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Report Highlights:

In 2019 Mexico represented the second largest export market for U.S. agricultural products, totaling U.S. \$19.2 billion. Processed food exports to Mexico totaled U.S. \$5.8 billion in 2020. Despite the pandemic, and with United States-Mexico-Canada Agreement (USMCA) in place, Mexico continues to be a growth market for U.S. food processing ingredients. It is important to note that some data used in this report will not yet reflect real affectations caused by the COVID-19 pandemic and the temporary closure of some sectors and businesses in Mexico during 2020.

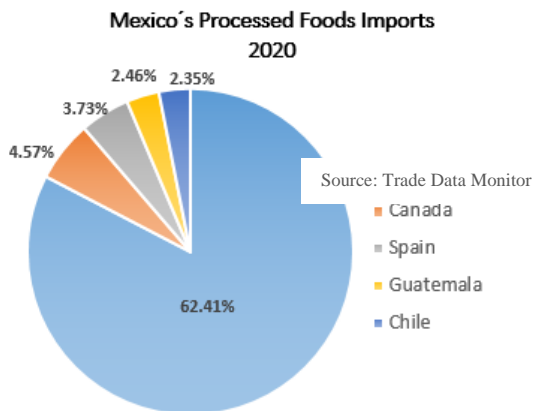
Mexico Fact Sheet

Executive Summary

Despite the COVID-19 pandemic and an 8.5 percent contraction in the GDP in 2020, Mexico continues to be a strong and consistent market. The Mexican economy has strong consumer confidence, growth in real wages, and historic high levels of remittances. Mexico's top trading partner is the United States, which imports 80.5 percent of all Mexican exports and provides Mexico with 45.2 percent of its total imports. Mexico is the 15th biggest economy in the world.

The food processing industry in Mexico is the world's 11th most important, and it is the 3rd most important in the Americas. The food industry in Mexico is one of the most dynamic, with an average annual growth of 4.3 percent.

Imports of consumer-oriented products



Food Processing Industry

According to the National Institute of Geography and Statistics (INEGI), there are 217,245 economic units including offices, manufacturing plants and distribution centres 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).

Food Retail Industry

According to the Mexican Association of Nationwide Retailers (ANTAD), there are more than 30 supermarket chains, with 3,316 stores. Additionally, there are 2,467

department stores, and 60,593 specialized stores throughout the country. Still, 59.1 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets, which traditionally distribute local, domestic products. ANTAD also reported that retail sales keep a steady growth pace of approximately 7.7 percent per year.

Quick Facts CY 2020

Total Imports Consumer Products (INEGI 2020): \$45.1 billion

Mexico's most imported agriculture products (2019):

1. Cereals (22%)
2. Meat (16%)
3. Seeds and oilseeds (12%)
4. Dairy and animal origin products (honey, eggs) (8%)
5. Food residues and animal feed (8%)
6. Food products (6%)

Source: Mexican Ministry of Agriculture (SADER)

Top three sub-sectors in Food Industry in Mexico (2018):

1. Bakery and tortilla making
2. Meat production (red and white)
3. Dairy production

Source: CIAL dun&bradstreet

Main food companies in Mexico (by sales, 2019):

- | | |
|----------------------|-----------------------|
| 1. Bimbo | 6. Nestlé México |
| 2. Sigma Alimentos | 7. Industrias Bachoco |
| 3. PepsiCo Alimentos | 8. SuKarne |
| 4. Gruma | 9. Danone México |
| 5. Grupo Lala | 10. Mondeléz México |

Source: Statista

Food Industry Value 2020: \$3.17 billion Mexican pesos (DATA Mexico)

Mexico's Top Ten Retailers:

- | | |
|--------------------|--------------|
| 1. Bodega Aurrera* | 6. Soriana* |
| 2. Walmart* | 7. Elektra |
| 3. Liverpool | 8. Superama* |
| 4. Sanborns | 9. Chedraui* |
| 5. OXXO | 10. Suburbia |

*Supermarkets || Source: ANTAD (July 2020)

GDP/Population

Population (millions): 127.8 million – 10th in the world

Median Age: 28

GDP (USD): \$1.3 trillion – second in Latin America, 15th in the world

GDP Real Growth: -8.5%

Food Industry as a percentage of GDP (2018): 3.69%

Sources: Mexico by the numbers – ECON Section – U.S. Embassy Mexico City || INEGI || CIAL dun&bradstreet

Executive Summary

In 2019 Mexico represented \$19.2 billion in agricultural exports¹ for the United States. In 2020, processed food exports alone totaled U.S. \$5.8 billion². Despite the COVID-19 pandemic, the food processing industry in Mexico remained one of the most dynamic and it is now on its way to recovery. With USMCA now in place, Mexico continues to be a growth market for U.S. agricultural products and for food processing ingredients in particular.

