

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico Retail Sector Report CY 2014

Report Categories:

Retail Foods

Approved By:

Julio Maldonado

Prepared By:

Lourdes Castellanos

Report Highlights:

Despite the weak economy during 2013 and 2014 the Mexican retail sector is expected to grow; major multinationals and local companies continue to expand throughout Mexico in the different segments signaling faith that the expansion and growth opportunities will continue.

Executive Summary:

During 2013 and 2014 the Mexican economy experienced weaker growth with rates of 1.1% for 2013 and 2.1% for 2014; the adverse economic climate has had a negative impact on the Mexican retailing environment where consumers have less to spend.

Despite weak economic growth, expansion plans for retailers have continued in Mexico, major multinationals continue to enter and expand in many different categories from apparel specialists (H&M) to pet stores (Petco). Many consumers are finding ways to reorganize their spending money in order to afford products that give them a sense of satisfaction, this trend is resulting in strong market growth for private label staples and more premium products that have relatively lower prices. From 2011 to 2014, dozens of international retailers opened shop in Mexico, as well as several important luxury brands (Hermes, Bulgari, Michael Kors). There is no sign of reducing the construction of premium shopping centers across Mexico, and new players are expected to continue arriving, not only in the major cities but to other mid-sized cities around the country as well.

The Mexican retail market is expected to continue to develop as the current administration's reforms (legal, fiscal, energy and education) provide a more stable environment for the growing middle class.

General Information:

Mexico Retail Sector Report CY 2014

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Trends and developments

After an average GDP growth of 4.3% between 2010 and 2012, Mexico had a weaker performance starting in 2013 and continuing in 2014; inflation was around 4% and on the rise and the fiscal reform that came into force in January 2014 weakened purchasing power across the population, hitting both the supply, and the demand side of economy.

Table 1. Mexico: Economy at a Glance

| | 2012 | 2013 | 2014 | 2015 (p) |
|--|------|------|------|----------|
|--|------|------|------|----------|

| | | | | |
|--|----------|----------|----------|-------------|
| GDP (% Growth) | 4.00% | 1.40% | 2.10% | 1.7% - 2.5% |
| Inflation (% Growth) | 3.60% | 4.00% | 4.10% | 2.70% |
| Exchange rate (Pesos) | \$12.97 | \$13.08 | \$14.73 | \$16.55 |
| Total Imports from U.S. (Billions of USD) | \$256.62 | \$270.42 | \$240.25 | |
| Total Exports to U.S. (Billions of USD) | \$304.46 | \$321.72 | \$294.08 | |

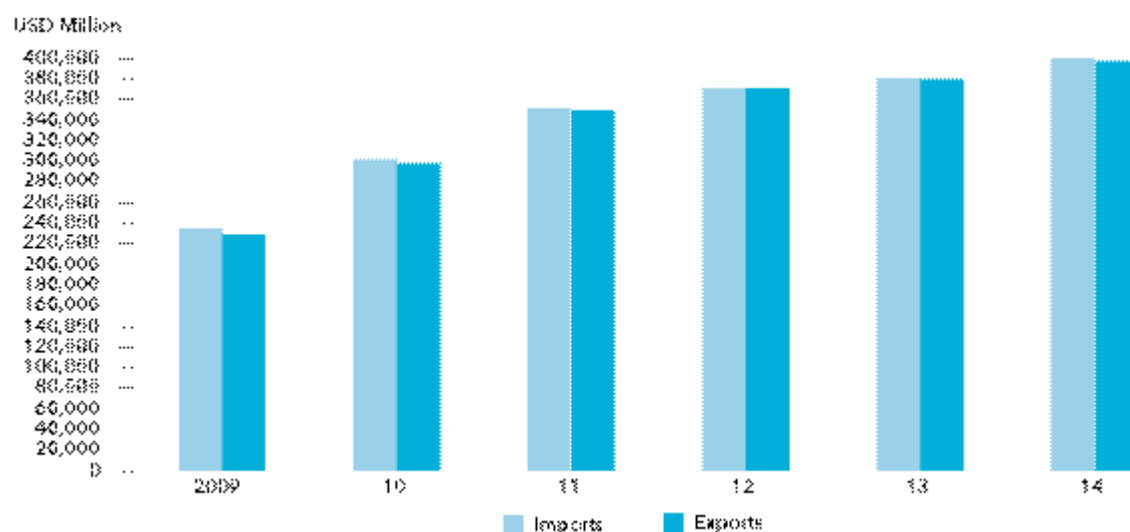
American Chamber of Commerce, Mexico City (P=Projected)

