

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

Food Processing Ingredients

2015 Mexico Food Processing Report

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Report Highlights:

Due to a weakening peso against the U.S dollar as well as a series of much needed measures by the Mexican government to control a growing obesity crisis, Mexico's processed food industry only grew one and a half percent against the four percent growth that was expected. Nonetheless, there were several categories that exceeded or at least kept their expected growth such as baked goods, dairy, condiments and sauces. The strongest food categories in Mexico are baked goods and tortilla products followed by dairy, meat processing and packing, and confectionary products. Products with the highest growth potential are healthy processed foods, premium or niche market products, dairy variety products such as yogurt, and ready to eat meals.

Post:
Mexico City ATO

Commodities:

Executive Summary:
Section 1. Market Summary

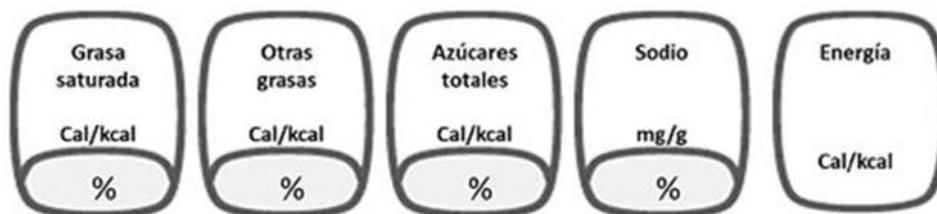
Introduction

During 2014, Mexico produced US\$ 137.2 billion worth processed foods, which represents a one and a half percent growth from 2013, thus maintaining its place as the third most important processed food producer in the continent behind the United States and Brazil, and the eight spot in the world overall. Mexico's total GDP for 2014 was US \$1282.72 billion resulting in 2.1 percent growth when compared to 2013. Services accounted for 62.7 percent of the country's GDP while Industry and Agriculture represented 33.8 percent and 3.5 percent respectively. Mexico's processed food imports for 2014 were almost \$10 billion, with 64% from the United States. Exports were \$11.4 billion with 72 percent of the total bound for United States.

Mexico has a strong food processing industry in which leading Mexican brands like Bimbo, PepsiCo, Lala, and Nestle amongst others have a well-developed national distribution network that is well positioned in the market and enjoys high brand awareness with consumers who are very loyal despite economic variations.

The reduced growth in the Mexican processed food industry can be mainly attributed to the new tax laws that came into effect in 2014, the most important being an 8% new tax on Products and Services (IEPS) imposed on processed foods with a determined caloric value ("junk foods") containing 275 Kcal or more for every 100 grams. Products affected include sweets, chocolates, ice cream, cookies, processed snack foods, beer, and bottled sodas. Also, a value added tax (VAT) of 16% was added to products that had previously been excluded like pet food, sweetened baked goods and chewing gum. Alongside these new taxes, the Mexican government implemented a series of measures including limiting the publicity for high calorie food in media and also enforced a new regulation requiring nearly all packaged products to now include labeling in the front face of the package stating the product contents for saturated fat, other fats, total sugar, sodium and energetic content (calories); all mean to impact the nation's serious obesity health crisis. Mexico consumes 43 gallons per year of soft drinks making it the #1 consumer per capita in the world.

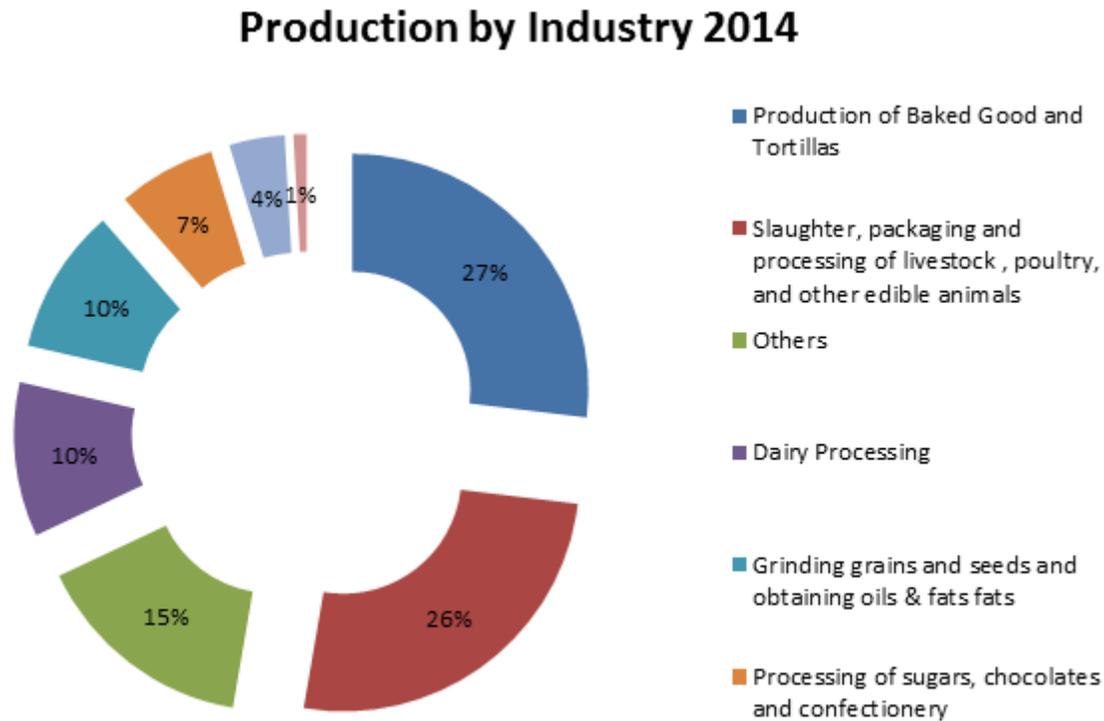
Graphic 1. Sample of new front of pack labeling now required by the Mexican Government



In 2016, the processed food sector in Mexico will face higher unit prices as a result of a devalued currency, new taxes, higher price of raw materials, and higher energy and technological innovation costs

required to compete. These factors will directly affect processed foods sales.

