

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Required Report - public distribution

Date: 8/13/2018

GAIN Report Number: MX8306

Mexico

Retail Foods

Retail Foods Mexico 2018

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Report Highlights:

During Calendar Year 2017, Mexico remained the second largest consumer market in Latin America (after Brazil). Consumer expenditure per capita totaled USD \$6,248, in 2017, and this expenditure is expected to grow by 1.8 percent in 2018. The retail sector had a single-digit value growth in 2017 (4.5 percent), and part of the growth came from inflationary pressures rather than exclusively from volume sales. Major multinationals and local companies will continue to expand throughout Mexico, launching their online platforms to capture new consumers via e-commerce and m-commerce (mobile purchases).

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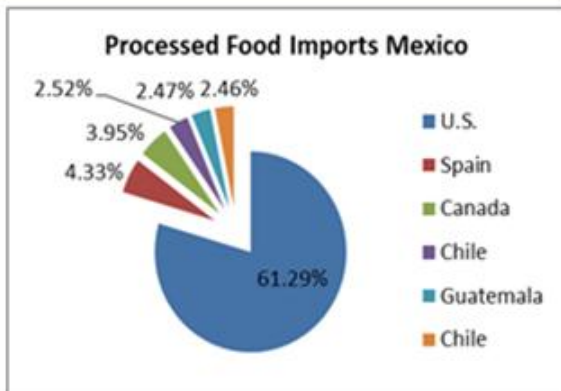
Mexico City ATO

Executive Summary

Mexico's total GDP for 2017 was US \$1.153 trillion (World Bank). In the course of the year, the Mexican Peso gained 7 percent of its value against the U.S. Dollar, starting out 2017 at \$20.73 MXN per USD and ending the year at \$19.19.

Mexico imported \$9.85 billion USD worth of processed food products in 2017, with \$6 billion USD (over 60 percent) of the products coming from the United States, making it by far the largest supplier to Mexico. Mexico exported \$14.67 billion of processed food, with nearly \$11 billion heading to the United States. The biggest categories were beer, tequila, and baked goods. The key companies in the retail sector in Mexico are Walmart (with several retail formats, including the biggest player in food retail, Bodega Aurrera, and the high end Superama stores), Soriana, Chedraui, and Comercial Mexicana (directed to high end market since 2016 with its brands "Fresko" and "City Market"). OXXO (owned by Femsa, the second biggest Coca Cola distributor in the world) is the main player in the convenience store category, having over 13,000 points of sale throughout the country.

Imports of Consumer-Oriented Agricultural Products



Food Retail Industry

In Mexico, according to the National Retail and Stores Association (ANTAD), in 2017 there were 54,978 registered retail units including supermarkets (5,565 sale units), department stores (2,426 sale units) and specialized stores (46,987 sale units). They employ 868,238 workers directly around the country.

Quick Facts

Imports of Consumer-Oriented Ag. Products 2017:

US \$9.85 Billion

Top 10 Players

1. Bodega Aurrera (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

Food and Beverage Trends in Mexico for 2018:

Foods across all age groups; organic foods and natural products; prepared and ready to eat meals due to more time being spent away from home and more women entering the work force, gourmet products as people is requesting more quality and variety of foods and drinks.

GDP/Population

Population: 127,540,423 (2016, latest available data)

GDP: \$1.153 Trillion (2017)

GDP Real Growth: 2.0% (2017)

Sources: Global Trade Atlas, Euromonitor, World Bank.

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I. Market Summary

Mexico has over 127 million consumers, making it the second largest market in Latin America after Brazil, while also offering key logistic advantages for U.S. exporters. Despite GDP growth of just 2.0 percent, relatively high inflation rates, and exchange rate fluctuations between the U.S. dollar versus the Mexican peso, the internal macroeconomic situation remained steady and the economy continued to grow at moderate pace. Thus, despite the combined impact of inflation and exchange rate fluctuations causing a 6.77 percent increase in consumer prices, consumption levels remained relatively constant, as reflected in positive performance across the retail industry.

