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## **Report Name:** Food Processing Ingredients

**Country:** Mexico

**Post:** Mexico City ATO

**Report Category:** Food Processing Ingredients

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### **Report Highlights:**

Mexico is the third largest food processor in the Americas behind the United States and Brazil, and it is in the top 15 worldwide. Moreover, the food industry in Mexico is one of the most dynamic with an average annual growth of 4.3 percent, with a gross domestic product (GDP) contribution of \$39.4 billion in 2020. Recovery in Mexico's tourism sector (although still behind 2019 levels) following depressed travel numbers in 2020 due to COVID-19, was a primary driver for increased demand for food processing ingredients in 2021. Bakery and tortilla, meat processing, and dairy production were the primary processing industries, with bakery and tortilla accounting for 25 percent of the total production. Though Mexico traditionally sources around 90 percent of its food processing ingredients locally, it remains an important market for U.S. food ingredients. Products with potential include dairy products, milk protein, micellar casein, flours, extracts and functional products, vegetal proteins, premium products.

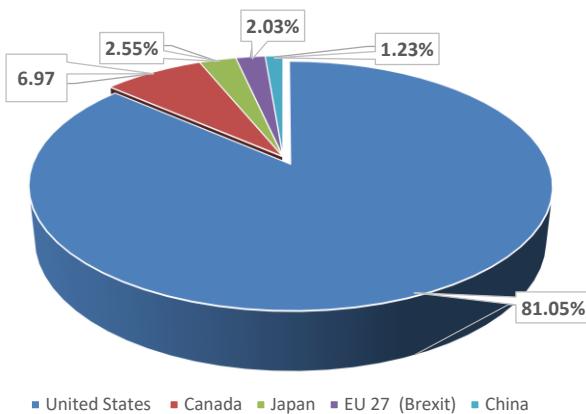
## Market Fact Sheet Mexico

### Executive Summary

The Mexican government expected a 6.3 percent growth in Mexico's GDP in 2021 following its contraction in 2020, but it fell short at only 5 percent. Mexico's top trading partner in 2021 was the United States, buying 82 percent of Mexican agricultural exports and supplying 69 percent of the country's agricultural imports ([USDA ERS](#)).

Mexico was the 16<sup>th</sup> largest economy in the world in 2021 (one step down from 2019). The Mexican food and beverage industry contributed \$39.4 billion to its 2020 GDP.

### Origin of Mexico's Imports of consumer-oriented products (2021)



Source: Trade Data Monitor -BICO USDA

### Food Processing

According to the National Institute of Geography and Statistics ([INEGI](#)), there are 216,685 economic units including offices, manufacturing plants, and distribution centers under the industry classification of "food and beverage manufacturing and processing." In the second half of 2021, 1.96 million people worked in this sector, of which 50.1 percent were women.

### Food Retail Industry

According to the Mexican Association of Nationwide Retailers ([ANTAD](#), 2020), there are 31 supermarket chains with a combined 3,435 stores. Additionally, there are 2,484 department stores and 62,377 specialized stores throughout Mexico. More than 56 percent of the retail market is covered by informal establishments (mobile street vendors and open public markets) which traditionally distribute local products. This remained the case despite the pandemic and associated lockdowns. ANTAD also reported that retail sales in supermarkets grew steadily by approximately 7.7 percent per year (2020).

### Quick Facts

**Total Imports Consumer Products (INEGI 2021):**  
\$ 62,017.60 million

**Mexico's most imported agricultural products (BANXICO 2021):**

- |                             |                                |
|-----------------------------|--------------------------------|
| 1. Corn                     | 6. Turnip seeds                |
| 2. Soy seeds                | 7. Seeds                       |
| 3. Other agricultural prod. | 8. Cotton                      |
| 4. Milk and dairy prod.     | 9. Other fresh or dried fruits |
| 5. Fish and seafood         |                                |

