SUPPLY CHAINS: EXPORTING SOUTH OF THE BORDER

NOVEMBER 21, 2007

CONFERENCE SPONSORS:

Manitoba Infrastructure and Transportation
G2 Logistics
Aikins, MacAulay & Thorvaldson LLP
Canadian Wheat Board
Thunder Bay Terminals
8:00 am – 8:25 am  Registration and Continental Breakfast

Morning Chair:  Dr. Matthew Morris  
Assistant Professor, Dept. of Supply Chain Management  
I.H. Asper School of Business, University of Manitoba

8:30—8:35  Welcoming Remarks—Dean Glenn Feltham, I.H. Asper School of Business

Session 1  Transport of Value-added Agri-Food Exports to Mexico  
The Mexican food import market is large, diverse and accessible. The demand for perishable food imports has grown rapidly since the North American Free Trade Agreement (1994) and the introduction of supermarket food distribution systems in Mexico. As of 2007, most value-added food products from Canada enter Mexico duty free and these exports exceed $300 million annually. This session examines food trade from the exporter and importer perspectives.

8:40 – 9:10 am  Refrigerated Transport to Mexico: Benchmarks and Issues  
Dr. Barry E. Prentice  
Professor, Dept. of Supply Chain Management  
I.H. Asper School of Business, University of Manitoba

9:15 – 10:30 am  A Canadian Perspective on Exporting Value-added Food Products to Mexico  
Mr. Edward Zilli  
Export Manager  
Santa Maria Foods

A Mexican Perspective on Importing Value-added Food Products from Canada  
Mr. Mark Magdule  
Director Comercial  
Distribuidora New York Deli and Bagel, S.A. De C.V.

Roundtable discussion

10:30 – 11:00 am  Coffee Break
Session 2  

**Best Practices and Advice to New Exporters on the Mexican Market**

Business logistics and Mexican culture are quite different than those familiar to Canadian exporters. These differences include, but are not limited to, processes in crossing the border, the importance of personal contact in doing business, documentation requirements, retail and distribution systems, transportation, consumer tastes, market potential, food product regulations, certification requirements, views of various degrees of risk, Mexican character, permits and licensing, and language.

11:00 – 12:00 am  

**Fresh Product Logistics and Marketing in Mexico**

Mr. Tom Westerveld  
Sales-Manager  
Martin’s Family Fruit Farm Ltd.

**Supply Chain Relationships, and the Art of Crossing Borders**

Dr. Ron McLachlin  
Professor, Dept. of Supply Chain Management  
I.H. Asper School of Business, University of Manitoba

Roundtable discussion

12:00 – 1:30 pm  

Lunch Keynote Speaker  
Hon. Jim Rondeau  
Minister of Competitiveness, Training and Trade  
Province of Manitoba

Afternoon Chairperson  
Ms. Ruth Sol  
President, WESTAC

Session 3  

**Transport of Value-added Agri-Food Exports to Mexico**

A continuous cold chain is necessary to maintain product quality and extend shelf-life. Refrigerated trucks are the most widely used mode of transport for the export of fresh chilled and frozen food products to Mexico. Air transport is used for highly perishable, luxury food products and the transport of samples. Refrigerated railway boxcars are used when the product is frozen and the volume is sufficient to utilize their capacity. This session examines the transport of fresh and frozen food exports to Mexico.

1:30 – 2:30 pm  

**Refrigerated Trucking services to Mexico**  
TBA

**Rail Transport of Frozen Food Products to Mexico**  
Ms. Rosalind Wilson  
Director Business Development  
Canadian Pacific Railway (Mexico), Mexico City

Roundtable Discussion

2:30 – 3:00 pm  

Coffee Break
Session 4  
Grains, Oilseeds and Special Crops Transportation to Mexico

Mexico’s grain imports are large and likely to continue increasing. In 2006, Mexico’s population was estimated at 107.5 million, with an annual growth rate of 1.16 percent. The Mexican population is young, with over 30.6 percent of the population under the age of 14 and only 5.8 percent over 65 years old. Even with decreasing family size, the Mexican population will continue to grow for the next couple of decades because the juvenile cohort is so large. Canada is a major supplier of wheat, barley, oilseeds and special crops to Mexico. This session considers the transport options for field crops and the outlook for the future of Canada in Mexico’s grain supply chains.

3:00 – 4:05 pm  
Export of Wheat and Barley
Mr. Rhyl A. Doyle
Senior Marketing Manager, Latin America and the Caribbean
Canadian Wheat Board

Export of Special Crops and Pulses
Mr. David Nyznyk, CITT
Director, International Marketing
Grupo Canada Ltd.

Roundtable Discussion

4:05 pm  
Rapporteur

Dr. Paul Earl
Assistant Professor
University of Manitoba

4:20 pm  
Closing Remarks
12th Annual Fields on Wheels Conference

Participants List

Speakers
(in order of Appearance)

Dr. Matthew Morris
Department of Supply Chain Management

Dean Glenn Feltham
Asper School of Business

Dr. Barry Prentice
Department of Supply Chain Management

Mr. Edward Zilli
Santa Maria Foods

Mr. Mark Magdule
Distribuidora New York Deli and Bagel. S.A de C.V

Mr. Tom Westerveld
Martin’s Family Fruit Farm Ltd.

Dr. Ron McLachlin
Department of Supply Chain Management

Dr. Paul Larson
Transport Institute

Honourable Jim Rondeau
Minister, Province of Manitoba

Ms. Ruth Sol
WESTAC

Ms. Rosalind Wilson
Canadian Pacific Railway

Mr. Rhyl A. Doyle
Canadian Wheat Board

Mr. David Nyznyk
Grupo Canada Ltd.

Dr. Paul Earl
Department of Supply Chain Management

Participants

Suki Abeysekera
Manitoba Agriculture, Food and Rural Initiatives

Pat Atkinson
Transport Canada

Norbert Boisjoli
Maple Leaf Consumer Foods

Trevor Carlson
Essen Transport Ltd.

Larry Carriere
James Richardson International

Jacqueline Cassel-Vernon
Canadian Wheat Board

Amar Chadha
Manitoba Infrastructure & Transportation

Darren Christie
Motor Carrier Safety & Regulation Division

Tasha Chudley
Asper School of Business

Marty Cielien
James Richardson International

Beth Clark
Asper School of Business

Damian Conaghan
Alberta Food Branch, IIAR

Ian Craven
Meyers Norris Penny, LLP
Rich Danis  
Manitoba Infrastructure & Transportation

Brent DePape  
Western Economic Diversification

Josh Drury  
InterVistas Consulting

Jonathan Ellis  
Canadian Pacific Railway

David Faurschou  
M. L. A. Portage la Prairie

Glenn Friesen  
Manitoba Agriculture, Food & Rural Initiatives – Crops Branch

Darryl Gershman  
G2 Logistics Inc.

Marie Goran  
Canadian Grain Commission

Myrna Grahn  
Manitoba Agriculture, Food & Rural Initiatives

Murray Hamilton  
Canadian Pacific Railway

Andrew Horosko  
Manitoba Infrastructure & Transportation

Catherine Jaworski  
Canadian Grain Commission

Jan Jocelyn  
Maple Leaf Consumer Foods (Pork)

Jill Klusa  
Canadian Pacific Railway

Bob Krul  
CTC Lurk Holdings Ltd.

Chad Lins  
Meyers Norris Penny

Larry Maguire  
M.L.A. Arthur-Virden

Landon Mah  
Agriculture & Agri-Food Canada

Lucille McLaughlin  
Manitoba Infrastructure & Transportation

Robin McRae  
Manitoba Agriculture, Food & Rural Initiatives

Kevin Morgan  
Canadian Grain Commission

Brian Morris  
Canadian Wheat Board

Susan Mudry  
Canadian Grain Commission

Carolynn Osborne  
Manitoba Agriculture, Food & Rural Initiatives

Douglas Page  
RW Packaging Ltd.

