

EXPORTING U.S. RED MEAT AND POULTRY PRODUCTS TO MEXICO

by

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Study Setting

With the ratification of NAFTA in January 1994, red meat and poultry product trading, marketing and distribution have undergone substantial change in Mexico. These changes suggest that if U.S. firms are to realize the full benefits of liberalized trade and increased export opportunities, their ability to realize such potential likely will be enhanced by a knowledge of the Mexican meat marketing and distribution system for U.S. imported meat. Accordingly, a study was undertaken by the Texas Agricultural Experiment Station, in cooperation with AMS, U.S. Department of Agriculture to obtain detailed data concerning the importation and merchandising of U.S. red meat and poultry products in Mexico, by kind of meat and type of Mexican firm, for seven selected cities in Mexico during 1994. The study focused on customs clearance and port-of-entry procedures; acquisition, distribution and marketing practices employed by Mexican firms; modes of transportation, refrigeration, and storage and handling practices employed. Additionally, the study developed detailed Mexican market distribution channels, by kind of meat, for U.S. imported red meat and

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poultry products and provides an assessment by Mexican firms of U.S. exporting practices. The data in this study represent the first year of trading under NAFTA prior to the Peso devaluation on December 20, 1994. Although the U.S. experienced a decline in exports to Mexico during 1995, trading prospects appear favorable with the Mexican government announcement on August 19, 1996, that Gross Domestic Production (GDP) rose 7.2 percent in the second quarter compared to the same quarter in 1995. The Mexican government announcement suggested a resumption of economic growth which would have a positive impact on consumer demand for U.S. protein products.

Primary data were obtained from five kind of Mexican firms importing U.S. meats through an in-depth personal interview of 124 firms in Monterrey, Mexico City, Guadalajara, Cancun, and Acapulco-Puerto Vallarta-Mazatlan. Primary data were also obtained from 51 U.S. border transfer agents and cold storage warehouses, by port-of-exit, concerning the volume of U.S. red meat and poultry products processed for export to Mexico, mode of transportation employed, and geographic areas of meat distribution for 1994.

Some preliminary findings from this study, which will be published in 1997 by the U.S. Department of Agriculture, are as follows.

U.S. - MEXICO RED MEAT AND POULTRY TRADE PATTERNS

More than 461,000 metric tons (MT) of red meat and poultry products were exported to Mexico in 1994 as shown in table 1. Variety meat, which accounted for 30 percent of the total exports, was the leading U.S. meat export item, followed by chicken with 22 percent, turkey with 16 percent and beef with almost 16 percent. Other major export items were pork and sausage/bologna.

In terms of dollar sales to Mexico, beef ranked first with almost \$233 million. Most of the

U.S. beef exports to Mexico were high end value added products composed primarily of grain fed premium beef products. Poultry exports, largely composed of mechanically deboned chicken and turkey, were a close second at \$299 million, followed by variety meats at \$101 million, pork at \$96 million and other red meat at \$54 million for a grand total of almost \$712 million.

More than 69 percent of the U.S. red meat and poultry products exported to Mexico during 1994 were shipped through the Laredo customs district. The Laredo customs district was the predominant export facilitator for all red meat and poultry products exported to Mexico. The San Diego district was the second most important export facilitator followed by El Paso and Nogales.

Sources of U.S. Red Meat and Poultry Products Imported by Mexico, 1994

Mexican firms obtained almost 70 percent of their U.S. meat imports from U.S. packers, another 19 percent from brokers and two percent from U.S. wholesalers. U.S. packers were the predominant source of supply for meat processors, supermarket and discount chains, and HRI purveyors, table 2. Distributors also relied on U.S. packers for a major portion of their U.S. red meat and poultry imports. Mexican distributors (HRI purveyors) were the major source of U.S. imported meat supplies for hotel and commercial restaurants who cater to the upscale domestic and international markets.

Type of U.S. Red Meat and Poultry Products Imported by Mexico, 1994

Almost three-fourths of the U.S. red meat and poultry products imported by Mexico during 1994 were received as frozen meat, while another 24 percent was fresh-chilled, table 3. Importing firms generally preferred frozen meats over fresh-chilled meats because of meat perishability and the time and distance involved in moving U.S. imported meat items from

ports-of-exit to final markets in Mexico. Variety meats, lamb and mutton, chicken and processed meat were imported predominantly as frozen meat. Almost 52 percent of the U.S. beef and veal, however, were received in fresh-chilled form which reflects the preferences of upscale supermarkets, American style discount stores, and supercenters. Mexican consumers, similar to U.S. consumers, prefer to purchase red meat - especially beef, in fresh-chilled form.

