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Report Highlights:

Mexico is the world's 15th largest economy and Latin America's second largest. In 2020, Mexico experienced its worst economic downturn since 1932, mainly due to the COVID-19 pandemic. Despite the economic headwinds, 2020 U.S. agricultural and related-product exports to Mexico reached \$18.9 billion, a 1.6 percent increase over 2019. Mexico ranked as the world's seventh most-visited country in 2020, as the Government of Mexico (GOM) continued to allow international tourists. Nonetheless, Mexico's hotel, restaurant, and institutional (HRI) industries were negatively affected by the pandemic, with numerous hotel closures and over 120,000 restaurants closures. The HRI sectors are currently recovering, and Post expects continued progress in 2022 due to evolving Mexican and international vaccine protocols and COVID mitigation strategies.

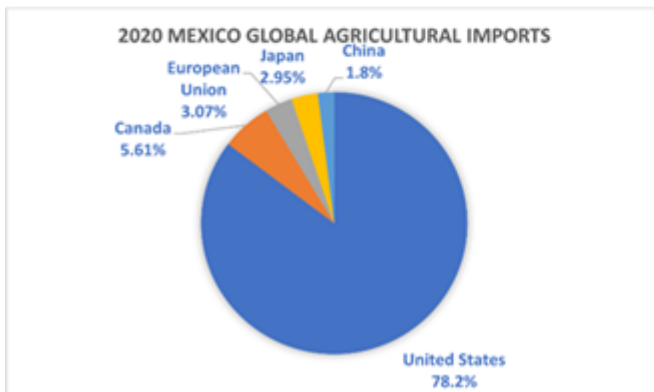
Mexico Fact Sheet

Executive Summary

Mexico is the 15th largest economy in the world and the second-largest economy in Latin America. It is the second-largest U.S. trading for goods and services partner (after Canada). In 2020, Mexico experienced its worst economic slowdown since 1932, mainly due to COVID-19. The average 2020 exchange rate was \$21.48 Mexican pesos (MXP) to \$1 U.S. dollar (USD).

In 2020, the U.S. exports of agricultural and related products to Mexico totaled \$18.9 billion, a 1.6 percent increase over 2019 despite economic headwinds. This underscores the high level of bilateral food and agricultural supply chain integration.

Global Imports of Agricultural Products



Source: Trade Data Monitor -BICO USDA

Food Processing Ingredients Industry

According to the National Institute of Geography ((INEGI), there are 217,245 economic units including offices, manufacturing plants and distribution centers under and industry classification of “food and beverage manufacturing and processing”. According to the Ministry of Agriculture (SADER) 9.3 million people in Mexico work in the generation and transformation of agricultural and fish products (SIAP).

Retail Food Industry

Mexico’s National Association of Retailers and Department Stores (ANTAD) reports that in 2020, the Mexican retail sector included 3,435 supermarkets, 2,484 department stores, and 62,377 specialized stores with a majority of sales generated at traditional markets including small mom-and-pop stores and public markets.

HRI Industry

Mexico ranked seventh-most visited country in 2020, despite COVID-1, as the country did not restrict international arrivals by travel by plane. Nonetheless, the HRI industries suffered due to the pandemic. Because tourism accounts for 8.1 percent of Mexico’s GDP, the dip in HRI negatively affected the macroeconomy. During 2020 the number of international visitors was 13 million with an average expenditure of \$1,033.

Quick Facts

Imports of Agricultural Related Products 2020:

US \$ 20 U.S. Billion

Top 10 Players:

1. OYO Rooms
2. Grupo Posadas
3. City Express
4. IHG Group
5. Marriott International
6. Hilton Worldwide
7. Wyndham Hotels and Resorts
8. Best Western
9. Hoteles Mision
10. Grupo Real Turismo

Products with Potential Growth in Mexico:

Functional foods, organic foods, products perceived as natural and healthful, plant-based products, meat and dairy alternatives

GDP/Population

Population: 126 million (2020, Mexico Census)

GDP: \$20.8 Trillion (2020)

GDP Real Growth: -8.5% (2020)

Figure 1. Sources: Trade Data Monitor, INEGI 2020 Mexico Census, World Bank

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SECTION I. MARKET OVERVIEW.

Trade

Mexico is the second largest global export market for U.S. food and agriculture. Despite Mexico's economic slowdown following the COVID-19 pandemic, 2020 U.S. agricultural and related product exports to Mexico reached \$18.9 billion, a 1.6 percent increase over 2019,

Economy

Following a slight 0.1 percent uptick in gross domestic product (GDP) in 2019, Mexico's GDP in 2020 fell to -8.9 percent, marking Mexico's worst GDP performance since 1932. The COVID-19 pandemic negatively affected sectors across Mexico economy, particularly during the early days of the pandemic. Many service-sector industries were allowed to operate with limited capacity, although many businesses ultimately could not stay open. Mexican agriculture has remained active throughout the pandemic and was the only sector that grew by two percent in 2020.