Terry Plett  
Canadian Wheat Board

Guy Precourt  
Norman G. Jensen Canada Inc.

Judy Rozall  
Maple Leaf Consumer Foods
Pam Sagu  Maple Leaf Foods International  
Curt Schroeder  Keystone Grain Ltd.  
Christine Singh  Transport Canada  
Stan Skrypetz  Agriculture & Agri-Food Canada  
John Spacek  Manitoba Infrastructure & Transportation  

Ron Tereck  Maple Leaf Consumer Foods  
Connie Van Rosmalen  Manitoba Infrastructure & Transportation  
Siobhan VanDeKeere  Department of Supply Chain Management  
Erica Vido  Manitoba Agriculture, Food & Rural Initiatives  
Yaintha Vivekanandarajah  Canadian Pacific Railway  

Tony Wattman  A.J.W. Warehousing Inc.  
John Withoos  Maple Leaf Consumer Foods  
Rosann Wowchuk  Government of Manitoba  

Glenn Young  Keystone Agricultural Products  

**Transport Institute**  

Kathy Chmelnytzki  
Sharon Cohen  
Doug Duncan  
Danielle Kososki  
Al Phillips  
Clare Pieuk  
Jairo Viafara  
Brian Wirth  
David Wolters  
Stephen Wright
Speaker Bios
12th Annual Fields on Wheels Conference

Dr. Matthew Morris
Assistant Professor, Dept. of Supply Chain Management
I.H. Asper School of Business
University of Manitoba

Matthew Morris is an Assistant Professor in the Department of Supply Chain Management. He completed his Ph.D. in business logistics at the University of Maryland. Matthew’s home town is Norfolk, Virginia. His current focus of research is international buyer-supplier relationships, and he is instructing courses in global supply chains business and supply chain management.

Dr. Barry E. Prentice
Professor, Dept. of Supply Chain Management
I.H. Asper School of Business
University of Manitoba

Barry E. Prentice was the Director of the Transport Institute from 1996 to 2005 and is currently a Professor in the Department of Supply Chain Management in the I.H. Asper School of Business. His major research and teaching interests are logistics, transportation economics, urban transportation, economic development and trade policy.

Dr. Prentice has authored or co-authored more than 150 research reports, journal articles and contributions to books. His scholarly work has been recognized for excellence in national paper competitions and awards. In 1999, National Transportation Week named him Manitoba Transportation Person of the Year.

Mr. Edward Zilli
Export Manager
Santa Maria Foods

Edward Zilli is the Export Manager at Santa Maria Foods, a mid-size manufacturer of Italian style deli meats and importer of European specialty foods, with revenues exceeding $120M. In his ten years at Santa Maria, Edward has held various positions, mainly focusing on
sales and new business development. Under Edward’s leadership, Santa Maria has expanded through developing new partnership in untapped markets.

Edward holds a BA (hons) degree from York University and a MBA degree from the Rotman School of Management, University of Toronto.

In his spare time Edward enjoys motorcycle and kart racing.

**Mr. Mark Magdule**  
**Director, Comercial**  
**Distribuidora New York Deli and Bagel**

**Mark Magdule** has lived and worked in Mexico since 1981. He graduated with a degree in Business Administration (finance & communications) from Temple University in Philadelphia, PA.

Until 1981, Mark worked within the family outdoor amusement business, but moved to Mexico to be the General Manager at Automotores de México, S.A. de C.V. from 1981 – 1992.

In 1992 Mark became the founder and operating partner of New York Deli & Bagel in Mexico. Mark is also a partner in Sami Soluciones, S.A. de C.V. an automotive software development company.

Mark is married with two sons.

**Tom Westerveld**  
**Sales Manager**  
**Martin's Family Fruit Farm Ltd**

**Tom Westerveld's** career spans over 45 years in the Fresh Produce Industry. For many years Tom was involved in the Super Market Sector and presently looking after sales and export logistics for the Martin's

Tom started his Fresh Produce career with Albert Heijn of The Royal Ahold group in the Netherlands. After his immigration to Canada joined the Zehrs Markets division of Loblaws for over 30 years.

Since joining Martin's Family Fruit Farm Ltd in 1999 Tom has been involved with the export of Canadian Apples to many countries,
but specializing in organizing all the logistics and challenges for the Mexican Market.

Tom was instrumental in organizing three major Ontario Apple Packers in 2004 to combine their efforts to supplying the Mexican Market. The Ontario Global Traders awarded the participating companies with a prestigious Partners Excellence in Exporting Merit Award. In the same year Martin's was also the proud recipient of the 2004 Global Traders Merit Award for Business Expansion in Exporting.

Tom is a passionate believer in the Mexican Market place for Canadian products and enjoys doing business with his Mexican Clients.

Dr. Ron McLachlin
Professor
Department of Supply Chain Management
Asper School of Business

Ron McLachlin, Ph.D. is an Associate Professor of Operations Management at the University of Manitoba, Asper School of Business. He earned his B.Sc. (Eng) and MBA degrees at the University of Alberta and his Ph.D. in Operations Management at the University of Western Ontario. Dr. McLachlin's research interests are in operations strategy and supply chain strategy. In particular, he is interested in process innovation (e.g., just-in-time / lean manufacturing, synchronous operations), the implementation of supply chain integration, and supply chain postponement strategies. He is currently researching supply chain management for the not-for-profit sector in interrupted environments. His publications are in the Journal of Operations Management, International Journal of Manufacturing Technology and Management, Management Decision, Operations Management Review, Managing Service Quality, Business Quarterly, and Elsevier Science Publishers. He is an Associate Editor of the Journal of Operations Management.

He has taught operations management, the management of quality, service operations, production seminars, operations strategy, topics in advanced production and operations management, and advanced supply chain management.
Honourable Jim Rondeau  
Minister, Competitiveness, Training & Trade  
Province of Manitoba

Jim Rondeau was elected the MLA for Assiniboia in the 1999 and 2003 Manitoba elections. In November, 2003 he was appointed the new Minister of Healthy Living within the Department of Health and was also given responsibility for Seniors and Healthy Child Manitoba. A year later he became the Minister of Industry, Economic Development and Mines. In September 2006 he was appointed as the Minister of Science, Technology, Energy and Mines.

Before entering cabinet, Jim served on the Legislative Review Committee, as well as on the Graduated Drivers License, Disability White Paper and Provincial Budget Hearing task forces. He was also instrumental in the introduction and passage of The Canadian Forces Personnel Act, which improved the rights and benefits of military personnel moving into Manitoba.

Prior to entering politics, Jim had an extensive career in education. He graduated from John Taylor Collegiate and earned his Bachelor of Education degree from the University of Winnipeg, and completed post-baccalaureate studies at the University of Manitoba. He has taught at schools in Norway House and Cranberry Portage, and was a seminar and school experience instructor at the University of Winnipeg. He later became the Adult/Work Education Coordinator for the Frontier School Division, where he played a leading role in establishing 18 adult learning centers and libraries throughout the province. Jim also developed an award-winning school-to-work transition program for young people from northern Manitoba. Jim's work as an educator, at all levels within the public schools system, reflects his dedication to life-long learning throughout Manitoba.

Jim has always been a willing and committed community volunteer. While living in northern Manitoba he served on the Cranberry Portage Ambulance Service; later, he was involved with the St. John Ambulance Volunteer Services. He has coached numerous volleyball and badminton teams to zone and provincial awards, and sat on the boards of directors of Literacy Partners of Manitoba. He is also a proud member of the Assiniboia Optimist Club, and regularly works with community clubs, parent councils, seniors groups, military organizations and other community initiatives.
A former business owner in both rural and urban Manitoba, Jim brings a wealth of business knowledge and financial experience to the Legislative Assembly.

Jim's career is one of dedication, community awareness, and action. He reflects these values in his passionate and committed service to his constituents and to all Manitobans.

