deliver their American goods locally through distributors or their own sales force will be well positioned to service retailers in Mexico. Wal-Mart currently sources approximately 80% of its products locally, including most of its imported goods, and is setting the trend for this practice among other retailers.

U.S. Wines:

With 11% growth in the overall wine market in Mexico, American wineries need to focus their attention on this expanding market. U.S. wines have a small presence locally and account for approximately 6% of total imports. With a well developed strategy there is substantial potential for growth.

Section VI. Mexico: Advantages and Challenges for U.S. Exporters

Figure 12

Advantages	Challenges
Industry leaders are hiring and partnering with sophisticated security companies to ensure commerce continues uninterrupted	Mexico is suffering from a deteriorating security situation.
Direct foreign investment in Mexico is returning to levels similar to those of 2008	New job creation in Mexico is not keeping pace with population growth, forcing unemployment to remain unchanged
Mexican retailers are very familiar with U.S. retail practices	Local manufacturers are adapting quickly to meet retailers needs and specifications bringing new competition to US products
Western style supermarkets are gaining wider acceptance in every segment of the retail environment, even lower-end stores	Local retailers are demanding more often that products be delivered locally with local servicing and attention
Mexican consumers are becoming more knowledgeable about what they procure, looking for quality and price	While U.S. products are of very high quality, many times it comes at a higher cost than those products sourced locally
Industry practices are becoming more sophisticated ensuring cold chain distribution for wider penetration nationwide	While cold chain distribution is now available nationwide, it has not been implemented throughout lower levels of the distribution chain such as wet markets. Regional distribution south of Mexico City is still being developed
Greater knowledge about organic products is opening new product opportunities at the retail level	Mexico exports large volumes of organic produce, offering direct competition to U.S. organic producers
Industry-wide investments are continuously being made, ensuring better infrastructure and logistics	Lower end, smaller supermarkets and convenience stores are the fastest growing segments in retail, which are not the primary locations for more expensive U.S. products
Growth in retail is driven by new store openings both	Approximately 30% of Mexican workers are

at the supermarket and convenience store level, expanding opportunities for U.S. products nationwide	employed in informal, non-tax paying jobs which places a large burden on the tax system, limiting funds in the market
Local producers are rising to the challenge of producing quality goods with an increase in variety, learning, and adapting to growing demands	Mexico is the country with the most free trade agreements in Latin America, opening the door to many competitors delivering products into the market with few to no tariff barriers
Increased awareness in obesity issues is creating greater demand for healthy products, positioning U.S. produce and its huge array of products at an advantage	Mexico has opened negotiations with Brazil for a free trade agreement

Section VII. Sources

¹INEGI – Instituto Nacional de Estadística y Geografía: www.inegi.org.mx

²http://www.amcham.org.mx/cwt/external/wcpages/econ_reports_analysis/economic_indicators.aspx

³ANTAD- Asociación Nacional de Tiendas de Autoservicio y Departamentales: www.antad.net and www.antad.org.mx

⁴Jorge Alvarez, Director of National Accounts, Celadon Mexicana S.A. de C.V: www.celadontrucking.com

⁵Infobasics S.A. de C.V: www.info-basics.com

Section VIII. For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work <http://www.youtube.com/user/ATOMexicoCity>

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.