HRI Industries in Mexico

Tourism account for 8.1 percent of Mexico's GDP. Despite the COVID-19 pandemic, Mexico was 2020's seventh-largest international travel destination, as the GOM limited restrictions for international visitors. Total revenue generated from tourism decreased by 55 percent in 2020, reaching just \$1.1 billion. The average foreign traveler in 2020 spent \$1,033. Mexico's tourism industry started to recover in 2021 and, barring any unforeseen events regarding COVID-19, Post expects tourism will continue to rebound in 2022. The ongoing recovery will correspond with increasing levels of vaccination among Mexican and among international tourists, as well as evolving domestic and international vaccine COVID mitigation protocols.

Hotels

On March 17, 2020, the GOM instituted a national lockdown through April 30 following the COVID-19 outbreak. In May 2020, the GOM implemented an epidemic stoplight system, which provided guidance for resuming essential activities and regulating non-essential ones. By June 1, 2020, hotels were allowed to reopen with occupancy rates capped at 30 percent. As of August 2021, hotel occupancy rates increased to 50-percent caps.

According to Post sources, at least 100 hotels were closed because of the pandemic. Mexico's Ministry of Tourism expects that by the end of 2021, the national hotel-occupancy average will reach 50.9 percent, a notable increase over the 35.9 percent and 32.1 occupancy rates for beach destinations and city destinations, respectively, in 2020.

Currently, Mexico's total hotel room inventory is about 400,000 rooms. Another 14,000 rooms are under construction and will be available by 2023. The Cancun/Mayan Riviera area is Mexico's primary tourism area, followed by Mexico City, and Puerto Vallarta. Riviera Nayarit is also an evolving tourist destination.

Top 10 Hotel Chains in Mexico		
	Hotel Chain	Number of units
1)	Oyo Rooms	406 Hotels
2)	Grupo Posadas	179 Hotels
3)	City Express	143 Hotels
4)	IHG Group	143 Hotels
5)	Marriott International	111 Hotels
6)	Hilton Worldwide	69 Hotels
7)	Wyndham Hotels & Resorts	59 Hotels
8)	Best Western	51 Hotels
9)	Hoteles Mision	38 Hotels
10)	Grupo Real Turismo	37 Hotels

Source: Statista

Restaurants

According to the National Restaurant Chamber (CANIRAC), roughly Mexican 120,000 restaurants went out of business in 2020 following the pandemic. While the GOM deemed the restaurant sector as ‘essential’, restaurants were generally only allowed to provide delivery or take-away services, which often were insufficient to cover operating costs. Many of the restaurants that survived that pandemic adapted by streamlining their menus, partnering with delivery apps, and implementing safety and hygiene protocols when returning to full service. In January 2021, after the second wave of COVID-19, Mexico City restaurateurs organized the *Abrir o Morir* (Open or Die) movement. This movement pushed local authorities to allow restaurants to reopen, provided they follow protocol established under *Mesa Segura* (Safe Table). *Mesa Segura* included limited operating hours from 9:00 a.m. to 8:00 p.m., outdoor service with social distancing, indoor capacity of no more than 30 percent, biweekly COVID tests for service personnel, and sanitary measures including temperature reading, hand sanitizer, and QR code menus. Mexico City authorities accepted these measures. *Mesa Segura* proved to be a successful private-public initiative and was adopted by restaurants nationwide. As of August 2021, Mexico’s restaurants were open to 65 percent capacity. Digitalization continues to be a sectoral driver, as more and more restaurants continue to establish delivery apps or digital platforms to reach consumers.

Catering Services

The catering sector experienced the slowest rate of recovery among Mexico’s food service

industry. As well, they face several restrictions like reduced capacity and sanitary measures (in some cases rapid COVID tests are taken prior to large events). The catering sector has achieved the following benchmarks since early 2021:

- 34.5 percent growth in social and corporate gatherings
- 30.7 percent growth in banquet services
- 29.1 percent growth in audiovisual events (concerts and conferences)

Key Market Drivers and Trends

Price

Mexico remains a price-sensitive market, although some consumers are willing to pay for premium high-quality products. The Mexican market is divided in two big segments:

- High and upper-middle socioeconomic levels look for quality and functional products (normally imported).
- Middle and lower-middle socioeconomic levels typically make purchases based on price. According to the World Bank, 53 percent of Mexico's population lives on less than \$100 a month.

