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Report Highlights:

Exports of agricultural and related products to Mexico totaled \$18.6 billion, which demonstrates a more than 47 percent increase over the last 10 years. Mexico is still one of the largest and most consistent markets for U.S. agricultural products with the geographical advantage of a long land border and for U.S. exporters.

Mexico Fact Sheet

Executive Summary

Mexico continues to be a strong and consistent market, although its economy had no growth in 2019 in part due to several budget cuts and the expansion of social programs. The Mexican economy has strong consumer confidence, growth in real wages, and high levels of remittances. Mexico's top trading partner is the United States, which imports 80 percent of all Mexican exports and provides Mexico with 50 percent of its total imports.

Imports of consumer-oriented products



Food Processing Industry

The food processing industry in Mexico is the world's 9th most important, and is the 3rd most important in Latin America after the United States and Brazil.

According to the National Institute of Geography and Statistics (INEGI), there are 187,347 economic units including offices, manufacturing plants and distribution centers under an industry classification of "food and beverage manufacturing and processing." The food processing industry employs more than 800,000 workers.

Food Retail Industry

According to the Mexican Association of Nationwide Retailers (ANTAD), there are 33 supermarket chains, with 3,227 stores, 2,365 department stores, and 53,793 specialized stores throughout the country. Still, nearly 50 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets, which traditionally distribute local, domestic products. ANTAD also reports that retail sales keep a steady growth pace of approximately 7.8 percent per year.

Quick Facts CY 2019

Imports of Consumer-Oriented Products \$7.53 billion

List of Top 10 Growth Products in Host Country

- | | |
|-------------------|-----------------------|
| 1) Milk | 2) Beef (fresh) |
| 3) Pork (fresh) | 4) Processed foods |
| 5) Chicken (cuts) | 6) Sauces, condiments |
| 7) Turkey (cuts) | 8) Pork (frozen) |
| 9) Beef (frozen) | 10) Apples (fresh) |

Food Industry by Channels (U.S. billion) 2019

Food Industry Output	\$5.8
Food Exports	\$24.5
Food Imports	\$9.02
Retail	\$2.7
Food Service	\$12.5

Food Industry Gross Sales (US \$Billion) 20XX

- Food Industry Revenues
 - Food (Domestic market)

Top 10 Mexico Country Retailers

- 1) Bodega Aurrerá (owned by Walmart)
- 2) Walmart
- 3) Soriana
- 4) Chedraui
- 5) Comercial Mexicana
- 6) Casa Ley
- 7) HEB
- 8) Oxxo (convenience store owned by FEMSA/ Coca-Cola)
- 9) Superama (owned by Walmart)
- 10) La Comer

Source: *ANTAD*

GDP/Population

Population (*millions*): 124.7 million (IMF WEO 10/18)
 GDP (*billions USD*): \$1.2 trillion (2018)
 GDP Real Growth: 2.2% (IMF WEO update 10/18)

Sources: Mexico by the numbers- ECON Section – U.S. Embassy Mexico

Strengths	Weaknesses
Mexico ranks ninth globally in the processed food industry and third in Latin America after the United States and Brazil.	The exchange rate is constantly fluctuating leading producers towards domestic sourcing rather than imports
Opportunities	Threats
Healthy products are increasing due to the health concerns such as diabetes and obesity.	The new front of packaging labeling regulations could negatively impact most processed foods

Data and Information Sources: *Global Trade Atlas, INEGI, Euromonitor*

Report Highlights

In 2019, exports of U.S. agricultural and related products to Mexico totaled \$18.6 billion, which demonstrates a more than 47 percent increase over the last 10 years. Mexico remains one of the largest and most consistent markets for U.S. agricultural products and especially for food processing ingredients.

Executive Summary

This report is for informational purposes only to assist exporters of U.S. food and agricultural products in their sales and promotional efforts in Mexico. U.S. exporters should take normal commercial precautions when dealing with any potential business contract, including checking references.

SECTION I. MARKET OVERVIEW

Mexico continues to be a strong and consistent market, representing one of the largest consumer markets in the world for U.S. agriculture products. Overall, Mexico's top trading partner is by far the United States, which imports 80 percent of all Mexican exports and provides Mexico with 50 percent of its total imports. Since NAFTA was implemented in 1994, total bilateral trade has increased from \$50.84 billion to \$229.70 billion.

