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**Date:** 3/27/2019

**GAIN Report Number:** MX9303

## **Mexico**

### **Food Processing Ingredients**

#### **Mexico: Food Processing Ingredients 2019**

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**Report Highlights:**

In 2018 Mexico represented the second largest export market for U.S. agricultural products, with U.S. food processing ingredient exports totaling U.S. \$8.9 billion. With an increase of 3.6 percent from 2017, Mexico continues to be a growth market for U.S. food processing ingredients. However, as Mexico continues to seek diversification in agricultural trade, in recent years competition emerged from the European Union, South America, and Asia. Additionally, with President Andrés Manuel López Obrador (AMLO) taking office in December 2018, Mexico shifted its focus domestically, promoting programs and incentives to enhance both local production and consumption with a goal of becoming self-sufficient in core agricultural products, including processing ingredients.

**Post:**

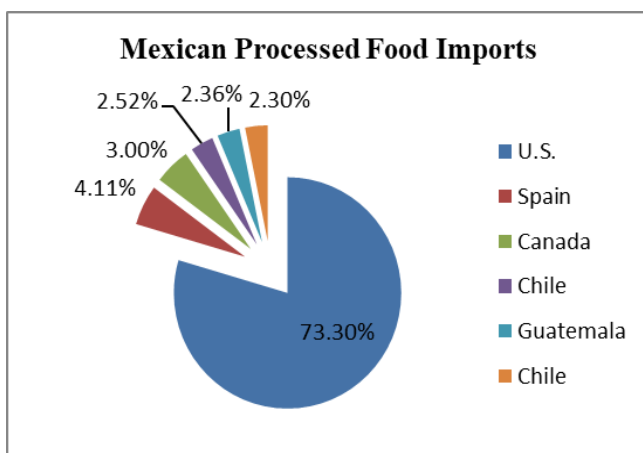
Mexico City ATO

**Fact Sheet Mexico**

## Executive Summary

Mexico continues to be a growth market and one of the best opportunities globally for U.S. processing ingredients with a strong processing sector demanding an array of inputs. Total U.S. processed food exports to Mexico for 2018 totaled U.S. \$8.9 billion representing an increase of 3.6 percent from exports in 2017.

Overall, Mexico's top trade partner is the United States, which imports 80 percent of all Mexican exports (U.S. Census data) and provides Mexico with 50 percent of its total imports (Mexico's National Institute of Geography & Statistics, INEGI). In 2018, Mexico came in as the second largest export market for U.S. agricultural products.



## HRI Industry

Major hospitality multinationals as well as local companies continue to expand throughout Mexico, launching more sustainable and practical HRI formats to capture new visitors (international and locals). During 2017, Mexico received 99.6 million international visitors (latest available data from the Secretary of Tourism) representing a 5 percent growth from 2016. The average expenditure of visitors (of more than a weekend) decreased slightly to U.S. \$909.4, from 2016.

## Retail Industry

According to the Mexican Association of Nationwide Retailers (ANTAD), there are 33 supermarket chains, with 58,777 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. These points of sale traditionally distribute local, domestic products. Retail sales maintain steady growth of around 7.4 percent per year.

## Section I. Market Summary

## Food Processing Industry

In Mexico, according to INEGI, in 2017 there were over 187,347 economic units including offices, manufacturing plants, and distribution centers under an industry classification of "food & beverage manufacturing and processing." They employ close to 800,000 workers.

### Top 10 HRI Players

1. IHG (InterContinental Hotels Group)
2. Marriott International
3. Hyatt Group
4. Hilton Hotels & Resorts
5. NH Hotels
6. Hoteles Misión
7. Grupo Posadas
8. City Express Hotels
9. Hotel ONE
10. Boutique Hotels (independent)

Source: Post Analysis

### Top 10 Retail Players

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

### Food and Beverage Trends in Mexico for 2018:

Foods across all age groups; organic foods; ethnic and natural products; more knowledgeable consumers regarding food and drinks quality; consumers demanding better and more specialized products.

### GDP/Population

Population: 129.16 million (2017, latest available data)

GDP: \$1.15 Trillion (2017)

GDP Real Growth: 2.0% (2017)

Sources: Global Trade Atlas, Euromonitor, World Bank

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Mexico continues to be a growth market representing one of the best opportunities in the world for U.S. products, not only for the shared maritime and land border with several crossing points, but also for the well-developed trade relationship. In recent years Mexico continued a trend of small, but stable economic growth. Mexico's GDP for 2017 was \$1.15 trillion, an increase of a little over two percent from 2016<sup>1</sup>.