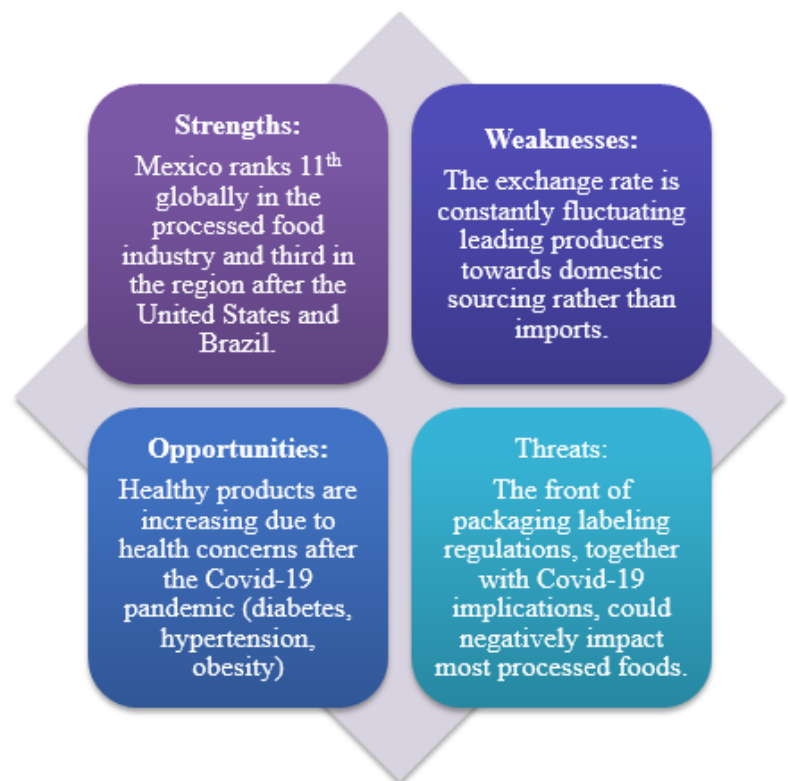
This report is for informational purposes only to assist exporters of U.S. food and agricultural products in their sales and promotional efforts in Mexico. U.S. exporters should take normal commercial precautions when dealing with any potential business contract, including checking references. It is important to note that some data used in this report does not yet show all affectations due to the COVID-19 pandemic.

SECTION I: MARKET OVERVIEW.

Mexico continues to be a strong and consistent market, representing one of the largest consumer markets in the world for U.S. agriculture products. Overall, Mexico's top trading partner is by far the United States, which imports 80.5 percent of all Mexican exports and provides Mexico with 45.2 percent of its total imports. Since NAFTA (now USMCA) was implemented in 1994, total bilateral trade has increased exponentially. According to Mexico's Ministry of Agriculture ([SADER](#)), only from 2015 to 2019, agricultural trade has gone from \$40.75 billion to \$50.32 billion.

According to the U.S. Department of Agriculture, Mexico imported \$5.8 billion in processed food products from the United States during 2020. The most imported products from the U.S. to Mexico were corn, soy and wheat. In 2019, Mexico exported \$31 billion of agricultural products to the United States. The biggest categories of exports to the United States were beer, avocados and tomatoes.

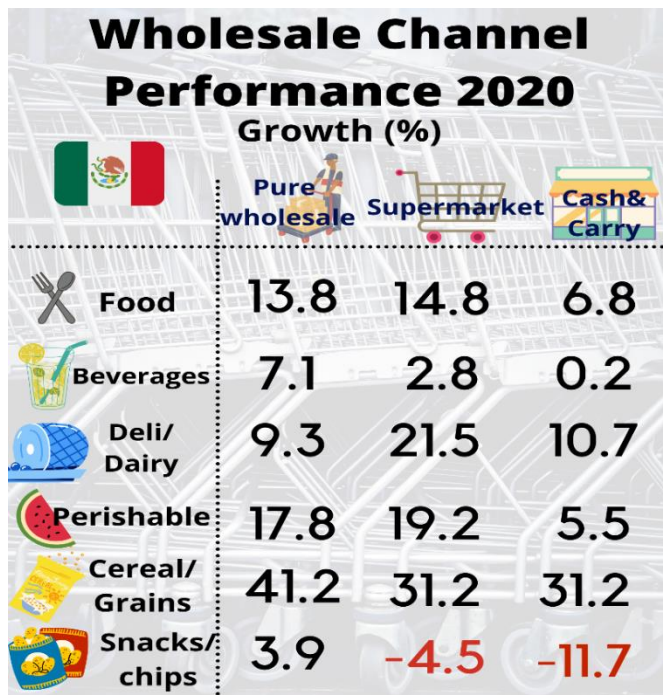
The COVID-19 pandemic forced the government to implement a lockdown from March 31, 2020. All non-essential businesses were forced to close, but the food chain as well as food retailers and pharmacies remained open as they were deemed essential. This could explain that the agricultural sector is the only one that saw growth (2 percent) in 2020³.



