Sweet Success South of the Border

By Rosa Maria Rivera and Pablo Orozco

Mexican consumers have a fondness for sweet treats. And U.S. candy exporters have been among the first to cater to their sweet tooth.

U.S. candy trade has made great strides in Mexico in recent years, with business up 70 percent from calendar 1999. In 2002, with exports upwards of $100 million, the United States had a 65-percent share of Mexico's import market. Only Mexico's domestic candy production of $125 million provides significant competition for U.S. suppliers.

As for all foods, price is an important factor in candy and chocolate purchases. While consumers in higher income brackets account for most of the consumption, children and youth of all income brackets buy candies.

U.S. Chocolates, Sweet and Spicy

The major retail chains supply consumers with most candy and confectionery products, between 55 and 60 percent. Mom-'n'-pop stores *(abarrotes)* sell another 35-40 percent, with hotels and restaurants supplying the remainder.

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Mexican consumers prefer U.S. chocolates with sweet and spicy taste combinations. While traditional candy-filled piñatas adorn birthday parties for many children in Mexico, there are also holidays during the year where candies are traditionally given.

These special gift-giving holidays include:

- January 6 (King's Day)
- February 14 (Valentine's Day)
- April 30 (Children's Day)
- November 2 (Day of the Dead)
- December 24 (Christmas Eve)

Mexico City ATO Can Help

Mexico is a market that demands a personal touch. Plan on a visit to make contacts and experience the ambiance of the marketplace. The FAS Mexico City ATO (Agricultural Trade Office) has information about the marketplace and can help U.S. exporters recognize and seize market opportunities.

Participation in a Mexican trade show, particularly in a U.S. Pavilion organized by the ATO, is highly recommended as an affordable way to investigate the market. During a trade show, potential exporters can meet buyers, retailers and distributors while checking out the local competition.

NAFTA Makes Its Mark

After making initial contacts, a thorough review of Mexican import regulations is in order.

Because of NAFTA (the North America Free Trade Agreement), import tariffs no longer exist for gum, confectionery without cocoa, chocolate preparations, and other food products containing cocoa. Mexico does have a 15-percent VAT (value-added tax), which is collected by Mexican customs upon entry.

Mexican candy and confectionery imports do not require special import permits, but should be accompanied by the NAFTA certificate of origin to receive preferential treatment. Other documents required by Mexican customs include a commercial invoice in Spanish, a bill of lading and a sanitary import notice.

To ease the entry process, it is very important to have a competent, reputable Mexican importer or customs broker to assure that all documentation is in place.

Labels in Spanish

Labeling requirements for domestic and foreign candy products are similar. Some U.S. suppliers design packaging just for the Mexican market. The label must be attached before product entry and include:

- Country of origin
- Importer's name, address and taxation number
- Commercial or brand name
- Exporter's name and address
- Product description in English and Spanish
- Ingredients
- Producer's name and address
- Preparation and handling instructions
- Date of expiration
- Special warnings, if any
- Net weight in metric units

Trucks Provide Best Transport

Trucks are the most reliable method of delivery within Mexico and account for 60 percent of cargo volume. Most transport companies offer basic insurance plans to cover transport and handling of cargo. The best way to ship by truck is via an internationally bonded U.S. carrier that maintains business relationships with Mexican carriers.

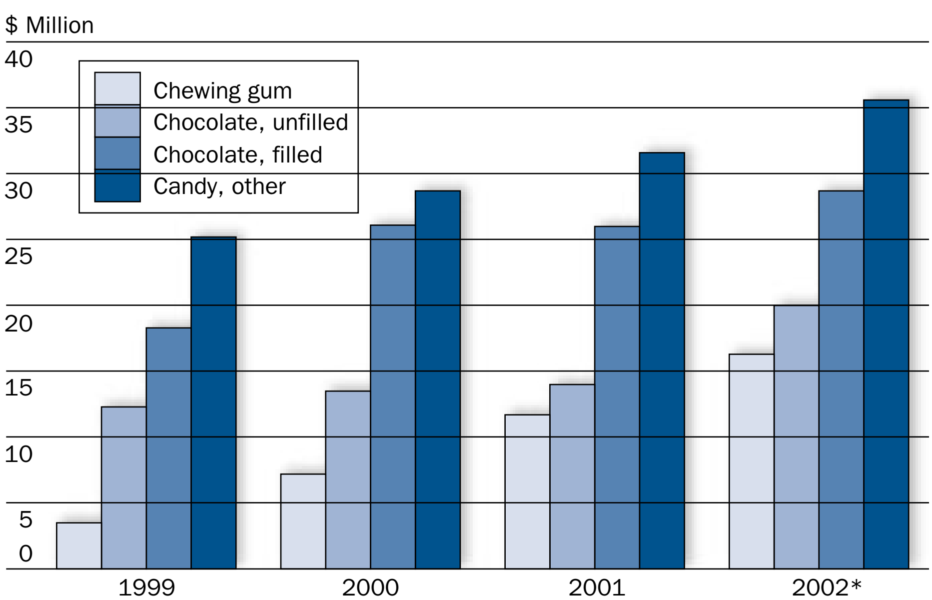
Mexican trucks cannot transport merchandise directly from the United States to Mexico. A U.S. truck transports the shipment to the border, where the trailer is transferred to a Mexican rig.

Cargo unloading fees in Mexico are slightly higher than in other countries, so check with more than one service provider to get a competitive rate.

Exporters often use bonded warehouses, pending customs release of a product for distribution. Any merchandise placed in a warehouse should be insured.

Warehousing costs vary, but generally follow market trends of supply and demand. Again, compare prices, facilities and reputations, and negotiate before contracting with warehouse owners. ■

U.S. Candy Exports to Mexico Topped $100 Million in 2002



*U.S. market import share at 65 percent.

Make It Personal

New suppliers should be prepared to provide support for in-store and media promotions to familiarize consumers with their products. But, foremost, there are three basic criteria to remember:

- Business is generally conducted in Spanish.
- Personal, face-to-face communication is critical.
- Importers and distributors play key roles in export sales in Mexico.

These promotional ideas remain effective:

- Participate in trade shows.
- Advertise via billboards, radio and TV.
- Use in-store promotions, free samples, recipe cards and other forms of direct marketing.
- Prepare brochures and other promotional materials in Spanish.
- Obtain a local sales representative.
- Host technical seminars for distributors, retailers and end-users of new technologies, innovations and product advantages.

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For details, see FAS Report MX3315. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.