Graphic 2. Production by Industry in Terms of Production Value



Source: INEGI-Pro Mexico

In Mexico, according to the National Institute of Geography & Statistics (INEGI), there are over 185,013 economic units under the industry classification for food and beverage manufacturing and processing; together employ close to 800,000 workers.

Key Market Drivers

Key market drivers for the food processing sector include:

- Increasing interest in healthy foods across age groups
- Increasing demand of organic foods and natural ingredients
- Increased demand for convenience foods and prepared meals, due to the growth of urban cities and more women entering the work force.
- More demand for gourmet and more sophisticated food products. Consumers are looking for new food experiences and are open to trying more exotic flavors and ethnic foods
- Private label brands will keep growing. Private label products are popular among the masses and

in lower socioeconomic levels since they offer unit prices which are significantly lower than those of the leading brands while maintaining good quality.

- Recent demographic changes in Mexico point to the number of persons per household decreasing. There are more single households now in Mexico, creating a demand for processed food products smaller packages or single portions.

Table 1 Sales of Processed Goods in Mexico: by Value from 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Packaged Food	605,221.50	643,174.90	680,002.70	724,238.40	762,200.80	802,238.10
Baby Food	12,288.60	13,111.50	14,104.90	15,066.00	15,810.80	16,592.20
Baked Goods	183,737.60	195,096.60	207,363.80	220,189.40	228,333.20	240,534.90
Biscuits and Snack Bars	35,968.50	38,486.40	41,232.10	43,146.50	46,176.30	48,602.70
Breakfast Cereals	9,959.20	10,504.80	11,093.40	10,796.70	10,885.30	11,339.80
Confectionery	51,069.90	54,171.60	54,516.00	55,823.70	60,188.90	62,307.70
Dairy	134,257.40	142,208.70	150,109.20	160,890.70	168,724.00	176,744.70
Ice Cream and Frozen Desserts	6,674.20	7,072.40	7,411.20	7,783.00	8,540.60	8,979.90
Oils and Fats	20,763.50	23,038.10	24,760.30	27,034.10	28,933.70	30,500.60
Processed Fruit and Vegetables	10,973.30	11,881.00	12,539.20	13,264.90	14,099.20	14,981.30
Processed Meat and Seafood	33,182.80	35,881.60	38,865.20	43,659.90	47,277.50	50,692.70
Ready Meals	5,451.20	5,715.30	5,975.80	6,346.50	6,749.10	7,189.40
Rice, Pasta and Noodles	21,879.70	23,058.20	24,641.20	25,992.20	27,300.50	28,674.00
Sauces, Dressings and Condiments	36,488.00	38,488.80	40,650.50	43,566.90	46,249.30	49,111.80
Soup	2,152.30	2,210.70	2,130.00	2,186.10	2,288.90	2,397.30
Spreads	4,824.30	5,031.40	5,493.20	6,168.60	7,006.20	7,633.70
Sweet and Savory Snacks	35,551.00	37,217.80	39,116.80	42,323.20	43,637.30	45,955.50

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Source: Euromonitor

Advantages and Challenges facing U.S. Foods

Advantages	Challenges
The demand for imported products depends on the availability, seasonability and price of certain food products.	The food sector is extremely price sensitive and certain products may price themselves out of the market.
A shared a border with Mexico and the NAFTA, give U.S. exporters a competitive advantage over other third country suppliers.	With Mexico's food distribution continuing to improve, Mexico's market becomes more attractive for other countries wanting to export to Mexico.
U.S. food products are regarded as high-quality	The peso's depreciation rate (the dollar has appreciated 35% in the last two years) and higher inflation rate, make U.S. food products more expensive than local products.
Local manufacturers are always searching for innovations to meet new trends and consumer demands	Mexico has the most signed free trade agreements in all of Latin America, this leads to more competition between the United States and other countries
Higher income levels and more women in the workforce have increased the demand for convenience packaged foods and ready -to-eat products, which are already being produced in the United States.	Since it was uncommon to see U.S. products on Mexican shelves before NAFTA, Mexicans remain brand loyal to a vast number of Mexican brands making it difficult for U.S. products to gain market share.
Due to a growing healthier eating trend in Mexico, there is a demand for healthier products which are already widely produced in the U.S.	Mexicans tend to base their purchasing decision on quantity and price more than quality.

Section II. Market Structure and Entry

A. Market Entry

Locally produced food products continue to have certain competitive advantages over foreign imported products. First, given their location, domestic processors are often more aware of the current and evolving market trends and tendencies and are therefore often quicker to make modifications and meet the demands. Also, domestic processors tend to have a better understanding of the local foodservice industry, including the resources and contacts to gain prominence in this key channel of distribution for the industry. Imported products face direct competition with local specialty companies that cater to particular niche markets relative to regional demands in the country. Smaller domestic companies also tend to have a well-established supply channel with major warehouse food clubs in Mexico, including Costco and Sam's Club, which in turn serve a large portion of the foodservice sector.