Dr. Paul D. Larson,
Director, Transport Institute
Head, Department of Supply Chain Management
University of Manitoba

Paul D. Larson, Ph.D. is Head of the SCM Department and Director of the Transport Institute at the University of Manitoba. He earned a MBA degree at the University of Minnesota and a Ph.D. at the University of Oklahoma. Dr. Larson has consulted and conducted executive seminars, in Scandinavia, North and South America, the Caribbean and China, on logistics, purchasing and SCM.

Dr. Ed Tyrchniewicz
Associate Dean
I.H. Asper School of Business
University of Manitoba

Ed Tyrchniewicz PhD, P.Ag, is currently Associate Dean of the Asper School of Business at the University of Manitoba, and Professor in the Department of Supply Chain Management. Trained as an Agricultural Economist (PhD – Purdue University), Ed has worked in Universities for more than 35 years with more than 20 of those years being in various academic administrative positions. While at the University of Manitoba ((1967-88), he was a Professor of Agricultural Economics, Head of the Department of Agricultural Economics, and Founding Director of the Transport Institute. He then served as Dean of the Faculty of Agriculture and Forestry at the University of Alberta (1988-96). Since taking early retirement from the University of Alberta in 1997, he has held a variety of part-time appointments, including Senior Fellow at the International Institute for Sustainable Development (1996-99), founding Executive Director of the Manitoba Rural Adaptation Council (1997), and Adjunct Professor of Agricultural Economics at the University of Manitoba from 1998 to 2004. He is also involved in consulting and public service advising in the areas of agricultural and transportation policy, natural resource management, and
organizational management and capacity building. He is currently Chair of the Agricultural Policy Framework Review Panel.

Ms. Ruth Sol  
President  
WESTAC

Ruth Sol is President of the Western Transportation Advisory Council (WESTAC). She joined the Council in 1983 as Research Economist and held increasingly senior positions. Previously she held positions in market research and statistical analysis at HA Simons International, a consulting engineering firm in the pulp and paper industry, and MacMillan Bloedel Limited, an integrated forest products firm.

Ruth earned a BA (economics) and an Executive MBA from Simon Fraser University. She is a member of the Association of Professional Economists of B.C.

WESTAC is a member-based organization of senior decision makers in all facets of transportation – business, labour and government, across modes. Under Ruth’s leadership, this powerful forum brings together industry leaders to debate, discuss and better understand issues affecting some aspect of transportation. The Council contributes to the excellence of the western Canadian transportation system by ensuring that the industry's voice is heard and that the importance of transportation to our economic and social well-being is widely understood and appreciated.

Ms. Rosalind Wilson  
Director, Business Development  
CPR MEX

Rosalind Wilson, Director of Business Development in Mexico for Canadian Pacific Railway, graduated with an honours degree in Business Administration from Wilfrid Laurier University, Waterloo, Ontario, Canada in 1993. After graduation, she worked as a consultant specializing in Canada Mexico trade, during which time completed a series of important bilateral trade studies for both the public and private sectors in the Environment, Energy, and Transport industries. In 1998, she participated in several studies on the privatization of the rail and port systems in Mexico, and subsequently joined the Mexican railroad Ferrocarril del Sureste during their
transition from public sector to private concession. In 2000, she opened the Canadian Pacific Railway representative office in Mexico.

She has also held several key positions on the board of the Canadian Chamber of Commerce in Mexico and currently serves as President for the 2007 to 2009 term.

Mr. David Nyznyk, CIT
Director, International Marketing
Grupo Canada Ltd.

Bio Unavailable

Mr. Rhyl A. Doyle
Senior Marketing Manager,
Latin America and the Caribbean,
Canadian Wheat Board

Rhyl Doyle has a degree in Agricultural Economics from the University of Manitoba. After graduating he worked for several years as a grain merchant and foreign exchange trader for a large multinational agribusiness. He then joined the CWB marketing team and for more than ten years he has been in charge of wheat and durum sales to Latin America and the Caribbean where the CWB sells between half a billion and three quarters of a billion dollars worth of wheat and durum each year depending on crop size and prices.

Rhyl’s work has taken him to nearly every country in the western hemisphere that has a wheat mill in it.

Dr. Paul Earl
Assistant Professor
Department of Supply Chain Management
Asper School of Business

Paul Earl joined Asper School of Business in 2003, after a long and varied career in the western Canadian grain industry. He worked for Untied Grain Growers, the Grain Transportation Agency, and, just prior to coming to the Asper School, had spend about five years with the Western Canadian Wheat Growers Association. He was then one of the founding members of the Department of Supply Chain Management when it was formed in the Asper School in 2004.
About half way through his career in the grain industry, he undertook doctoral studies at the University of Manitoba, completing his degree in 1992. His thesis examined the farm movement in western Canada from about 1918 to 1935, and examined how three prairie Wheat Pools, and the Canadian Wheat Board came into existence, and the ideologies held by farmers shaped those institutions.

Paul has had a long, but intermittent, relationship with the Transport Institute. He was a research associate with the Institute in 1987 and 1988 while working on his degree, and completed several studies with the Institute over the following years. Paul looks forward to several more years of exciting and interesting work in the Institute and the Supply Chain Management department.
Refrigerated Transport to Mexico: Benchmarks and Issues

Barry E. Prentice
Ron McLachlin
Department of Supply Chain Management
I.H. Asper School of Business
University of Manitoba
November 21, 2007
Outline

• Profile of the Canadian food exports to the Mexican market
• Transport alternatives and routes
• Benchmarks and transport issues
• Best practices
• Advice to new exporters
Composition of Canadian Exports to Mexico, 2003-2006

- **Bulk Products**
- **Intermediate Products**
- **Consumer Products**

12th Annual Fields on Wheels Conference
Canadian Exports to Mexico, Agri-food Products, 2003 - 2006

- Dry Transport Sufficient
- Refrigerated Transport Required
Canadian Agri-food Exports to Mexico, requiring Refrigerated Transport, 2003-2006

- Meat and edible meat offal
- Preparations of vegetables, fruit & nuts
- Miscellaneous edible preparations
- Products of animal origin
- Dairy products, eggs & honey
- Cocoa and cocoa preparations
- Fruit & nuts
- Preparations of meat (excluding seafood)
Exports from Canada to Mexico requiring Refrigerated Transport, 2003-2006
Transportation Alternatives

- Fresh Products: 1-6 day shelf-life
  - Air Cargo – 30 to 2,400 pounds
- Fresh Products: 7-60 day shelf-life
  - Refrigerated Tractor-trailers – 40,000 pounds
  - Refrigerated Less-than-truckload – 0-10,000 pounds
- Frozen Products: 2-24 month shelf-life
  - Refrigerated Tractor-trailers – 40,000 pounds
  - Refrigerated Railcars – 180,000 pounds
  - Refrigerated Intermodal Containers – 40,000 pounds
## Transit Times Trucking to Mexico