According to INEGI (National Institute of Statistics and Geography), Mexico imported \$7.53 billion in processed food products from the United States during 2019. Milk was the biggest category, followed by beef and pork products. Likewise, Mexico exported \$22.2 billion of processed foods to the United States. The biggest categories of exports to the United States were beer, avocados, tomatoes, chili peppers and beef.

While Mexico remains a growth market for U.S. processing ingredients, the processing industry itself in Mexico remains stable. It ranks 9th in the world and 3rd in Latin America after the United States and Brazil. However, the sector is diversifying to provide tailored products. For example, some small companies positioned their products as healthy and were quickly acquired by largest corporations covering mainstream distribution channels.

Key market drivers and consumption trends

1. Mexico remains a price-sensitive market overall even while there are consumers willing to pay for premium quality products. Mexican market is divided in two big segments:
 - High-end consumers: high and middle socioeconomic levels demanding quality and functional products (normally imported).
 - Regular consumers: middle-to-low socioeconomic levels principally purchasing based on price points. (According to World Bank, 53 percent of Mexico's population lives on less than 100 USD a month.)
2. Consumers' increased demand for healthy products lead to specific needs (Gluten/Soy Free, Vegan products, Sugar Free, Organic, Kosher, etc.)
3. Consumers are searching for authentic, differentiated products and experiences that allow them to express their individuality.
4. Consumers rely less on brand names, but rather, they purchase products that suit their lifestyle and make them happy.
5. Consumers value convenience and prepared, pre-packaged foods.

Advantages and Challenges facing U.S. foods

Advantages	Challenges
Increased awareness in health and body care generates greater demands for healthy products, giving U.S. products an advantage.	A new front of pack labeling requirement is being discussed in the Mexican Congress. The new front of pack labeling will stipulate that black stop signs be placed on products that exceed certain thresholds in calories, fats, salts, and sugars, and will limit advertisements and promotions that target children.
Continued industry-wide and government investments in the supply chain, insuring better infrastructure and logistics. This complements the existing, and extensive logistic networks between the United States and Mexico, including trains, trucks, planes and ships.	Lower-end retailers and smaller hotels are the fastest growing segments, which are not the primary locations for more expensive U.S. products.
Mexican retailers, hotels, and restaurant chains are very familiar with U.S. products and best practices.	Local manufacturers are adapting quickly to meet retail and hospitality industry needs as well as their specifications, bringing new competition to U.S. products.
Industry practices are becoming more sophisticated insuring cold chain distribution for wider nationwide penetration and increased use of technology.	While cold chain distribution is now available nationwide, it lacks penetration throughout lower levels of the distribution chain. Specifically, regional distribution in southern Mexico is still underdeveloped.
The shared border between the United States and Mexico gives U.S. exporters a competitive logistical advantage over other third country suppliers.	With Mexico's food distribution network continuing to improve, Mexico's market is becoming attractive for other countries trying to export their products.

SECTION II. Market Structure and Entry

Many U.S. companies seeking to export to Mexico attend trade shows such as [Abastur](#) (hospitality), [ANTAD](#) (retail), and the [Food Tech Summit & Expo](#) (ingredients). These shows provide ideal opportunities to gain insight into the Mexican market, establish new contacts, and get to know buyers, potential business partners, importers, and distributors. In addition to recognizing the differences between the Mexican and the U.S. [business culture](#), it is important for U.S. exporters to consider regional purchasing patterns. Some products might fit perfectly in certain regions, but not in the whole country. For example, turkey is widely consumed in the south of Mexico and Yucatan peninsula in traditional dishes year-round, while in other regions, consumption is lower.

It is important for U.S. companies to find an experienced and professional importer or distributor as a local partner. Distributors or importers will help with issues related to regulations, procedures, labeling, and customs clearance. Large hotel and restaurant chains have their own purchasing and importing departments. Companies attempting to approach large chains should have enough production capacity to meet the large product volumes required. We encourage you to check our [Exporter Guide](#) and [Mexico Processed Food Ingredients report 2019](#) a detailed view. In addition, the ATO Mexico City launched a series of educational videos that are available on the ATO's [website](#).

Additional information on product requirements, labeling issues, and other topics is available via [FAS GAIN](#) system.

Section III. Competition

The Mexican Processed Food Industry receives about 90 percent of its supplies locally. The supplies include fruits, vegetables, cartons, glass, plastic and tinplate. Domestically produced products have certain competitive advantages, such as a better understanding of the local industry and its needs, but small players may face issues of quality or lack of ability to meet larger quantity orders.