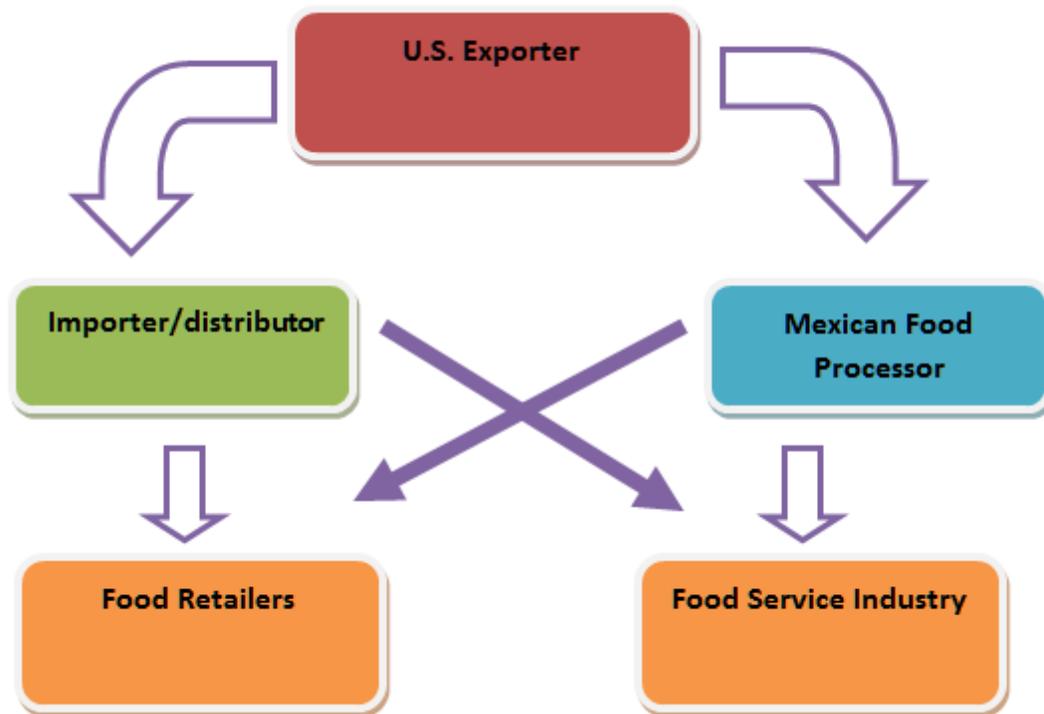
Domestic producers of several important processed foods groups, including canned/preserved food, chilled processed food, sauces, salad dressings, and condiments, maintain a leading edge in the market over similar imported products because they cater to local flavors. Artisanal processed foods in Mexico, such as *tortillas* and *bolillos* (*local bread unit*), and other traditional local breads, remain basic food staples in the Mexican diet and as a result, domestically-produced versions of these goods are more favorable to imported brands.

A great deal of competition exists in the category of snacks foods and “impulse/indulgence” food products. Key companies such as Grupo Bimbo (the largest baked goods company in the world) and Grupo Sabritas (owned by PepsiCo.) produce a large number and assortment of baked goods, snacks and impulse and indulgence products, making it difficult for smaller producers to compete locally. Additionally, their efficient distribution and logistical network makes it difficult for new-to-market products to compete as the local brands are found even in the smallest mom and pop stores nationwide. This sector is also faced with the challenge of keeping production costs down in order to stay competitive while meeting new trends.

Large multinational companies have a competitive advantage over smaller domestic producers in certain product categories such as frozen foods, soups, specialty canned and preserved products, and well-known condiments and flavors that cater to the international pallet. Because of this, companies able to meet the demands of this competitive processed food sector must have the means to invest in technology and innovation not only to meet consumer demands but also maintain low, competitive prices.

Market Structure

Distribution Channels for Processed Food Products in Mexico



Processed products have several outlets for distribution in Mexico:

Retail Market Chains: Walmart leads the retail sector with 2,174 establishments which include Supercenters, Bodega Aurrera, Sam’s Club and Superama formats, each targeting a different market segment. Soriana with 834 stores including the 160 stores it purchased from Comercial Mexicana in January of 2015. Comercial Mexicana will keep 40 stores which include all of its Sumesa, Fresko and high end City Market stores. Chedraui with 212 stores is the third most important retail chain in the country. Price club stores (Costco and Sam’s Club) carry a good variety of imported processed food products in bulk.

In the convenience store category, Oxxo, owned by FEMSA (second biggest Coca-Cola distributor/bottler in the world) leads the market with 12,599 establishments, with 7-Eleven coming in at a distant second with 1750 stores and Impulsora Círculo CCK which owns Circulo K and Extra stores with 878. Also, there has been an expansion of more upscale retail stores where premium brands and more sophisticated niche food products are sold. These stores include City Market, Chedraui Select, Liverpool, Palacio de Hierro, Superama, and smaller independent specialty stores mostly in larger cities across Mexico. The energy reforms passed by the Mexican congress last year will bring even more competition to this sector at the jockey in the gasoline / convenience store format for additional market presence and sales.

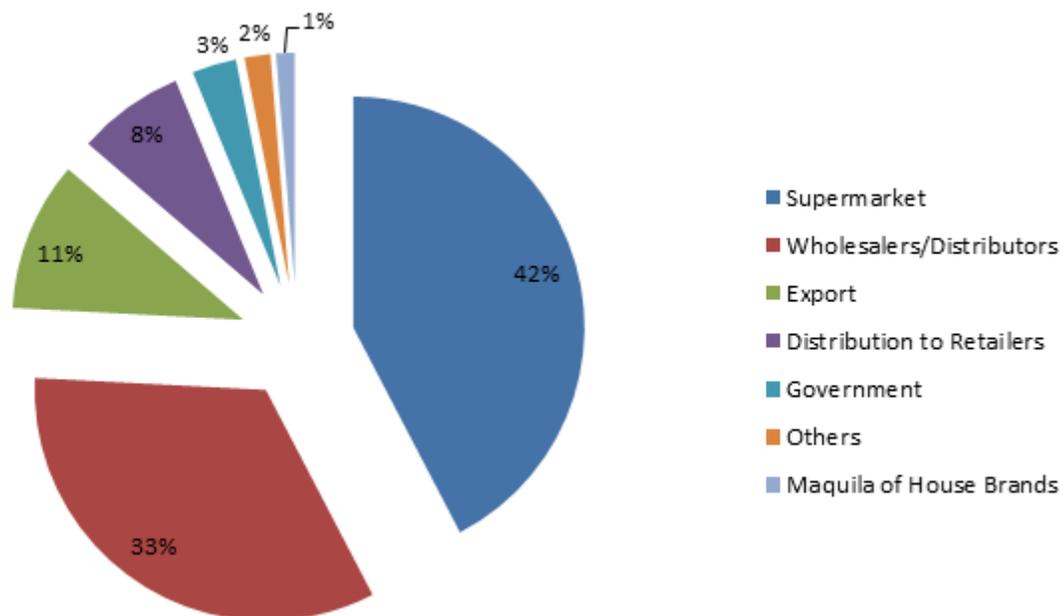
It is important to highlight that there are different distribution trends depending on the category of processed foods. For example, meal solution products (e.g., canned products, sauces, dressings) are