<table>
<thead>
<tr>
<th>Time Required to Perform Logistical and Transportation Functions</th>
<th>Average Required Time (hours)</th>
<th>Lowest Required Time (hours)</th>
<th>Highest Required Time (hours)</th>
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<tbody>
<tr>
<td>loading time at plant dock</td>
<td>2.6</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>origin to U.S. border</td>
<td>3.9</td>
<td>1</td>
<td>12</td>
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<tr>
<td>crossing the U.S. border</td>
<td>1.8</td>
<td>0.5</td>
<td>2</td>
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<tr>
<td>from the U.S. to the Mexican border</td>
<td>73.5</td>
<td>42</td>
<td>120</td>
</tr>
<tr>
<td>crossing the Mexican border</td>
<td>60</td>
<td>24</td>
<td>120</td>
</tr>
<tr>
<td>from the Mexican border to receiver</td>
<td>36</td>
<td>24</td>
<td>48</td>
</tr>
<tr>
<td>Costs for a Full Truckload Shipment to Mexico</td>
<td>Average Costs (US$)</td>
<td>Lowest Costs (US$)</td>
<td>Highest Costs (US$)</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>---------------------</td>
<td>-------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>freight costs ($/load)</td>
<td>$4,160</td>
<td>$2,550</td>
<td>$7,000</td>
</tr>
<tr>
<td>custom clearance ($/U.S. border)</td>
<td>$135</td>
<td>$70</td>
<td>$250</td>
</tr>
<tr>
<td>custom clearance ($/Mex. border)</td>
<td>$345</td>
<td>$130</td>
<td>$500</td>
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<tr>
<td>warehousing ($/day)</td>
<td>$28</td>
<td>$20</td>
<td>$35</td>
</tr>
<tr>
<td>insurance ($/load)</td>
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<td></td>
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<tr>
<td>documents preparation costs ($/load)</td>
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<td>$215</td>
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<tr>
<td>other costs – CFIA</td>
<td>$200</td>
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<td></td>
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<tr>
<td>other costs – layovers</td>
<td>$500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other costs – pallet sanitation</td>
<td>$16.50</td>
<td>$15</td>
<td>$18</td>
</tr>
<tr>
<td>other costs – unloading</td>
<td>$50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cold Chain Issues

• Abuse of the cold chain may lie outside the exporter's control
  – Search for “cold supply chain” breaches: trucks, retail stores, inspections

• Packaging and pallet quality is important for exporting refrigerated products
  – Pallets must be fumigated and food grade quality
  – Handling materials must withstand the damp environment, rapid unloading, inspection and transloading

• Longer-term arrangements with transporters and warehouses

• Lack of refrigerated railcar meat inspection facility
Truck Shipment Size and Consolidation

- With the exception of specialized luxury goods, most Canadian food exporters that do business in Mexico operate in truckload quantities.
  - Send full truckloads less frequently and utilize public warehousing

- Shipping multiple products in one load helps in filling a full truckload, as well as reducing the overall demand variance
  - for shipments less than 5,000 pounds air freight can be competitive with LTL trucking.
Air Freight Shipments

- Air shipment may be necessary for samples and highly perishable goods
  - Air freight is commercially viable for high-end goods sold in low volumes and high margins
- Charter flights to tourist destinations are worth investigating for high value-added food product exporters, particularly if the hotel and restaurant trade is their primary market.
- Better technology exists for shipping perishable air freight (Envirotainers) but more sophisticated containers are not cost effective without balanced loads
Railway Shipment

- High volume exports of frozen food products can use refrigerated railcars
- Larger exporters can use rail for the regular portion of demand, and augment with truck shipments for peaks
  - no compelling reason to ship exclusively by one mode.
- Fundamental problem for rail shipments is the absence of established northbound (backhaul) loads.
Logistical challenges: Summary

• Lack of customer owned refrigerated storage
• As tariffs have declined, non-tariff barriers have increased
• Lack of meat inspection facility for rail
• Breaches in the “cold chain”
• Challenges of tropical countries for perishables
Best Practices: Summary

- All documents have to be accurate every time
- Send on extra seals with in-bond shipments
- Use good quality packaging
- Use pallets and strap well
- Over-counts are better than undercounts
Lessons learned and advice given to new exporters

• Follow up with customers on a regular basis
• Think in terms of truckload volumes
• Make no plans for the first load
• Write off the first load before you send it
12th Annual Fields on Wheels Conference
Supply Chains: Exporting South of the Border

Session 1, Speaker 3

A Mexican Perspective on Importing Value-added Food Products from Canada

Mr. Mark Magdule

New York Deli & Bagel
Mexico City
### Mexico Quick Facts

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>105.9 million</td>
</tr>
<tr>
<td>Median age</td>
<td>24 yrs.</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>75 yrs.</td>
</tr>
<tr>
<td>Territory</td>
<td>1,964,375 km²</td>
</tr>
<tr>
<td>Education</td>
<td>32.1% High school or higher</td>
</tr>
</tbody>
</table>

- Mexico has a lot of opportunities.
- Education is a major problem.
- There are 22 million people in Mexico City.
Economic Info

- GDP 167.02 Billion CAN dlls.
- 3.7 % Third quarter growth
- 3.0 % est. yearly growth 2007
- 4.8 % reported growth 2006
- Unemployment 3.9 % (3rd quarter)
- New jobs Jan-Oct '07 = 825,000
- New jobs 2006 = 879,500
- 42.9 million employed
- 50% of work force under 35 yrs. old

- The economy is strong right now.
- Many of the numbers may be false because it is tough to do a good census of the people in Mexico.
- Tourism is the primary focus at the moment.
- Mexico has a formal economy and an informal economy.
- Formal economy: Those who report taxes and belong to the social security system.
**Canada - Mexico**

- **Mexico is 5th most important market for Canadian exports**
  - $3.3 billion (2005)
    - $1.6 billion Agriculture and Food Trade

- **Canada is 2nd most important destination for Mexican exports**

- **Mexico is the 3rd most important food export destination for Canada**

- **6.4 % total Mexican food imports come from Canada**
Forms of Market Entry to Mexico

- Direct
- Mexican Office
- Broker
- Distributor
- Processor
• These are the various means of getting products to consumers.
• **Central de Abastos**: Extremely large wholesale market (like a huge farmer’s market). 2000 mini-warehouses on 300 hectares of land. $20 million (cdn.) in sales daily including 30,000 tonnes of produce that goes through daily. Has 1000 people driving dollies, 700 police officers and 18 banks.
• **Informal sector**: The Tianguis are all the other little markets set-up around the town. They sell a lot of other products that may have not gone through the proper channels (i.e. Calvin Klein jeans, etc.). Mexico has a big problem with licensing.
• **Formal sector**: 60% of food products are purchased through supermarkets.
• **Food Service**: This sector is important, but it can be complicated to get your product into the tourism business.
• **Food processors**: There are 8000 food manufacturers in Mexico.
• The advantage of doing business in Mexico is that there is a lot of volume. The disadvantage is logistics.
Formal Sector

- **CANIRAC** – Chamber of Restaurants
  - Sales for $14 billion dlls. 2006

- **ANTAD** – Retail Association
  - Sales for $36 billion dlls. 2006
  - Wal-Mart - $18 billion dlls. 2006
  - OXXO - $3.2 billion dlls. 2006
  - 10% growth in 2007

- **CANIRAC**: 243,000 establishments are a part of CANIRAC (96% of these are small businesses).
- The restaurant industry accounts 2% GNP in Mexico.
- Furthermore, it accounts for 23% GNP of the tourism sector.
- Restaurant industry employs 830,000 people.
- **ANTAD**: Retail association. There are 91 different chains in Mexico (includes 36 supermarket chains, 17 department stores and 38 specialized chains like convenience or dollar stores)
- In 1995, New York Deli & Bagel jumped on the opportunity to sell bagels through supermarkets (first customer was Wal-Mart).
My Company, Inc.

- Do I want to export?
- How do I get my product to market?
- Who can help me?
- What are the trends in the market?

- It is extremely important to find a partner in Mexico. Someone who knows the customs and language.
- Manitoba Trade as well as the Canadian Embassy in Mexico may be able to help and know the proper channels to go through.
- Canada has a good image in Mexico. A product from the United States will not bring in as much as the exact same product from Canada.
- Take advantage of available technologies.
Mr. Mark Magdule

New York Deli & Bagel
Mexico City

www.newyorkdelibagel.com.mx
mark@newyorkdelibagel.com.mx
(011-52) 55-2454-4100
Fresh Product Logistics and Marketing In Mexico

Tom Westerveld
Sales Manager
Martin’s Family Fruit Farm Ltd.
Waterloo, Ontario

www.martinsapples.com
Martin’s Family Fruit Farm Ltd.

- 1820 – Martin Family purchased farm in Waterloo, ON
- 1971 – First 100 Apple trees planted in Waterloo
- 2007 – One of the largest Apple Growers and Packers in Ontario

www.martinsapples.com
Martin’s Family Fruit Farm Ltd.

