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The Mexican Craft Beer Market -A Market Assessment

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Report Highlights:

Mexico is the world's sixth-largest beer producer and sixth-largest beer consumer. Mexico's beer industry is dominated by two major companies, Grupo Modelo and FEMSA (Cerveceria Cuauhtemoc Moctezuma) now property of the Dutch company, Heineken. Grupo Modelo continues to dominate the Mexican beer market with 57 market share, followed by Heineken Mexico with 41 percent market share. Craft beers are a burgeoning trend in Mexico and are gaining momentum in large urban areas of Mexico City, Guadalajara, and Queretaro. Even though imported beer volumes still represent a small share of the market, there is a growing export opportunity for U.S. exporters of craft beer and beer ingredients in Mexico.

General Information:

Market Situation- Mexican Market for Beer

Mexico is the world's sixth-largest beer producer and sixth-largest beer consumer. There are two main producers in the Mexican beer market that dominate the sector, Grupo Modelo (Corona, Modelo, Pacifico, and Victoria), which is owned by Ambev, and Cuauhtémoc Moctezuma (Indio, Dos Xquis, Tecate, and Sol), which is owned by Heineken.

Grupo Modelo continues to lead beer with total market share of 57 percent, followed by Heineken Mexico with market share of 41 percent. Other than these two companies, only a small number of emerging players, microbrewers, have production facilities in Mexico.

According to the National Institute of Statistics and Geography (INEGI) from 2010 to 2012 local beer production increased by 8% to go from 7.9 billion liters to 8.6 billion liters in 2012. In 2011, Grupo Modelo increased its beer production by 6 percent with 39.09 million of hectoliters. On the other hand, Heineken decided to focus on producing more premium beers, which means less volume, but at a higher price.

The Mexican craft beer market has existed for about a decade. However, during the last five years, the market has grown tremendously, especially in the northern part of the country and in population centers such as Mexico City, Guadalajara, and Queretaro.

Currently the craft beer market has an approximate value of U.S. $8 million dollars (100 million Mexican pesos). If growth continues along the same trend of the last couple of years – between 50 to 60 percent annual growth –the numbers could double within this year.

Even though craft beer represents less than 1 percent of the market, microbrewers estimate reaching 1 percent of the market by 2016, which means that of every 100 beers consumed in Mexico one will be micro brewed.

Some of the strategies that Cuauhtemoc Moctezuma has in mind to attract consumers with different beer palates is to innovate with craft beer such as double malt or chocolate stout. The big challenge is to create a beer culture among consumers with different tastes than the more common industrialized lagers.

As beer variety is limited, the two biggest beer companies in Mexico only have two types of beer, standard lager and dark beer (stout) and they commercialize seven brands of these same types. Mexican microbrewers are trying to expand the market by differentiating their beverages and looking to create beers for every type of palate. Their main strategy is to tackle the market by tailoring their beers to the tastes and preferences of consumers instead of competing with the big multinational brewers.

In Mexico, as in many other Latin American countries, monopolist practices are against the law, although enforcement of anti-monopolistic regulations can be inconsistent. Many bars and restaurants are obliged to sign exclusivity contracts that prohibit vendors from selling products from more than one brewer. However, the Mexican Association of Microbrewers (ACERMEX) is trying to change the current system. ACERMEX and SAB Miller in Mexico are awaiting the result of a Comision Federal de Competencia – CFC (i.e. Federal Competition Commission) case brought by SAB Miller and two local microbrewers against these allegedly monopolistic practices, and to endow the Mexican government with more powers to implement and enforce anti-monopoly laws. If the beer market opens there will be a real competition among domestic producers and a big opportunity for foreign ones.

Beer Consumption and Trends:

Between 2007 and 2011, Mexico maintained steady as the sixth-largest beer consumer worldwide. According to the Federal Attorney's Office for Consumers (PROFECO) Mexicans drink an average of 62 liters of beer a year. Even though Mexico is the sixth-largest consumer of beer worldwide, in Mexico only a few artisanal beers are commercialized.

In some parts of Mexico, beer is perceived as a substitute for soft drinks, particularly in areas where temperatures are hotter.

Premium beer products have a niche demand in Mexico, and are mainly purchased by higher income consumers and aficionados who appreciate quality or like to experiment with new tastes and flavors. Standard or mid price beer brands are by far the most popular and the most heavily promoted. Standard lager brands regularly serve as sponsors for major sporting and cultural events, and music concerts at large venues.

Craft beers are appreciated and consumed mostly by young and affluent consumers who wish to be more acquainted with the latest global trends. Microbrewers do not have a defined target audience; they sell to people open to trying beer as a flavor experience rather than just a refreshment. They like to sell to restaurants and bars in draft form with kegs and their bottle operation to supermarkets.