Uncertainty regarding the change of administration following the July 2018 election, as well as prolonged NAFTA renegotiation, are likely to discourage investment inflows from the United States, but growth rates are expected to gradually rise (about 2.9 percent per year in the medium term), depending on the outcome of these two factors. Any significant devaluation of the peso might have a negative influence on inflation rates in the country. It could also have an adverse impact on consumption levels, as consumers would be more cautious when it comes to non-essential purchases. Imported items would be more difficult to buy for a high percentage of families. However, the current macroeconomic environment in Mexico supports a positive performance for the retail industry. Many in-country retailers are set to continue their expansion, targeting smaller cities with potential to grow, due to a lower presence of retail outlets per inhabitant.

Table 1. Mexico: Economy at a Glance

INDICATORS	2015	2016	2017
GDP (% Growth)	2.5%	2.9%	2.0%
Inflation (% Growth)	2.7%	2.8%	6.0%
Exchange rate (Pesos)	\$15.86	\$18.66	\$18.87
Total Imports to U.S. (Billions of USD)	186.80	179.58	194.54
Total Exports to U.S. (Billions of USD)	308.85	302.64	326.96

World Bank/GT

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 and extreme in some states of the country, but businesses continue operating.
Constant retail consumption flow by Mexican population in all socioeconomic levels.	New jobs creation in Mexico is not keeping pace with the population growth, keeping unemployment rates practically unchanged.
Mexican retailers are very familiar with U.S. retail best practices.	Local manufacturers 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	Local retailers are demanding more often products to be delivered locally with local servicing and

retail environment, especially in high and low-end stores.	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 those 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 56% of Mexico's workforce is 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.	Due NAFTA renegotiation, Mexico is looking to diversify its imports away from the United States. Mexico has been expediting a free trade agreement with the E.U.

Table 2. Mexico's Imports and Exports 2017

Major export destinations	2017 Share (%)	Major import sources	2017 Share (%)
Exports (fob) to North America	82.7	Imports (cif) from North America	48.7
Exports (fob) to Europe	6.0	Imports (cif) from Asia Pacific	34.8
Exports (fob) to Latin America	5.4	Imports (cif) from Europe	12.6
Exports (fob) to Asia Pacific	5.4	Imports (cif) from Latin America	3.3
Exports (fob) to Africa and the Middle East	0.3	Imports (cif) from Africa and the Middle East	0.5
Exports (fob) to Australasia	0.3	Imports (cif) from Australasia	0.2

Source: Euromonitor International

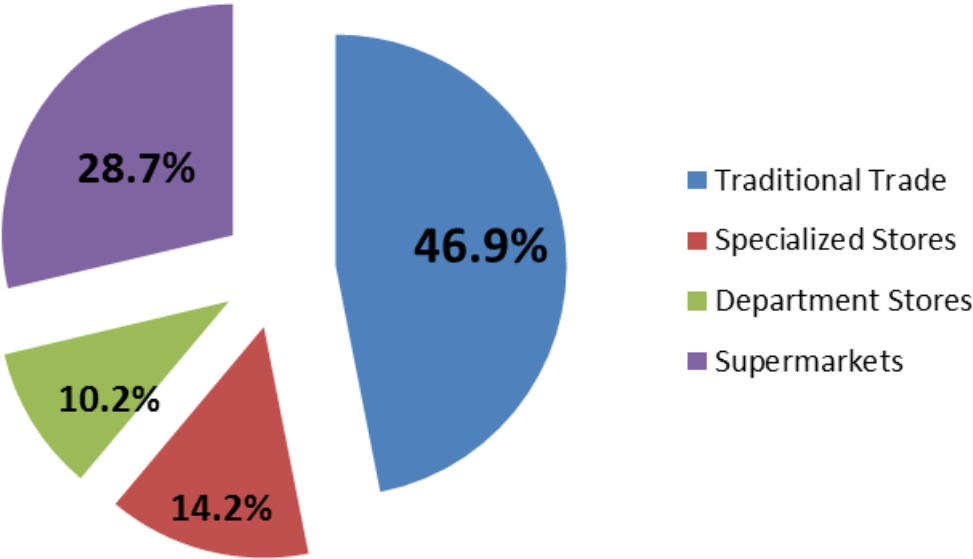
National Retail market

During 2017, the retail market grew 7.8 percent in total stores (including new stores) and 4.5 percent for same (i.e., pre-existing) stores compared to 2016. Supermarkets had the lead, representing 50 percent of total retail sales (mainly groceries), followed by general merchandise stores with a sales share of 38.4 percent, with the shoes and clothing stores representing 11.6 percent.