- About 1100 acres of Quality Orchards located in various areas in Ontario
- Enables us to grow each variety of apple in the most ideal location

www.martinsapples.com
We Do it All!

• Grow, Store, Pack, Ship & Distribute using the latest technology
  – Orchard Management
  – Large, modern Controlled Atmosphere (CA) facilities
  – High tech volume packing line

• Prompt, dependable service to our many customers worldwide

www.martinsapples.com
Awards & Certifications

- Two Ontario Global Traders Awards
  - Expansion and Partnership Excellence in Exporting to Mexico
- Environmental Award for 2005
  - Greater Kitchener-Waterloo Chamber of Commerce
- All Facilities are HACCP & EUREP-GAP Certified

www.martinsapples.com
Customers

• **Mexico**
  – Premier Interfruver de Mexico, Dubacano, Walmart, Vidimport, Gigante and other large produce wholesalers

• **United Kingdom**
  – JP Fresh Ltd, International Produce, ASDA, Peter Gilding Ltd and other large volume produce wholesalers

www.martinsapples.com
Customers

- Costa Rica: Contratos Fruteros LTDA and other wholesalers
- Trinidad: Major wholesalers
- Panama: Large Produce Wholesalers
- Belize: The Anthony Trading Company
- Honduras, Nicaragua and El Salvador
- St. Lucia
- USA
- Dominican Republic
- Jordan, Saudi Arabia and Egypt

www.martinsapples.com
Mexico

- Population: 106 million
- GDP per capita: + $6,000
- 74% urban
- Under 20 – 44%
- Wealthy – 5%
- Upper Middle – 18%
- Middle Class – 37%
- Poor – 40%

Source: Bancomext Hispanic Metropolitan Chamber, 2006

www.martinsapples.com
Tijuana, B.C. 2,306
Mexicali, B.C. 2,119
Nogales, Son. 1,694
Cd. Juárez, Chih. 1,578
Piedras Negras, Coah. 1,137
Nuevo Laredo, Tamps. 1,013
Matamoros, Tamps. 1,117
Altamira Port 807
Pto. Tampico 741
Pto. Manzanillo 313

GUADALAJARA

Highways
Railroads
International Airports

Source: Bancomext Hispanic Metropolitan Chamber, 2006

www.martinsapples.com
Mexico and Canada

• Mexico is Canada’s 5th largest trading partner
  – Agriculture
  – Automobile Parts
The Good News

- Mexicans like Canadians
- NAFTA agreement with Canada
- Fast logistics by truck
- Large Population: 106 million
- Export support from all levels of Canadian Government

www.martinsapples.com
Lessons Learned in Mexico

• What are the keys to business success in Mexico?
  – Relationships
  – Relationships
  – Relationships
Lessons Learned in Mexico

• Meetings take TIME – don’t hurry
• Will usually meet with a principal of the company with many questions
  – If you don’t have the answer, say so
  – Then get the answer to them later
• Real asset to speak Spanish
  – Have a translator available for meetings
The Challenges

- Make sure to do your research and due diligence – there are no “shortcuts”
- Deal with reputable carriers for logistics
- Develop a respectable/friendly relationship with your brokers, freight forwarders, truckers and government officials in USA, Canada and Mexico.
The Challenges

• In the case of Agriculture products, develop a relationship with:
  – CFIA in Canada
  – SAGARPA in Mexico

• Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación
The Challenges

• Make sure all required documents are 100% correct.
  – There is no margin for error.

• Follow all procedures for labeling and regulations to the letter.
Exporting to Mexico

• If it was this easy everyone would be doing it.
  – If you are willing to do the work, the rewards are unlimited.
• The Mexican people are very hospitable and great to deal with.
  – “First you become friends, and then you do business.”

www.martinsapples.com
Exporting to Mexico

- If your client visits you in Canada, treat them in the same respectful way here.
  - Make their trip a memorable experience
- Introduce them to your family, and to the officials involved in the export process.
- If the order is larger than you can handle, partner with your competitors for the benefit of all.

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Exporting to Mexico

• Get detailed shipping requirements
  – Temperatures, labelling, etc.

• Take care of all documents:
  – Eg. Phytosanitary certificates, B13, Prior Notice, NAFTA Certificate of Origin, Bill of Lading and Invoice

• Make 2 packages of documents, one for CAN/USA border and one for USA/MEX border
Exporting to Mexico

• In case of a refrigerated load make sure the proper temperature recorders are with the load
  – Record both Celsius and Fahrenheit on all documentation

• In case of Agriculture products, CFIA will seal the load.
Exporting to Mexico

• **Important!**
• On all your Bill of Ladings and instruction sheets have the phone number(s) of an official in your Company that can be reached regardless of time
  - no voicemail or emails
  - so you can talk directly to the driver in case there is any type of issue with the load

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Exporting to Mexico

• Most loads are transloaded at the USA/MEX border
  – Best if client takes title on USA side of border
• Make sure load is packed sturdy and in strong containers
  – Can’t sell load in USA if there’s a problem at USA/MEX border, since the load travels in bond
Exporting to Mexico

• When shipping your first load, send an advance copy of documentation by email/fax to freight forwarders, brokers, and client, to get their opinions.

• If you receive a large order, send one load ahead to test the waters.
Exporting to Mexico

- Don’t ever be overconfident!
  - Things change constantly
  - You must communicate frequently with your contacts and government officials
Exporting to Mexico

- Invoice client’s USA office, if available
  - EDC ratings differences
  - Protected to a degree under PACA (Perishable Agricultural Commodities Act) in USA
- DRC (Dispute Resolution Corporation) for Produce Industry will do the same in Canada
Exporting to Mexico

- Use specific heat treated pallets
  - Otherwise load cannot enter Mexico
- Combined weight of tractor, trailer and cargo cannot exceed 80,000 lbs

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Exporting to Mexico

• Visit your client when your first load arrives
  – Provide them with Point of Sale material
• Have documentation in Spanish to leave with interested parties
  – Print or DVD format
Exporting to Mexico

• Attend Trade Shows
  – ANTAD in Guadalajara
  – Alementaria in Mexico City

• Participate in Trade Missions
Exporting to Mexico

• Bring promotional items (shirts, golf caps) with company logo
• Visit supermarkets, wholesale markets, and distribution centers
Central de Abastos in Mexico City
Remember...

• In Mexico, 70% of food is sold through small stores, road stands and other outlets – Only 30% is sold through supermarket industry

• In Canada, it’s the opposite
Important Contacts

• OMAFRA
  – Ministry of Agriculture, Food and Rural Affairs
  – 1 Stone Road West 5 SE Guelph, Ontario N1G 4Y2
  – Website: www.ontario.ca/omafra
Important Contacts

• Ontario Export Inc.
  – Toronto
  – Website: www.ontarioexportsinc.com

• Agriculture and Agri-Food Canada
  – Ottawa
  – Website: www.agr.gc.ca
Important Contacts

• CFIA
  – Website: www.inspection.gc.ca

• DRC
  – Canada
  – Website: www.fvdrc.com

• EDC
  – Website: www.edc.ca
Important Contacts

• Canadian Embassy in Mexico City
  – Schiller 529
  Col. Polanco
  11560 Mexico D.F.
  Mexico
  – Website: www.canada.org.mx
Conclusion

- I love doing business in Mexico, because of the people
- I wish you great success in your exporting to Mexico
My Contact Info

Tom Westerveld
Martin’s Family Fruit Farm Ltd.

