

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 12/19/2014

GAIN Report Number:

Mexico

Food Processing Ingredients

2014 Mexico Food Processing Report

Approved By:

Julio Maldonado

Prepared By:

Jose Castellanos

Report Highlights:

While Mexico's GDP only grew by 1.3%, the processed food industry grew by 4% in 2013 and it is expected to grow at that same rate or stronger for the next decade due to an overall increase in production capacity, economic stabilization and growth, reduction of manufacturing costs, and the growth of the middle class. The best processed food categories in Mexico are baked goods and tortilla products followed by meat processing and packing, prepared foods, grain and seed processing. Products with growth potential are healthy processed foods, premium or niche market products, dairy variety products, ready to eat meals and craft beer.

Post:

Mexico City ATO

Section 1. Market Summary

Introduction

The processed food industry in Mexico has experienced steady growth since 2011. In 2013, processed food production in Mexico reached a value of US\$135 billion making it the eight biggest food processing country in the world. The total value of the processed food industry in Mexico saw an increase of four percent compared to 2012. Overall the entire food industry grew by 2.3 % in the same span (2012-2013). The processed food industry accounted for 12 percent of the manufacturing gross domestic product (GDP) which was \$441.32 billion and four percent of the total GDP which was \$1260.91 billion in 2013.

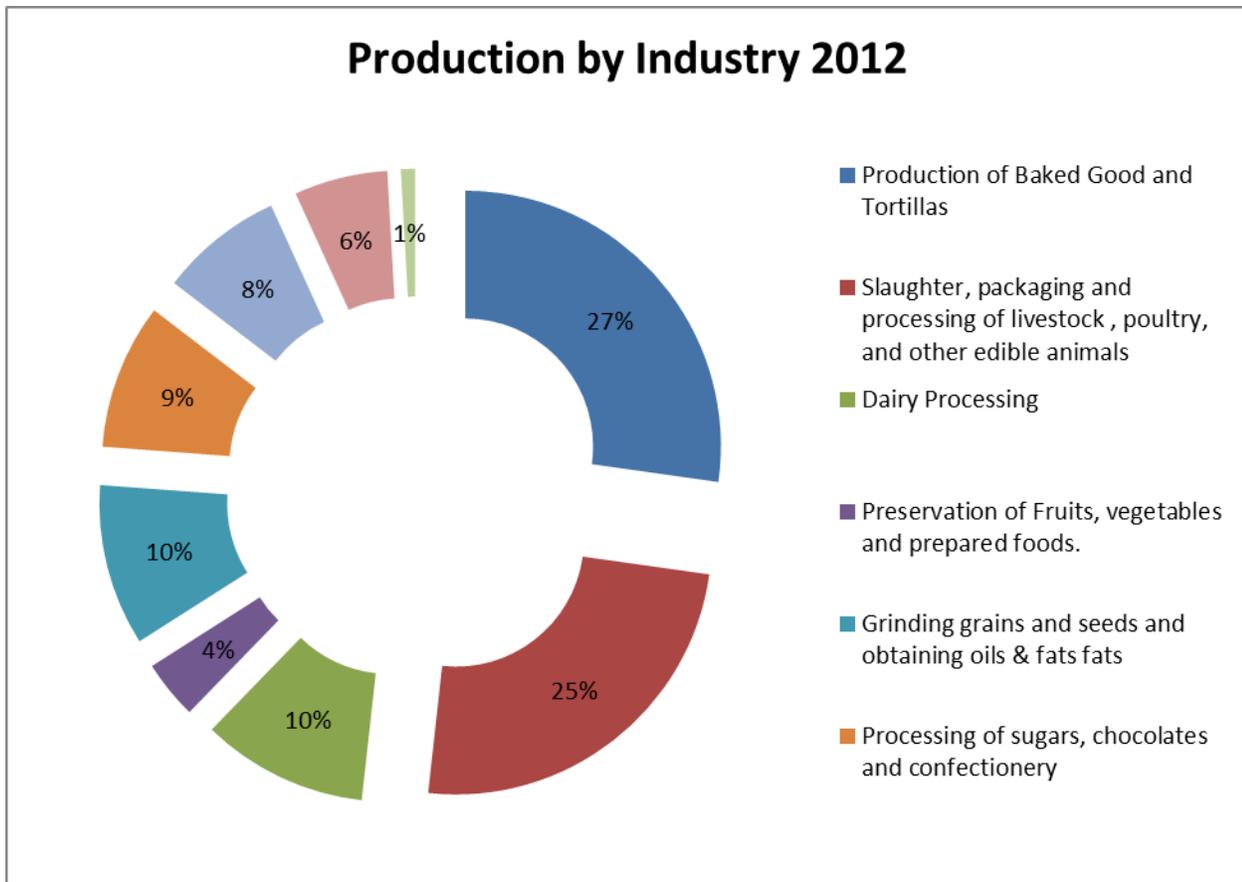
Mexico has a strong food processing industry in which leading Mexican brands like Bimbo, Gruma, Lala, Herdez amongst others have well-developed national distribution networks that are well positioned in the market and enjoy high brand awareness with consumers who are very loyal despite economic variations.

