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Report Highlights:
Mexico offers opportunity for US wine makers, though the market can be challenging to enter initially. The US held an 8.5 percent share of Mexican wine imports and imports of US wine grew about 16 percent in 2002. The quality of Mexican produced wines continues to increase, as new investments are made in the largest wine producing region in Mexico, Baja California.

Includes PSD Changes: No
Includes Trade Matrix: No
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Section I: Overview of Situation and Outlook

Mexico's imports of US wine grew about 16 percent from $4.4 million in 2001 to $5.6 million in 2002.[1] The growth rate for wine imports from all countries was 4.5 percent during this same period. The US market share rebounded slightly from 8 percent to 8.5 percent in 2002, though has fluctuated little since 1996, with an average share of 9 percent of the import market. Though the precise rank varies depending on the statistical source, Mexico ranks about 20th in importance for US wine exports. Most countries in Europe, Canada, developed countries in Asia, and Latin American countries with an older wine tradition such as Chile and Argentina, import more US wine. Imports from the United States for the first six months in 2003 are up 45 percent from the same period the previous year.

Wine imports to Mexico from the US and the world grew in 2002, as Mexico's economy rebounded from a stagnant GDP growth rate in 2001 to a growth rate of about 1 percent in 2002. Projections for 2003 are for annual growth to be between 1.6 and 1.7 percent. Currently, the Mexican economy is showing mixed signals of recovery. Retail sales, which did not grow in 2002, have been strong in 2003, and are projected to grow 3.7 percent for the year. However, the official unemployment rate has grown to 3.5 percent, its highest level in eight years. Most experts are projecting that the Mexican recovery from the stagnant growth in 2001 will continue, but are tying this recovery to continued strengthening in the US economy.

The strong growth of Mexican imports of US wine in the first six months of 2003 can be attributed, in part, to the elimination of the duty for wine imports due to the full implementation of NAFTA. Other countries have negotiated lower import duties for wines as well. Chile has not faced a duty for wines imported to Mexico since 1996; however, Argentina still faces a duty of 30 percent. In 2000, the Mexico/EU free trade agreement resulted in a lowering of duties for EU wines from 30 to 20 percent, with a gradual reduction to zero by 2008. Currently wines from the EU face an 11 to 13 percent duty, depending on the value of the wine.

Price, quality, availability, and brand name familiarity are important factors that are considered by Mexican consumers when buying imported wines. Spain, France and Chile have a considerably larger share of Mexico's wine market compared to the United States. Since 1998, Spain has overtaken France and enjoys the largest share of the Mexican import market, with Chile remaining an almost even competitor with France since 2000.

Based on official economic data from Mexico, US wines have an 8.5 percent share of the Mexican import market. White wines from California enjoy the greatest recognition in Mexico, but all US wines appear to be gaining in popularity with Mexican importers and distributors. Consumers are still hesitant to buy a medium priced US wine over a similarly priced European wine due to the higher brand recognition of wines from Europe, particularly Spain and France. Additionally, members of the traditional Mexican upper class tend to purchase European wines, as many have familial and historical ties to the region. The increase in wine sales from Chile is due to the zero import tariff, a greater recognition of Chilean wines due to aggressive marketing campaigns, and relatively less expensive Chilean wines. For example, Chilean wines of mid-range quality and price average about 40-60 pesos a bottle, while US wines of mid-range price average about 150-250 pesos a bottle.

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[1] These statistics are based on figures from the Secretaria de Economia in Mexico for HS 2204. The US Trade statistics for HS 2204 state that Mexico imported about $2.4 million of US wine in 2002 with 8 percent growth from 2001. Mexican statistics are collected based on tax reports and therefore are considered reliable.