Website: www.martinsapples.com
Email: martins.sales@rogers.com

www.martinsapples.com
Supply Chain Relationships and Crossing the Mexican Border

Ron McLachlin
Barry Prentice

12th Annual Fields on Wheels Conference

Winnipeg
November 21, 2007
Introduction

- Study for Agriculture and Agri-Food Canada
- Entitled: Refrigerated Transport of Canadian Agri-food Products to Mexico
Methods

- Grounded research (Strauss & Corbin, 1998)
  - constant comparative analysis
  - open, axial, and selective coding
- Case-based research (Yin, 2003)
- The two work well together (Locke, 2001)
- Data: mostly qualitative interviews (~ 1 hr.)
  - plus documents, questionnaire, observations
- Analysis aided by qualitative software
  - NVivo7
Data Collection

• 19 interviews, with managers from:
  • Canada: export and transport firms,
    • various locations
  • Mexico: importers and transport firms,
    • Mexico City area

• Common thread - each involved with:
  • perishable goods / cold chain
  • export or import
  • Canada to Mexico
Themes

• Grounded methods:
  • key themes emerge
  • what's important to respondents
  • not prompted
  • grounded in "real world"

• Two main themes from interviews:
  • supply chain relationships
  • crossing the Mexican border
Theme #1: Supply Chain Relationships

• Relationships - the major issue
• More experience, more emphasis
• It's obvious, "Everyone knows that."
  • Who would argue?
  • Collectively, the main message
  • Not just one item from a long checklist
  • Pay more attention
Supply Chain Relationships

Exporter of Meat Products: Mexico is a people business – probably more than anywhere else in the world. It's relationships; it's about respecting one another; it's about understanding the person you are talking to and things just fall in your lap.
# Supply Chain Relationships

| relationships much more important than product | need Mexican company to deal with the border |
| better off to find a good distributor | long-term partner for good terms and stability |
| difficult unless you have a good contact | we appreciate them getting it in the stores |
| that is why you need a representative in Mexico | make sure you've got the right partner |
| there's rapport because you have a connection | the people make it work - very hospitable |
Developing Relationships

• soft, fluffy ==> most difficult to do
• important AND difficult ==> worth doing
• the difficulty ==> leverage, opportunity
• competitors face same difficulties

• advice from respondents ==>
Developing Relationships

Exporter of Fresh Chilled Products: Once you sell, you just don’t forget about them. We follow up. We talk. We visit. E-mail, cell phones, all that jazz is wonderful, but personal contact is key in Latin America. We sit down at 8:30 on a Friday night [and] the next thing you know, we’re doing business. Sit down, share a meal, open a couple of bottles of wine - whatever it takes, and talk.
## Developing Relationships

<table>
<thead>
<tr>
<th>Step</th>
<th>Advice</th>
</tr>
</thead>
<tbody>
<tr>
<td>it's the personal contact that counts</td>
<td>stay in contact, but never push</td>
</tr>
<tr>
<td>first understand Mexicans, then markets</td>
<td>always show respect</td>
</tr>
<tr>
<td>build trust by demonstrating trust</td>
<td>go with a larger, well-financed distributor</td>
</tr>
<tr>
<td>show that someone is standing behind product</td>
<td>be wary of too much eagerness</td>
</tr>
<tr>
<td>better to overestimate than underestimate</td>
<td>go with well established firms</td>
</tr>
</tbody>
</table>
Theme #2: Crossing the Mexican Border - Difficulties

Exporter of Meat Products: Just getting it into the country is difficult because their bureaucracy is so strong and their laws are so incredible. You have to deal with so many different departments. . . . Getting your packaging approved is a nightmare. There are laws that you can't understand and different agencies apply these laws. And, it's their interpretation. . . .
**Border Difficulties**

<table>
<thead>
<tr>
<th>causes a huge, huge kerfuffle at the border</th>
<th>the Mexicans had come up with a new rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>you hear that it's 4:00 p.m.; it sat there all day</td>
<td>but [NAFTA] doesn't mean easy entry</td>
</tr>
<tr>
<td>there a couple of days, so, you lose orders.</td>
<td>after shipment, hard to change the documents</td>
</tr>
<tr>
<td>will reject the certificate for any little thing</td>
<td>so, we had to change the labelling</td>
</tr>
<tr>
<td>the Canadian trucker is left waiting there</td>
<td>were losing two or three months of shelf life</td>
</tr>
</tbody>
</table>
Easy Crossing

Importer of frozen products: Customs brokerage with rail cars is very, very simple, to be honest. We have never had a problem. . . . And the way Customs works these days in Mexico is "you declare and they believe you." You see it [for trucks] in Laredo. It takes about 60 seconds to cross the border. I mean that literally.
<table>
<thead>
<tr>
<th>We’ve got the most open border in the world, I think.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally, we really run into very few problems.</td>
</tr>
<tr>
<td>The trailer must go &quot;as is&quot; to the border with Mexico, then, there is no problem.</td>
</tr>
<tr>
<td>With proper documentation, we don't have any problem.</td>
</tr>
</tbody>
</table>
What Explains the Difference?

Importer of frozen products: The only problem is if they do check and you have something wrong, your odds are going to change a lot. We’ve been checked many times and they don’t find anything. So eventually [we are] not going to get checked. We’re pretty good about bringing in what we declare and products come through pretty fast.
What Explains the Difference?

Exporter of cod products: Now, I've learned my lesson. The first year I had no idea what I did. The second year I was smart. I used it as a learning year. I learned a lot. I learned why they wanted all of these other certificates and stuff. So, the third year, I got pretty good at what I was doing.
What Explains the Difference?

Previous two quotations represent the two main explanations we received:

• Follow the rules

• Use initial shipments for learning
<table>
<thead>
<tr>
<th>I know it's stupid, but you've just got to do it this way.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bluntly, there's a lot of BS at the end of the day, but we have to follow their rules.</td>
</tr>
<tr>
<td>You must comply. You cannot bring merchandise without complying.</td>
</tr>
<tr>
<td>If you want to import, you have to observe some rules.</td>
</tr>
</tbody>
</table>
There are Reasons for Some Rules

Representative of refrigerated storage firm: SAGARPA is concerned with avoiding animal diseases . . . We have closed the border to avoid [such] diseases. These regulations are to ensure that all the meat is good for human consumption. We have areas in the country where we don't have [such] diseases. For example, in the north . . . This is an avian influenza free zone.
Follow the Rules

• New exporters say:
  • Mexican border procedures need to change
  • cannot export successfully until things change

• Experienced exporters and importers say:
  • the current situation is imperfect, but
  • requirements must (and can) be met
Following the Rules Means:

• Taking care with documentation,
• Keeping abreast of the rules and changes,
• Transiting the U.S. properly

>>>
Following Rules #1: Take Care with Documentation

Importer of fish products: The only problem is that sometimes the certificates aren't perfect and if they [have] a slight error in them, they will be rejected here. So, the certificates – or whatever paperwork – need to be 100% perfect.
Take Care with Documentation

<table>
<thead>
<tr>
<th>It requires a little bit more due diligence and taking care of all the documents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>With the work in getting all the proper paper work, . . . didn’t have a problem.</td>
</tr>
<tr>
<td>Tell the people you're working with that the documentation is the key.</td>
</tr>
<tr>
<td>Most problems have been with documentation not being properly filled out.</td>
</tr>
</tbody>
</table>
Following Rules #2: Keep Abreast of the Rules

Importer of frozen products: It’s not a problem except that four years ago [they changed the rules] . . . and any new importer . . . was told, "You can’t bring it through because you don’t have an import permit."
**Keep Abreast of the Rules**

| important that they be constantly aware and looking for any changes to the regulations |
| something that had changed from two years ago, but we didn’t catch it |
| [Americans] have a better understanding of the regulations and clearance procedures |
| an agent in Mexico who keeps us abreast of changes, documents not needed before |
Following Rules #3: Transit the U.S. Properly

**Importer of frozen products:** You have [the USA] in the middle, which you **must** cross in bond. [They have] become extremely strict on clearing your in-bond. If you shipped 100 cases and you've got only 99 on the other side, you’re not leaving. It’s a day or so delay while you reconcile that in-bond.
**Transit the U.S. Properly**