Form of U.S. Red Meat and Poultry Products Imported by Mexico, 1994

More than 98 percent of the U.S. red meat and poultry meat imported by Mexico during 1994 were received as primals and sub-primals, portion control, deboned products, and mechanically deboned poultry meat for further processing, table 4. Carcass meat imports from the U.S. represented a small proportion of the imports and were limited primarily to poultry products.

U.S. beef and veal, pork and lamb and mutton products were imported almost entirely as primals or sub-primals as boxed meat. Poultry product imports generally showed the greatest variation relative to form since poultry imports were designated for a wide array of end users as retailers, wholesalers and meat processing firms.

Geographic Locations

More than 90 percent of the U.S. imported red meat and poultry products were received directly from ports-of-entry by Mexican firms during 1994, table 5. The remaining imported meat items originated from Mexican interior locations through intra-and inter-firm transactions within Mexico. The larger firms as meat processors, supermarket and discount chains, and distributors obtained substantially larger proportions of their U.S. imported meats

directly from ports-of-entry than did HRI purveyors or hotel and commercial restaurants. Monterrey and Mexico City firms received almost all of their U.S. imported red meat and poultry products directly from ports-of-entry, table 6. This was especially true for Monterrey, which is located approximately 150 miles from the nearest port-of-exit. Guadalajara obtained almost equal proportions of U.S. imported meat directly from ports-of-entry and from interior locations. Cancun, which received the majority of its U.S. imported meat items directly from interior locations, also received substantial proportions of U.S. imported meats directly from ports-of-entry. The West Coast resort areas of Acapulco-Puerto Vallarta-Mazatlan, which are located relatively long distances from overland ports-of-entry, acquired almost all of their U.S. imported meat from Mexican interior locations in 1994.

MEXICAN DISTRIBUTION CHANNELS

Analyses of distribution channels provide useful information concerning the importance of supply centers, the logistics of the distribution process, geographic location of demand centers, and the importance of various types of firms in the marketing and distribution process.

Initial Destination of U.S. Red Meat and Poultry Exported to Mexico, 1994

Volume of red meat and poultry products processed for overland export to Mexico, by U.S. customs districts, other things equal, is primarily dependent upon the distance from the port-of-exit to the location of the Mexican importing center and the quality of the highway system between the port-of-exit and the importing firm/city.

The Laredo customs district handled almost 70 percent of the U.S. red meat and poultry products exported to Mexico in 1994, table 7. More than 80 percent of the exports from the Laredo customs district were destined for Monterrey and Mexico City in 1994. Other

important Mexican market areas for meat shipments handled by the Laredo customs district were the “Northern Border Area” and Guadalajara. The Northern border area contains numerous maquiladora operations and commercial firms which process imported meats for further sale and distribution.

Other customs districts servicing overland shipments to Mexico, in order of volume handled, were San Diego, Nogales and El Paso, table 7. U.S. red meat and poultry products handled by the San Diego customs district were initially destined almost entirely for the Northern border area for further processing and reshipment throughout the states of Baja California. These reshipments were often destined for oasis like resort communities in the southern portion of the Baja California peninsula with other shipments destined for Sonora. U.S. meat exports from El Paso were also initially destined predominantly for the Northern border area with additional exports to Mexico City, Guadalajara and Monterrey. Meat exports from Nogales were destined primarily for the Mexican consumption centers along the lower Gulf of California in Sinaloa and in Hermosillo. U.S. meat exports to Mexico from Miami were routed through Puerto Morelos and then to the Cancun area or were shipped directly to the Mexican consumption centers along the Gulf of Mexico.

Geographic Area of Sales

Mexico City was the largest final recipient of the U.S. red meat and poultry products merchandised within Mexico with almost one-third of the total U.S. meat items handled by firms during 1994, table 8. Monterrey was the second largest final recipient of U.S. meat products as represented by the proportion of U.S. red meat and poultry products destined for Monterrey by firms in the seven city study area with 25 percent of the total. Firms in cities outside the seven city study area were the next largest recipient with almost 18 percent of the

total merchandise in Mexico. Guadalajara was fourth with 15 percent of the total followed by Acapulco-Puerto Vallarta-Mazatlan and Cancun. The distribution of U.S. meat items, by kind of meat, was relatively stable among the metropolitan areas surveyed with a few exceptions, table 8. Mexico City markets received more than three-fourths of the U.S. exotic poultry as duck, geese, etc. merchandised within Mexico. U.S. beef and veal marketings in Cancun represented a substantially higher proportion of the total U.S. meat merchandised within the Cancun area than was true for other U.S. imported meat items.

Market Outlets

Market outlets for U.S. red meat and poultry products varied by kind of Mexican firm and by kind of imported meat product, table 9. The major market outlet for U.S. red meat and poultry products was the retail sector, composed of supermarket and discount chains and other regional retailers, with almost 58 percent of the total purchases, followed by distributors and restaurants who serve institutional clients and tourism.