Imports of Wine by Mexico

	1999		2000		2001		2002	
Country*	**Import Value** (1000 USD)	***Market Share*** (%)	**Import Value** (1000 USD)	***Market Share*** (%)	**Import Value** (1000 USD)	***Market Share*** (%)	**Import Value** (1000 USD)	***Market Share*** (%)
Spain	**11,839**	**23**	**13,990**	**27**	**19,573**	**31**	**20,425**	**31**
France	**16,523**	**33**	**12,409**	**24**	**12,834**	**20**	**15,024**	**23**
Chile	**9,623**	**19**	**12,484**	**24**	**13,992**	**22**	**14,035**	**21.5**
United States	***4,475***	***9***	***5,149***	***10***	***4,792***	***8***	***5,551***	***8.5***
Germany	**2,452**	**5**	**2,960**	**6**	**5,418**	**9**	**4,080**	**6**
Italy	**3,248**	**6**	**2,874**	**5.5**	**3,772**	**6**	**3,842**	**6**
Argentina	**1,301**	**3**	**819**	**1.5**	**1,151**	**2**	**1,345**	**2**
Portugal	**701**	**1**	**597**	**1**	**784**	**1**	**876**	**1**
Others	**671**	**1**	**486**	**1**	**655**	**1**	**656**	**1**
Total	**50,833**	**100**	**51,768**	**100**	**62,971**	**100**	**65,834**	**100**

Source: Secrataría de Economía, Subsecretaría de Negociaciones Comerciales Internacionales and Banxico; includes imports of wine and sparkling wine, HS code 2204
Note: Figures for same year may change slightly from previous years due to corrections submitted to the Secrataría de Economía in Mexico.

Section II: Narrative on Production and Consumption, Regulations and Marketing

Production

Though Mexico has the oldest history of wine making in the Western Hemisphere, thanks to Spanish missionaries who used wine during mass and brought with them Spanish varietals, the industry produces only about 40 percent of the wine consumed domestically. In recent years, investments in viticulture, including land use, capital, and technical investments have increased the production of Mexican wine. Much of the investment has been in the state of Baja California Norte (henceforth referred to as Baja), which produces 90-95 percent of all wine in Mexico. Most of the remainder of Mexican wine is produced in the states of Coahuila and Querétaro. The states of Zacatecas and Aguascalientes produce wine on a very small scale. The producing areas in the three states with significant wine production are:

Baja California	**Coahuila**
Valle de Calafia	**Parras**
Valle de Guadalupe	**Querétaro**
Santó Tomás	**San Juan del Río**
Tecate	**Tequisquiapan**
Ensenada	**Ezequiel Montes**
San Vincente	
San Antonio de las Minas	

The principle wine varieties produced in Mexico are:

Reds	**Ruby Red, Ruby Cabernet**
Barbera	**Shiraz**
Bourdeaux	**Tempranillo**
Cabernet Sauvignon, Cabernet Franc	**Viogner**
Cariñena	**Zinfandel**
Claret	**Whites**
Grenache	**Chardonnay**
Malbec	**Chenin Blanc**
Merlot	**Fume Blanc**
Mission	**French Colombard**
Nebbiolo	**Riesling**
Palomino	**Sauvignon Blanc**
Petit Sirah	**Semillion**

Land cultivated by wine growers declined from 1984 until 1999; since 1999 the acreage has stabilized. In 1984, 70,250 hectares were dedicated to wine production compared to about 50,000 hectares cultivated in 1999 (based on Mexican National Statistics). Though national statistics are not available from 2000 forward, according to statistics from the Baja California region, the acreage dedicated to wine production is growing. International statistics[2] on wine production in Mexico estimate that less land was dedicated to wine production, about 40,000 hectares, or 101,000 acres in 2000. Based on these statistics, Mexico was ranked 35th in the world in vineyard acreage and 22nd in the world in wine production in 2000. Though the quantity of production declined through the late 1980s and early 1990s, production has been increasing since 1998 and wine producers have placed greater emphasis on the quality of the product.

Changes in Mexican Wine Production[3]

Baja California experienced a wine quality renaissance in the mid-1990s. In response to the global market, Baja wine makers replaced traditional grape varietals such as the Mission grape with internationally accepted new varietals such as Cabernet Sauvignon, and began to focus on quality over quantity.