The growth of the Mexican processed food industry can be attributed to several factors such as a growing demand, excess production capacity, available agricultural resources both domestic and imported, economic growth of Mexico, expansion of the middle class, and low manufacturing costs. Ready-to-eat and frozen food products are gaining popularity in Mexico as result of changing lifestyles as more women are entering the workforce reducing the time families have to prepare meals at home. Increasing income levels are also an important force driving the demand for imported processed foods.

In 2012, the bakery and tortilla industry represented 27 percent of the total production value of processed foods or \$36.4 billion thus decreasing three percent in the previous year, and also other categories stood out as meat processing with 25 percent or \$33.75 billion (3.5 percent increase from 2011) and dairy production with 10.8 percent or \$14.58 billion respectively.

With the rising trend in healthier eating habits (Mexico has a growing obesity and diabetes problem) demand for organic food products in Mexico has grown in recent years as Mexican consumers perceive organic foods as being healthier than conventional foods. Presently, Mexico is considered the most obese country in the world and the Mexican government has made it a priority to reverse this through educational campaigns and new food nutrition laws that target school children's diet. As a result a growing number of Mexican consumers are pursuing healthier lifestyles, which include better eating habits, making Mexico an attractive market for American exporters of organic and other healthy food products.

Graphic 1. 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 170,000 registered companies under the industry classification for food and beverage manufacturing/processing, they employ 793,826 people. In 2013 Mexico had 157,154 economic units in the food industry located mainly in the states of Mexico, Puebla, Oaxaca, Mexico D.F. and Veracruz, the largest population centers.

In 2013 Mexico was declared the world's leading country in terms of obesity problems among children and adults. The consequences of this situation are extremely severe for Mexico as the government currently spends seven percent of the total country's health budget or \$31 billion MXP (Mexican pesos currently at 15 pesos to \$1) combating and dealing with obesity problems.

Please see GAIN REPORT – MX3306 Niche Products in the Perceived Healthy Food Market ([MX 3306 Niche products in the Perceived Healthy Food Market](#)).

Tax on Junk Food

On September 8, 2013, the Government of Mexico announced its plan of fiscal reforms aimed at boosting revenue and improving social development programs. The Value-Added Tax (IVA by its Spanish acronym) has developed into a controversial political and social issue since 2013. The proposal, while known since early 2013 but publicly announced on September 8th, is a 16 percent value added tax and lifts many different exemptions for selected demographics. It will place a tax on a wide variety of items and services, but the ones concerning the processed food industry are:

1. Flavored drinks (including certain juices, soda beverages) that contain added sugars
2. Chewing gum was considered but got exempted because is not considered a food

Furthermore, among the new taxes in 2014, the Senate approved an increase of 8 percent the Special Tax over Products and Services (IEPS) to processed foods with a determined caloric value (“junk foods”) that contain 275 Kcal or more for every 100 grams, including, sweets, chocolates, ice cream, cookies, processed snack foods, beer, and bottled sodas.

In 2014, the processed food sector in Mexico will be faced with higher unit prices resulting from approved taxes, the increasing price of raw materials, and energy and technological innovation required to remain competitive. These factors will directly affect processed foods sales.

Please see GAIN Report MX 3309 – [Conditions of Proposed 2014 VAT in Mexico](#)

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 more 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 or more sophisticated food products. Consumers are looking for new food experiences and open to try 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 maintaining good quality.
- Demographic changes in Mexico and the number of persons per household has decreased, and there are more single households now which will benefit the offer of processed food products in smaller packages or single portions.