¹ Source: U.S. Census Data through GATS/FAS 2019

² Source: [USDA](#)

³ Source: [El Economista](#) (January 29, 2021)



While Mexico remains a growth market for U.S. processing ingredients, the processing industry itself in Mexico remains stable. It ranks 11th in the world and 3rd in the region, after the United States and Brazil. The forecast for this sector, at least before the pandemic, was very promising. It was expected that by the year 2024, retail sales for packaged food in Mexico would reach \$72.9 billion⁴.

The sector in Mexico is diversifying to provide tailored products. For example, some small companies positioned their products as healthy and were quickly acquired by largest corporations covering mainstream distribution channels. Besides, consumers have had to change their consuming patterns due to the pandemic, and are now more interested in taking care of their health, even while on lock-down and, in many cases, unable to exercise outside.

Figure Source: [The FoodTech](#)

Key market drivers and consumption trends

- 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: high and middle socioeconomic levels demanding quality and functional products (normally imported).
 - Regular consumers: middle-to-low socioeconomic levels principally purchasing based on price points. (According to World Bank, 53 percent of Mexico's population lives on less than 100 USD a month. This statistic will change after the Covid-19 Pandemic. The Mexican authorities estimate that this number could reach 56.7 percent⁵.)
- Consumers' increased demand for healthy products lead to specific needs (Gluten/Soy Free, Vegan products, Sugar Free, Organic, Kosher, Fat Free, Keto products, superfoods, etc.). This has been stressed out even more by the pandemic and the lock-down, the inability to exercise outside and the need to avoid diet-related diseases such as diabetes and hypertension.
- Now more than ever, consumers value convenience and prepared, pre-packaged foods and savory snacks.
- Apart from being worried about consuming healthy products, consumers in Mexico, mainly in urban areas, are also worried about reducing the impact their habits have on the planet⁶.
- Consumers rely less on brand names, but rather, they purchase products that suit their lifestyle and make them happy.

⁴ Source: [Food Export org](#)

⁵ Source: [Forbes Mexico](#) (February 9, 2021)

⁶ Source: [Brandwatch](#) (May 5, 2019)

Advantages and Challenges facing U.S. foods

ADVANTAGES	CHALLENGES
Increased awareness in health and body care generates greater demands for healthy products, giving U.S. products an advantage.	The implementation of the front of pack labeling requirement represents a challenge not only for U.S. companies but also for local companies. This labeling system added black stop signs on products that exceed certain thresholds in calories, fats, salts, and sugars, and it limits advertisements and promotions that target children.
Continued industry-wide 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, planes and ships.	The Covid-19 pandemic really damaged the tertiary sector in Mexico, forcing hotels, bars and restaurants to close. Some of them will recover and will fully open again, but some will disappear. This should not be the case for big chains of hotels and restaurants.
Mexican retailers, hotels, and restaurant chains are very familiar with U.S. products and best practices.	Local manufacturers are adapting quickly 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 cold chain distribution for wider nationwide penetration and increased use of technology.	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 is becoming attractive for other countries trying to export their products, especially for those countries with new or renegotiated free trade agreements.

SECTION II: MARKET STRUCTURE AND ENTRY.

Many U.S. companies seeking to export to Mexico attend trade shows such as [Abastur](#) (hospitality), [ANTAD](#) (retail), and the [Food Tech Summit & Expo](#) (ingredients). Evidently, COVID-19 changed the way these events are organized, maybe not just in 2021 but next year too. Nevertheless, these shows (either digitally or in person) provide ideal opportunities to gain insight into the [Mexican market](#), establish new contacts, and get to know buyers, potential business partners, importers, and distributors.

In addition to recognizing the differences between the Mexican and the U.S. [business culture](#), it is important for U.S. exporters to consider regional purchasing patterns. Some products might fit perfectly in certain regions, 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 and/or seasonal (mainly around Christmas).

It is important for U.S. companies to find an experienced and professional importer or distributor as a local partner. Distributors or importers will help with issues related to regulations, procedures, labeling, and customs clearance. Large 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 required. We encourage you to check our [Exporter Guide](#) and [Mexico Food Processing Ingredients 2020 Report](#). In addition, the ATO Mexico City launched a series of educational videos that are available on the ATO's [website](#).

Additional information on product requirements, labeling issues, and other relevant topics is available via the [FAS GAIN](#) system. Exporters can find a government's simplified export process guide [here](#) and relevant information about USMCA [here](#).

SECTION III: COMPETITION.

