



Mexico: Dental Supplies and Equipment Overview

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Summary

This report will focus on the market potential for dental equipment and supplies. Mexico is the second largest medical equipment market in Latin America after Brazil, and American manufacturers of dental equipment and supplies are the principal suppliers. U.S. manufacturers have a solid reputation for the quality of their products.

Local dentists follow closely the developments in techniques, equipment, and materials used to practice their profession. Third country suppliers are rapidly entering the local market, therefore, U.S. manufacturers should be more aggressive in their promotion campaigns if they do not want to lose market share.

With the exception of very specialized high-tech equipment, most medical equipment and supplies are sold in Mexico through specialized agents and distributors. While distributors specialize by product area or brand name, the larger ones cover the whole country, and smaller firms cover specific regions. A well-established method of promotion is to employ technical advisers to visit hospitals and doctors to demonstrate products.

Public institutions, which account for around 80% of the total market, purchase through open invitations to tender published in the official gazette. Government institutions are required by law to prepare an annual procurement program, which is supposed to be available for suppliers and contractors by March 31st each year. Private hospitals often use an informal tendering process, requesting quotes from several suppliers.

Market Trends

The overall Mexican market for dental equipment and supplies amounted to over US \$160,000 million in 2007, with an average growth of over 30% from previous years. It is expected to grow around 18% percent over the next two years.

The Mexican dental market can be divided into two segments: 1) equipment and 2) supplies. In 2006, the supplies segment was four times larger than the equipment segment (US \$105.74 million vs. US \$25.43 million). Thus, this report will focus mainly on the supplies market.

There are a relatively large number of local manufacturers of supplies, while there are few manufacturers of dental equipment in Mexico. The lack of a domestic equipment industry provides sales opportunities for American manufacturers of equipment. In addition, U.S. supply companies can also find a market because domestic manufacturers are sending a significant portion of their production to Central and South America.

An important trend in the Mexican market for dental equipment and supplies is the decentralization of health services. The Secretariat of Health (Secretaria de Salud-SS) reached an agreement with the governments of the 31 states and the Mexico City government to transfer the management of the health programs to each entity. Currently, state governments manage health programs under directives from the Secretariat of Health. This means that each state government will implement its own health program, including dental services. Thus, the purchasing practices for dental equipment and supplies may vary from state to state. Another impact of the decentralization program is that state governments are obligated to issue tenders only when funds from the

federal government are used to pay for the purchases. State-funded procurements do not have to follow federal bidding guidelines.

The major driver in the dramatic increase in the dental equipment and supplies market is the increase of the population that visits the dentist on a regular basis. In the early 90's, only 4.3 percent of the population paid a visit to the dentist. In 2000, approximately 10 percent of Mexico's 98 million people visited a dentist at least once a year. And according to the last census in 2005, 17% of 104 million inhabitants visited the dentist at least once a year.

Many Mexican dentists are trained in the United States, are in contact with American dentists and attend professional development programs in the U.S. This may help American manufacturers of dental equipment and supplies to promote their products.

There is an important development occurring in the dental implant industry; one that opens up the procedure to new patients and provides new sales opportunities. Dental implant systems are fast becoming the preferred restoration for replacement of missing teeth or as supports for dentures, etc., but poor bone quality eliminated a number of patients from being candidates for this procedure. New bone graft procedures are changing that, and have expanded the number of candidate for implants.

Import Market

In 2006, imports of dental equipment and supplies totaled US \$105.17 million. While 2007 figures are not yet available, total imports are expected to grow 10 percent to US \$115.87 million. And in 2008, total imports of dental equipment and supplies are expected to grow another 10 percent to reach US \$127.45 million.

Imports of dental equipment and supplies play an important role in the Mexican market. They accounted for 80 percent of the total market in 2006 and are expected to account for 81 percent in 2007 and 82 percent in 2008. In other words, foreign suppliers are expected to keep their market share at about 81 percent level for the coming several years.

In 2006, imports of dental equipment and supplies from the United States amounted to US \$63.10 million. In 2007, they are expected to grow 10 percent to US \$69.41 million. And in 2008, imports of dental equipment and supplies from the United States are expected to grow 10 percent to US \$76.35 million.

American manufacturers of dental equipment and supplies have benefited from the North America Free Trade Agreement - NAFTA because all of their equipment is subject to a zero percent import duty. On the other hand, imports of products from countries with which Mexico does not have a trade agreement are subject to import duties of 3 to 23 percent.

Competition

Most manufacturers of dental equipment and supplies sell through distributors of medical equipment. There are many distributors of medical and dental equipment in Mexico. All of them use similar marketing techniques, including regular visits to their major customers, advertising in medical and dental magazines, and attending exhibitions of medical equipment. They participate regularly in public tenders. Generally, the leading distributors have a reputation as well-managed, stable and reliable firms. They typically offer a wide variety of products and have a sales force of their own. U.S. exporters are experiencing a rapid increase in third country competition due to prompt delivery service, sales financing, and aggressive promotional activity. Principal third country competitors are Japan, Korea and China.