The Mexican craft beer industry is continuously promoting itself via exhibitions and fairs throughout the country in order to raise consumer awareness. Some of the craft beer brands gaining popularity in recent years include Cerveza Minerva, Cucapá, Cerveza Querétaro, and Tempus, which can be found with some regularity in supermarkets.

Trade:

Exports & Imports

In 2011, the United States was the most important destination for country of Mexican beer exports, with an 80 percent volume share. Grupo Modelo reported 2,873 million dollars of export sales in 2011.

Beer imports into Mexico have remained low over the years. Imported lager beer represents only 3 percent of total lager sales in Mexico. Imported premium lager is the most popular lager. Imported beer is mostly found in off trade channels, as there is not a wide independent distribution network like there is for domestic beers. This situation is a direct result of the domination of the market by just two players. In addition, many domestic brands are perceived as offering equal or better quality compared to imported alternatives. This will likely change in the coming years as Heineken has increased its presence in Mexico through the 2009 acquisition of Cuahutemoc Moctezuma, although in 2010 the distribution of imported beer products was weaker than the distribution of domestic brands.

Imported brands accounted for 90 percent of total volume sales in premium lager in 2011. Budweiser was the most popular imported premium lager brand, taking a volume share of 52 percent in the category because it was able to take advantage of Grupo Modelo's wide distribution network.

Table 1. Beer: Production, Imports and Exports: Total Volume 2007-2011 Million liters

Mexico	2007	2008	2009	2010	2011
Beer					
Production	8,051.6	8,158.1	8,220.7	7,991.6	7 875.0
Imports	142.3	148.9	131.7	129	132.9
Exports	1,923.9	2,026.9	748.5	1,577.9	2,148.3
Apparent Consumption	6,256.5	6,280.2	7,603.9	6,542.7	5,859.6

Source: Euromonitor International

Market Entry Strategy

U.S. suppliers are encouraged to look for and identify multiple local distributors in Mexico. However, distribution is presumably the biggest hurdle craft brewers face due to the agreements the two giants, Grupo Modelo and Heineken, set with a number of on-trade establishments and off-trade retail outlets. This scenario is likely to change gradually with the growing demand for craft beers in Mexico and the potential approval of stronger anti-monopoly laws.

In Mexico several independent craft beer distributors covered the off trade channel with major brands of craft beer in Mexico and they ensure their presence in specialized stores and also through sales on the internet. E.g. Beer Box, La Belga, and the Beer Depot. Also, some producers have already ventured into the retail market where unit prices for beer in are significantly cheaper than in on-trade establishments.

Here are the general requirements and mandatory taxes applied to U.S.-origin beer in Mexico:
- .008% customs processing fee
- 16% IVA, Value Added Tax
- 161 pesos (approximately USD $12.40) electronic data pre-validation
- IEPS, Special Tax on Products and Services. This tax is levied according to the alcohol content of the product:
- With alcohol content up to 14 degrees Gay Lussac, IEPS= 25%
- With alcohol content from 14-20 degrees Gay Lussac, IEPS= 30%
- With alcohol content above 20 degrees Gay Lussac, IEPS= 50%

The basic Mexican import document required is called the "Pedimento de Importación" (customs entry document), which must be presented to Mexican Customs along with the commercial invoice in Spanish and a bill of lading. Products qualifying as "North American" must be accompanied by the NAFTA certificate of origin to receive preferential treatment. This is issued by the exporter and does not have to be validated or formalized.
Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation.

Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

All imported products destined for retail sale in Mexico must be labeled according to Mexican government specifications as outlined in NOM-142-SSA1-1995 ETIQUETADO EN BEBIDAS ALCOHOLICAS.

Opportunity for U.S. Craft Beers

Real competition among domestic and foreign operators will come with the approval of stronger anti-monopoly laws and removal of exclusivity contracts in restaurants and bars where there is an increased demand for craft beers.

The Mexican craft beer industry is continuously promoting itself via exhibitions and fairs throughout the country in order to raise consumer awareness. One of the biggest brewers' events is Expo Cerveza Mexico. This Expo brings together more than 50 local microbrewers, as well as importers and distributors of specialty beers, to display their products and award some of Mexico's best brewers.

Other beer festivals and fairs in Mexico include:

- TJ Beer Fest, Tijuana, 2013 will be its ninth year
- Baja Beer Fest in Ensenada is the largest beer festival in northern Mexico, is supported by the Secretary of Tourism, and features beers from 45 breweries in Baja California
- Cervefest in Mexico City featured more than 50 Mexican microbreweries in its second year
- Beer Fest San Miguel de Allende offered tastings of more than 500 beers in 2013, its third year
- International Beer Festival in Morelia had more than 22,000 visitors in 2013, its third year
- Beer Festival in Guadalajara had more than 25,000 visitors in 2012
- Expo Cerveza in Mexico City had more than 90 microbreweries present in 2012

Post 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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Fairs and Tradeshows

- Expo Cerveza Mexico – September 5-7, 2013
  World Trade Center-Mexico D.F.

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