typically purchased in supermarkets. Both frozen and chilled processed foods are also primarily sold in large retail outlets, because of their need for refrigerated storage and large freezers, with the exception of popular brands that provide refrigerators for distribution in convenience stores. Wet markets are still the norm, selling fresh meats, fruits and vegetables in most middle and lower income neighborhoods across Mexico.

Food Service Industry: In the HRI foodservice industry large local food processors like Bimbo (baked goods) and Herdez (canned goods) have the greatest market presence, they dominate the foodservice sector and have mature and developed distribution systems. Other major players in the HRI industry include Nestlé Professional, Mondelez de México, Unilever Foodsolutions and Sigma Foodservice that supply the local foodservice sector with different categories of products, that include but are not limited to, beverages, dairy, refrigerated products, breakfast cereals, chocolate, and bottled water. Much of their success is due to their strategic alliances with the largest chain foodservice operators supplying them with a wide variety of products ranging from sauces, dressings, and condiments to dairy products and baked goods.

Roughly 80 percent of all U.S. exports to Mexico are transported by truck. Under NAFTA, most U.S. food products can be imported duty-free into Mexico. Nonetheless transportation to Mexico can be another challenge. High transportation costs, especially for exporters of temperature controlled products and those sending small shipments can affect competitiveness of local products against U.S. products. Gasoline prices in Mexico are almost double to U.S. prices.

Main Distribution Channels % share



Source: Euromonitor

Table 2. Mexico's food processing companies –Company Profiles		
Company	Number of Employees	Sector
Grupo Bimbo SAB de CV	125,351	World leader in baked goods and foods
Gruma S.A.B. de C.V.	19,202	World leader in production of cornmeal, tortillas and flat bread.
Industrias Bachoco SAB de C.V.	25,000	Chicken, and fresh eggs, convenient foods such as ground meat and chorizo
Industrial group Lala SA de CV	35,000	Dairy Products
Sigma Alimentos SA de CV	33,000	Processed fruits, vegetables, cold meats, cheese and yogurt
Ganaderos Productores de Leche Pura, SA de CV	10,000	Dairy Products
Grupo Herdez SA de CV	6,182	Produces and commercializes, sauces, canned fruits and veggies, dried pasta
Grupo La Moderna SA de CV	4,500	Pastas, crackers and flours
Grupo Bafar S.A.B. SA de CV	9,808	Manufacturing and distribution of cold cut meats
Grupo Minsa S.A.B. de CV	1,100	Corn Flour
Pescados Industrializados SA de CV	1,000	Canned tuna
Lechera Guadalajara SA de CV	3,500	Dairy products
Sabormex SA de CV	-	Production, distribution of sauces, coffee, canned food, and preserves, energy drinks and jams
Chilchota Alimentos SA de CV	750	Dairy products
Derivados de Leche La Esmeralda SA de CV	1,700	Cheeses, cream and butter
Keken	5,000	Exporter of Pork to the Asian Market
Productos Verde Valle S.A. de C.v.	3,700	Processing and distribution of rice, beans and seeds.
Conservas la Costeña SA de CV	2,250	Preserved fruits and veggies, canned food, sauces, soups, jelly

Source: Promexico

Meal Solutions

- Meal Solutions sales grew about 5.8 percent in 2014 reaching \$1,365 billion MXP and
- The fastest-growing category is chilled process foods with 9% volume growth in 2014. While soups only grew around 2% making it the meal solution category with the smallest growth.
- Demographic changes increase the popularity of smaller packages in canned/preserved products.
- Most meal solutions categories were affected by weak growth in Mexico's economy during 2014 as well as a weak exchange rate in which the Mexican Peso suffered and 35% devaluation against the U.S. dollar from Dec. of 2013 to Dec. of 2015.

Table 3. Mexico Meal Solution Sales 2010-2014

MXN million	2010	2011	2012	2013	2014
Ready Meals	\$4,047.30	\$4,234.90	\$4,483.48	\$4,771.21	\$5,144.42
Canned/Preserved Food	\$22,898.75	\$25,028.27	\$26,318.30	\$29,265.07	\$30,017.91
Frozen Processed Food	\$9,469.46	\$9,879.49	\$10,406.81	\$11,033.46	\$11,773.17
Dessert Mixes	\$4,580.87	\$4,723.23	\$4,890.04	\$5,105.07	\$5,537.77
Chilled Processed Food	\$20,085.09	\$21,526.37	\$23,526.95	\$25,995.74	\$28,361.49
Sauces, Dressings and Condiments	\$42,176.48	\$44,663.90	\$47,207.74	\$50,738.46	\$53,510.51
Soup	\$2,152.33	\$2,210.67	\$2,130.01	\$2,186.08	\$2,229.42
Meal Solutions	\$105,410.29	\$112,266.82	\$118,963.34	\$129,095.09	\$136,574.68

Source: Euromonitor

Dairy Products

- Cheese is the fastest growing category in the dairy sector. The majority of cheese sold in modern retailers is considered standard in terms of price; it is also very common to lower-cost varieties that are sold unpackaged, with soft cheese being the most popular.
- Yoghurt consumption per capita in the country is 8.5 kg annually, while in Europe the median is around 20kg annually. However, yoghurt is one of the most innovative areas in dairy, launching new flavors and textures, and profits in Mexico from yoghurt-related products are rising at around 6% annually where Grupo Lala leads yoghurt sales with 21% value share of the market in 2015.
- The U.S. remains as a dominant supplier of dairy products to the Mexican market, with an 84 percent market share in 2014
- Cheese retail volume increased by 4.6 percent in 2014 and sales value increased by 9 percent.
- In other dairy, Mexicans consume mostly sour fresh cream, with 54% share the cream market. Natural fresh cream followed with 18%, while whipping cream accounted for only 10%. Most Mexican dishes use sour cream; whipping cream is mostly used for desserts or to top ice cream.