Table 2. Mexico's Imports and Exports 2014

| Major export destinations | 2014 Share (%) | Major import sources | 2014 Share (%) |
|---|-----------------------|---|-----------------------|
| Exports (fob) to North America | 82.9 | Imports (cif) from North America | 51.3 |
| Exports (fob) to Latin America | 6.5 | Imports (cif) from Asia Pacific | 30.1 |
| Exports (fob) to Europe | 5.2 | Imports (cif) from Europe | 11.7 |
| Exports (fob) to Asia Pacific | 4.1 | Imports (cif) from Latin America | 3.9 |
| Exports (fob) to Other Countries | 0.7 | Imports (cif) from Other Countries | 2.2 |
| Exports (fob) to Africa and the Middle East | 0.4 | Imports (cif) from Africa and the Middle East | 0.6 |

Source: Euromonitor International

Table 3. Mexico's Foreign Trade



Source: Euromonitor International

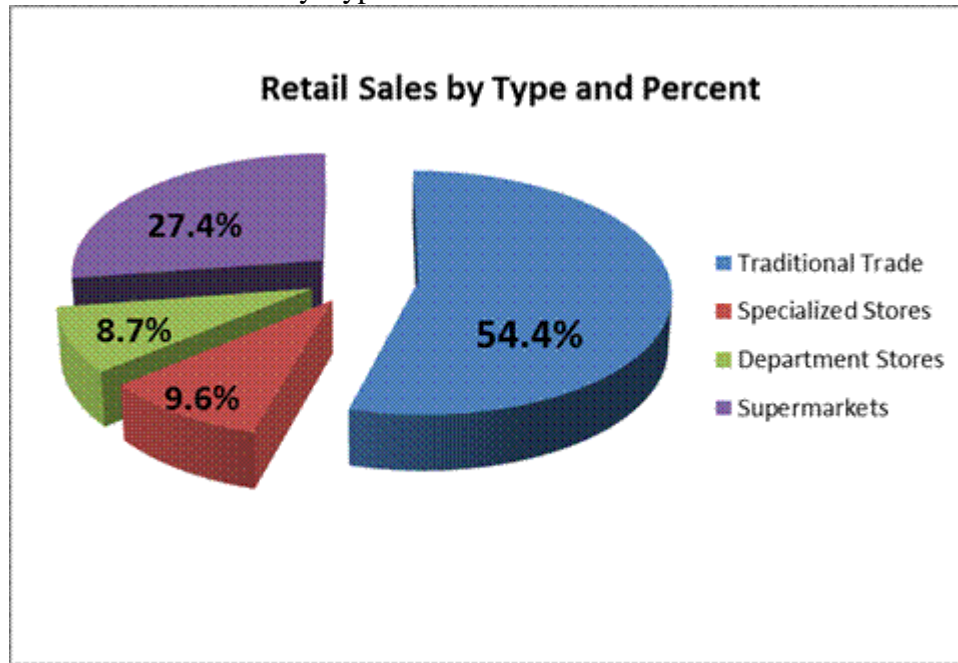
The consumer confidence index declined 7.6% by mid-year 2014 continuing its downward trend

throughout 2014.

Even when Mexico remains as the second most important destination for foreign investment in Latin America after Brazil; the confidence of investors in the market has weakened dropping from ninth to 12th place in the A.T. Kearney Foreign Direct Investment Confidence Index

For good or for bad, specific characteristics have positioned Mexico as an ideal entry point for international retailers to test their expansion into the Latin American region. One of the main characteristics is the size of the potential consumer (15-64 year old) representing 64.4% of the total Mexican population.

Table 4. Retail Sales by Type and Percent



Source: ANTAD 2014

The retail environment in Mexico is increasingly competitive due fierce competition, fast expansion plans, challenges such as multichannel strategies and consumers being cautious with their expenses, as well as new value added services offering an interactive and unique shopping experience. Leading retailers will need to improve their customer service in order to maintain their competitive edge.