As in 2016, in 2017 grocery sales in Mexico represented more than two-thirds of overall retail sales. Grocery retailers and non-grocery retailers are expected to grow slightly over the next five years. Lead retailers such as Organizacion Soriana SAB de CV, El Puerto de Liverpool SAC de CV, Coppel SA de CV, and Walmart de Mexico SAB de CV, among others, are expected to continue their dynamism, pushing the retailing industry to grow via new outlets and e-commerce around the country.

Internet retailing continued to be the most dynamic retailing channel in Mexico in 2017, generating strong double-digit value growth. New players entered the e-commerce competitive landscape, including City Market, Chedraui, as well as some new app-based services (now considered *m-commerce*, or buying directly from your mobile device) such as “Corner Shop” and “Rappi.”

Table 3. Retail Sales by Type and Percentage



Source: ANTAD 2016 (latest available info.)

The retail environment in Mexico is increasingly competitive due to the variety of retail options, fast expansion plans, emerging trends such as implementation of multichannel strategies and more demanding consumers, 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. 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 8:00 to 21:00 hours.

Mexico’s large informal sector continues to have a significant impact on the Mexican economy,

including the retail market. According to data from the National Survey of Occupation and Employment (ENOE) by INEGI (National Institute of Statistics and Geography), during the second quarter of 2017, around 56 percent of the country’s workforce was in the informal sector, an increase of one percent compared to 2016.

According to the International Labor Organization, Mexican minimum wage is among the lowest in the Americas region (the government raised it to \$80.04 MXN – approximately 4.24 USD – per day in 2017). Thirty-five percent of the population is considered to be living in extreme poverty (below minimum wage), and an additional eleven percent of the population relies on the minimum wage, making shopping on the informal market a very attractive alternative to ensure lower-end access to products. A large proportion of the total Mexican population (79.8 percent) lives in large urban localities or cities with more than 100,000 inhabitants where informality is prevalent.

Table 4. Employment in Retailing 2011 – 2016

	2011	2012	2013	2014	2015	2016
Total Employment ('000 people)	47,405 .70	48,96 1	49,490 .60	50,384 .40	54,226 .80	52,123 .67
Employment in retailing ('000 people)	5,202. 30	5,363. 60	5,470. 90	5,580. 30	6,019. 20	8,350. 03
Employment in retailing (% of total employment)	11	11	11.1	11.1	11.1	16

Source: INEGI (latest available info).

According to a Euromonitor International study, the informal sector has gained ground in the trade due to the special consumption tax added in 2014, called the “special tax on products and services” (Impuesto Especiales a Productos y Servicios, IEPS). This tax is assessed on beverage, packed food, alcohol, and tobacco, based on the caloric intake of the products and other factors. In 2015, approximately 36 percent of the alcoholic beverages consumed were bought on the informal market to avoid taxes.

Top National Retailers

Walmart de Mexico y Centroamerica

Walmart de Mexico y Centroamerica has been leading the retail market in Mexico for several years. Walmart continued expanding (79 new outlets were opened in 2017), opening new stores in several different formats and betting on its strength as it moves into e-commerce. Walmart’s operative and administrative efficiency give it increased margins and better services to its many clients.

Walmart’s main store formats include Superama (medium size supermarkets), Walmart Supercenters (hypermarkets), and Sam’s Club (warehouse clubs). As of 2017, all three business formats had internet retailing as well. Sam’s Club and Superama are known to target the high and middle-high income segments, while Walmart Supercenter targets the middle-income segment. Usually lower-income consumers are not familiar with e-commerce and do not have internet access; therefore, Bodega Aurrera, the Walmart outlet that targets lower-income consumers, has no plans to enter the e-commerce subsector.

Table 5. Walmart de Mexico Sales

	2015	2016	2017
Net Sales *MXN millions	348,156	429,743	462,327

Source: Walmart De Mexico y Centroamerica

Launched in 2012, Superama Movil (retail application for mobile devices) was very successful, reaching 60,000 downloads by the end of the same year and accounting for 20 percent 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. In 2016, Walmart renovated its internet sites, added in-store e-commerce kiosks on the sales floor, and began offering free wireless internet service in some stores. Wal-Mart also launched “Click & Pick,” which allows customers to buy their products online with the option of picking up directly at the store.