**Top ten sub-sectors in Food Industry in Mexico 2021:**

- |                               |                                |
|-------------------------------|--------------------------------|
| 1. Bakery and tortilla making | 6. Sugar, chocolate, sweet     |
| 2. Meat production            | 7. Pet Food                    |
| 3. Beverages*                 | 8. Preserved and prepared food |
| 4. Dairy production           | 9. Fish and seafood**          |
| 5. Crushing seeds & oil prod. | 10. Other                      |

\*Alcoholic and non-alcoholic, includes water purifying and bottling

\*\*Preparation and packaging

Source: [Statista](#)

**Leading food and beverage companies in Mexico 2020 (by net revenue):**

- |                     |                          |
|---------------------|--------------------------|
| 1. Bimbo            | 6. Grupo Modelo AB-InBev |
| 2. Coca-Cola FEMSA  | 7. PepsiCo Alimentos     |
| 3. Arca Continental | 8. Grupo Lala            |
| 4. Sigma Alimentos  | 9. Heineken México       |
| 5. Gruma            | 10. Nestlé México        |

Source: [Statista](#)

**Top ten retailers in Mexico 2021:**

- |              |                          |
|--------------|--------------------------|
| 1. Walmart*  | 6. Mercado Libre         |
| 2. Oxxo      | 7. Farmacias Guadalajara |
| 3. Soriana*  | 8. Costco                |
| 4. Coppel    | 9. The Home Depot        |
| 5. Liverpool | 10. Chedraui*            |

Source: [Statista](#), based on estimated value of chain retail sales

\*Supermarkets

**GDP/ Population:**

Population: 127.8 million (2021, estimated)

Median age ([INEGI](#)): 29

GDP 2021 (USD): \$1.7 trillion ([INEGI](#))

GDP Real Growth 2021: 5.02% ([INEGI](#))

Food Industry GDP USD (2020): 39.4 billion

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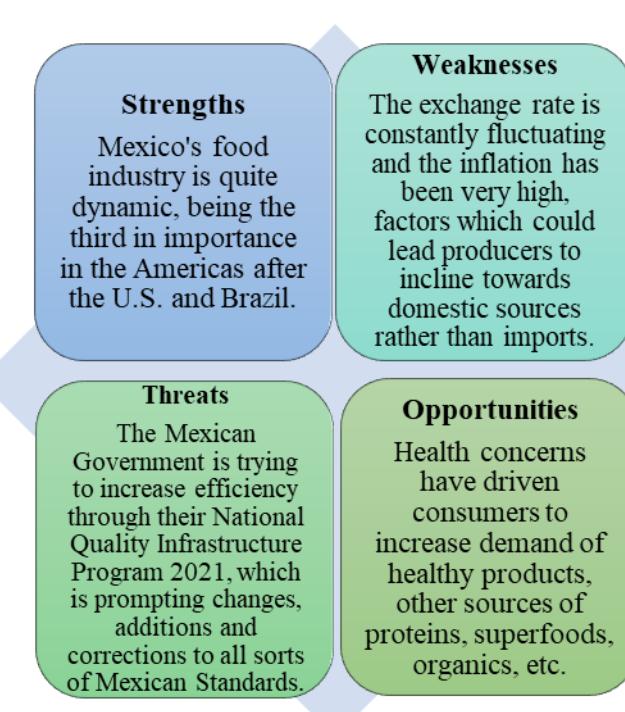
Or visit FAS Mexico's [website](#) and the FAS [homepage](#).

## SECTION I. MARKET SUMMARY

Mexico is the third largest food processor in the Americas behind the United States and Brazil, and it is in the top 15 worldwide. The Mexican food processing industry in Mexico is one of the most dynamic with an average annual growth of 4.3 percent, and a 2020 GDP contribution of \$39.4 billion to Mexico's economy.

Despite the adversities brought on by the COVID-19 pandemic, GDP contraction in 2020, and rising inflation, Mexico was still one of the largest markets for U.S. agricultural and related products in 2021. The United States was Mexico's most prominent agricultural trading partner buying 82 percent of Mexican agricultural exports and supplying 69 percent of the country's agricultural imports<sup>1</sup>.