Currently there are 13 vineyards operating in Baja. The four largest vineyards (from largest to smallest) are Domecq, LA Cetto, Santo Tomas and Monte Xanic. Nine boutique wineries are currently producing small-quantity, high-value wines, some with excellent success in international wine competitions. The most recent addition is Baron Balché, which opened in 2003, and focuses on production of high-quality boutique wines. These vineyards look to Europe's winemaking tradition as their guide. Several of the important winemakers of the region were trained in France and the majority of the new vines have come from Europe, despite the region's similar climate and proximity to winemaking areas in California.

Pedro Domecq began producing brandy in 1956 and table wines in 1972, and is currently is the largest producer of wines in Mexico. It is owned by the Allied Corporation of the United Kingdom. Domecq currently cultivates 1400 hectares of wine and produces about 124,000 cases of wine annually. Domecq produces its own grapes and also purchases grapes from independent grape growers. Grape growers selling to the larger wineries has been a long tradition in Baja, but with the trend for increased quality has come a decrease in the purchases of grapes for wine production from independent growers. Domecq relies on exports for just under half of its sales, with 40 percent of its wine going to Europe. Domecq also exports to the United States with 70 percent of those exports being premium wines and 30 percent table wines.

The next three largest wineries, LA Cetto, founded in the 1960's; Santo Tomas, founded originally with the mission grape in the 19th century; and Monte Xanic founded in 1988; all have internationally recognized blends and rely on a variety of marketing outlets. LA Cetto is the largest of the three (though acreage/production figures are not available) and has the most traditional distribution system. The winery focuses on domestic marketing and sales, particularly in Mexico City and other major metropolitan areas. Monte Xanic, which produces 50,000 cases of wine annually on 70-100 hectares and hopes to grow to 90,000 cases a year, has recently entered into a partnership with the Chalon group, an association of wine producers that relies on the distribution system of other wineries in their group,

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[2] Wine Institute figures based on data from the Office International de la Vigne et du Vin and the Wine Institute

[3] Many thanks to Jorge Barrios of Wine and Nouvelle Cuisine Mexico and the many enologists and vineyard and winery owners who openly discussed changes in the Baja wine industry, including trends and marketing strategies. These include Case de Piedra, Chateau Camou, Vinas Valmar, Pedro Domecq, Adobe Guadalupe, Monte Xanic, LA Cetto, Santo Tomas and Vinas Liceaga.

including US wineries Edna Valley and Canon Ridge. Through this association, Monte Xanic hopes to sell more of its product to the United States, which currently purchases about 10 percent of its production. Santo Tomas, which produces about 80,000 cases a year on 300 hectares, has arrangements with wineries in the United States and Switzerland to produce wines. Duetto, which is produced by shipping US wine (from Wente Vineyards) for blending and aging at Santo Tomas, is one of their joint ventures. The winery also ships bulk wine in tankers to Switzerland to be further processed, bottled and sold in Europe. Creative marketing systems and partnerships such as these are also important for the smaller, newer boutique wineries found in Baja.

Casa de Piedra, founded in 1997, is one of the smaller wineries in Baja. It produces high quality wines and focuses on a few varietals (Chardonnay, Tempranillo and Cabernet) rather than on quantity or growth. The vineyard is able to operate successfully in part because of the quality of its wines and its unique marketing system. Over 70 percent of its production is bought on shares through futures prior to the grape harvest for the year the shares were bought. It is an investment for those purchasing shares and provides operating expenses for the vineyard. Another vineyard, Chateau Camou produces a larger quantity of wines, but still focuses on quality. The vineyard produces many varietals and has won awards in international competitions with several of them (Chardonnay, Fume/Sauvignon Blanc, Claret, and red blends such as Cabernet Zinfandel, and Cabernet Franc/Sauvignon, and Merlot). The sole American-owned vineyard in the region is Adobe Guadalupe, which also runs an inn on the site of the vineyard. Well-known Mexican enologist Hugo d'Acosta, also the owner of Casa de Piedra, is the technical advisor for this vineyard.