HRI Trends

Products perceived as healthful are increasingly featured on menus, due in part to more awareness about personal nutrition because of the pandemic. Plant-based options, meat and dairy alternatives, probiotics, and healthful snacks have achieved more market share than during pre-pandemic times. More Mexican consumers have become increasingly health conscious, as many COVID-related deaths in Mexico have been due to underlying health issues, including obesity.

Retail and foodservice have become increasingly intermingled, as some foodservice outlets began to offer their products through retail channels as ready-to-eat or ready-to-cook options products for home preparation.

To attract customers back to full-service dining, some restaurants are focusing on creating customer experiences and seeking to raise their 'wow factors'. Some restaurants have started to use gimmicks like smoke and fire special effects to attract consumers.

Social Media

HRI outlets relied heavily on social media to reach customers during the pandemic. According to a recent report published by the ABASTUR trade show organizers, most restaurants were able to significantly increase their social media audiences during the pandemic. The number of restaurant-related Instagram posts increased 70 percent. For example, in March 2020, a Mexico City slider and potato tot outlet opened. Because it opened during the start of the pandemic, it elected to only sell sliders, tots, and soft drinks. It advertised extensively on Instagram, used social media influencers to attract consumers, and developed a delivery application. Despite the pandemic, this outlet developed a large customer base and has since started two additional locations in strategic, high-traffic areas of Mexico City.

Delivery Apps

Food delivery apps played an important role during the pandemic and added many restaurants to their platforms. Mexico has three main delivery apps, including Rappi (Colombia), Uber Eats (United States), and Didi Foods (China). Other key players, like Alsea (restaurant holding company) created its own delivery app for its Domino's Pizza chain. According to Statista, Mexican consumers spend \$74 annually in takeout and \$54.40 on app-based food delivery.

Table 1: Advantages and Challenges Facing U.S Food and Agriculture in Mexico

Advantages	Challenges
Increased demand for products perceived as healthful creates opportunities for many U.S. products.	Imported specialty products have higher prices than domestic products.
Continued industry 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, air freight, and ocean freight.	The HRI industries will rebuild and restructure after the pandemic. Lower-end outlets are poised to grow the fastest among HRI segments, which are not primary end users for many U.S. products.
Mexican retailers, hotels, and restaurant chains are familiar with many U.S. products and best practices.	Local manufacturers are adapting to meet retail and HRI needs and specifications, which increases competition for U.S. products.
Mexican logistics are increasingly modern, including better cold chain and wider national coverage.	Although cold chain distribution is more widely, available, it has not fully penetrated into 'last mile' distribution. Regional distribution in southern Mexico remains 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 has become a more attractive market for other countries. New free trade agreements (FTAs) also mean more competition for U.S. products.

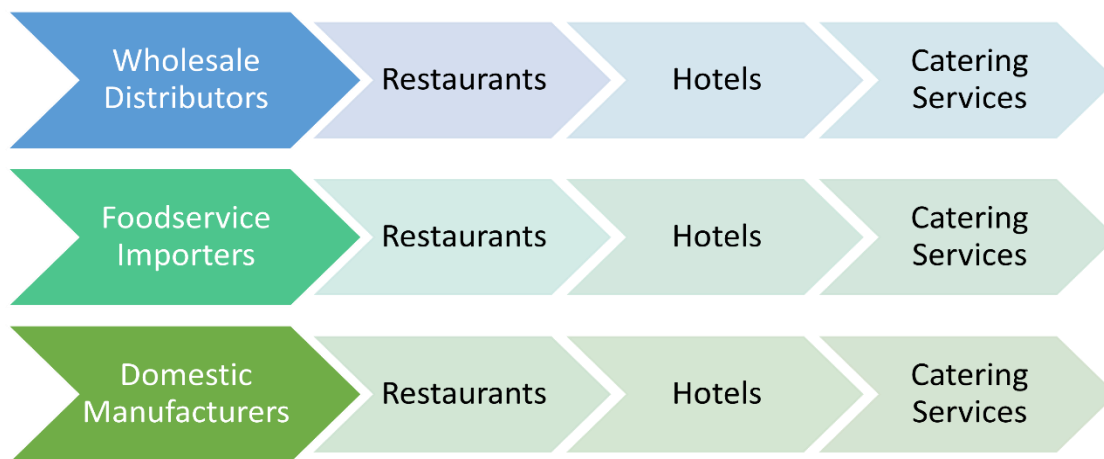
SECTION II. ROAD MAP FOR MARKET ENTRY.

U.S. companies seeking to export to Mexico may consider attending attend the [Abastur](#) and [Expo Hotel](#) trade shows. These shows can provide on-the-ground insights and facilitate meeting new contacts. Besides recognizing the differences between Mexican and U.S. business cultures, U.S. exporters should consider regional purchasing patterns. Mexico is a large and diverse county and while some products might work well in some regions, they may not work as well in others.