Sales by Category

The following table shows the overall sales of processed foods by category in 2012 and 2013 in Volume.

Table 1. Mexico: Sales Volume of Processed Food Categories in 1000 MT

<i>Processed Food Category</i>	<i>Quantity in 1000 MT</i>		<i>Share</i>
	<i>2012</i>	<i>2013</i>	<i>2013</i>
Bakery	16,246.10	16,358.41	49.08%
Canned and Preserved Food	544.84	540	1.62%
Chilled Processed Food	263.16	271.87	0.82%
Confectionary	347.43	353.38	1.06%

Dairy	5,986.79	5,959.67	17.88%
Dried Processed Food	1,043.40	1,064.86	3.20%
Frozen Processed Food	139.46	141.97	0.43%
Ice Cream	76.74	77.96	0.23%
Meal Replacement	11.17	11.55	0.03%
Noodles	56.55	58.88	0.18%
Oils and Fats	979.41	1000.67	3.00%
Pasta	312.22	318.36	0.96%
Ready Meals	52.29	53.7	0.16%
Sauces, Dressings and Condiments	865.38	903.69	2.71%
Snack Bars	34.31	36.11	0.11%
Soup	26.28	27.13	0.08%
Spreads	72.76	77	0.23%
Sweet and Savory Snacks	409.17	416.13	1.25%
Meal Solutions	1,965.96	2,014.45	6.04%
Baby Food	71.99	73.42	0.22%
Impulse and Indulgence	3,539.37	3,568.58	10.71%
	33,044.78	33,327.79	100.00%

Source: Euromonitor

B. Advantages and Challenges facing U.S. Foods

Advantages	Challenges
The demand for imported products depends on the availability and price of certain food products.	Food Sector is extremely price sensitive and certain products may price themselves out of being successful or profitable.
Sharing a border with Mexico gives U.S. exporters a competitive advantage over third country suppliers - NAFTA	With Mexico's food distribution infrastructure in continuous improvement, Mexico's market becomes more attractive for other countries wanting to export to Mexico.
U.S. food products are regarded as high-quality	The fluctuation of the exchange rate and 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 free trade agreements in Latin America leading 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 are very 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 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.

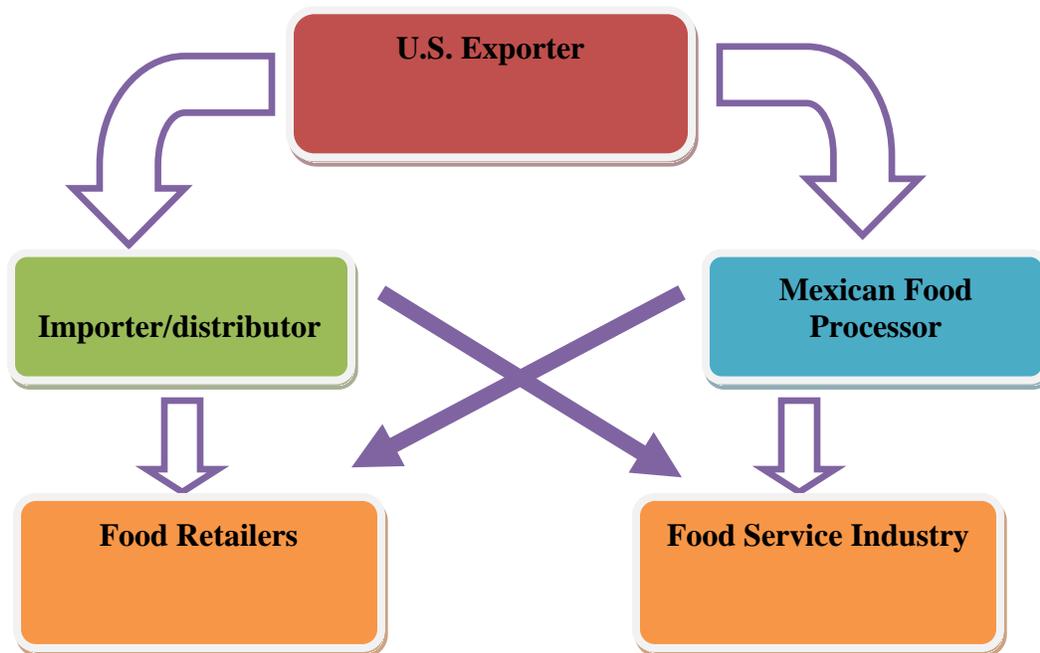
Domestic producers of several important processed foods groups, including canned/preserved food, chilled processed food, sauces, salad dressings, and condiments, maintain the leading edge in the market over similar imported products because they cater to local flavors. Artisanal processed foods in Mexico, 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. Large players, 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 tremendous distribution and logistical power creates high barriers of entry to the market as local products are found even in the smallest mom and pop stores nationwide. Most new product developments in this sector that succeed are brand extension of leading products. 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 processed food, 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 innovations to meet consumer demands but also must 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 2,159 establishments followed by Soriana with 885, Comercial Mexicana with 199 and Chedraui with 113. Price clubs/club stores (Costco and Sam’s Club) carry a good variety of imported processed food products.