End Users

Two major groups of end-users can be identified in the Mexican market for dental equipment and supplies: public health entities; and private clinics and individual dentists. However, many companies also market to Universities and dental laboratories. According to the Mexican Dental Association, there were over 37 million dental visits in 2007. Approximately, 22.94 million visits or 62 percent were provided by the public health entities and the remaining 14.06 million visits or 38 percent by private dentists.

The World Health Organization has reported that Mexico has a high incidence of mouth deceases. This information also reveals high absence rates from job and school due to cavities and periodontal sickness. These problems generate high cost to the health organizations and to the general population.

Public Health Entities - Government

There are nine government-operated public health entities that provide dental services:

- 1) Indigenous National System (Sistema Nacional Indigenista - INI)
- 2) Institute of Social Security and Social Services for the Employees of the State (Instituto de Seguridad y Servicios Sociales para los Trabajadores al Servicio del Estado - ISSSTE)
- 3) Mexican Institute for Social Security (Instituto Mexicano del Seguro Social - IMSS)
- 4) Mexican Petroleum (Petroleos Mexicanos - PEMEX)
- 5) Mexico City Government (Servicios de Salud del Gobierno del Distrito Federal - SSGDF)
- 6) Secretariat of Health (Secretar a de Salud - SSA)
- 7) Secretariat of the National Defense (Secretaria de la Defensa Nacional - SEDENA)
- 8) Secretariat of the Navy (Secretaria de Marina - SM)
- 9) State Health System (Sistema Estatal de Salud - SES)

The Mexican Institute of Social Security (IMSS) is by far the largest provider of dental services in Mexico. It accounts for approximately 46 percent of all dental visits provided in the public health sector, and 25.9 percent of all dental visits.

The Secretariat of Health is the second largest provider of dental services, accounting for approximately 30 percent of the dental visits provided in the public health sector and for 16.8 percent of total dental visits in 2007.

The Institute of Social Security and Social Services for the Employees of the State, (ISSSTE) is the third largest provider of dental services. It accounts for approximately 12 percent of dental visits in the public sector and for 6.9 percent of the total number of dental visits.

PEMEX (Mexico's government owned petroleum conglomerate) is the fourth largest provider of dental services to its unionized workers, and accounts for approximately four percent of the dental visits for 2.2 percent of total dental visits in 2007

The other five public health entities account for the remaining nine percent of all dental visits provided and for 6.6 percent of total dental visits.

** Please note that the Law of Purchases and Public Works obligates all health entities to purchase dental equipment and supplies through public tenders. Information on how to learn about those tenders is included in the key contact section of this report.

Private Dentists

Private dental clinics and services accounted for 38% of all dental visits in 2007 in Mexico. There are approximately 82,000 practicing dentists. Almost 1,100 work for a private dental clinics and the rest offer independent dental services. Mexico City, the states of Mexico, Nuevo Leon, Veracruz and Puebla have the largest number of private dentists. Together, they account for approximately 30 percent of all private dental services in Mexico.

Sales Prospects

The Mexican market for dental supplies is the segment that offers the best sales opportunities for American manufacturers. However, competition in this segment is stiff since a large number of players, both domestic and foreign, are already present. Most of them are well entrenched to face U.S. manufacturers and know very well the nuts and bolts of doing business in Mexico. Nevertheless, American manufacturers of dental supplies can use the same marketing techniques that they use in the United States, such as sending reports to dentists that explain new techniques or the results of using a new product. The Mexican market for dental supplies is very receptive to U.S.-made products. In addition, they are sold through similar distribution channels.

American manufacturers of dental supplies may take advantage of the various health projects that have been launched recently. As an example, Grupo Pulsar, a holding company for one of Mexico's largest insurance firms, is engaged in building short-stay health centers. Such health centers will include a dental unit.

Another insurance company, Seguros Centauro Salud Especializada, S.A. de C.V. offers dental insurance throughout Mexico. They have more than 400 dentists, and have an expansion plan of more dental clinics in the near future.

Only a very few of the largest private companies in Mexico offer dental insurance to their employees. The major reason is that the expensive cost of dental services. In addition, the cost of administration of the benefit is high because the insurance companies would have to negotiate with many dentists.

Those insurance companies that cover dental insurance have negotiated with health care providers that offer other medical services. However, the number of dentists working for those health firms is very small compared to those dentists working independently.

Best Prospects:

The following is a list of dental supplies that offer the best sales opportunities for American manufacturers:

HS Product Number	Description of Product
3004.3901	Anesthetics
3005.9001	Cotton and gauze
3006.4001	Preparations for dental filling made of acrylic resins
3006.4002	Preparations for dental filling made of precious metals
3006.4003	Bee wax for dental surgery
3006.4099	Other preparations for dental use
3306.9099	Preparations for dental hygiene

3407.0001	Dental wax
3407.0002	Other dental wax, except that under HS code 3407.0001
3407.0003	Modeling pastes
3407.0004	Dental impression compounds
3407.0099	Other modeling pastes
3701.1002	Photographic plates for dental use
3910.0099	Other silicones in primary forms
4015.1101	Rubber gloves for surgery
6505.1001	Hairnets
7108.1301	Gold alloys for dental use
7110.1101	Platinum unwrought or in powder form
9004.9099	Other protective lenses
9018.3299	Other needles
9018.4101	Dental lathes
9018.4199	Other dental equipment mounted on a pedestal
9018.4901	Dental burrs
9018.4902	Dental speculums
9018.4903	Turbine-driven apparatus for dental use
9018.4904	Drills for dental use
9018.4905	Dental forceps
9018.4906	Gubia forceps for dental use
9018.4999	Other dental apparatus
9021.2101	Artificial teeth made of acrylic or porcelain
9021.2199	Other articles made of acrylic or porcelain
9021.2999	Other articles and dental prosthesis

Tariffs for product coming from the U.S. and qualifying for the NAFTA Certificate of Origin have 0% rates.