Though the vineyards in Baja vary dramatically in size and type of production, certain trends in the region's vineyards affect all of its production:

- Focus on quality of wine over quantity of production, which has been true for all of the production in the boutique vineyards, and now true for a portion of the production in the larger vineyards which are all producing at least one line of high quality wines;

- Movement to internationally popular grape varietals such as Chardonnay, Merlot and Cabernet Sauvignon, away from the traditional grapes of the region;

- Increase in recognition and investment in the "wine culture", with the opening of wine bars such as Sede Vino[4], and a proliferation of events attracting both tourists and wine connoisseurs to the region;

- Vineyards focusing on grape quality throughout the entire planting, growing and harvest process, decreasing the number of grapes purchased from independent grape growers; and

- Increased concern about pressure on the water resources available.

With the proliferation of smaller vineries and an increased recognition that the area can produce high quality wines, the limiting factor on production is the acute lack of water available for irrigation and the yearly threat of drought (see below). Growth in the region's production will be limited by water availability unless an alternate source or a redistribution of water allocation is undertaken in the region.

[4] **Sede Vino** is a wine bar and restaurant chain, with two bars located in Mexico City and one in Ensenada, Baja California Norte. It features over 300 domestic and international wines and hosts tastings and other events designed to promote the culture and consumption of wine in Mexico.

The 2002 crop in Baja was down almost 40 percent in tonnage from 2001 because of a severe drought that affected the area. While normal production in the area ranges from 4 tons per hectare of grapes in the boutique vineyards to 10 tons per hectare in the larger vineyards, production in 2002 ranged from 2 to 7 tons per hectare. In contrast 12 to 15 tons per hectare is typical in vineyards in Europe and the United States, and Chile averages about 20 tons per hectare. However, last year's drought and lower level of production was not all bad news for producers and consumers. More stress on the grapes led to more concentrated flavors in the grapes and a better quality, higher value wine, so some of what producers lost in quantity they gained in higher prices.

Thanks to an average rainfall during the 2003 growing season of 12 inches compared to 2 to 3 inches in 2002, higher yields are anticipated this year: close to 7 to 10 tons per acre compared to about 5 tons in 2002.[5] One of the larger vineyards estimates yields will still be off about 30 percent this year from the average. Other vineyards project normal yields. Though the rainfall was average, erratic weather conditions throughout the year, especially below normal sun exposure has affected yields in select valleys of Baja. Effect of the weather on the quality of the 2003 crop has yet to be determined.

Exports[6]

Mexico's exports of wine rose over 26 percent from 1998 to 2001 to $4.5 million a year. Exports of Mexican wine fell to $3.1 million in 2002, due to the weak international market for wine because of worldwide oversupply, the stagnant US economy, and limited wine production in Mexico due to drought. Exports by value for the first six months of 2003 are about equal to that of the previous year. Mexico exports its wine to over 20 countries and its wines have won over 110 international awards since 1990. The United States purchases the majority of Mexico's wine exports: 35 percent in 2002. The next major importer is Germany (17 percent) followed by France (16 percent) Denmark (5 percent) Great Britain and Slovenia (each purchasing 4 percent) then Switzerland, Guatemala, Norway, Japan, Belgium, Italy and Spain (each purchasing between 1 to 3 percent of Mexico's exports).