The United States exported \$6.8 billion<sup>2</sup> in processed food to Mexico in 2021, encompassed in the \$26.5 billion<sup>3</sup> in total agricultural and related exports. The most exported U.S. products by value were corn, soybeans, other horticultural products, pork, wheat, and vegetables and preparations. In 2021, the United States imported \$38 billion in agricultural products from Mexico (a 15 percent increase from 2020). The largest import categories were horticultural products (\$29 billion), sugar and tropical products (\$3.1 billion), livestock and meats (\$2.9 billion), and grains and feeds (\$2.1 billion). U.S. agricultural exports saw a year-to-year rebound of 39.2 percent in 2021, explained by the recovery of Mexican consumer demand and higher prices for some agricultural products. More information on trade of agricultural products can be found [here](#).



Mexico is experiencing a slow recovery following the COVID-19 pandemic and the forced lockdown that affected the Mexican economy in 2020-21. According to the Organization for Economic Cooperation and Development (OECD)<sup>4</sup>, the manufacturing sector—which is profoundly integrated in the world's value chains—has driven this recuperation, as well as the services sector's (including tourism) rebounding after a hard year, becoming the main drivers for economic growth. Many jobs that were lost during the pandemic have been recovered, almost to pre-pandemic levels. Mexico's economic recovery perspectives according to the OECD are summarized in Table 1.

<sup>1</sup> Source: [USDA Economic Research Service](#)

<sup>2</sup> Source: USDA Global Agricultural Trade System Online. See full report as attachment.

<sup>3</sup> Source: [USDA Global Agricultural Trade System](#)

<sup>4</sup> Source: [Estudios Económicos de la OCDE México](#), February 2022.

**Table 1. Mexico's Economic OECD Recovery Perspectives<sup>2</sup>**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
GDP	-8.2	5.3	2.3	2.6
Private consumption	-10.5	7.3	2.0	2.3
Exports	-7.3	5.9	6.5	5.3
Imports	-13.7	14.6	6.0	5.8
Unemployment rate	4.4	4.1	4.0	3.9
Consumer Price Index	3.4	5.7	5.4	3.4
Public Debt (as % of GDP)	51.5	49.9	50.0	49.7

Source: OECD, February 2022.

## Key Market Drivers and Consumption Trends

1. Mexico is a price-sensitive market overall. Even while some consumers are willing to pay for premium quality products, in times of hardship (such as during the pandemic), they will opt for cheaper substitutions based on the needs of the family. The Mexican market can be divided in two segments:
  - a. High-end consumers: members of high and middle socioeconomic levels demanding their products have both quality and function (which are predominantly imported products).
  - b. Regular consumers: members of middle-to-low socioeconomic levels mainly purchasing based on price points, especially when prices rise due to high inflation as is the case in early 2022. (It is important to remember that 44.9 percent of the population lives in moderate poverty<sup>5</sup>, a situation was aggravated by the pandemic).
2. The pandemic elevated the demand for products perceived as healthy, such as gluten/soy free, vegan, sugar free, organic, kosher, fat free, keto, superfoods, vitamins, supplements, etc. People are more health-conscious and are willing to change their eating and exercise habits to be healthier.
3. Pandemic-driven social distancing and working from home also increased the need and demand for prepared, pre-packaged foods and savory (healthy and not so healthy) snacks.
4. Because of the pandemic, Mexico has seen growth in the development and use of e-commerce and food delivery apps.
5. Young consumers are concerned about their ecologic fingerprint and favor socially responsible companies whenever possible.
6. Most consumers rely less on brand names. They purchase products that suit their lifestyle and provide them with a sense of happiness.

<sup>5</sup> Source: [El Economista](#), with data from CONEVAL.