It is important for U.S. companies to work with experienced and professional importers or distributor. Distributors or importers will help with issues related to regulations, procedures, labeling, and customs clearance. Big hotel and restaurant chains have their own purchasing

and import departments. Companies attempting to approach large chains should have enough production capacity to meet the large product volumes they typically require. Additional information on product requirements, labeling issues, and other topics is available via the [FAS GAIN](#) system.

Diagram 1: Processed Food/Fresh Product Distribution Channels in Mexico



SECTION III. COMPETITION.

Mexico's HRI markets are crowded and highly competitive. Mexico is largely self-sufficient and about 90 percent of its inputs, including horticulture and packing materials, are domestically produced. For the remaining 10 percent, the United States is the supplier of choice. Many Mexican importers rely on U.S. agricultural suppliers due to consistent product quality, stable supplies, and close geographic proximity. Additionally, preferential market access under the North American Free Trade Agreement signed in 1994 and its successor, the United States-Mexico-Canada Trade Agreement, which entered into force in July 2020, further enhances bilateral trade.

Other major exporters to Mexico include Canada, Ireland, Brazil, Chile, and China. Mexico has negotiated FTAs with more than 45 countries, including the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was formally created in March 2018. The agreement entered into force in Canada, Australia, Japan, Mexico, New Zealand, and Singapore on December 30, 2018.

Table 2: Top Global Food and Agricultural Supplier to Mexico 2019-20

Mexico Import Statistics Commodity: BICO – Agricultural Products		
Annual Series 2019-2020		
Partner Country	Value in USD	
	2019	2020
World	29,485,124,263	28,085,443,276
United States	20,171,768,830	19,343,033,324
Canada	1,757,445,008	1,719,334,773
Ireland	1,310,813,784	1,355,665,055
Brazil	925,772,307	704,359,576
Chile	453,159,592	413,197,962
Spain	450,287,173	403,542,362

Source: Trade Data Monitor

Table 3: Top Mexican Consumer-Oriented Product Imports by Country of Origin

Mexico Main Imports		
Annual Series: January-December 2020		
Commodity	Partner Country	Value in USD
Corn (Maize) 1005	World	3,089,786,074
	United States	2,865,796,272
	Brazil	218,421,117
	Chile	2,351,005
Wheat (1001)	World	1,099,994,614
	United States	796,816,914
	Canada	243,833,345
	Russia	22,817,027
Poultry (0207)	World	996,728,458
	United States	928,393,991
	Chile	57,516,019
	Brazil	10,459,715
Beef (0202)	World	39,194,728
	United States	36,000,933
	Canada	2,092,665
	Nicaragua	911,463
Wine (2204)	World	271,572,368
	Spain	60,173,081
	Italy	49,358,944
	Chile	36,119,909

Source: Trade Data Monitor

SECTION IV. BEST PRODUCTS PROSPECTS

Mexico's more educated population, urbanization, credit availability, and smaller family sizes have changed consumption patterns. Many foodservice trends in Mexico correspond with global trends. Mexican consumers are increasingly aware of popular diets such as Keto or Paleo. Mexican consumers are also increasingly interested in where products come from, caloric content, and ingredients. Restaurants across the price spectrum, from street food vendors to fine dining, increasingly seek to provide 'experiences' for consumers, including making food photogenic for social media.

The Mexican restaurant industry is adapting to increasingly meet evolving consumer demand. Some Mexican restaurants have started their own kitchen gardens or are partnering with local farmers and producers for fresh supplies. As well, high-end restaurants are opening casual options offering quality foods at affordable prices. Some renowned Mexican chefs are collaborating with restaurant chains, cafes, bakeries, and cinemas.

As mentioned above, HRI sectors are increasing their marketing toward high-end/sustainability, which often features imported products. Given the rapid expansion of hotels and restaurants toward these areas, HRI-related products with the best prospects in Mexico include industry:

- Products perceived as healthful (superfoods, vegan, and gluten-free products).
- Probiotic and fermented products (kefir, kombucha, kimchi)
- Sugar-free and alcohol-free beverages (smoothies, juice blends, mocktails, sugar-free sodas, alkaline water, vitamin added water)
- Asian-style products (noodles, sauces, beverages)
- Products perceived as natural, including organic, 'non-GMO', 'all natural'
- Ethnic foods (spices, food bases, cereals, and condiments)
- Wines, spirits, and craft beer
- Specialized dairy products

SECTION V. KEY CONTACTS AND FURTHER INFORMATION.

For further information and to learn more about the services provided by the Agricultural Trade Offices (ATO) in Mexico, please contact us at:

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Attachments:

No Attachments