Consumption

Per capita wine consumption in Mexico is estimated to be .15 liters or about .04 gallons per year, ranking 66th in the world for per capita wine consumption based on the latest available figures.[7] In comparison, France's per capita consumption of wine is about 58 liters, or 15 gallons per year and the US consumption is 7.7 liters, or over 2 gallons per year. Preference for other alcoholic beverages and soda and an underdeveloped consumer awareness of wine partially reflects this very low per capita consumption. The main consumers of wine in Mexico are in their mid-thirties and above, tend to be well educated, and represent the upper middle to high-income segment of the population. Based on discussions with individuals working in the industry in Mexico, there is an increased awareness and consumption among educated Mexicans in metropolitan areas in their mid to late twenties. The growth of a business dedicated to promoting wine consumption and awareness, Sede Vino, both reflects

[5] The estimates for 2003 production are based on observations and contacts with local vineyards by Jorge Barrios, of Wine and Fine Regional Cuisine Mexico, a knowledgeable local on Baja Vineyards. Contact information is provided at the end of the report.
[6] Export statistics are again based on Mexico data, which differs from US trade statistics, but concurs generally with the UN trade data. For example, both Mexico and FAO Stat, a UN source, states that Mexico exported $4.5 million of wine in 2001. US Foreign Trade Statistics estimated only $770 thousand in Mexican wine exports for 2001.
[7] Statistics from the Wine Institute from Ivie International based on data from the Office International de la Vigne et du Vin.

and serves to help this change. Per capita wine consumption should increase over the next ten years if the Mexican economy continues to grow at modest to strong levels. The expanding restaurant, hotel and tourism industry in Mexico also bodes well for increased consumer awareness of and demand for imported wine.

Price is still the leading influence for most food purchasing decisions, particularly when the item is considered a luxury item, which is the case with wine. In addition to facing stiff price competition from European and Chilean wines, US wines are competing against the quality image and long standing tradition of European wines in Mexico. Those consumers that are widely traveled, or tourists from the United States, are more willing to pay the comparatively higher prices for US wines. On the other hand, those consumers who are not familiar with the high quality of US wines will choose a national brand, or a French or Chilean wine, due to the perceived quality and the usually more attractive price.

Sample white wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

German wines: $30.00 - $250.00
French wines: $40.00-$300.00
Spanish wines: $50.00-$ 300.00
Chilean wines: $ 28.00-$100.00
US wines: $70.00-$400.00
National brands: $40.00-$200.00

Sample red wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

French wines: $70.00 - $450.00
Spanish wines: $75.00 - $350.00
Chilean wines: $ 40.00 - $200.00
US wines: $60.00 - $450.00
National brands: $90.00-$230.00

Taxes and Regulations

The reasons US producers have not been able to access this market more successfully include the fierce competition from European and Chilean suppliers, increasing competition from Mexican producers, comparatively more expensive US products, a preference for reputable European brands, a relatively unseasoned consumer base (particularly when it comes to US wines) and until this year, import tariffs on US wines. Since January 1, 2003, the US has not faced any import duties on wines. This change has leveled the playing field for the US wine producer exporting to Mexico.

Under NAFTA, wines qualifying as “North American” must use a certificate of origin in order to ensure that NAFTA tariff benefits accrue only to US, Canadian and Mexican goods. Such certificates are usually obtained through a semi-official organization such as a local chamber of commerce, and do not have to be validated or formalized. Despite changes for the better due to NAFTA, FAS Mexico continues to receive complaints from US exporters about bottles being taken from shipments at the border, cases being held without cause and a long delay for clearance of US wines. We work on these issues on a case-by-case basis, and also express our overall displeasure for unnecessary disruptions. That being said, FAS Mexico does find in many cases that the reason for a delay is grounded in the lack of proper documentation that may be the fault of the importer of the product. The quality of the importer/distributor and the exporter’s cooperation with them is an essential component to an exporter’s success in the Mexican market.

Taxes

All alcoholic beverages sold in Mexico are subject to Mexico's 15 percent value added tax. In addition, alcoholic beverages, whether produced locally or imported, are also subject to the Impuesto Especial de Productos y Servicios-IEPS (Special Tax on Products and Services). This tax, which went into effect on April 1, 1997, and was later modified on December 31, 1998, affects many products including alcoholic beverages, tobacco and gasoline, among other products and services. In the case of alcoholic beverages, the tax is levied according to the alcohol content of the product.