## Advantages and Challenges Facing U.S. Foods

<b>ADVANTAGES</b>	<b>CHALLENGES</b>
The first and most obvious advantage continues to be geography. Continued industry-wide and government investments in the supply chain ensures better infrastructure and logistics. This complements the existing and extensive logistic networks between the United States and Mexico, including trains, trucks, planes, and ships.	The implementation of new Mexican Official Standards, such as the front-of-pack labeling requirement, represents a challenge not only for U.S. companies, but also for local companies. In order to better regulate the market, Mexican authorities are changing or creating standards that apply to both domestic and imported products, some of which spurs an investment of time and money on the part of companies.
Increased awareness in health and body care creates greater demand for products perceived as healthful, giving U.S. products an advantage. This advantage has increased due to the pandemic and people's choice to take better care of themselves.	The COVID-19 pandemic and its affiliated social distancing measures play a significant role in driving hotels, bars and restaurants to close. 2021 brought some recovery but not to pre-pandemic levels. Authorities estimate a full recovery of this economic sector by 2023.
Mexican retailers, hotels, and restaurant chains are very familiar with U.S. products and what the U.S. brand signifies regarding quality and best practices. Americans compose the great majority of tourism coming into Mexico, it is advantageous for companies to offer them the same standards they would find at home.	Local manufacturers are adapting quickly to meet retail and hospitality industry needs and specifications, bringing new competition to U.S. products.
Industry practices are becoming more sophisticated, resulting in more reliable cold chain distribution for wider nationwide penetration and increased use of technology.	While cold chain distribution is now available nationwide, it lacks penetration throughout the lower levels of the distribution chain, especially in the underdeveloped parts of southern Mexico.
The shared border between the United States and Mexico gives U.S. exporters a competitive logistical advantage over other third country suppliers particularly in regard to addressing smaller or time-sensitive demand.	With Mexico's food distribution network continuing to improve and with further implementation of new trade agreements, Mexico's market is becoming attractive for other countries, which means more competition for U.S. products.

## **SECTION II. ROADMAP FOR MARKET 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). Evidently, COVID-19 changed the way these events are organized (most of them had to be cancelled in 2020/2021 or had to adopt a hybrid format). Nevertheless, 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 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 meat is widely consumed in southern Mexico and the Yucatan Peninsula throughout the year in traditional dishes, while in other regions, consumption is lower or seasonal (mainly around Christmas).

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 2021](#) and [Food Processing Ingredients 2021](#) reports. Other reports that might be of interest are the [Food and Agricultural Import Regulations and Standards Export Certificate](#) and the [Food and Agricultural Import Regulations and Standards Country Report](#). In addition, the Agricultural Trade Office (ATO) in 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 relevant topics is available via the [FAS GAIN system](#). Exporters can find a government's simplified export process guide [here](#) and relevant information about United States-Mexico-Canada Agreement (USMCA) [here](#).

## **SECTION III: COMPETITION**

The Mexican processed food industry traditionally sources close to 90 percent of its supplies from local suppliers. These 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 and logistical advantages due to their closeness, but small players may face issues of quality, traceability, or lack of ability to meet larger quantity orders. The remaining supplies are imported mainly from the United States, Canada, Japan, the European Union, China, and Chile.

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 the European Union, Japan, Chile, Brazil, Uruguay, etc.) continue to make inroads in various processing ingredient sectors such as poultry, dairy and rice, the United States maintains its commercial, geographical, and logistical advantages. For example, a U.S. exporter may be able to ship one truckload or train car for an urgent order, while such a small shipment would not be economically/logistically viable via a third-party country, who would rather ship multiple containers or a complete shipload.

International trade improvements, including the resolution of the supply chain crisis, will be fundamental in the medium-term aftermath of the COVID-19 pandemic and will be substantial to economic recovery. Since joining the North American Free Trade Agreement (NAFTA) in 1994, Mexico has negotiated 13 trade agreements with 50 countries, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that went into force in December 2018 in Canada, Australia, Japan, Mexico, New Zealand, and Singapore.