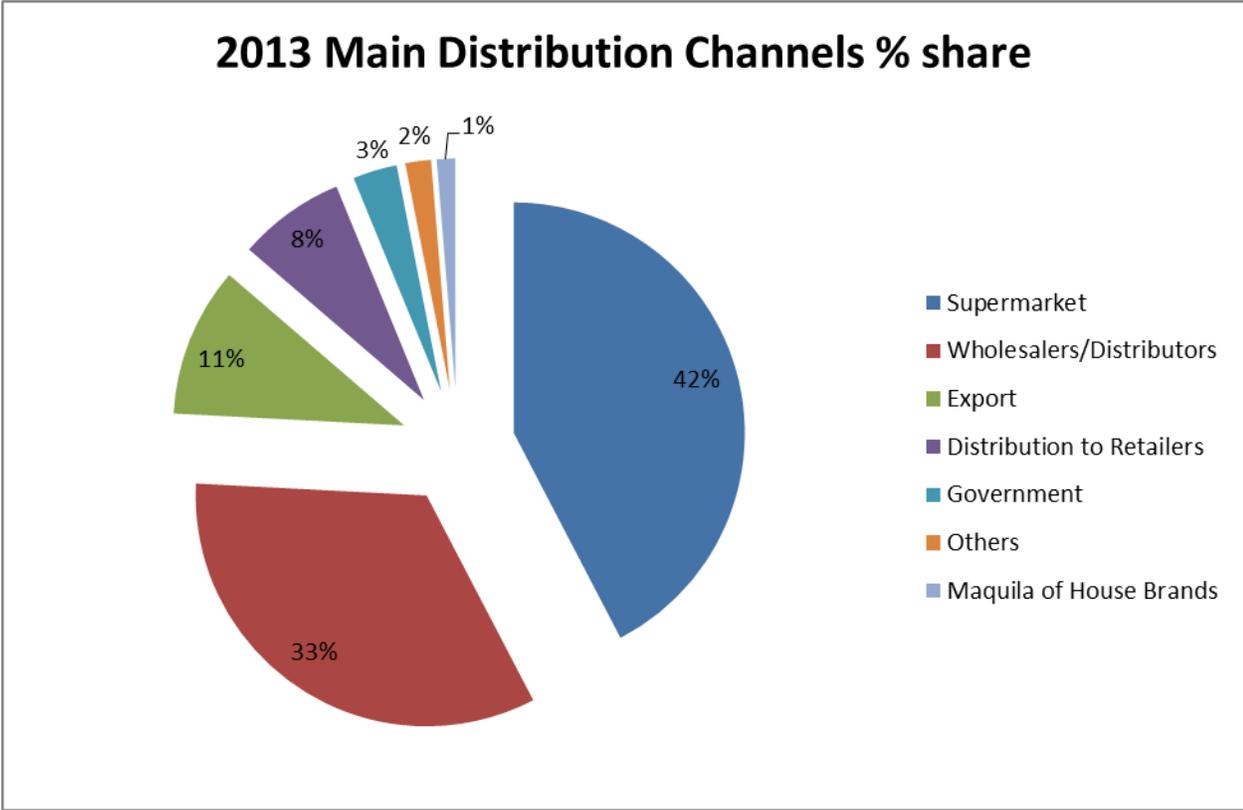
In the convenience store category, Oxxo who belongs to FEMSA (second biggest Coca-Cola distributor/bottler in the world) leads with 77 percent of the market and 11,000 establishments. Also, there has been an expansion of more upscale retail stores where premium brands and more sophisticated niche food products are sold. These stores include City Market, Chedraui Select, Liverpool, Palacio de Hierro, Superama, and smaller independent specialty stores.