IEPS TAX LEVELS ON ALCOHOLIC BEVERAGES
(Alcoholic Beverage and Percentage of Tax Level)

ALCOHOLIC BEVERAGES	IEPS TAX PERCENT
With alcohol content of up to 13.5 percent	25
With alcohol content from 13.5-20 percent	30
With alcohol content above 20 percent	60

Source: Secretaria de Hacienda y Credito Publico (Ministry of the Treasury)

A March 2001 change in the Mexican tax law has modified the way in which the IEPS tax is calculated, which leads to a slightly higher consumer price. Below is a table that shows the IEPS tax calculation applied to wine imports in 2003.

Application of IEPS Tax for Wines

	Before Law	**After Law**
Value (FOB)	**$100.00**	**$100.00**
IEPS tax is applied to:	**$100.00**	**$125* Found in left column**
IEPS (25%)	**x .25**	**x .25**
Equals total IEPS	**$25.00**	**$31.25**
Price	**$100.00**	**$100.00**
Plus total IEPS	**$25.00**	**$31.25**
Price, pre IVA	**$125.00***	**$131.25**
IVA (15%)	**x 1.15**	**x 1.15**
TOTAL	**$143.75**	**$150.94**

**Note: In a sense the IEPS tax is now levied on a wine product twice.
For this example, the increase is 5 percent of the final price.**

After paying the IEPS tax, importers receive a marbete, or fiscal label, as proof of this payment. These marbetes are affixed individually on the bottles and only after this process can they be sold in the market. The bottles remain in a fiscal warehouse until the labels have been affixed.

Regulatory Requirements

The paperwork required for importing wine is normally completed and filed by a customs house broker. The basic Mexican import document is the Pedimento de Importacion (customs entry document), which should be presented to Mexican Customs, along with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notice. Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. As in the case with US Customs laws, Mexican customs law is also very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. As mentioned above, exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Sanitary Requirements: There are no special requirements from the Mexican health authorities for importing wine into Mexico. However, wine imports do require a written sanitary import notice (Aviso Sanitario de Importacion). This is a free-style letter, written in Spanish that must contain the following information: name of product; trade brand; specific quantity; name and address of producer; name and address of importer; port of entry and import tariffs numbers. This document, written on the company's letterhead, should be addressed to the Secretaria de Salud; Direccion General de Calidad Sanitaria de Bienes y Servicios, and presented at the port of entry. In addition, the invoice, airway bill and a Sanitary Statement (Constancia Sanitaria) are required. The sanitary statement must come from an FDA-certified laboratory declaring that the products, identified by production lot, are safe and fit for human consumption; indicating their physical-chemical analysis; microbiological analysis; and, if applicable, specific analysis; country of origin and expiration date.

Labeling: All imported products destined for retail sale in Mexico must be labeled according to Mexican government specifications as outlined in NOM-142-SSA1-1995, of July 9, 1997, later modified on July 22, 1998. This Mexican norm on labeling states that alcoholic beverages should adhere to the following commercial and sanitary information. A sticker can be affixed in the country prior to retail.

1) Commercial information:
-Brand or commercial name
-Name or generic name of product
-Exporter's name and address
-Indication of the quantity in accordance to NOM-030-SCFI (use metric units)
-Producer's name and address, which, in the case of imported products, will be provided to SECOFI by the importer
-Country of origin (i.e., Producto de EE.UU.)
-Importer's name, company name and address
-In the case of wine coolers, the labels should contain: name, address and taxation code of the importer.

2) Sanitary information:
-All alcoholic beverages should read "El abuso en el consumo de este producto es nocivo para la salud" (The abuse in the consumption of this product is hazardous to your health)
-Alcohol content, percent of alcohol in volume at 20 degrees centigrade displayed as follows: (Number) % Alc. Vol.
- Lot number
-Only prepared drinks and cocktails should include a list of ingredients, which should be listed under the heading "Ingredientes," and they should be listed in the decreasing order of their percentage of the product's total composition.