The remaining 10 percent is imported from the United States, Spain, France, and Canada. Imported supplies include additives, gums, food preservatives, artificial colors, artificial flavors, and stabilizers.

The United States remains the main supplier of processing ingredients to Mexico. The U.S. industry has a good reputation in the Mexican market for its consistent quality, stable supply, and proximity. While third-party countries (such as Brazil, Chile, and the European Union) continue to make inroads in various processing ingredient sectors such as poultry and dairy, the U.S. maintains distinct advantages. For example, a U.S. exporter may be able to ship one truckload or train car per urgent order, while such a small shipment would not be economically viable via a third-party country (who would seek to ship multiple containers or a complete shipload).

Specifically, since joining NAFTA in 1994, Mexico has negotiated 46 trade agreements. This includes the new 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), formally created in March 2018. The agreement entered into force in Canada, Australia, Japan, Mexico, New Zealand and Singapore on December 30, 2018. As of March 13, 2020, all three countries have ratified the United States-Mexico-Canada Agreement. This update to the North American Free Trade Agreement will bring a more inclusive and responsible trade, strengthen the competitiveness of Mexico and the region, and maintain certainty for trade and investment.

Competitive situation for selected Food Ingredients

Product Category	Imports in Millions of USD	Main suppliers (Based in value)	Strengths of key supply countries	Advantages or Disadvantages of Local Suppliers
Milk Powder HS 040210	789.47	Canada Poland Uruguay	Distance, availability, and regional products	Challenged by milk quality and drying facility capacity
Chocolate & Cocoa HS1806	266.98	Canada Germany Belgium	Good awareness about the quality and high standards of the ingredients	8% IEPS (Special Tax over Production and Services) imposed on high calorie food. More than 275 kcal per 100 grams. Cocoa production in southern Mexico
Spices HS 0910	4.41	India Spain Peru	Excellent regional products and big tradition of consumption by local market	Certain products not available domestically
Turkey HS 020726, 020727, 020725, 160231,	305.8	Brazil Canada Chile	Distance, availability, and regional products	Mexico offers a strong market for further processing with well-

020724				developed distribution channels. Low domestic production of turkey meat
Cereals & Prep Food HS 1904	57.8	Canada Italy South Korea	Quality Innovation	8% IEPS (Special Tax over Production and Services) imposed on high calorie food. More than 275 kcal per 100 grams
Sauces, Flours & Condiments HS 2103	281.7	Italy Spain Guatemala	Tradition Regional products similar to the Mexican market	New niche market for premium products in this category Large, well established baking sector
Treenuts HS 0802	286.5	Turkey China Chile	Proximity and quality of U.S. product	8% IEPS (Special Tax over Production and Services) imposed on high calorie food. More than 275 kcal per 100 grams
Peanuts HS 1202	149.7	Nicaragua China Brazil	Proximity and quality of U.S. product	Local production does not cover the local market demand. Extremely popular processed products such as Japanese Style peanuts and peanut butter which is increasing its awareness in Mexico.

Source: Trade Data Monitor

Section IV. Best Product Prospects

Niches of opportunity continue to appear as the processing sector diversifies and consumers demand various convenient, health, and high-quality foods. Based on Post assessments, some of the products with high sales potential in the food-processing sector are:

- Healthy/environment friendly processed foods (i.e. low sodium, low-fat, reduced sugar, clean labeling)
- Premium products – claiming better quality and product innovation
- Gourmet Food – sauces, condiments, artisanal cheeses
- Dairy products – functional yogurts, added with probiotics, lactose free
- Plant-based beverages and products – soy, almond, coconut, rice, oat, beverages/yogurt/pudding/ice cream
- Convenience Foods such as ready-to-eat, meal helpers, frozen foods
- Craft Beer – there is a growing demand for differentiated premium beers.

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

The primary mission of the U.S. Agricultural Trade Offices (ATO) in Mexico City and Monterrey is to assist the market development and promotion of U.S. food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATOs, along with other private sector representatives called “cooperators,” make available to help develop U.S. agricultural interests in Mexico. If you have any questions or comments regarding this report or need assistance exporting U.S. food and beverage products to Mexico, please contact the ATO in Mexico City or Monterrey.

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Attachments:

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