It is important to highlight that there are different distribution trends depending on the category of processed food. 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.

Food Service Industry: In the HRI foodservice industry large local food processors like Bimbo (baked goods) and Herdez (canned goods) have the greatest market penetration, they dominate the foodservice sector and have mature and developed distribution systems. Other major players in the HRI industry are Nestlé Professional, Mondelez de México, Unilever Foodsolutions and Sigma Foodservice who 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 chained 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.

The main distribution channels for the processed food industry in Mexico are self-service chains and wholesalers or distributors that account for more than 75% of the domestic market.



Source: Euromonitor

A. Company Profiles

Table 2. Mexico’s food processing companies –Company Profiles

Company	Sales 2013 (Million Dlls)	Number of Employees	Sector
Grupo Bimbo SAB de CV	13,460	125,351	World leader in baked goods and foods
Gruma S.A.B. de C.V.	4,140	19,202	World leader in production of cornmeal, tortillas and flat bread.
Industrias Bachoco SAB de C.V.	3,040	25,000	Chicken, and fresh eggs, convenient foods such as ground meat and chorizo
Industrial group Lala SA de CV	3,162	35,000	Dairy Products
Sigma Alimentos SA de CV	3,721	33,000	Processed fruits, vegetables, cold meats, cheese and yogurt
Ganaderos Productores de Leche Pura, SA de CV	1010	10,000	Dairy Products
Grupo Herdez SA de CV	1009	6,182	Produces and commercializes, sauces, canned fruits and veggies, dried pasta
Grupo La Moderna SA de CV	514	4,500	Pastas, crackers and flours
Grupo Bafar S.A.B. SA de CV	606	9,808	Manufacturing and distribution of cold cut meats
Grupo Minsa S.A.B. de CV	359	1,100	Corn Flour
Pescados Industrializados SA de CV	332	1,000	Canned tuna

Lechera Guadalajara SA de CV	2890	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	143	750	Dairy products
Derivados de Leche La Esmeralda SA de CV	104	1,700	Cheeses, cream and butter
Keken	14	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

D. Sector Trends

Canned and Preserved Food

- Canned/preserved food records current value growth of 3% and volume growth of 4% in 2014 to reach \$30.0 billion MXP and 620,000 metric tons
- The fastest-growing category is canned/preserved fish/seafood with 8% volume growth in 2014.
- Demographic changes increase the popularity of smaller packages in canned/preserved products
- Specialty canned/preserved food including delicacy vegetables such as Huitlacoche (a corn fungus), palmitos (small palm leaves) and nopales (cactus leaves) accounted for a very small portion of the market in this category.
- Soup innovations focus on wellness products such as all-natural and with no preservatives added. They are considered a premium product
- Knorr (Unilever Group) is the market leader in instant soup, ultra high-temperature processing (UHT) soup, and dehydrated soup.

Table 3. Mexico canned/preserved food products Sales and Volume in 2014

<i>Type of Canned Food</i>	<i>Quantity in 1,000 mt</i>	<i>Value in million MX Pesos</i>
Canned/Preserved Beans	140.90	4,080.78
Canned/Preserved Fish/Seafood	176	14,238.46
Canned/Preserved Fruit	50.15	2,106.62
Canned/Preserved Meat and Meat Products	.84	149.38
Canned/Preserved Pasta	-	-
Canned/Preserved Ready Meals	5.96	666.16
Canned/Preserved Soup	11.24	617.69
Canned/Preserved Tomatoes	0.09	4.00
Canned/Preserved Vegetables	178.77	8,151.48
Other Canned/Preserved Food	0.1	3.33
Canned/Preserved Food	564.14	30,017.91

Source: Euromonitor

Dairy Products

- Yogurt is the fastest growing category of the dairy sector. Greek yogurt started gaining traction as the top dairy brands launched their Greek yogurt in main Mexican retail sectors in 2013
- Busy lifestyles and the health and wellness trend move sales of on-the-go yoghurts, particularly drinkable yogurt
- The U.S. keeps as a dominant supplier of dairy products to the market, capturing 84 percent market share in 2014
- Cheese retail volume increased by 4.6 percent in 2014 and sales value increased by 9 percent.
- Ice cream only grew 1 percent in terms of retail volume in 2014 due to a new IEPS tax of 8% which took effect in January 2014 affecting high calorie food products. Slow growth is expected into 2015.