Walmart tends to prefer sourcing locally and avoiding too much dependence on imported products, in part to avoid issues with exchange rate fluctuations. Walmart has very strong negotiating power, and suppliers usually must comply with the company’s demands (payment terms, delivery conditions, special packaging, sustainability, field practices, and more).

In the future, Wal-Mart plans are to continue expanding throughout the country, with a particular focus on its discount Bodega Aurrera stores in small urban areas with fewer than 100,000 residents, seeking to capture a market that has remained under the radar of chain grocery retailers in the past.

Organización Soriana

Soriana has several different formats to meet the demands of different population segments. With the acquisition of the 160 stores from Comercial Mexicana in 2015, Soriana became the second largest retail company in Mexico after Wal-Mart, with 824 outlets across Mexico. Soriana manages five store-based retailing formats: Hypermarkets (Hipermercado Soriana/MEGA), supermarkets (Supermercado Soriana/Comercial Mexicana), discounters (Mercado Soriana and Soriana Express/Bodega Comercial Mexicana and Al Precio), convenience stores (Super City) and warehouse stores (City Club). Soriana has recently developed its e-commerce strategy and worked more on its mobile applications and website, sorianadomicilio.com.

Table 6. Organización Soriana Sales

	2015	2016	2017
Net Sales *MXN millions	109,380	149,522	153,637

Source: Organización Soriana

Controladora Comercial Mexicana

After selling 160 stores to Organización Soriana, Comercial Mexicana started to prioritize the development of high-end grocery sector through its formats Fresko and City Market, which have wide variety of imported and health-focused products. Comercial Mexicana had sales of \$16,635 MXN million in 2017, representing a 12.7 percent increase in comparison to 2016. The company has a total of 64 outlets around the main urban zones of central Mexico.

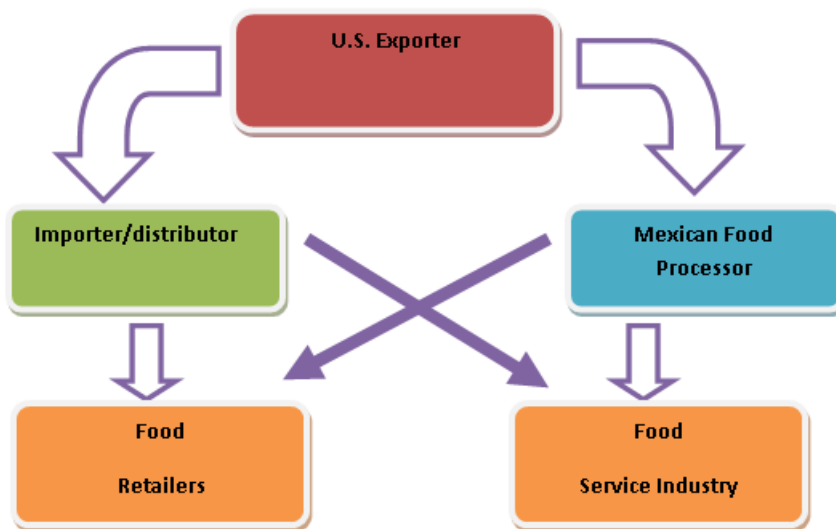
II. Road map for Market Entry

Many U.S. companies seeking to export to Mexico attend [ExpoANTAD & Alimentaria](#) (the biggest retail show in Mexico) to get 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.

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 supermarket 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.

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

Diagram I: Distribution Channels for Processed Food/Fresh Products in Mexico



III. Competition

Total Imports of Selected Products into Mexico and Main Competitors 2017

Mexico Import Statistics		
Commodity: Consumer-Oriented Agricultural Total, (2017)		
Year To Date: January - May		
Partner Country	United States Dollars	
	2016	2017
World	\$4,429,312,779.00	\$4,589,287,438.00
United States	\$3,244,770,762.00	\$3,402,698,281.00
Canada	\$ 191,452,802.00	\$ 173,173,983.00
Chile	\$ 195,427,265.00	\$ 158,155,010.00
Brazil	\$ 44,884,254.00	\$ 66,297,333.00
New Zealand	\$ 131,016,873.00	\$ 155,538,949.00

