

Division of Marketing
Agricultural Development and Diversification (ADD) Program
1991 Grant Final Report

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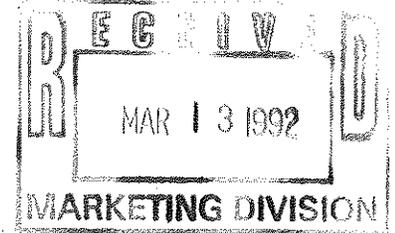


WISCONSIN EXPORTS COOPERATIVE

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FINAL REPORT



AGRICULTURAL DEVELOPMENT AND DIVERSIFICATION PROGRAM

FINAL REPORT: THE DEVELOPMENT OF EXPORT CHEESE MARKET TO MEXICO

This report is filed in accordance with ADD grant contract number 6063.

SIGNED AGREEMENT:

During the past 8 months (July 1991 to February 1992) the Wisconsin Exports Cooperative with Suemnicht's Natural Classics succeeded in developing a new business relationship with a Mexican food distributor in Mexico City. That distributor is Alimentos Exclusivos de Mexico, S.A. de C.V.

The Mexican company distributes to several of the major supermarket chains in Mexico, including, Gigante, Comercial Mexicana, and Aurrera. The primary products that the company distributes are dairy. Wisconsin Exports continues to work with the distributor and to assure them that our cheeses are of high quality and also competitive. At this time it is most important to emphasize patience and develop a market promotion program with the distributor.

SAMPLES:

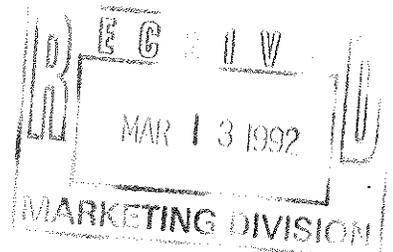
Cheese samples are sent regularly to the potential distributors in Mexico. Although it is costly, it is also important to send the samples. It also demonstrates to the distributors that we are committed to assisting in developing a market in Mexico for Wisconsin cheeses.

PROBLEMS THAT WERE OVERCOME

The Wisconsin Exports Cooperative had to clarify the kinds of cheeses in the distribution agreement that the selected distributor could import, and most importantly an agreement had to be reached with respect to how payment to the Wisconsin cheese manufacturers and processors was to be made.

With regards to payment, the manufacturers will not allow any product to leave their plant without a guarantee of payment. At the same time the Mexican food distributor ask for terms on a letter of credit time draft of 30 to 45 days.

The problem was solved by using a bank that will confirm the letter of credit and immediately discount it to the cheese manufacturers. In turn, the cost of credit will be included in the cost of the product. This was acceptable to the Mexican distributor, since the cost of credit will be at the U.S. rate.



-2-

EXPORT SALE:

In November and December of 1991 the Wisconsin Exports Cooperative succeeded in concluding a sale of processed cheese to Mexico. The sale was made to a food distributor (Casa Parra) outside of Mexico City which was not initially signed up with the Wisconsin Exports Cooperative. Now a distributor agreement is being discussed with Casa Parra.

The sale is an indication of a broad based market opportunity in Mexico, since the distributor that bought the cheese distributes primarily to restaurants and gourmet stores. In order to develop the market, effort must be directed to business relations and, most importantly emphasis be placed on market promotion.

BUSINESS DEVELOPMENT WITH POTENTIAL DISTRIBUTORS:

The Wisconsin Exports Cooperative continues to develop business relations with several food distributors in Mexico. It is a slow process to develop those relations. A ongoing presence would greatly enhance our effort.

Our expectations are that once we begin shipment to any of the distributors we will experience an immediate demand for product from the other distributors.

Wisconsin Exports continues to experience a growing interest from Mexico with regards to exports of Wisconsin cheeses. We follow up on trade leads from the Wisconsin Department of Agriculture as well as leads that are received from the National Dairy Board.

OTHER WISCONSIN CHEESE PRODUCERS:

The Wisconsin Exports Cooperative and Suemnicht's Natural Classics continue to have talks with different Wisconsin cheese companies to provide them with information about our efforts in Mexico. In January a presentation was made to board of directors of the Wisconsin Cheese and Sausage Promotion, Inc. with the expectations that member companies will contribute financially to the efforts of Wisconsin Exports to establish sales in Mexico. Many companies are beginning to realize the potential of developing an export market to Mexico.

OTHER POTENTIAL MARKETS FOR WISCONSIN COMPANIES:

There is growing demand and a strong potential for a wide variety of foodstuffs from Wisconsin for the Mexican market. The Mexicans are anxious to receive product information, and are making decisions with regards to price, product and assistance they may receive from companies in the U.S. The Wisconsin Exports Cooperative continues to send samples, literature and price information in an effort to develop sales. Patience and persistence is not enough however, we now need to move to next stage of market entry and development which is to organize a presence in Mexico.

NEXT PHASE:

Meetings and discussions will continue with Mr. Suemnicht and the cheese manufacturers to resolve any problems, and eventually begin sustained exports.

The Wisconsin Exports Cooperative will work to consummate a sale with the distributor that was selected, as well as, continue to develop relations with the other Mexican food distributors. We believe that the first sale is near.

Finally, the Wisconsin Exports Cooperative has developed a proposal for organizing a food demonstration project in Mexico for Wisconsin cheeses and other dairy products. This could also apply to other value-added food products. In order to implement the project, financial assistance from governmental agencies as well as private companies will be sought.

The Wisconsin Exports Cooperative will also utilize funding from the MID AMERICA INTERNATIONAL AGRI TRADE COUNCIL (MIATCO) to assist in promotional efforts.

Following is a brief description of the Food Demonstration Project in Mexico that Wisconsin Exports proposes to implement:

- To organize and co-sponsor (with Mexican food distributors) food shows at the large supermarket chains as well as hotels and restaurants.
- To promote in-store demonstrations of Wisconsin dairy products.
- To provide a full range of promotional and educational materials of the dairy products.
- To promote the products with the trade associations in Mexico.

In short, the purpose of the food demonstration project will be to work closely with the Mexican food distributors in promoting Wisconsin dairy products directly to the retailers and the consumers, and through that effort develop exports sales. The project would have a time frame of 3 to 5 months and would require having several hundred pounds of cheese and other dairy products readily available in Mexico, as well as other promotional material. To accomplish this, the Wisconsin Exports Cooperative will work closely with our designated food distributors in Mexico. We hope to implement this project as soon as possible, and look forward to continued support from the Wisconsin Department of Agriculture, Trade and Consumer Protection.

Submitted by:

Wisconsin Exports Cooperative
Kevin Colson, Executive Director
3/12/92