<table>
<thead>
<tr>
<th>They have to amend the bond . . . and now it's going to stay for a few days in the U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>That's a piece of cake; usually anything that goes to Mexico is in-bond.</td>
</tr>
<tr>
<td>Everything travels through the US in-bond; it's a sealed container.</td>
</tr>
<tr>
<td>They don't stop us at all, you have a bond that the product will be leaving the country.</td>
</tr>
</tbody>
</table>
Explanation #2: Use Initial Shipments for Learning

*Importer of frozen products:* For your first order, just assume everything is going to go wrong. Give it extra time. Once you get that first order through, your second order is going to come through . . . right behind it. So, your first order is always a bit of a problem.
**Use Initial Shipments for Learning**

| But there is a high probability that on that first order, you've still got things to learn. |
| Once your system is going really well, then you ask, "Now how can I save a dime?" |
| It becomes repetitive because it's the same process. It's the first one that's difficult. |
| But after that, it's just routine; it's the same process - after three or four [shipments]. |
Use Initial Shipments for Learning

- Develop capabilities in crossing the border
- Initial shipments are learning opportunities
- Treat them as startup costs
- Expect problems
- Expect to make flexible adjustments
Questions? Comments?
Rail Transport of Frozen Food Products to Mexico

Rosalind Wilson
Director- Mexico

Supply Chains: Exporting South of the Border
November 21, 2007
Agenda & Takeaways

Key Takeaways
- Rail is a competitive solution for Frozen Product to Mexico
- Coordination throughout the supply chain is required

Agenda
- Nafta Trade – Overview
- CPR Rail Service to Mexico
- Shipping Frozen Food by Rail to Mexico
- Challenges and Opportunities
- Conclusions
US dominates both ways:
- Canada US trade dominates followed by Mexico US Trade

However:
- Mexico is Canada’s 4th biggest export market
- Canada is Mexico’s 2nd biggest export market

Canada Mexico Partnership (CMP) – Clear Goals for 2010:
- Increase Trade 50%
- Increase Investment 100%
- Dedicated Agri-business and Trade and Investment Working Groups

VALUES ARE IN BILLIONS OF US DOLLARS

- **Mexico-US**: $329
- **Mexico-Canada**: $21.5
- **U.S.-Canada**: $495

Sources: INEGI, USDOC & Statistics Canada, using import statistics from each country
**NAFTA Trade**

- **Mexico is a growth market**
  - 5 times since NAFTA
  - Growing at a higher rate than US Bilateral trade (either way)
  - 2 to 1 trade balance (favour Mexico)

**CANADA/MEXICO TRADE BALANCE**
(Million USD’s)

- **Trade inbalance = Transportation Challenge**
  - Market opportunities, transportation Challenge; or
  - Transportation opportunities, Market Challenge
  - Key is to work together to find the balance

**CANADA/MEXICO TRADE**
(Millions USD’s)

- **Market opportunities, transportation Challenge; or**
  - Transportation opportunities, Market Challenge
  - Key is to work together to find the balance
CPR opened the office in Mexico City Jan 2000

Offers full reach competitive service to/from Mexico with Partners:
- Marketing agreements with UP and FXE
- Routing options with BNSF and KCS, KCSM

Pre-clearance in place both Southbound and Northbound:
- Southbound ‘Despacho Previo’
- Northbound ‘Automated Manifest System’

‘Team Mexico’
- Cross LOB team focused on NAFTA (Mexico) growth
2006 Mexico Commodity Mix

Diversity is the strength of the Mexico portfolio

- Automotive 36%
- MMA 12%
- Coal 11%
- Grain Canada 15%
- Domestic Intermodal 8%
- Food 2%
- Fertilizer 1%
- Grain US 6%
- Forest Products 3%
- Chemicals & Energy 6%
Frozen Food Rail Service

Current Options

Border Inspection Restrictions

Current Service Options

Processed

Non-Processed

Random Border Inspections by customs

Manadatory Border Inspections by SAGARPA

Direct Rail Service

Truck service Beyond Laredo

CANADIAN PACIFIC
Reefer Units Received in Mexico by Rail

<table>
<thead>
<tr>
<th>Year</th>
<th>Atitalaquia</th>
<th>Villagrán</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>-</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>2004</td>
<td>-</td>
<td>124</td>
<td>124</td>
</tr>
<tr>
<td>2005</td>
<td>15</td>
<td>211</td>
<td>226</td>
</tr>
<tr>
<td>2006</td>
<td>106</td>
<td>270</td>
<td>376</td>
</tr>
</tbody>
</table>

Railcar operations per year

- **Atitalaquia**
- **Villagrán**

<table>
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<th>Year</th>
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<th>Villagrán</th>
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<td>226</td>
</tr>
<tr>
<td>2006</td>
<td>106</td>
<td>270</td>
<td>376</td>
</tr>
</tbody>
</table>
64’ mechanical reefer
From UP and Cryo Trans
cubic feet capacity: 6,400 cu. ft.
total load capacity: 185,000 pounds

72’ mechanical reefer
From BNSF and Cryo Trans
cubic feet capacity: 7,333 cu. ft.
total load capacity: 179,300 pounds
Cross Dock: Tula, Hidalgo
Villagran, Guanajuato Cold Storage Facility
Opportunities and Challenges: Opportunities

- Proven infrastructure
  - Safe handling endorsed by major buyers
  - Inventories close to market

- Cost effective (Consider all costs):
  - Up to 4 x truck capacity depending on product
  - Broker fees x 2 borders

- Proven process
  - Pre-clearance (advance warning with paperwork issues)

- McCains: Proof that it works
Opportunities and Challenges: Challenges

- Equipment supply
  - Costly equipment needs to be justified with volume and guaranteed usage
  - Quick turnaround and backhaul are important economics

- Longer transit times:
  - Requires bigger inventories and longer planning period

- Lack of rail served inspection facility at the border
  - Currently restricts entry of unprocessed products rail direct
  - Mandatory fito sanitary inspection at the border
Conclusions & Takeaways

- Rail can provide a competitive transport solution for frozen food to Mexico

- Early stages and still some inefficiency in the process
  - Infrastructure and/or inspection process
  - Permits

- Equipment supply is an issue but can be easily solved
  - private cars
  - Shared risk – volume guarantees

- Coordination and shared responsibility throughout the supply chain is required
12th Annual Fields on Wheels Conference
Exporting Wheat and Barley to Mexico

Rhyl Doyle
Senior Marketing Manager
Latin America & the Caribbean
The Canadian Wheat Board
Mandate

• Market Western Canadian wheat and barley delivered by farmers by servicing and expanding existing demand and/or creating new demand for Western Canadian grains

• Maximize returns to farmers
## Major Customers 2006-07

### Wheat

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>2 280 000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1 125 000</td>
</tr>
<tr>
<td>Mexico</td>
<td>1 082 000</td>
</tr>
<tr>
<td>United States</td>
<td>1 015 000</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>944 000</td>
</tr>
</tbody>
</table>
CWB Wheat Sales

Approximate percentage of sales
CWB Sales

• Direct Sales
• Sales through an Accredited Exporter (A/E)
Why use A/Es?