Table 4 Sales of Dairy Goods in Mexico by Category and Value, 2010-2015

MXN million	2,010	2,011	2,012	2,013	2,014	2,015
Cheese	49,009.20	52,880.20	57,844.30	64,140.00	69,165.30	73,654.40
Drinking Milk Products	56,653.70	58,479.90	58,738.30	61,371.50	62,737.70	64,891.50
Yoghurt and Sour Milk Products	18,613.90	20,206.50	22,278.40	23,484.00	24,464.50	25,357.80
Other Dairy	9,980.50	10,642.00	11,248.20	11,895.10	12,356.50	12,840.90
	134,257.30	142,208.60	150,109.20	160,890.60	168,724.00	176,744.60

Source: Euromonitor

Confectionary

- In 2015, sales of chocolate confectionery reached 68,000 tons with retail volume growth of 5% and \$17.7 billion MXP through 9% current value growth.
- In 2015, premium chocolate confectionery gained relevance as consumers become increasingly aware of their eating habits. The perception of premium products is that they are made of good quality ingredients and have a better sugar/cocoa balance.
- In 2015, sales of gum represent 72,000 tons and \$20.2 billion MXP, representing a 2% decline in sales volume and a 3% increase in current value. Also sugar-free gum observes the most dynamic growth of 4% in value terms.
- 16% value added tax was implemented for gum containing sugar.
- For 2015, sugar confectionery accounts for 180,000 tons and \$25 billion MXP, representing a 4% decline in volume and a 1% increase in value when compared to the previous year's performance. This was caused by new regulations implanted on sugary products by the Mexican Government recently.
- The most sold sugary confectionary product in Mexico are Pastilles, Gums, Jellies and Chews with represented 23.4 % of sales.

Dried Processed Food

- Rice, pasta and noodles sales grew by 5% in 2015 to 28.7 billion MXP.
- Rice is the dominant product in terms of value within this category with 11.93 billion MXP accounting for nearly 42% of total category sales in Mexico.
- Instant noodle cups are the most dynamic category in current value growth terms, with sales increasing by 8%. Regarding instant noodles flavors, shrimp was the most popular choice among Mexican consumers in 2015, followed by shrimp & lime and shrimp extra hot. Other popular flavors include traditional options such as chicken and beef.
- Rice processing companies are introducing more convenient products in the form of instant and pre-cooked products

- In dessert mixes new flavors as well as more sugarless options targeting diabetics are entering the market.
- International manufacturers are the leaders in the dessert mix category as with brands such as Jell-O (Mondelēz), Pronto (Unilever), and Betty Crocker (General Mills)

Baked Goods

- Pastries and cakes, which are considered high-calorie foods, continue to be affected by IEPS tax and are very active categories in terms of innovation and promotions
- Dessert mixes were not taxed and grew by 5% in retail volume terms in 2015.
- Dessert mixes was the most dynamic category in baked goods in retail volume terms, with growth of 5% in 2015. The category had been initially affected by the IEPS tax but it was able to avoid it later because producers argued that dessert mixes is just an ingredient, not the final product.
- Grupo Bimbo leads baked goods with a 27% value share in 2015, thanks to its leadership in packaged baked goods. The company leads the bread, cake and pastry categories. One of its strengths is its wide distribution network that reaches every area of the country, rural or urban, traditional or modern. However, it is important to mention that the combined value share of artisanal producers was 62% within the baked goods sector in 2015.
- Frozen baked goods, while still holding only a small share within baked goods, is the category that is predicted to see the most dynamic growth over the forecast period at a CAGR of 3% in retail volume terms.

Table 5 Sales of Baked Goods by Category and Value, 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Bread	107,705.31	113,138.39	120,089.63	127,881.05	137,189.47	145,106.62
- Bread Substitutes	3,925.60	4,052.70	4,232.65	4,369.47	4,630.71	4,871.48
- Packaged Bread	19,496.50	20,073.78	21,174.32	22,097.20	23,306.60	24,502.72
- Unpackaged Bread	84,283.21	89,011.91	94,682.66	101,414.38	109,252.16	115,732.42
Cakes	17,730.42	18,415.52	19,730.79	20,201.27	20,495.03	21,487.80
- Packaged Cakes	15,369.86	15,918.25	17,043.87	17,292.01	17,427.03	18,271.77
- Unpackaged Cakes	2,360.56	2,497.27	2,686.92	2,909.26	3,068.00	3,216.03
Dessert Mixes	4,580.87	4,723.23	4,890.04	5,105.07	5,163.38	5,205.22
Frozen Baked Goods	214.54	228.84	247.08	269.36	294.12	314.78
Pastries	53,506.43	58,590.64	62,406.24	66,732.67	65,191.17	68,420.44
- Packaged Pastries	28,558.84	32,213.72	34,420.32	36,814.51	36,104.42	37,775.39

- Unpackaged Pastries	24,947.59	26,376.92	27,985.92	29,918.16	29,086.75	30,645.05
Baked Goods	183,737.57	195,096.61	207,363.78	220,189.42	228,333.16	240,534.85

Source: Euromonitor

Processed Meat and Seafood

- The most popular types of table sauces, dressings and condiments in Mexico are spicy, hot, and with chile or pepper.
- Barbecue sauces achieved the highest retail volume growth, of 9%, and the highest retail value growth, of 12%, in sauces, dressings and condiments in 2014.
- In 2015 retail sales grow by 3% in volume terms and 7% in current value terms to reach 487,000 tons and \$50.7 billion MXP
- Processed meat and seafood gain popularity among consumers with fast-paced lifestyles
- Chilled processed poultry sees the highest current value sales growth of 8% in 2015
- The average current unit price rises by 4% in 2015 to reach \$104.00 MXP per kg
- The recent WHO announcement which classified processed meat products as a carcinogen will not have a big impact on consumption as consumers had already began to shift their nutrition diet balancing their intake of meats for a more balanced nutrition.