A black hole in the Mexican economy is the informal sector and this also includes the retailing market. The Mexican National Employers' Confederation reported that 60% of the country's workforce is in the informal sector.

According to the International Labor Organization, Mexican minimum wage is among the lowest in the Americas region (the government just raised it to \$67.29 MXN), 38% of the population falls under social class E (income under 50% of the average gross income of individuals approximately \$1,010 MXN) and also a large proportion of the population relies on the minimum wage making informal retailing a very attractive alternative to ensure lower-end access to products. A larger proportion of the total Mexican population lives in large urban localities or cities with more than 100,000 inhabitants where informality is prevalent. More than half of Mexico's populations (roughly 120 million) live in poverty.

Table 5. Employment in Retailing 2009 – 2014

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------|-----------|-----------|-----------|--------|-----------|-----------|
| Total Employment | 45,694.90 | 46,380.20 | 47,405.70 | 48,961 | 49,490.60 | 50,384.40 |

| | | | | | | |
|--|----------|----------|----------|----------|----------|----------|
| ('000 people) | | | | | | |
| Employment in retailing ('000 people) | 5,027.50 | 5,101.30 | 5,202.30 | 5,363.60 | 5,470.90 | 5,580.30 |
| Employment in retailing (% of total employment) | 11 | 11 | 11 | 11 | 11.1 | 11.1 |

Source: Euromonitor International

The informal sector has gained ground in the trade due to the recently added tax; the “special tax on production and services” (Impuesto Especiales a Productos y Servicios, IEPS) was launched in 2014 affecting the beverage, packed food, alcohol and tobacco industries, according to the National Wholesale Grocers Association (Asociación Nacional de Abarroteros Mayoristas ANAM).

Approximately 50% of the alcoholic beverages consumed, are bought in the informal market to avoid taxes.

The most affected retailing channels are media products stores, jewelry and other luxury products stores.

Table 4. Sales in Retail by Store-based vs Non-Store: Value 2009 – 2014

| | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| *MXN billion, retail value excluding sales tax | | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Store-based retailing | 2216.70 | 2321.70 | 2475.10 | 2631.30 | 2732.20 | 2838.40 |
| Non-Store retailing | 98.00 | 109.90 | 124.20 | 141.70 | 159.00 | 178.10 |
| Retailing | 2314.80 | 2434.60 | 2599.30 | 2773.00 | 2891.30 | 3016.50 |

Source: Euromonitor International

The competitive environment encourages retailers to have different schedules and remain open for longer periods, large retailers are expected to be open on Sundays and holidays, as well as in larger cities where the standard working hours for most retailers are from 9:00 to 21:00 hours.

National Retail market

During 2014, the retail market grew 5.2% in total stores and 0.9% in same stores compared to year 2013. Supermarkets had the lead representing 50% of total retail sales (mainly groceries). General merchandise sales grew 38%, and coming in at third place, were shoes and clothes category with total growth of 12%.

According to the National Association of Retailers (Asociación Nacional de Tiendas de Autoservicio y Departamentales ANTAD) the main factors to consider during 2014 were:

| POSITIVE | NEGATIVE |
|--|---|
| <ul style="list-style-type: none"> • Bigger competition from different retail chains. | <ul style="list-style-type: none"> • Weak internal market |
| <ul style="list-style-type: none"> • Promotion to consumer's credit. | <ul style="list-style-type: none"> • Bigger competition and lower sales margins. |
| <ul style="list-style-type: none"> • Consumers using different commercial | |

| | |
|---|---|
| channels. | <ul style="list-style-type: none"> Fiscal Reform's effects. |
| <ul style="list-style-type: none"> Assortment and large variety of products. | <ul style="list-style-type: none"> Major competition from informal retailers. |
| <ul style="list-style-type: none"> Bigger market penetration through retail formats and diversification. | <ul style="list-style-type: none"> Social movements and demonstrations disruptions in several states of the country. |

According to ANTAD reports, during 2014 there were more than 1,800 store openings having a total investment of 3.5 billion dollars. Of this total, 3.9% were supermarkets, 15.4% department stores and 80.7% specialized stores.