• A/Es can also be end users and own their own mills
• Transfer risk from farmers to A/Es (contract performance, freight, payment)
• Source for information gathering
• Efficient use of resources for smaller sales
Working with the Customer

- Personal contact
- General industry courses
- Product samples/flour
- Sales visits
- Written material
- Technical courses
- Technical visits
Point of Sale

- FOB  free on board
- Instore  in terminal at port
- C&F  cost and freight
- CIF  cost, insurance and freight
- Track  landed the mill/maltster
After-Sales Service

- Technical assistance
- New products
- Product improvement
After-Sales Service

Sales are not limited to negotiation, delivery and loading of wheat. After-sales service and technical support offered through:

- Canadian International Grains Institute (CIGI) International technical programs, pilot mill/pasta plant, experts in milling and baking techniques.
- Canadian Grain Commission
- Research: Grain Research Laboratory/GRL
Methods of Shipping to Mexico

- West Coast Vessel
- Churchill (seasonal end July to end October)
- Thunder Bay/St. Lawrence
- Rail
Ports Utilized in Mexico

- Manzanillo
- Lázaro Cárdenas
- Veracruz
- Tuxpan
- Progreso
- Nogales
- Eagle Pass
- Laredo
CWB Wheat Sales to Mexico

Thousands of Metric Tonnes

- Rail
- West Coast
- Churchill
- St. Lawrence
- Thunder Bay

* Crop year to date
CWB Malt Barley Sales to Mexico

Thousands of Metric Tonnes

<table>
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<tr>
<th>Year</th>
<th>98/99</th>
<th>99/00</th>
<th>00/01</th>
<th>01/02</th>
<th>02/03</th>
<th>03/04</th>
<th>04/05</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
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<tbody>
<tr>
<td>Sales</td>
<td></td>
<td>100</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>110</td>
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</table>
Costs Changing All the Time

- CDN$/US$ exchange rate

- Ocean freight rates (US$/tonne)

- Rail freight rates (rates to Mexico US$/car, rates to Canadian ports in C$/tonne)

- Crop quality patterns i.e. where is the wheat Mexico uses located (protein and grade variation)

- Prices of competitive wheat (DNS and HRW)
Advantages of Rail Direct

• Lower inventory and financing costs

• Less handling (reduced shrinkage and breakage of grain)

• Lower freight cost per tonne (currently)

• Better suited for niche movements (eg. Navigator durum)
Advantages of Vessel

• Can originate from any elevator
• Less paperwork (clear 44,000 tonne vessel in one transaction at Mexican Customs instead of hundreds of 90 tonne rail cars)
• Fumigation easier (fumigate one vessel instead of hundreds of rail cars – all inbound grain to Mexico is fumigated)
• No limit on vessel supply to Mexico
• Rail cars to Canadian ports easier to obtain than cars for Mexico
Disadvantages of Rail

• Limited origins (require Canadian Grain Commission approved sampling systems, scales, cleaners)

• Limitations on car supply for destination Mexico (CN and CP, but not BNSF)

• Erratic transit times

• More paperwork/processing

• Leaking cars, bad order cars, claims settlement process
Disadvantages of Vessel

• Higher inventory/storage/financing costs

• Large amount of stock susceptible to delay (mill shutdown risk)

• Higher freight cost per tonne (currently)
Baltic Panamax Index

Source: Banchero Costa
World Wheat FOB Indicator Prices

US$ per tonne

- DNS 14 PNW
- HRW Ord Gulf
- Argentine
- French
- Russian 4th Class
Export of Special Crops and Pulses

David Nyznyk, CITI
Director, International Marketing
GRUPO Canada Ltd.
Why are we here today?

- Porfirio Diaz; **1876** to **1880** and from **1884** to **1911**.

"¡Pobre México! ¡Tan lejos de Dios y tan cerca de los Estados Unidos!"
(Poor Mexico, so far from God and so close to the **United States**)
NAFTA, January 1994
The implementation of NAFTA’s open market policies, and moreover the reduced role of and eventual elimination of CONASUPO (the National Company of Popular Subsistence) in 1998.
Export of Special Crops and Pulses; Overview

- Common Distribution Patterns employed by Special Crops Shippers
- Transportation Options available to Specialty Crops Shippers
- Trials and Tribulations
- An Emerging Trend for Canadian Exports to Mexico; The Cinderella Story
- Ultimately, Demand Pull Transportation Economics prevail, Research and Development Key.
Grupo Canada Ltd.

- Commodity broker specializing in containerized goods.
  
  Lentils, Peas, Birdseed, Oats, Canola and Flaxseed.
On an annual basis, we are behind about 1000 TEUs to end users in nine (9) Mexican states.
Grupo Canada Ltd.

- We are established with all three Canadian Class 1 rail carriers.
- We purport ourselves to be the largest shipper of packaged specialty crops from Canada to Mexico, with the Burlington Northern and Santa Fe (BNSF) Railroad.
Agri-Food Central Ltd.

- Supply Chain Management
- Export Clearing House - typically about ten (10) percent of all Grupo negotiating business will be ‘Export Cleared’ by ‘Agri-Food’.
- Marketing Co-operative – Medium term objective to champion an Agri-Food Marketing Co-operative.
Export of Special Crops and Pulses; Into Perspective

“Back to the Sacks”

- More than two hundred (200) prospective shippers
- About sixty (60) with packing capabilities
Distribution Patterns; Shipping Dynamics

- Rail is by far the preferred and most economical means of conveyance. Rates and routes are fixed, in transparent and open tariffs.
Distribution Patterns; Shipping Options

- Rail
- Truck
- Ocean Container
- Intermodal
- Intramodal
Making Intramodal Work...

- Hub-and-Spoke Model (Truck/Rail)
  Mitigate or negate higher cost by:
  - Seeking out backhaul opportunities
  - Add value by combining up to three products
  - Ship finished goods with special crops
  - Service shippers with no or inadequate service
  - Service shippers who recognize service as incremental capacity
New conditions have been imposed on Canadian Specialty Crop exporters as of late which have resulted in higher basis levels being assessed by exporters, basis levels that are ultimately being borne by the producer in the interest of railroad efficiency.
Export of Special Crops and Pulses; Trials and Tribulations

1) Unanticipated freight rate increases
2) Burden of Through Billing
3) FDA Prior Notice
4) Enhanced “Despachio Previo”
Export of Special Crops and Pulses; Despacho Previo

Within seventy-two (72) hours from the time that a waybill is submitted to the origin railroad.
Export of Special Crops and Pulses; Despacho Previo

USD 75.00 per day for the first five (5) days and increased to USD 200.00 per boxcar per day for each day thereafter until cleared.
Export of Special Crops and Pulses; Despacho Previo

**EXAMPLE:**

<table>
<thead>
<tr>
<th>DAY 1</th>
<th>DATE THE WAYBILL IS SUBMITTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAY 2</td>
<td>12:01 AM, 72-HOUR PROCESSING TIME BEGINS</td>
</tr>
<tr>
<td>DAY 3</td>
<td>PROCESSING TIME ALLOWANCE CONTINUES</td>
</tr>
<tr>
<td>DAY 4</td>
<td>PROCESSING TIME ALLOWANCE ENDS AT 11:59 PM</td>
</tr>
<tr>
<td>DAY 5-9</td>
<td>DEMURRAGE OF USD 075.00 PER DAY IS APPLIED</td>
</tr>
<tr>
<td>DAY 10+</td>
<td>DEMURRAGE OF USD 200.00 PER DAY IS APPLIED</td>
</tr>
</tbody>
</table>
Export of Special Crops and Pulses; Despacho Previo

SAMPLE CHARGES:

IF AN UNCLEARED CAR IS CLEARED ON DAY 11, THE TOTAL CHARGE WOULD BE USD 775 (DAYS 1-4 PROCESSING TIME ALLOWANCE, DAYS 5-9 AT USD 75 PER DAY, DAYS 10-11 AT USD 200 PER DAY).
Export of Special Crops and Pulses; Emerging Trend

1) We see a new chapter in the Cinderella Story known to none other than Canola, but this time related to not to genetics but to transportation and logistics.

2) We see the bulk conventional capacity of our current distribution system inadequate to meet current and anticipated needs. Furthermore, higher shipping costs these days combined with the higher cost of financing increasingly larger parcels will gives fuel to the shift from bulk conventional to direct rail.

3) ”Necessity is the mother of invention” and unless Manitoba’s own northern port gets their ‘head out of the sand’, more shipments will be diverted from bulk conventional to direct-hit rail.
Export of Special Crops and Pulses; Demand Pull Prevails

Demand Pull vs. Supply Push