Table 6 Sales of Processed Meat and Seafood by Category and Value, 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Processed Meat	20,290.37	21,682.97	23,604.72	26,004.46	27,849.86	29,831.95
- Shelf Stable Meat	126.29	132.69	144.44	147.70	152.99	158.69
- Chilled Processed Meat	16,189.45	17,464.10	19,218.10	21,357.88	22,912.74	24,573.25
- Frozen Processed Meat	3,974.63	4,086.18	4,242.18	4,498.87	4,784.13	5,100.01
Processed Seafood	12,892.48	14,198.64	15,260.50	17,655.40	19,427.69	20,860.72
- Shelf Stable Seafood	10,307.09	11,492.52	12,369.53	14,532.23	16,094.44	17,293.48
- Chilled Processed Seafood	556.87	593.63	639.56	720.49	766.46	820.26
- Frozen Processed Seafood	2,028.52	2,112.49	2,251.41	2,402.69	2,566.79	2,746.98
	66,365.70	71,763.22	77,730.44	87,319.72	94,555.10	101,385.34

Source: Euromonitor

Oils and Fats

- Oils and fats grew 5% in current value terms to reach \$30.5 billion MXP in 2015.
- New launches in oils and fats are catered toward making products seem healthier
- Olive oil is considered as an expensive fat and is used more among middle and high-income

consumers

- Olive oil was the other leading category in terms of growth in 2015, with 6% current value growth and 3% volume growth.
- With brands like Capullo, Mazola and Inca, ACH Foods had the largest share of sales in the Mexican Market with 22.30 % of all sales followed by Fabrica de Jabon la Corona with their “123 Canola Oil” brand which accounted for 18.24% of total sales.

Table 7 Sales of Oils and Fats by Category and Value, 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Butter	504.73	581.42	634.04	672.40	713.88	754.61
Cooking Fats	2,333.71	2,603.52	2,886.45	3,201.94	3,372.12	3,511.86
Margarine	1,928.46	1,996.88	2,051.00	2,126.68	2,181.13	2,290.39
Olive Oil	1,108.94	1,249.35	1,365.88	1,477.88	1,553.23	1,642.96
Spreadable Oils and Fats	737.99	805.05	869.51	886.16	944.97	995.43
Vegetable and Seed Oil	14,149.70	15,801.85	16,953.38	18,669.06	20,168.37	21,305.34
Corn Oil	769.04	820.52	899.27	393.43	413.25	434.23
Soy Oil	2,633.57	2,921.58	2,950.88	3,515.17	4,400.03	4,761.11
Sunflower Oil	2,352.53	2,626.66	2,785.88	2,692.81	2,863.26	3,024.48
Other Vegetable and Seed Oil	8,394.56	9,433.09	10,317.35	12,067.65	12,491.84	13,085.52
Oils and Fats	20,763.54	23,038.07	24,760.26	27,034.12	28,933.70	30,500.59
	55,676.77	61,877.99	66,473.90	72,737.30	78,035.78	82,306.52

Source: Euromonitor

Sauces, Dressings and Condiments

- Sauces, dressings and condiments current value sales grew by 6% in 2015 to reach \$49.1 billion MXP; retail volume sales grow by 3% to reach 845,700 thousand tons
- Barbecue sauces were the most dynamic sector in 2015 with current value growth of 12%, albeit from a small base, with salad dressings most dynamic among larger categories with current value growth of 8%
- Wet/cooking sauces are very popular in Mexican cuisine. Many local dishes are cooked with sauces, and although these sauces are traditionally made from scratch at home, busier lifestyles and the growing desire for convenience are leading more and more consumers to favor packaged wet/cooking sauces.
- Mayonnaise is used in the preparation of a wide number of dishes in Mexico. It is also combined with many different types of food, including tuna, chicken, corn, hamburgers, hot dogs and sandwiches, among others. In 2015 mayonnaise current value sales reached \$5.8 billion MXP,

giving it an overall retail value share of 30% within the table sauces category. An interesting trend observed in Mexico is that the most popular mayonnaise brands offer products with a touch of lime. This is the case with leading brands such as McCormick (McCormick de Mexico SA de CV), Hellmann's (Cocina Productos) and La Costeña (Conservas La Costeña SA de CV).