The renegotiated USMCA came into force in July 2020. This update to NAFTA means more inclusive and responsible trade, a chance to strengthen the competitiveness of Mexico and the region, and the opportunity to maintain certainty for trade and investment. Mexico is also in the process of updating their free trade agreement (FTA) with the European Union (its main trade partner after the United States), expected to be ratified in 2023, and agreed to work on a FTA with the U.K. (December 2020) to give continuity to the trade relationship after Brexit (additionally, the U.K. is also in negotiations to join CPTPP<sup>6</sup>).

### Competitive Situation for Selected Food Ingredients During 2021

Product Category	Imports (USD millions) Jan-Nov 2021	Main Suppliers (by value)	Strengths of Key Supplier	Advantages or Disadvantages of Local Suppliers
Milk Powder HS 040210	\$908.79  29.34% as compared to same period of 2020	1. United States 2. France 3. Canada	*Distance *Availability *Quality Standards *Regional products	*Challenged by milk quality and drying facility capacity *Price/political issues with the government food assistance program (LICONSA)
Chocolate & Cocoa HS1806	\$243.31  22.53% as compared to same period of 2020	1. United States 2. Canada 3. Germany	Good awareness about the quality and high standards of the ingredients	*8% IEPS (Special Tax over Production and Services) imposed on high calorie food * There is cocoa production in southern Mexico.
Spices HS 0910	\$6.63  32.53% as compared to same period of 2020	1. India 2. United States 3. Spain	*Excellent regional products and big tradition of consumption by local market	Certain products not available domestically

<sup>6</sup> Source: [Milenio](#).

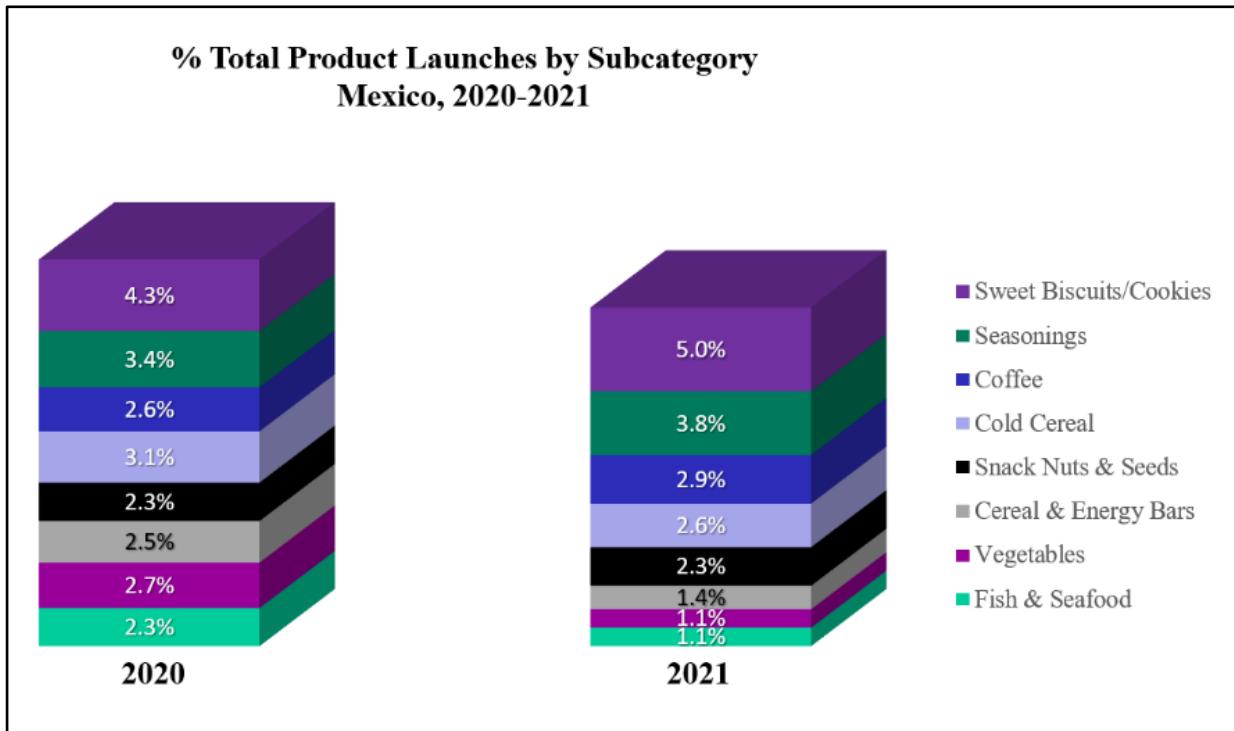
Product Category	Imports (USD millions) Jan-Nov 2021	Main Suppliers (by value)	Strengths of Key Supplier	Advantages or Disadvantages of Local Suppliers
Turkey HS 020724, 020725, 020726, 020727, 160231	\$395.44   42.97% as compared to same period of 2020	1. United States 2. Chile 3. Brazil	*Distance *Availability *Quality Standards *Regional products	*Mexico offers a strong market for further processing with well-developed distribution channels. *Low domestic production of turkey meat
Cereals & Prep Food HS 1904	\$53.28   1.4% as compared to same period of 2020	1. United States 2. Canada 3. Italy	*Quality *Innovation	*8% IEPS (Special Tax over Production and Services) imposed on high calorie food.
Sauces, Flours & Condiments HS 2103	\$317.99   22.76% as compared to same period of 2020	1. United States 2. Spain 3. Guatemala	*Tradition *Regional products like those in the domestic market	*Large, well established baking sector *Pizzas, hamburgers, and tacos remain popular food choices for Mexicans.
Tree nuts HS 0802	\$253.15   14.33% as compared to same period of 2020	1. United States 2. Turkey 3. China	*Proximity and quality of U.S. product	*8% IEPS (Special Tax over Production and Services) imposed on high calorie food
Peanuts HS 1202	\$173.67   32.92% as compared to same period of 2020	1. United States 2. China 3. Brazil	*Proximity and quality of U.S. product	*Local production does not cover the local market demand. *8% IEPS (Special Tax over Production and Services) imposed on high calorie food