Top National Retailers

WAL-MART de Mexico y Centroamerica

Leading the retailing landscape in Mexico, Wal-Mart keeps up its expansion plans, opening new stores in the different formats and betting on its to strength as moves into the e-commerce. Walmart's operative and administrative efficiency make it increase its margins and offer better service to its many clients.

By 2014, all three business formats of Wal-Mart Mexico had internet retailing, these were; Superama (medium size supermarkets), Wal-Mart Supercenters (hypermarkets) and Sam's Club (warehouse clubs). Sam's Club and Superama are known to target the high and middle-high income segments while Walmart Supercenter target the middle-income segment. Usually lower-income consumers are not familiar with e-commerce and do not have internet access therefor Bodega Aurrera has no plans to be part of the e-commerce strategy as they target mostly these consumers.

Table 6. Walmart De Mexico y Centroamerica Operational Indicators

| | 2012 | 2013 | 2014 |
|---------------------------------|-------------|-------------|-------------|
| Net Sales *MXN billions | 300.15 | 307.75 | 321.55 |
| Outlets | 1982 | 2199 | 2248 |
| Selling space ('000 sqm) | 5625 | 6023 | 6179 |
| Number of employees | 204887 | 203892 | n/a |

Source: Euromonitor International

Launched in 2012, Superama Movil (Internet retail application for mobile devices) was very successful reaching 60,000 downloads by the end of the same year and accounting for 20% of all Superama internet sales. By mid-2013 Walmart Supercenter launched its e-commerce site, mainly focused on electronics, leisure and personal accessories and other general merchandise.

Table 2. Share of Sales Generated by Internet Retailing

| | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|
| Net Sales *MXN billions | 300.15 | 307.75 | 321.55 |
| Net Sales: Internet retailing *MXN millions | 120.90 | 593.80 | 938.10 |
| Internet retailing's % share of total company net sales | 0.00% | 0.20% | 0.30% |

Source: Euromonitor International

Walmart de Mexico y Centroamerica has been leading the retail market in Mexico for several years, the market share value for 2014 was 11% (including modern and traditional retailing), the company held a

17% value share of sales in 2014 and led modern grocery retailers with 31% of the total sales across the category.

It's important to mention that the company avoids bringing too many imports careful to avoid further currency devaluations. Walmart has very strong negotiating power and suppliers usually comply with the high demands from the company (payment terms, delivery conditions, special packaging and more). For the future, Wal-Mart plans are to continue expanding throughout the country and placing discounters in small urban areas with fewer than 100,000 residents, thus capturing a market that has remained under radar of chained grocery retailers in the past. They also plan to push more for e-commerce in their three formats.

Table 8. Walmart de Mexico y Centroamerica Competitive Position 2014

| Channel | Retail Value Share | Rank |
|---|--------------------|------|
| Retailing | 10.7% | 1 |
| Store-based retailing | 11.3% | 1 |
| Grocery retailers | 17.4% | 1 |
| Modern grocery retailers | 31.4% | 1 |
| Discounters | 47.9% | 1 |
| Hypermarkets | 38.7% | 1 |
| Supermarkets | 11.4% | 3 |
| Non-grocery retailers | 1.5% | 4 |
| Apparel and footwear specialist retailers | 12.7% | 1 |
| Drugstores/pharmacies | 0.3% | 11 |
| Mixed retailers | 12.5% | 3 |
| Warehouse clubs | 72.4% | 1 |
| Non-store retailing | 0.5% | 22 |
| Internet retailing | 2.0% | 1 |

Source: Euromonitor International

Organización Soriana

Holding the title of the third retailer in Latin America during 2013 (according to Deloitte's study "Global Powers of Retailing 2015"), Organización Soriana operates several formats and continues its expansion through new openings across the country. For the company, one of the big priorities is to develop its private label portfolio, reinforce the general merchandising categories and have new credit options for the customers.

Regarding internet retailing, Soriana will develop more its e-commerce strategy and work more on its mobile application (launched during 2014).

2014 was also a big year to Organización Soriana buying 160 stores from the retail group Controladora Comercial Mexicana, this transaction was worth 2.6 billion USD. The formats Soriana bought are hypermarkets (Mega) supermarkets (Tiendas Comercial Mexicana) and the low-income stores (Bodega Comercial Mexicana and Alprecio), with the acquisition of these stores Soriana will greatly improve its position in the heart of Mexico.