Dried Processed Food

- 2014's growth rates will be similar to those recorded for the overall review period, with a slight decrease in the value rate, driven by strong competition, especially among dried pasta brands, and the performance of private label.
- Rice is the dominant product in terms of value within this category with \$33 billion in 2014 followed by pasta with \$8.74 billion and dessert mixes with \$5.53 billion.
- Mexico is not expected to increase its rice production and it will continue importing rice for domestic consumption.
- 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 (Mondelez), Pronto (Unilever), and Betty Crocker (General Mills)

Frozen Processed Food

- Frozen processed food is gaining in popularity in the foodservice channel.
- Frozen processed poultry is set to post the highest growth in value terms in 2014 with a 10% rise while frozen bakery will be the leading category in volume terms with a 5% increase.
- There is growing demand for processed frozen foods in northern Mexico due to the influence of American cuisine.
- Consumers regard chilled meats and poultry products as more nutritious and better preserved than frozen products.
- For fish and vegetables, canned products are seen as more convenient, better preserved and less expensive than frozen products.
- International companies, such as Tyson and McCain, hold over 40 percent of retail sales in 2012
- Sigma Alimentos is the second largest processor of frozen foods after American Beef with presence of several products including bakery, fish/seafood and poultry

Table 4. Mexico Frozen Processed Foods Sales and Volume for 2014

<i>Type of Frozen Food</i>	<i>Quantity in 1,000 mt</i>	<i>Value in million MX Pesos</i>
Frozen Bakery	3.56	293.77
Frozen Desserts	4.17	508.39
Frozen Meat Substitutes	-	-
Frozen Noodles	-	-
Frozen Pizza	1.17	148.90
Frozen Processed Fish/Seafood	18.93	2569.47
Frozen Processed Potatoes	40.93	1581.19
Frozen Processed Poultry	19.67	2373.98
Frozen Processed Red Meat	24.51	24560.59
Frozen Processed Vegetables	18.61	993.01
Frozen Processed Ready Meals	70.53	8.34
Frozen Soup	-	-
Other Frozen Processed Food	12.83	835.53

Source: Euromonitor

Sauces, Dressings and Condiments

- The most popular types of table sauces, dressings and condiments in Mexico are spicy, hot, and with chile or pepper.
- Barbecue sauces achieves the highest retail volume growth, of 9%, and the highest retail value growth, of 12%, in sauces, dressings and condiments in 2014.
- Low-fat mayonnaise has becoming popular among consumers looking for healthier options
- Ketchup, mayonnaise and spicy chili/pepper sauces are expected to account for a combined total volume share of 89% of table sauces in 2014.
- The leading manufacturers include large companies that offer a wide variety of products including the domestic producers, La Costeña, Del Fuerte, and Salsa Tamazula, the maker of the well-known spicy sauce, Valentina, as well as the U.S. company McCormick with operations in Mexico

Oils and Fats

- Oils and fats grows 2% in volume terms and 8% in current value terms to reach 1 million tones and \$29.1 billion MXP in 2014.
- Olive oil keeps growing in sales driven by the trend of consumers eating healthier diets
- Olive oil is considered as an expensive fat and is used more among middle and high-income consumers
- Blends were the leading type of vegetable and seed oil in 2014 with a 59 percent value share. This type of oil is very common, and its low price makes it attractive for consumers

Sweet and Savory Snacks

- Sweet and savory snacks continue to focus on changing formats and reformulating products according to law restriction because of the childhood obesity problem in Mexico
- 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 are found in small independent mom and pops.
- 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, who holds 66 percent market share followed by giant domestic bakery company Grupo Bimbo with their Barcel brands, holding 17 percent market share.