According to INEGI, Mexico imported \$12.26 billion in processed food products during 2018 with over 70 percent (\$8.99 billion) from the United States. Pork products came in as the biggest category for processed food imports from the United States followed by dairy and beef products. Likewise, Mexico exported \$26.75 billion of processed food with nearly \$22 billion heading to the United States. The biggest categories of exports to the United States remain beer, tequila, and baked goods as in previous years.

While Mexico remains a growth market for U.S. processing ingredients, the processing industry itself in Mexico remains stable with low growth as it is large and well established. A detailed list of the largest food processing companies in Mexico can be found in FAS' [Mexico's Food Processing Ingredients report 2018](#). However, the sector is diversifying to provide tailored products for consumers, moving away from one highly branded product line to multiple lines and niche products. Two examples include a proliferation of types of peanut butter (both in brands and varieties), and a number of independent craft beer companies bought by big brands such as AMBEV and Heineken yet maintaining their independent name.

Highly dependent on U.S. agricultural imports, Mexico seeks trade diversification by pursuing trade agreements with third countries. In recent years, the European Union, Asia, and South America, in particular, made gains and showed interest in the dairy, grains, and meat sectors. With the recent change in administration under President Andrés Manuel López Obrador (AMLO) in December 2018, Mexico shifted its focus domestically, promoting several programs and incentives to producers enhancing local production and consumption. AMLO's administration actively pursues his signature campaign promise to achieve self-sufficiency in key agricultural products; namely, corn, wheat, beans, rice and milk. (See [MX9002](#).)

### **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: Covering high and middle socioeconomic levels demanding quality and functional products (normally imported).
  - Regular consumers: Covering middle to low socioeconomic levels principally purchasing based on price points. (According to World Bank, 53% of Mexico's population lives on less than \$100 a month.)
2. Consumers increase demand for wellness and healthy products made for specific needs (Gluten/Soy Free, Vegan products, Sugar Free, Organic, Kosher, etc.)

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<sup>1</sup> World Bank Statistics

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, purchase products that suit their lifestyle and make them feel happy.
5. At the same time, consumers value convenience, and prepared, pre-packaged foods see immense popularity.

### Food processing companies in Mexico by region



Source: ProMexico

### Advantages and challenges facing U.S. foods

ADVANTAGES	CHALLENGES
Increased awareness in health and body care generates greater demands for healthy products, positioning the huge array of U.S. products at an advantage.	In part due to the NAFTA renegotiation, Mexico is looking to diversify its imports away from the United States.
Industry-wide and government investments are continuous (such as ports), insuring better infrastructure and logistics. These will complement the existing, and extensive logistics 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	Local manufacturers are adapting quickly

familiar with U.S. products and best practices.	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: <ul style="list-style-type: none"> <li>- Cold chain distribution for wider nationwide penetration.</li> <li>- Increased use of technology.</li> </ul>	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 becomes attractive for other countries trying to export their products.

## Section II. Market Structure and Entry

As noted above, the processing industry in Mexico is stable and trending towards diversification. Multinational companies such as Nestlé and Unilever own processing facilities in Mexico, and some companies export their processed goods as well as selling them domestically. The key Mexican companies within the food processing industry are Sigma Alimentos (Mexican leader for processed meats), Lala (Mexican dairy production leader), Bachoco (a Mexican poultry production leader), Bimbo (a global baked goods leader) and Grupo Maseca (a global flour and tortilla production leader). Many of the large companies own their supply chain or have a well-established supply chain.

Many U.S. companies seeking to export to Mexico attend [Abastur](#), [ANTAD](#) (the biggest retail shows in Mexico), and the [Food Tech Summit & Expo](#) to gain insight on the Mexican market, establish new contacts, and get to know buyers, potential business partners, importers, and distributors. In addition to recognizing the differences between Mexican and U.S. [business culture](#), it is important for U.S. exporters to consider regional purchasing patterns. Some products might fit perfectly in a particular region, 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 local partner. 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 importing departments. Companies attempting to approach large chains should have enough production capacity to meet the large product volumes they typically require. We encourage you to check our [Exporter Guide](#) and [Mexico’s Food Processing Ingredients report 2018](#) for a more detailed view.