Table 9. Organización Soriana Operational Indicators

| | 2012 | 2013 | 2014 |
|---------------------------------|---------|---------|---------|
| Net Sales *MXN billions | 103.88 | 105.03 | 102.68 |
| Outlets | 818 | 815 | 836 |
| Selling space ('000 sqm) | 3,159.9 | 3,309.4 | 3,409.4 |

| | | | |
|----------------------------|--------|--------|-----|
| Number of employees | 85,700 | 80,900 | n/a |
|----------------------------|--------|--------|-----|

Source:Euromonitor International

Soriana manages five store-based retailing formats: Hypermarkets (Hipermercado Soriana), supermarkets (Supermercado Soriana), discounters (Mercado Soriana and Soriana Express), convenience stores (Super City) and warehouse stores (City Club).

During 2013, Soriana opened 53 new stores and during 2014 it invested 4.1 billion MXN to open other 25 stores and remodel several of its old units.

Following the strategy of offering new products and services to its clients, Soriana started to include health centers at its hypermarkets and supermarkets providing consultancy at very low prices.

Soriana has a privileged position in Mexico's retail market with a 3% share of total store-based retailing and 12% in modern grocery retailers (during 2014). Having the different formats to meet the demands of different population segments and with the acquisition of the 160 stores from Comercial Mexicana, it is expected that next year Soriana shows growth in the market possibly becoming the second largest retail company in Mexico after Wal-Mart.

Table 10. Organización Soriana Competitive Position 2014

| Channel | Retail Value Share | Rank |
|--------------------------|---------------------------|-------------|
| Retailing | 3.4% | 3 |
| Store-based Retailing | 3.6% | 3 |
| Grocery Retailers | 6.3% | 3 |
| Modern Grocery Retailers | 11.5% | 3 |
| Convenience Stores | 0.3% | 7 |
| Discounters | 11.6% | 2 |
| Forecourt Retailers | 0.2% | 5 |
| Chained Forecourts | 0.2% | 5 |
| Hypermarkets | 15.8% | 3 |
| Supermarkets | 14.0% | 1 |
| Mixed Retailers | 1.5% | 9 |
| Warehouse Clubs | 9.0% | 3 |

Source: Euromonitor International

Controladora Comercial Mexicana

With several grocery retail formats targeting all socioeconomic levels, Comercial Mexicana started to give priority to developing its high-end sector through its formats Fresko and City Market which have wide variety of imported and healthy products.

In January 2014 Controladora Comercial Mexicana announced the possibility of being sold, by the end of the year Organization Soriana had bought 78% of Comercial Mexicana (160 stores) for a total of 2.6 billion MXN.

Table 11. Organización Soriana Operational Indicators

| | 2012 | 2013 | 2014 |
|--------------------------------|-------------|-------------|-------------|
| Net Sales *MXN billions | 44.7 | 46.08 | 49.72 |
| Outlets | 198 | 200 | 211 |

| | | | |
|---------------------------------|--------|--------|-------|
| Selling space ('000 sqm) | 1,276 | 1,275 | 1,291 |
| Number of employees | 29,658 | 29,326 | n/a |

Source:Euromonitor International

Comercial Mexicana has a nationwide presence, with a very strong focus on the central area of the country, which is considered the most important consumer market.

After selling most of its stores, Comercial Mexicana plans to expand the high-end formats (City Market, Fresko and Sumesa) with an investment of 3.2 billion MXN between 2015 and 2020.

Comercial Mexicana accounts 2% share of value sales in retailing during 2014; holding the seventh place in the retail market in Mexico and the fifth among modern grocery retailers with a 6% market share.