TRANSPORTATION MODES AND SERVICES

Modes of transportation for shipping U.S. red meat and poultry products to Mexico included overland shipments via tractor-trailers and trucks, maritime shipments via ocean containers, and air shipments via air cargo containers. Transportation modes for distributing U.S. meat products within the interior of Mexico included overland shipments via trucks and smaller vehicles and also air shipments. Rail shipments of U.S. red meat and poultry products from ports-of-entry or within the interior of Mexico were not reported by any of the firms interviewed.

Overland Shipments

Firms in all seven cities interviewed relied almost exclusively on tractor-trailers for

transporting U.S. meat products from ports-of-entry to various firm locations in Mexico, table 10. The only exception to this distribution pattern from ports-of-entry were some hotel and commercial restaurants, and a few distributors and HRI purveyors, located primarily in Cancun, who air freighted some meat products into Cancun from Miami. Technically, Cancun becomes the port-of-entry for air shipments from Miami as does, for example, Puerto Morelos for ocean freight shipped into that port from Miami.

More than 99 percent of the U.S. red meat and poultry products were also shipped overland via motor freight from Mexican interior locations to clients throughout Mexico. The exception to this distribution pattern, again, were some hotel and commercial restaurants, and some HRI purveyors in Cancun and Acapulco-Puerto Vallarta-Mazatlan who shipped some of their U.S. meat products from Mexican interior locations via air freight.

Mexican firms were dependent predominantly on contract trucking firms to transport U.S. red meat products from ports-of-exit to their place of business during 1994. Supermarket and discount chains, HRI purveyors and meat processors used the services of contract truckers more frequently than did distributors.

Mexican meat wholesalers and processors used both refrigerated and non-refrigerated trucks and/or vans to deliver U.S. meat products to clients during 1994. Non-refrigerated, insulated trucks or vans were used primarily for local deliveries requiring three hours or less delivery time. Refrigerated motor carriers, although also used for local deliveries, were generally used for deliveries requiring four or more hours delivery time.

Transit Time Assessments

Time in transit for U.S. meat shipments to Monterrey were predominantly one day or less because of Monterrey's proximity to nearby ports-of-entry as Nuevo Laredo, Reynosa, etc.

Shipments to Mexico City from ports-of-entry, primarily Nuevo Laredo, normally required from two to three days transit time. Shipments to Guadalajara from ports-of-entry, similar to Mexico City, generally required from two to three days, with about one-eighth of the shipments requiring one day or less and another one-eighth requiring more than three days in transit. Overland shipments to Cancun from ports-of-exit as Nuevo Laredo, Reynosa and Matamoros, generally required more than three days in transit.

Transit time for local deliveries typically ranged from one to four hours with two to three hour time-cycle ranges reported most often by meat wholesalers and processors. Time requirements for out-of-town deliveries ranged from one to five days depending upon size and the type of firm.

BUYER MERCHANDISING-ASSESSMENT VIEWS

Mexican meat firms handling U.S. red meat and poultry products provided an assessment of 18 selected meat characteristics, materials and services related to U.S. imported meat products as shown in table 11. Respondents were requested to list problems encountered and/or provide suggestions for improvements relating to any of the 18 meat related characteristics and services which scored “good” or lower. The 18 meat related characteristics and services received an average weighted score of 4.09 from the Mexican meat firms, which ranks above “acceptable,” given the scoring system used in table 11. These scores suggest that Mexican meat firms were generally well satisfied with the meat characteristics, related materials and services associated with U.S. meat products exported to Mexico.

A few of the perceived problems and/or suggestions by Mexican firms for improvements concerning U.S. meat exports and merchandising in Mexico are as follows. The proportion of similar comments relating to a particular item are shown in parenthesis following the

comment.

U.S. Product Image:

- Need more advertising in Spanish concerning the merits of U.S. meat products. (40%)
- Posters and information guides for display in meat firms should be in Spanish. (60%)

Quality and Durability of Boxes:

- Need stronger boxes to withstand long trips and handling by 4 to 8 Mexican meat firms prior to delivery. (27%)
- Boxes tend to collapse due to handling by hand labor, leakage, stacking in warehouses, and long storage. (33%)
- Generally poor design and rough handling causes most problems. Boxes need stronger corners. (26%)
- Beef boxes get crushed since beef boxes are not filled to the top unlike frozen poultry. (14%)

Customer Service by Exporter/Agent:

- Would like to see more U.S. presence in Mexico, especially U.S. packers to discuss potential problems and opportunities. (80%)
- Intermediate handlers need more information concerning the merits of various cuts. (20%)