Market Access:

The process for importing dental equipment and supplies is long and full of fine details. Requirements include:

- Having a local company designated and signed as the representative or distributor
- Registering with the Secretariat of Health
- Adhering to regulations on labeling
- Following standards certification requirements - Completing certificates of origin - Holding relevant import permits

Registration at the Health Secretariat

For sanitary reasons, all medical health products, including dental equipment and supplies, that will touch the human body must register with the Health Secretariat. Detailed information on how to obtain such registration can be obtained upon request via e-mail.

Labeling Regulations

On November 18, 1998, the Mexican Ministry of Health published in the Official Gazette NOM-137-SSA1-1995, the labeling regulations that health care products, diagnostic agents and medical equipment whether domestically manufactured or imported most comply with. The General Directorate for Health

Products Control of the Secretariat of Health is the entity responsible for enforcing standard NOM-137-SSA1-1995. The data for contacting this entity appears in the Key Contacts section of this report.

Standards Certification Requirements

Currently, other than NOM-137-SSA1-1995, there are no specific Mexican standards for dental equipment and supplies. An "Agreement" or "Acuerdo" published in December 28, 1995 in the Official Gazette lists the products that are subject to official or mandatory Mexican standards (Norma Oficial Mexicana - NOM).

This list was amended on June 28, 1996; November 13, 1996; and February 24, 1997. A second Agreement was published on June 2, 1997 and amended on October 10, 1997; December 16, 1998; and April 5, 1999. Mexican customs officials use these agreements to determine which products need to show proof of compliance with any and all standards. These lists are sorted by the Mexican Harmonized System Code and may not be all-inclusive.

Certificate of Origin

Those products qualifying as North American must use the NAFTA Certificate of Origin in order to receive preferential duty treatment. The exporter or broker may issue such a certificate and it does not have to be validated or formalized. Other entities that may issue a Certificate of Origin include government agencies, producers, exporters, or industrial and commercial chambers of commerce or associations that are legally authorized in the United States.

Import permits

Some dental equipment and supplies may require an import permit. Detailed information can be obtained upon request via e-mail.

Packaging

On July 5, 1996, the Mexican government issued the emergency Mexican standard NOM-EM-004-REGNAT-1996, which states that because of phytosanitary reasons, all products that are imported inside of a wood box or container or having wood packaging, may be inspected for plagues at the point of entry into Mexico.

Finally, the Mexican customs law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of the merchandise as contraband. Exporters are advised to ensure that Mexican clients comply.

Trade Events

Date of Event: October 29-Nov 2, 2008
Place: World Trade Center
Name of Event: EXPO DENTAL AMIC INTERNACIONAL
Sponsor: Agrupacion Mexicana de la Industria y Comercio Dental, A.C.
Website: www.amicdental.com.mx
E-Mail: amicdent@webtelmex.net.mx
Phone: (52 55) 5639-1073, 5639-0324
Description: Exhibition and congress that gathers national and international speakers, manufacturers, distributors, representatives, and dentists. More than 200 exhibitors participate from Mexico, Germany, Italy, Brazil, the U.S., Spain, Colombia, Argentina, Korea, and others.

Date of event: August 15-10. 2008
Place: Expo Reforma
Name of Event: CONGRESO INTERNACIONAL DE TECNICOS PARA TECNICOS
Sponsor: Alta Tecnica Dental
Website: www.tecnicadental.com
E-Mail: congreso@tecnicadental.com
Phone: (5255) 5523 6107, 5543 0499 and 5523-3763
Description: Congress with over 20 international speakers; last year it had over 2,000 attendees. Congress includes an exhibit of products and services and several workshops.

Resources and Contacts

Sources of Information:

Secretary of Economy, statistical information on imports
Visits and interviews with dental equipment and supply houses.
Interviews with private dental doctors.

Asociación Dental Mexicana (ADM)

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AMIC Dental

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Tel. +52 (55) 5639-0324 Fax: +52 (55) 5639-9069
amicdent@webtelmex.net.mx - <http://www.amicdental.com.mx/>

For More Information

The U.S. Commercial Service in Monterrey, Mexico can be contacted via e-mail at: Josefina.Martinez@mail.doc.gov; Phone: +52+52(81) 8343-4450 or +52 (81)8345-2120 Ext. 493; Fax: +52 (81) 8342-5172; or visit our website: www.BuyUSA.gov/mexico

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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