Table 12. Controladora Comercial Mexicana Competitive Position 2014

| Channel | Retail Value Share | Rank |
|--------------------------|---------------------------|-------------|
| Retailing | 1.6% | 7 |
| Store-based Retailing | 1.8% | 7 |
| Grocery Retailers | 3.2% | 5 |
| Modern Grocery Retailers | 5.8% | 5 |
| Discounters | 2.1% | 4 |
| Hypermarkets | 13.1% | 4 |
| Supermarkets | 5.2% | 6 |

Source: Euromonitor International

Total Imports into Mexico and Main Competitors 2014

| Mexico Import Statistics | | | | | | | |
|---|-------------|-------------------|-----------------|----------------|-------------------|-----------------|----------------|
| Commodity: 08, Edible Fruit And Nuts; Peel Of Citrus Fruit Or Melons | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | T | \$ 785,778,708.00 | 524,477.00 | 100.00% | \$ 737,758,213.00 | 461,783.00 | 100.00% |
| United States | T | \$ 632,229,284.00 | 448,531.00 | 85.52% | \$ 597,228,857.00 | 401,875.00 | 87.03% |
| Chile | T | \$ 109,030,444.00 | 53,415.00 | 10.18% | \$ 98,024,157.00 | 42,120.00 | 9.12% |
| Turkey | T | \$ 1,391,304.00 | 260.00 | 1.92% | \$ 6,810,920.00 | 954.00 | 1.42% |
| Argentina | T | \$ | | 0.23% | \$ | | 0.40% |

| | | | | | | | |
|-------|---|-----------------|-----------|-------|-----------------|----------|-------|
| a | | 15,930,923.00 | 10,096.00 | | 12,100,164.00 | 6,551.00 | |
| China | T | \$ 8,425,902.00 | 3,376.00 | 0.64% | \$ 5,280,357.00 | 2,152.00 | 0.47% |

Source of Data: INEGI [2006-present]

| Mexico Import Statistics | | | | | | | |
|---|------|-------------------|------------|----------|-------------------|------------|----------|
| Commodity: 0808, Apples, Pears And Quinces, Fresh | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | T | \$ 372,452,183.00 | 289,736.00 | 100.00 % | \$ 297,184,052.00 | 244,948.00 | 100.00 % |
| United States | T | \$ 356,200,324.00 | 278,691.00 | 96.19% | \$ 284,510,748.00 | 235,605.00 | 96.19% |
| Chile | T | \$ 7,071,940.00 | 5,329.00 | 1.84% | \$ 7,003,893.00 | 5,702.00 | 2.33% |
| Argentina | T | \$ 7,942,193.00 | 4,880.00 | 1.68% | \$ 5,135,414.00 | 3,324.00 | 1.36% |
| New Zealand | T | \$ 740,448.00 | 456.00 | 0.16% | \$ 312,784.00 | 164.00 | 0.07% |
| Canada | T | \$ 241,410.00 | 189.00 | 0.07% | \$ - | - | 0.00% |
| China | T | \$ 255,868.00 | 190.00 | 0.07% | \$ 221,213.00 | 152.00 | 0.06% |
| Source of Data: INEGI [2006-present] | | | | | | | |

| Mexico Import Statistics | | | | | | | |
|---|------|----------------|----------|----------|------------------|----------|----------|
| Commodity: 0207, Meat And Edible Offal Of Poultry (Chickens, Ducks, Geese, Turkeys And Guineas), Fresh, Chilled Or Frozen | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | T | \$ 931,276,508 | 621,586 | 100.00 % | \$ 1,001,921,120 | 640,924 | 100.00 % |
| United States | T | \$ 883,835,558 | 608,006 | 97.82 % | \$ 924,173,744 | 617,196 | 96.30 % |
| Chile | T | \$ 47,440,901 | 13,580 | 0.00% | \$ 49,000,091 | 13,006 | 1.42% |

| | | | | | | | |
|--------------------------------------|---|-------|---|-------|---------------|-------|-------|
| Brazil | T | \$ - | - | 2.18% | \$ 25,271,105 | 9,120 | 2.03% |
| Argentina | T | \$ - | - | 0.00% | \$ 3,476,180 | 1,602 | 0.25% |
| New Zealand | T | \$ 49 | - | 0.00% | \$ - | - | 0.00% |
| Source of Data: INEGI [2006-present] | | | | | | | |