The Mexican Processed Food Industry receives about 90 percent of its supplies locally. These supplies include fruits, vegetables, cartons, glass, plastic and tinplate. Domestically produced products have certain competitive advantages, such as a better understanding of the local industry and its needs, and logistical advantages due to their closeness; but small players may face issues of quality, traceability or lack of ability to meet larger quantity orders. The remaining 10 percent is imported from the United States, Canada, Ireland, Brazil and, Chile. Imported supplies include additives, gums, food preservatives, artificial colors, artificial flavors, and stabilizers.

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-party countries (such as Brazil, Chile, Uruguay, the European Union, etc.) continue to make inroads in various processing ingredient sectors such as poultry, dairy and rice, the U.S. maintains distinct advantages: commercial, geographical and logistical. 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/time-wise viable via a third-party country (who would seek to ship multiple containers or a complete shipload).

International trade will be fundamental in the aftermath of the COVID-19 pandemic, and will be substantial to reactivate the economy. Since joining NAFTA in 1994, Mexico has negotiated 13 trade agreements with 50 countries including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that came into force in December 2018 in Canada, Australia, Japan, Mexico, New Zealand and Singapore. The renegotiated USMCA came into force in July 2020, this update to the North American Free Trade Agreement will bring a more inclusive and responsible trade, strengthen the competitiveness of Mexico and the region, and maintain certainty for trade and investment. Mexico is also in the process of updating their FTA with the European Union, expected to be ready in 2021, and has recently started conversations (December 2020) to have a free trade agreement with the U.K.

Competitive situation for selected Food Ingredients 2020

Product Category	Imports in Millions of USD	Main Suppliers (Based in Value)	Strengths of Key Supply Countries	Advantages or Disadvantages of Local Suppliers
Milk Powder HS 040210	780.4	United States France Canada	Distance, availability, and regional products	Challenged by milk quality and drying facility capacity
Chocolate & Cocoa HS1806	220.3	United States Canada Germany	Good awareness about the quality and high standards of the ingredients	8% IEPS (Special Tax over Production and Services) imposed on high calorie food. More than 275 kcal per 100 grams. Cocoa production in southern Mexico
Spices HS 0910	5.32	India United States Spain	Excellent regional products and big tradition of consumption by local market	Certain products not available domestically
Turkey HS 020726, 020727, 020725, 160231, 020724	305.9	United States Chile Brazil	Distance, availability, and regional products	Mexico offers a strong market for further processing with well-developed distribution channels. Low domestic production of turkey meat
Cereals & Prep Food HS 1904	58.2	United States Canada Italy	Quality Innovation	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	289.4	United States Spain Guatemala	Tradition Regional products similar to the Mexican market	New niche market for premium products in this category Large, well established baking sector During the pandemic, tacos and pizzas were the most ordered foods in Mexico
Treenuts HS 0802	309.4	United States Turkey China	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	146.1	United States China Brazil	Proximity and quality of U.S. product	Local production does not cover the local market demand. 8% IEPS (Special Tax over Production and Services) imposed on high calorie food. More than 275 kcal per 100 grams. Extremely popular processed products such as Japanese Style peanuts and peanut butter, which is increasing its awareness in Mexico (sales of peanut butter went up more than 60% in 2020) ⁷ .

Source: Trade Data Monitor

⁷ According to the American Peanut Council representative in Mexico.

SECTION IV: BEST PRODUCT PROSPECTS.

The COVID-19 pandemic brought with it new habits and a new normal. In this so called “new normal,” most Mexicans are focused on maintaining a healthy lifestyle through a balanced diet. Niches of opportunity continue to appear as the processing sector diversifies and consumers demand various convenient, health, and high-quality foods. Combining ingredients that can help reduce stress while helping increase the immune system, has the potential to appeal to consumers seeking to be well and healthy in a post-Covid world⁸. 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, clean labeling, zero waste packaging, organic products, etc.). The consumer wants to feel that what they consume is helping to protect them against diet-related illnesses.
- Premium products – claiming better quality, food safety, and product innovation.
- Dairy products – functional yogurts, added with probiotics, lactose free, proven benefits supported by science.
- Plant-based beverages and products – soy, almond, coconut, rice, oat.
- Convenience Foods such as ready-to-eat, meal helpers, frozen foods.
- Craft Beer – there is a growing demand for differentiated premium beers.
- Wine.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION.

The primary mission of the U.S. Agricultural Trade Offices (ATO) in Mexico City and Monterrey is to assist the market development and promotion of U.S. food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATOs, along with other private sector representatives called “cooperators,” make available to help develop U.S. agricultural interests in Mexico. If you have any questions or comments regarding this report or need assistance exporting U.S. food and beverage products to Mexico, please contact the ATO in Mexico City or Monterrey.

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⁸ [The Food Tech.](#)

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- Brandwatch
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- Statista

Attachments:

No Attachments