Table 8 Sales of Sauces, Dressings and Condiments by Category and Value, 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Cooking Sauces	6,157.48	6,508.28	7,046.05	7,499.35	7,958.94	8,426.70
Bouillon	3,634.12	3,788.78	4,261.22	4,547.34	4,834.19	5,120.09
Herbs and Spices	471.25	504.23	523.48	553.85	586.53	621.31
Pasta Sauces	652.47	698.14	737.03	781.62	819.68	857.47
Wet/Cooking Sauces	1,399.64	1,517.12	1,524.31	1,616.53	1,718.53	1,827.83
Dips	150.65	159.71	167.99	180.64	191.88	204.06
Pickled Products	12,601.29	12,805.63	13,275.17	14,239.72	15,111.19	16,078.31
Table Sauces	13,878.31	15,129.95	16,113.71	17,305.88	18,432.40	19,618.27
Barbecue Sauces	7.72	7.93	8.42	9.02	10.11	11.36
Ketchup	1,267.98	1,413.55	1,472.73	1,701.50	1,766.96	1,832.34
Mayonnaise	4,098.90	4,422.35	4,756.99	5,058.45	5,409.15	5,788.33
Mustard	493.95	522.83	527.34	514.67	538.29	565.32
Salad Dressings	2,288.10	2,521.41	2,686.28	2,884.18	3,097.03	3,330.86
Soy Sauces	377.43	432.75	481.10	504.91	536.82	575.53
Chili Sauces	4,298.94	4,696.32	5,004.77	5,398.15	5,774.94	6,146.85
Other Table Sauces	1,045.28	1,112.82	1,176.08	1,235.00	1,299.10	1,367.69
Tomato Pastes and Purées	3,700.24	3,885.28	4,047.57	4,341.29	4,554.88	4,784.45
	52,424.85	60,127.08	63,810.24	68,372.10	72,640.62	77,156.77

Source: Euromonitor

Sweet and Savory Snacks

- Sweet and savory snacks consumption recovered slowly in 2015 as consumers and manufacturers adapt to the special tax of 8% introduced in January 2014. Sweet and savory snacks current value sales grew by 5% in 2015 to reach \$50 billion MXP.
- Leading companies are changing sizes and ingredients to give consumers smaller portions and products with less sodium, less sugar and low saturated fats.
- Nuts, trail mixes and fruit snacks were one of the fastest growing categories in 2014 congruent with the health and wellness trend among consumers.
- Tortilla/corn chips is the most popular snack with Doritos brand leading the category followed by Tostitos both from Sabritas SRL de C.V from PepsiCo.
- Distribution is key in this sector, sweet and savory snacks can be found almost everywhere among modern and traditional retailers. However, most products can be found in small independent mom and pop stores.

- Innovation is an important factor in this sector, new flavors such as chili and cheese are very popular among consumers.
- The leading companies in the sector are Sabritas SRL de CV owned by PepsiCo, they hold 66 percent market share followed by the giant domestic bakery company Grupo Bimbo with their Barcel brand, holding a 17 percent market share.

Table 9 Sales of Sweet and Savory Snacks by Category and Value, 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Fruit Snacks	307.18	339.89	373.77	402.36	430.48	461.39
Nuts	4,440.70	4,545.96	4,777.18	5,319.19	5,968.13	6,291.60
Crisps	9,270.54	9,621.89	9,999.07	11,012.98	10,749.77	11,179.76
Extruded Snacks	8,435.40	8,734.01	9,065.03	9,340.61	9,084.68	9,383.56
Popcorn	1,051.49	1,087.76	1,127.90	1,209.34	1,316.94	1,372.11
Tortilla Chips	9,739.77	10,374.80	11,081.33	12,103.03	12,941.77	13,889.11
Other Sweet and Savory Snacks	2,305.96	2,513.50	2,692.52	2,935.65	3,145.55	3,378.01
Sweet and Savory Snacks	35,551.04	37,217.81	39,116.80	42,323.16	43,637.32	45,955.54
	71,102.08	74,435.62	78,233.60	84,646.32	87,274.64	91,911.08

Source: Euromonitor

Table 10 Company percentage sales 2011-2015

Company	2011	2012	2013	2014	2015
Sabritas SRL de CV	67.91	67.60	67.65	67.08	67.07
Grupo Bimbo SAB de CV	18.03	18.25	18.06	17.95	17.90
Nacional de Alimentos y Helados SA	2.99	3.09	3.09	3.09	3.10
ConAgra Foods de México SA de CV	2.13	2.16	2.16	2.28	2.26
Botanas y Derivados SA de CV	1.50	1.49	1.49	1.52	1.52
Cazares SA de CV	0.88	0.95	0.96	0.99	1.02
Nishikawa SA de CV	0.65	0.65	0.66	0.70	0.71
Productos Nipon SA de CV	0.64	0.62	0.65	0.69	0.69
Kellogg de México SA de CV	-	0.55	0.54	0.51	0.50
Empacadora La Merced SA de CV	0.13	0.13	0.13	0.14	0.14
Digrans SA de CV	0.12	0.12	0.12	0.12	0.13
Carmelita SA de CV	0.11	0.11	0.12	0.11	0.11
V Ramos Group	0.11	0.10	0.10	0.11	0.11
Procter & Gamble de México SA de CV	0.55	-	-	-	-
Private Label	1.60	1.57	1.55	1.64	1.66
Others	2.67	2.61	2.70	3.07	3.10

Source: Euromonitor

Spreads

- The leading brands in spreads are McCormick, from Grupo Herdez accounting for a 23 percent value share in 2013, followed by Smuckers from JM Smucker de Mexico with 16 percent value share. Both have a strong position and brand recognition in the Mexican market.
- The IEPS tax, which is aimed at fighting the increasing rate of obesity amongst the Mexican population, is levied on products with a high calorie content. This has affected almost all of the categories within spreads, with honey being the only product exempted. There is a market for more premium and imported brands of jams made of cherries, raspberries, blackberries, plums, and currant, usually imported from the United States.
- Chocolate spreads was the most dynamic category in 2015 with 18% volume growth and 20% current value growth, which was mainly driven by two factors. First up the result of strong marketing efforts from Ferrero de Mexico for its Nutella brand, which boosted the category and highlighted new opportunities for consumption. Secondly the response from existing and new competitors in chocolate spreads such as Hershey's and Coronado among others.
- Nearly 100 percent of honey manufacturers are domestic.