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

*Imports Case Study: Cranberries in Mexico*

U.S. dehydrated cranberries exports to Mexico have increased 464 percent in six years from 1,816 MT in 2012 to 10,249 MT in 2018. As a food processing ingredient, cranberries have also created a huge impact as a good raw material in several categories like beverages (juices, sodas, sparkling drinks and even craft beers), snacks (savory and non-savory), baked goods (breads, cookies, cakes), dairy products (ice cream, yoghurt, cheeses, spreads). According to the local Cranberry Marketing Committee (a USDA Cooperator) representatives, the promotion program began with only two available products in Mexico (juice and concentrate). Closing the year 2018, 722 cranberry related products are available for Mexican consumers.

**Section III. Competition**

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 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 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. The recent modernization of NAFTA resulted in the United States-Mexico-Canada agreement (USMCA) in principal as of September 2018, with a review in six years. Additionally, the EU and Mexico recently upgraded their trade agreement by slashing tariffs on agricultural imports among other adjustments. Neither USMCA nor the Mexico-EU FTA have entered into force and are awaiting respective government approval processes.

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 the ability to meet large quantity orders. That said, the major players such as Bimbo or Sabritas (owned by PepsiCo) in the processing industry see market penetration down to the mom and pop stores in rural areas, with a distribution network in place.

**Competitive situation for selected Food Ingredients**

<b>Product Category</b>	<b>Imports in Millions of USD</b>	<b>Main suppliers (Based in value)</b>	<b>Strengths of key supply countries</b>	<b>Advantages or Disadvantages of Local Suppliers</b>
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Milk Powder HS 040210	\$697.22	<ul style="list-style-type: none"> <li>• USA 96%</li> <li>• Canada 1%</li> <li>• Poland 1 %</li> </ul>	Distance, availability, and regional products	Challenged by milk quality and drying facility capacity
Chocolate & Cocoa HS 1806	\$288.80	<ul style="list-style-type: none"> <li>• USA 69%</li> <li>• Canada 12%</li> <li>• Germany 4%</li> </ul>	Proximity and quality of U.S. products	<p>8% IEPS (Special Tax over Production and Services) imposed on high-calorie food. More than 275 kcal per 100 grams</p> <p>Cocoa production in southern Mexico</p>
Spices HS 0910	\$4.05	<ul style="list-style-type: none"> <li>• India 32%</li> <li>• Spain 24%</li> <li>• USA 19%</li> </ul>	Excellent regional products and big tradition of consumption by local market	Certain products not available domestically
Turkey HS 020726,020727, 020725, 160231, 020724	\$326.75	<ul style="list-style-type: none"> <li>• USA 91%</li> <li>• Brazil 7%</li> <li>• Chile 3%</li> </ul>	Distance, availability, and regional products	<p>Mexico offers a strong market for further processing with well-developed distribution channels.</p> <p>Low domestic production of turkey meat</p>
Cereals & Prep Food HS 1904	\$70.63	<ul style="list-style-type: none"> <li>• USA 84%</li> <li>• Canada 5%</li> <li>• Italy 2%</li> </ul>	Proximity and quality	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	\$286.31	<ul style="list-style-type: none"> <li>• USA 88%</li> <li>• Italy 3%</li> <li>• Spain 2%</li> </ul>	Distance availability and regional products	<p>New niche market for premium products in this category</p> <p>Large, well established baking sector</p>
Treenuts HS 0802	\$331.56	<ul style="list-style-type: none"> <li>• USA 94%</li> <li>• Turkey 5%</li> <li>• China 0.5%</li> </ul>	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	\$175.14	<ul style="list-style-type: none"> <li>• USA 69%</li> <li>• Nicaragua 14%</li> <li>• China 8%</li> </ul>	Proximity and quality of U.S. product	<p>Local production does not cover the local market demand.</p> <p>Extremely popular processed products such as <i>Cacahuates Japonés</i> and other snack foods</p>

Source: Global Trade Atlas

#### 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, “green” packing)
- Premium products- claiming better quality and product innovation.
- Gourmet Food – sauces, condiments, artisanal cheeses.



- Ethnic Foods such as Asian type items, Mediterranean food, European food.
- Dairy products- distinctive formulation of yogurts (Greek, etc), segmentation of milk products.
- 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 V. Key Contacts and Further Information**

We are available at <http://www.mexico-usda.com> or visit the FAS headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

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### **Sources:**

- INEGI Mexican Statistics and Geography Institute [www.inegi.org.mx](http://www.inegi.org.mx)
- U.S. Census Data
- PROMEXICO
- Euromonitor International
- Mexican Secretariat of Economy
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- CIA World Fact Book
- CANAINCA [www.canainca.org.mx](http://www.canainca.org.mx)