This information must be in Spanish and may also appear in the original language. The information referring to the brand, type of beverage and quantity should appear on the main label. The other information can be included on any other part of the label or product container.

Temporary Imports: Mexican import legislation does not recognize temporary imports, which are meant for sampling or for "give aways" during trade shows or other promotional events. Therefore, this ruling does not allow temporary imports of wines or similar products that will be consumed or used as samples in Mexico. Imported wines that are to be promoted during an event in Mexico are subject to import duties. Imported products must obtain a marbete, a fiscal label that ensures that the import duties and IEPS tax have been paid, before the products are imported and consumed in the country.

Exporters should also be aware that Mexican companies importing alcoholic beverages into Mexico must be inscribed in the Mexican Registry of Importers-MRI. Foreign suppliers of alcoholic beverages must have a Mexican importer or a representative registered in the MRI of the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico. A list of the top 14 registered importers of alcoholic beverages is included under the “Marketing” section.

Marketing

Marketing Infrastructure/Channels: Importers/distributors are vital to the success of any imported product, including wine, since only some of the major retailers and few of the major food service chains import directly. National distribution is the easiest method for supplying the Mexican market, however many distributors only represent regions or select metropolitan areas in Mexico. Many foreign companies have opted to form alliances or joint ventures with established Mexican liquor companies to distribute and/or represent their product lines. Other companies have established representational offices and sell through distributors. Another creative strategy can be to form an alliance with one of the wine makers in Mexico to mutually benefit from each other’s distribution channels. See the section on Mexican production for information on creative marketing systems explored by some vineyards. In addition, wine clubs are growing in popularity in Mexico, and can be a good way to introduce a new wine to Mexican connaisseurs. A list of the major wine clubs, their programs, as well as their contact information can be found at: http://mexicanwines.homestead.com/WINECLUBS.html.

In Mexico, specialty stores, supermarket chains, department stores and hotels/restaurants are the primary sales venues for imported wine. Only a handful of the retail chains import directly. Most alcoholic beverage products are purchased through Mexican-based distributors enabling retail chains to keep inventories at a minimum, thereby avoiding investments in large centralized storage and bypassing the hassles of importing. This system of indirect purchasing is expected to change over the next few years but currently it is the dominant business practice. Some chain stores, such as Wal-Mart and CostCo, have centralized purchasing.

Larger retailers are very hesitant to take on new wine labels, particularly from the United States, and agree to promotions only when the entire risk is borne by the exporter. Though increasingly importers and distributors acknowledge the high quality of US wines, they still find consumers are more inclined to purchase a European wine for higher priced wines, and Chilean wines for the lower priced bottles.

US firms wishing to penetrate the Mexican market must have a locally based distributor and representative in order to operate and to establish a successful business relationship with domestic buyers. Usually this has to involve a relationship developed over time and in person with the importer and distributor, requiring at least one, but in many cases multiple trips to Mexico to make the contacts and arrangements.

The top 14 importers of alcohol and wines to Mexico, and who together represent 80 percent of alcohol imports to Mexico are: Casa Cuervo, Comercializadora e Integradora en Comercio Exterior, Digrans, Exclusivas Benet, Grandes Superficies de Mexico, Importaciones Colombres, Importaciones y Distribuciones Internacionales, Kamycory Trading, Laranjeira Nicolau dos Santos Joao Paulo, Las Cavas de Francia, Participaciones Mariano, Prima Free Trade Cancun, Union De Grandes Marcas, and Vininter. For contact information for these organizations, and contact information for other associations involved in the importation and distribution in Mexico, as well as a list of the primary Mexican distributors and importers of US wine, please contact the Agricultural Trade Office in Mexico City.

