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Food, Beverage Companies Involved in Cross-Border Expansion

by LADB Staff

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Since late 1993, four food or beverage companies two from Mexico and two from the US have either established new wholly owned subsidiaries or formed joint ventures with local companies.

One of the Mexican companies, Grupo Bimbo, in early February announced the purchase of a 50% share of Texas-based Mrs. Baird's Bakeries Inc. for an undisclosed price. The Bimbo-Mrs. Baird partnership resulted in the creation of a separate company, called QFS Foods, which will market baked goods at a national level. Under the arrangement, Bimbo products will be sold throughout the US under the Mrs. Baird's trademark. Before the transaction, distribution of Mrs. Baird's products was limited to a small regional market. US and Mexican financial analysts suggest the effort by QFS Foods to expand nationwide will take some time, since the company will have to construct new plants and establish new distribution routes. The new investment is Grupo Bimbo's first large-scale entry into the US market.

In late 1993, the company acquired two small tortilla manufacturers, Orbit Fine Foods of Oklahoma and La Fronteriza of Ohio, in order to compete in the growing US tortilla market with Bimbo's top Mexican competitor Grupo Industrial Maseca (for recent coverage on Maseca expansion in the US, see SourceMex, 11/03/93). Bimbo operates 30 plants in Mexico as well as a number of other facilities in Guatemala, El Salvador, Venezuela, and Chile. In the Mexican market, Bimbo has joint venture operations with US bakeries Sara Lee and Wonder Bread.

Unlike the Bimbo expansion into the US, which was a marketing decision, the Mexico City-based pork processor Industrias Sucarne opened a new hog slaughter facility in San Antonio, Texas, to gain access to new hog supplies. Sucarne owner Jose Hernandez Estrella invested about US \$3 million to restore an abandoned meat packing plant to meet the specifications of his new hog slaughter facility, which he named Hemco Packing Inc. The Hemco plant, which slaughters about 300 hogs daily, ships hog parts to the Sucarne facility in Mexico City, where they are processed and packaged. According to Hernandez, suppliers in Mexico were not able to provide his Mexico City plant with enough hogs to satisfy the growing demand for pork products in Mexico.

Beyond meeting the needs of Sucarne, Hemco's presence in southern Texas has resulted in the creation of 40 new jobs, which may increase to 100 once the expansion is completed. In addition, the company is credited for virtually saving the hog producing industry in south-central Texas. Hemco filled the void left when two large hog slaughter plants Swift and Roeglein left the area in the 1980's. According to Andy Vestal, an agricultural extension agent in Bexar County, Texas, the departure of those two companies forced many area hog producers out of business. Those producers that were able to continue operations were forced to sell their hogs as far away as Mississippi and California.

US food and beverage producers have also moved to establish or increase their presence in Mexico early this year. For example, McCormick & Co., which has operated facilities in Mexico since 1947, in late January moved to consolidate its market share by purchasing competitor Grupo Pesa. In a press statement, McCormick chief executive officer Bailey Thomas said Pesa's properties in Mexico will be added to existing McCormick holdings in that country.

For its part, California-based Wente Brothers winery became the state's first wine producer to establish a direct marketing presence in Mexico. In a joint venture operation with a Mexican company, the firm registered as a Mexico-based corporation, Wente Mexico SA de CV, and opened a marketing office in Mexico City. Through a combination of lower import and liquor taxes, the company expects to gain a competitive price advantage in Mexico. The direct presence in Mexico also gives Wente greater control over its marketing strategy, especially since Mexican consumers are more accustomed to buying Chilean and French wines, even at premium prices. Wente Brothers has also gained a marketing advantage over its California competitors Sutter Home and Fetzer Vineyards, which currently sell to the Mexican market through local distributors.

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