| Mexico Import Statistics | | | | | | | |
|---|------|------------------|----------|---------|------------------|----------|---------|
| Commodity: 0202, Meat Of Bovine Animals, Frozen | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | T | \$ 20,992,047.00 | 3,636.00 | 100.00% | \$ 31,272,261.00 | 5,033.00 | 100.00% |
| United States | T | \$ 13,901,366.00 | 2,386.00 | 65.63% | \$ 21,706,468.00 | 3,345.00 | 66.46% |
| Canada | T | \$ 1,185,314.00 | 236.00 | 15.81% | \$ 1,319,637.00 | 217.00 | 17.55% |
| Australia | T | \$ 3,606,074.00 | 575.00 | 0.65% | \$ 5,238,057.00 | 883.00 | 2.12% |
| New Zealand | T | \$ 2,133,541.00 | 396.00 | 10.90% | \$ 2,562,156.00 | 479.00 | 9.51% |
| Nicaragua | T | \$ 95,628.00 | 24.00 | 6.50% | \$ 437,731.00 | 107.00 | 4.31% |
| Chile | T | \$ 69,159.00 | 18.00 | 0.49% | \$ 7,505.00 | 2.00 | 0.04% |
| Source of Data: INEGI [2006-present] | | | | | | | |

| Mexico Import Statistics | | | | | | | |
|---|------|-------------------|------------|---------|-------------------|------------|---------|
| Commodity: 0201, Meat Of Bovine Animals, Fresh Or Chilled | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | T | \$ 639,243,506.00 | 117,047.00 | 100.00% | \$ 692,134,829.00 | 106,560.00 | 100.00% |
| United | T | \$ | 107,580. | 91.91% | \$ | | 87.38% |

| | | | | | | | |
|--------------------------------------|---|------------------|----------|-------|------------------|-----------|--------|
| States | | 587,635,341.00 | 00 | | 608,792,038.00 | 93,110.00 | |
| Canada | T | \$ 51,223,460.00 | 9,435.00 | 8.06% | \$ 81,707,521.00 | 13,225.00 | 12.41% |
| Nicaragua | T | \$ - | - | 0.00% | \$ 701,882.00 | 132.00 | 0.12% |
| Uruguay | T | \$ 384,697.00 | 32.00 | 0.03% | \$ 872,853.00 | 92.00 | 0.09% |
| Source of Data: INEGI [2006-present] | | | | | | | |

| Mexico Import Statistics | | | | | | | |
|---|------|------------|----------|---------|------------|----------|---------|
| Commodity: 04, Dairy Produce; Birds' Eggs; Natural Honey; Edible Products Of Animal Origin, Nesoi | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | T | 1445215469 | n/a | 100.00% | 1498719485 | n/a | 100.00% |
| United States | T | 1121638739 | 331742 | 79.02% | 1252152367 | 316557 | 84.83% |
| New Zealand | T | 162818492 | 42322 | 11.27% | 103378147 | 20313 | 6.90% |
| Uruguay | T | 27107255 | 5846 | 1.91% | 26009922 | 4611 | 1.74% |
| Netherlands | T | 20541760 | 3760 | 1.42% | 18021098 | 2769 | 1.20% |
| Chile | T | 38615823 | 12591 | 2.67% | 31974245 | 10236 | 2.13% |
| Source of Data: INEGI [2006-present] | | | | | | | |

| Mexico Import Statistics | | | | | | | |
|---|------|-------------------|---------------|---------|-------------------|---------------|---------|
| Commodity: 2204, Wine Of Fresh Grapes, Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Nesoi | | | | | | | |
| Year To Date: January - September | | | | | | | |
| Partner Country | Unit | 2013 | | | 2014 | | |
| | | USD | Quantity | % Share | USD | Quantity | % Share |
| World | L | \$ 159,536,878.00 | 40,836,233.00 | 100.00% | \$ 166,132,236.00 | 39,657,451.00 | 100.00% |
| Spain | L | \$ 46,454,257.0 | 10,371,377. | 25.40% | \$ 48,103,422.0 | 11,479,917. | 28.95% |