Table 11: Sales of Spreads by Category and Value, 2010-2015

MXN million	2010	2011	2012	2013	2014	2015
Chocolate Spreads	239.35	270.65	381.87	500.08	644.26	774.66
Honey	601.82	638.11	667.46	696.13	746.15	797.26
Jams and Preserves	3,312.25	3,422.37	3,707.50	4,095.11	4,646.56	5,017.58
Nut and Seed Based Spreads	670.85	700.25	736.36	877.29	969.20	1,044.24
	4,824.27	5,031.38	5,493.19	6,168.61	7,006.17	7,633.74

Source: Euromonitor

Overall competitive situation for U.S. exports Jan-Sept. 2015				
Product category	Import in Million USD	Main suppliers in percentage	Strengths of Key supply countries	Advantages and Disadvantages of Local Suppliers
PG 30 Breakfast Cereals	104.48	1. U.S. 77.0	Distance, availability and regional	Developed processed food industry
		2. Canada 16.94		
		3. Germany 1.51		
PG 31 Snack Foods	311.16	1. U.S. 74.59	Distance, availability and regional products	Developed confectionary industry
		2. Canada 7.11		
		3. Guatemala		

		2.43		
HS 02: Meat	2859.6	1. U.S. 82.67	Distance, availability and regional products	Strong market with well developed distribution channels.
		2. Canada 9.61		
		3. Chile 3.15		
HS 03: Fish and Crustaceans	413.12	1. China 27.07	Price	Fish and seafood consumption is cyclical in Mexico and it is notably higher during Lent.
		2. Vietnam 15.95		
		3. Chile 17.72		
		4. U.S. 7.26		
HS 04: Dairy Produce; Birds Eggs and Natural Honey	1230.25	1. U.S. 75.19	Distance, availability and regional products	Great tradition of milk and milk based products
		2. New Zealand 9.58		
		3. Uruguay 4.07		
HS 07: Edible vegetables	246.47	1.U.S. 76.59	Distance, availability and regional products	Production returned to normal levels in 2013 after severe drought in 2011
		2. Chile 7.93		
		3. Canada 7.25		
HS 08: Edible Fruits and Nuts	807.68	1. U.S. 79.98	Distance, availability and regional products	Products not sufficiently available on local market
		2. Chile 11.59		
		3. Turkey 2.64		
HS 09: Coffee, Tea, Mate and Spices	255.74	1. Brazil 17.17	Trading tradition /Price & Quality	New niche market for premium coffee consumption
		2. Sri Lanka 15.18		
		3. U.S.12.65		
HS 16: Edible Preparations of Meat Fish, Crustaceans	341.04	1. U.S. 65.22	U.S. Proximity	The most popular retail channel for the sale of fish and seafood is outdoor markets because these offer the freshest products and a wide variety of options
		2. China 15.27		
		3. Ecuador 7.40		
HS 19:		1. U.S. 61.61	Proximity	Taking effect on 1 January 2014 a

Preparation off Cereals, Flour, Starch or Milk	500.43	2. Canada 6.22		new tax called IEPS – Impuesto Especial Sobre Producción y Servicios (Special Tax Over Production and Services) imposed an 8% rate on high-calorie food, that is those products with 275kcal and above per each 100g of product.
		3. Netherlands 6.38		
HS 20: Preparations of Vegetables, fruits, Nuts	493.89	1. U.S. 65.68	Proximity	Not sufficiently domestically available
		2. Chile 11.09		
		3. Canada 6.08		
HS 21: Miscellaneous Edible Preparations	954.41	1. U.S. 81.78	Proximity	Not sufficiently domestically available
		2. Uruguay 2.89		
		3.Colombia 2.11		
HS 22: Beverages, Spirits, Wine and Vinegar	834.02	1.U.S. 47.09	Excellent regional products	Strong beverage tradition, growing demand for Bourbon / U.S. Whiskey
		2.U.K. 14.84		
		3. Spain 12.06		

Source: Global Trade Atlas

III. Competition

The processed food sector in Mexico is extremely price sensitive; companies need to keep prices low in order to stay competitive. Market competition comes from large local food processors that carry increasingly modern and developing lines of Mexican food products.

Companies like Grupo Herdez, Bimbo, La Costena and Sabormex are local competitors for U.S. exporters, but also represent opportunities in terms of imports of ingredients for processing.

By product category:

- Herdez is the leader in processed and canned food and also owns Barilla brand Dry Pastas.
- Grupo Bimbo keeps leading the market in the bakery category and the impulse/indulgence categories such as biscuits, pastries and confectionary products. However, with the healthier foods trend and the obesity epidemic in Mexico, Bimbo’s traditional products are losing ground to healthier packaged food products such as Quaker brand.
- Great competition exists in the category of snacks foods and “impulse/indulgence” food products. Large players, such as Grupo Bimbo and Grupo Sabritas, produce a large number and assortment of products to compete locally. Both have a remarkable distribution system creating barriers to enter the local market.

- Leading brands are facing direct competition with private labels that are popular and less expensive. The strongest private label brands currently in the market are by main retailers like Wal-Mart (Great Value), Comercial Mexicana (Kirkland and KPrecio) and Soriana private label. Even the smaller regional retailer carry their own private label as pricing advantage.

In addition, there is the influence of other competitors, such as China, the European Union, South America, New Zealand and Australia that are gaining ground in the Mexican food market as a result of the numerous Trade Agreements Mexico has signed with these countries.

However, there are different niches of opportunity in the processed food market considering the major trends in Mexico, such as the growth of the population, the changes in consumption habits, and the increased demand for convenient foods.

IV. Best Product Prospects

Products with high sales potential in the food processing sector are:

- Healthy processed foods (Low sodium, low-fat, reduced sugar)
- Premium products- claiming better quality and product innovation
- Gourmet Food – sauces, condiments, artisanal cheeses
- Ethnic Foods such as Asian type items, Lebanese food, European food
- Dairy products- distinctive formulation of yogurts, segmentation of milk products
- Ingredients for the processed food industry
- Convenience Foods such as ready-to -eat, meal helpers, frozen foods
- Craft Beer – there is a growing demand for differentiated premium beers. Consumers are demanding Ales such as Porters, Stouts and IPA's.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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