Mexico Import Statistics		
Commodity: 08, Edible Fruit And Nuts; Peel Of Citrus Fruit Or Melons		
Annual Series: 2016 - 2017		
Partner Country	United States Dollars	
	2016	2017
World	\$942,558,970.00	\$1,013,618,047.00
United States	\$765,918,263.00	\$ 840,317,677.00
Chile	\$ 88,149,290.00	\$ 85,747,722.00
Peru	\$ 25,951,665.00	\$ 24,888,113.00
Turkey	\$ 22,574,396.00	\$ 20,206,677.00
Argentina	\$ 7,664,023.00	\$ 8,535,818.00

Mexico Import Statistics		
Commodity: 0808, Apples, Pears And Quinces, Fresh		
Annual Series: 2016 - 2017		
Partner Country	United States Dollars	
	2016	2017

World	\$323,150,717.00	\$363,079,781.00
United States	\$310,905,955.00	\$352,205,028.00
Chile	\$ 5,837,489.00	\$ 4,853,512.00
Argentina	\$ 5,277,020.00	\$ 4,554,493.00
Canada	\$ 739,675.00	\$ 677,228.00
China	\$ 360,674.00	\$ 505,773.00

Mexico Import Statistics		
Commodity: 0207, Meat And Edible Offal Of Poultry (Chickens, Ducks, Geese, Turkeys And Guineas), Fresh, Chilled Or Frozen		
Annual Series: 2016 - 2017		
Partner Country	United States Dollars	
	2016	2017
World	\$ 1,008,229,726.00	\$ 1,112,658,717.00
United States	\$ 818,714,169.00	\$ 841,426,844.00
Brazil	\$ 108,247,881.00	\$ 217,534,178.00
Chile	\$ 80,827,736.00	\$ 53,123,381.00
Canada	\$ 351,528.00	\$ 295,608.00
Argentina	\$ -	\$ 170,625.00

Mexico Import Statistics		
Commodity: 0202, Meat Of Bovine Animals, Frozen		
Annual Series: 2016 - 2017		
Partner Country	United States Dollars	
	2016	2017
World	\$43,241,695.00	\$49,762,025.00
United States	\$36,261,919.00	\$39,174,745.00
Australia	\$ 306,673.00	\$ 5,064,999.00
Nicaragua	\$ 1,168,977.00	\$ 2,046,186.00
New Zealand	\$ 2,034,140.00	\$ 1,912,957.00

Canada	\$ 3,281,147.00	\$ 1,025,617.00
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Mexico Import Statistics		
Commodity: 0201, Meat Of Bovine Animals, Fresh Or Chilled		
Annual Series: 2016 - 2017		
Partner Country	United States Dollars	
	2016	2017
World	\$689,145,448.00	\$739,366,542.00
United States	\$583,657,860.00	\$614,475,888.00
Canada	\$ 77,794,217.00	\$ 81,539,688.00
Nicaragua	\$ 25,541,846.00	\$ 41,289,203.00
Uruguay	\$ 1,735,074.00	\$ 1,307,575.00
Australia	\$ 293,873.00	\$ 428,119.00

Mexico Import Statistics		
Commodity: 2204, Wine Of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Nesoi		
Annual Series: 2016 - 2017		
Partner Country	United States Dollars	
	2016	2017
World	\$ 236,153,005.00	\$ 250,049,216.00
Spain	\$ 66,799,098.00	\$ 72,809,334.00
France	\$ 40,596,192.00	\$ 46,954,679.00
Chile	\$ 41,144,117.00	\$ 42,994,318.00
Italy	\$ 36,265,681.00	\$ 41,386,705.00
Argentina	\$ 28,338,121.00	\$ 20,156,350.00

IV. Best Products Prospects

A more educated population, expansion of urban lifestyle in small cities, credit availability, and the booming number of Double Income No Kids (DINK) couples in urban areas, all open several possibilities for imported products of high quality and value.

As mentioned above, retailers are expanding their high-end formats, where imported products are a major draw for consumers. Given the rapid expansion of stores in this niche, in order to maintain customers and expand the market, retailers need to offer products in the following categories:

- Health and wellness products (Dietary supplements, power foods, gluten free products).
- Gourmet products.
- Fresh food (organic).
- Ready to eat food. (Savory and non-savory snacks, instant meals, eat on the go)
- Wines/Spirits/Craft Beer.
- Frozen food

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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FAS/Mexico Web Site: 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.

References:

- Mexico's National Retail Association www.antad.net
- Mexico's National Institute of Statistics and Geography www.inegi.org.mx
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- www.gtis.com/gta/
- <http://www.worldbank.org/>