| | | | | | | | |
|--------------------------------------|---|-------------------------|-------------------|------------|-------------------------|-------------------|------------|
| | | 0 | 00 | | 0 | 00 | |
| Chile | L | \$ 31,785,412.0 0 | 13,345,342. 00 | 32.68 % | \$ 27,925,199.0 0 | 10,441,179. 00 | 26.33 % |
| France | L | \$ 30,411,368.0 0 | 2,049,283.0 0 | 12.33 % | \$ 29,860,229.0 0 | 2,044,780.0 0 | 16.00 % |
| Italy | L | \$ 18,322,329.0 0 | 5,033,376.0 0 | 13.49 % | \$ 24,944,900.0 0 | 6,343,923.0 0 | 10.45 % |
| Argenti na | L | \$ 16,099,293.0 0 | 5,510,411.0 0 | 7.46% | \$ 16,535,447.0 0 | 4,145,806.0 0 | 9.08% |
| United States | L | \$ 10,819,745.0 0 | 3,047,254.0 0 | 5.02% | \$ 13,580,736.0 0 | 3,599,292.0 0 | 5.16% |
| Source of Data: INEGI [2006-present] | | | | | | | |

Best Products Prospects

Recently, Mexico's growth has been slow but it still has some appeal making the market attractive for new products. A more educated population, expansion of urban lifestyle in small cities, credit availability as well as the growing Double Income No Kids (DINK) couples, all open several possibilities for products of high quality and value. Keep in mind the boom of and fast pace of commercial centers being built each year despite the slow pace of the general economy in the country. As we mentioned before, retailers are expanding their high-end formats where import products are the main spot for consumers. Given the rapid expansion of stores in these niches, in order to keep their customers and expand the market, retailers need to offer products in the following categories:

- Health and wellness products (Body care products, dietary supplements)
- Fresh food.
- Ready to eat food. (Snacks, instant meals)
- Wines/Spirits/Craft Beer
- Technology/Media

Mexico: Advantages and Challenges for U.S. Exporters

| ADVANTAGES | CHALLENGES |
|--|---|
| Industry leaders are hiring and partnering with sophisticated security companies to insure commerce continues uninterrupted. | Security issues are real, but businesses continue operating without disruption. |
| | New jobs creation in Mexico is not keeping pace |

| | |
|---|---|
| Direct foreign investment in Mexico grew consistently in 2014 | with the population growth, forcing unemployment to remain unchanged. |
| Mexican retailers are very familiar with U.S. retail best practices. | Local manufactures are adapting quickly to meet retailers needs and specifications bringing new competition to U.S. products. |
| Western style supermarkets are gaining wider acceptance in every segment of the retail environment, especially in high and low-end stores. | Local retailers are demanding more often that products be delivered locally with local servicing and attention. |
| Mexican consumers are becoming more knowledgeable about what they buy, looking for quality and price with retailers reacting by opening high end supermarkets. | While U.S. products are of very high quality, many times they come at a higher cost than sourced locally, limiting the stores where they can be sold. |
| Industry practices are becoming more sophisticated insuring: <ul style="list-style-type: none"> • Cold chain distribution for wider penetration nationwide. • Increased use of technology at the POS. | While cold chain distribution is now available nationwide, it has not been implemented throughout lower levels of the distribution chain, such as wet markets. Regional distribution south of Mexico City is still being developed. |
| Greater knowledge about organic products is opening new product opportunities at the retail level. | Mexico exports large volumes of organic produce, offering direct competition to American organic producers. |
| Industry-wide investments are continuously being made, insuring the better infrastructure and logistics. | Lower-end, smaller supermarkets and convenience stores are the fastest growing segments in retail, which are not the primary locations for more expensive U.S. products |
| Growth in retail is driven by new store openings both at the supermarket and convenience store levels, expanding opportunities for U.S. products nationwide. | Approximately more than 30% of Mexican workers are employed in informal, non-taxpaying jobs which places a large burden on the tax system, limiting funds in the market. |
| Local producers are rising to the challenge of producing quality goods with an increase in variety, learning, and adapting to growing demands. | Mexico is the country with the most free trade agreements in Latin America, opening the door to many competitors delivering products into the market with few to no tariff barriers. |
| Increased awareness in obesity issues is creating greater demands for healthy products, positioning U.S. produce and its huge array of products at an advantage. | Mexico is looking to diversify its imports away from the U.S. so that the dependency on its neighbor is reduced. |

Mexico has not had the explosive growth but growth and expansion nonetheless and repositioning via mergers and acquisitions among the major players will continue

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