Market Development Opportunities: There are growing market opportunities in Mexico for US wine exporters, particularly in the restaurant, hotel, and tourism industry. Groups of wineries or a representative of a large number of wineries, such as a US State association, could consider conducting promotions through a luxury hotel chain. In the retail industry exporters can consider conducting in-store tastings as a means of introducing or increasing the awareness of their products to the Mexican consumer, but these events do not reach a large number of consumers, can be expensive, and in addition, retailers are looking to avoid taking any risk associated with these ventures. In any retail promotion, attempts should target the younger, mid to upper class consumers, by focusing on areas where these consumers reside and shop. We recommend first working closely to identify a good distributor with excellent contacts in the HRI or retail sector and to work with them to develop effective promotions.

The Agricultural Trade Office (ATO) in Mexico City can help US wine exporters by supplying them with market information, importer lists, and distributor data, as well as by endorsing US Pavilions at trade shows and organizing various marketing events. For more information please contact the ATO Mexico City or Monterrey offices, contact information is provided in Section III.

Another excellent means of increasing product exposure and making personal contact with wine importers and distributors is by attending trade shows and expositions in Mexico. The following shows provide a good venue for US exporters to promote their wines in the Mexican market, and meet with potential importer/distributors:

ANTAD 2004
When: March 13-15, 2004
Where: Expo Guadalajara, Guadalajara, Mexico
Organizer: Asociación Nacional de Tiendas de Autoservicio (ANTAD)
Contact: Carlos Zertuche, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; Ext. 1004
Fax: (011-52-55) 5281-6093
Email: carlos.zertuche@usda.gov
Show Type: Mexico's largest retail and supermarket show.

EXPHOTEL 2004
When: June 9-11, 2004
Where: Convention Center, Cancun, Mexico
Contact: Lourdes Guzman, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; 5281-6588 Ext. 1005; 5080-2000 Ext. 4787

Fax: (011-52-55) 5281-6093
Email: lourdes.guzman@usda.gov
Show Type: Mexico's largest hotel, restaurant and hospitality industry show for the Caribbean region.

ABASTUR 2004
When: September 30, October 1-2, 2004
Where: Centro Banamex, formerly known as Centro de Exposiciones y Convenciones Las Americas, Hipodromo de Las Americas, Mexico City
Contact: Lourdes Guzman, U.S. Agricultural Trade Office (ATO)-Mexico City
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Email: lourdes.guzman@usda.gov
Show Type: Mexico's largest hotel, restaurant and hospitality industry show for the Mexico City metropolitan area.

Competitor Programs

There are three foreign export-promotion agencies in Mexico: SOPEXA, from France, which is very active in promoting their national wines together with other food products; Prochile, from Chile, which is almost exclusively dedicated to wine marketing/promotion; and the Agricultural Trade Office-ATO, of the United States, which assists US producers of agricultural, fishery and forest products in the promotion and market development of their products.

SOPEXA, the French Government's marketing organization for food and agricultural products, has a highly refined marketing plan for promoting French wines in the Mexican market by conducting tastings in upscale restaurants and in-store promotions, and by participating in major Mexican food and beverage trade shows. Prochile dedicates most of its budget in Mexico to the promotion of their wines. They use bonuses and free samples to retailers and consumer tastings to promote their product. In addition, Spanish, Italian and Portuguese wines also enjoy regular in-store promotions in many of the major supermarket chains.

Mexico's wine producers are becoming more active in promoting their national wines in Mexico as well as abroad. They are using in-store promotions, media events and promotion of the culture of wine through concerts and festivals in the wine regions to promote their products.

Section III: Contacts

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Wine Institute
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Organization promoting California wines around the world, with programs in Mexico.

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(National Association of Wine Growers)
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Mexican association of wine producers

Wine and Fine Regional Cuisine, Mexico
Mr. Jorge Barrios, President
Phone: (646) 174-6051
e-mail: vinosjb@telnor.net
Organization promoting the Baja California wine region and Mexican wines through both tours to the region and consulting services.