## SECTION IV: BEST PRODUCT PROSPECTS

The pandemic changed a lot of things for a lot of people; the way they eat and shop for food is only one of them. A lot of Mexicans are focused on maintaining a healthy lifestyle through a balanced diet. Niche opportunities continue to appear as the processing sector diversifies and consumers demand various convenient, healthful, and high-quality foods. Combining ingredients that can help reduce stress while helping increase the immune system has the potential to appeal to consumers seeking to be well and healthy in a post-COVID-19 world. A deeper view into these changes can be found on our [report](#) “Mexican Food and Beverage Consumption Following COVID-19 – 2021 Consumer Survey Summary” on the GAIN system.

According to Innova Market Insights®, the top eight food and beverage subcategories with most product launches in 2021 in the Mexican market were sweet biscuits and cookies, seasonings, coffee, cold cereal, snack nuts and seeds, cereal and energy bars, vegetables, and fish and seafood. The comparison with product launches in the same subcategories for 2020 can be seen in Figure 1.

**Figure 1. Percentage of New Product Launches by Subcategory in Mexico 2020/2021**



Source: Innova Market Insights Database 2022.

Based on Post assessments, some products (ingredients and processed foods) with potential are:

- Milk protein (especially 90% milk protein);
- Micellar Casein;
- Dairy products with added health benefits (with probiotics or lactose free);
- Natural, organic, and dehydrated ingredients;
- Premium products;

- Flours (wheat, oat, rice, almond, etc.);
- Herbal extracts and functional products;
- Vegetal proteins (such as soy and chickpea).

## **SECTION V: 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 in Mexico called Cooperators<sup>7</sup>—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. For all available USDA programs please visit this [website](#).

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**Attachments:** [Exports of Processed Food from US to Mexico.pdf](#)

[US Imports of Agricultural and related products from Mexico FY 2017-2021.pdf](#)

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<sup>7</sup> For a list of all active cooperators in-country please visit [Partners – USDA Mexico \(mexico-usda.com.mx\)](#)