Table 5. Mexico: Sweet and Savory Snacks percentage of market share in 2014

<i>Company name</i>	<i>% Retail Market Share</i>
Sabritas SRL de CV	66.4
Grupo Bimbo SAB de CV	16.9
Productos del Monte SA de CV	3.6
Nacional de Alimentos y Helados SA	2.9

Botanas y Derivados SA de CV	1.4
Cazares SA de CV	0.9
Nishikawa SA de CV	0.6
Productos Nipon SA de CV	0.6
Kellogg de Mexico SA de CV	0.5
Signa Grain Ltda	0.5
Toga International SA de CV	0.5
V Ramos Group	0.4
Qualy Pack de Mexico	0.3
Empacadora la Merced	0.1
Digrans SA de CV	0.1
Carmelita SA de CV	0.1
Procter and Gamble de Mexico	-
Private Label	1.9
Others	2.3

Source: Euromonitor

- Chocolate spreads registered the biggest growth in 2014.
- Grupo Herdez SA de CV is the leading company in spreads, accounting for 23% value share in 2014
- The most popular flavor within jams and preserves in Mexico are Strawberry , Orange and Apricot.

Overall competitive situation for U.S. exports Jan-Sept. 2014

Product category Total Import in million US\$	Import in Million USD	Main suppliers in percentage	Strengths of Key supply countries	Advantages and Disadvantages of Local Suppliers
PG 30 Breakfast Cereals	50.26	1. U.S. 86.0 2. Canada 6.70 3. Germany 1.16	Distance, availability and regional	Developed processed food industry
PG 31 Snack Foods	468.5	1. U.S. 70.51 2. Canada 8.75 3. Guatemala 3.09	Distance, availability and regional products	Developed confectionary industry
HS 02: Meat	3425	1. U.S. 87.07 2. Canada 8.14 3. Chile 1.89 18. U.S. 0.9	Distance, availability and regional products	Strong market with well- developed distribution channels.
HS 03: Fish and Crustaceans	542.2	1. China 24.29 2. Vietnam 15.95 3. Chile 13.90 6. U.S. 5.77		Fish and seafood consumption is cyclical in Mexico and it is notably higher during Lent.
HS 04: Dairy Produce; Birds Eggs and Natural Honey	1498	1. U.S. 84.83 2. New Zealand 6.90 3. Chile 2.13	Distance, availability and regional products	Great tradition of milk and milk based products
HS 07: Edible vegetables	275.75	1. U.S. 76.7 2. Canada 10.9 3. Chile 5.05	Distance, availability and regional products	Production returned to normal levels in 2013 after severe drought in 2011
HS 08: Edible Fruits and Nuts	737.75	1. U.S. 80.95 2. Chile 13.29 3. Argentina 1.64	Distance, availability and regional products	Products not sufficiently available on local market

HS 09: Coffee, Tea, Mate and Spices	219.62	<ol style="list-style-type: none"> 1. Brazil 24.70 2. Sri Lanka 18.06 3. India 11.67 4. U.S. 9.88 	Trading tradition /Price & Quality	New niche market for premium coffee consumption
HS 16: Edible Preparations of Meat Fish, Crustaceans	343.5	<ol style="list-style-type: none"> 1. U.S. 64.27 2. China 18.81 3. Ecuador 6.81 	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
HS 19: Preparation off Cereals, Flour, Starch or Milk	490.7	<ol style="list-style-type: none"> 1. U.S. 59.36 2. Ireland 9.22 3. Netherlands 5.27 	Proximity	Taking effect on 1 January 2014 a 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.
HS 20: Preparations of Vegetables, fruits, Nuts	489.47	<ol style="list-style-type: none"> 1. U.S. 62.7 2. Chile 14.06 3. Turkey 8.7 20. Canada 6.91 	Proximity	Not sufficiently domestically available

HS 21: Miscellaneous Edible Preparations	998.91	1. U.S. 76.48 2. Ireland 5.22 3. Chile 4.42	Proximity	Not sufficiently domestically available
HS 22: Beverages, Spirits, Wine and Vinegar	796.64	1. U.S. 41.42 2. U.K. 17.47 3. Spain 12.44	Excellent regional products	Strong beverage tradition, growing demand for Bourbon / U.S. Whiskey

Source Global Trade Atlas

- 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.
- Due to the obesity problem in Mexico and following the health and wellness trend many producers of jams and preserves are offering more reduced-sugar or sugar free versions.
- 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.
- Nearly 100 percent of honey manufacturers are domestic.

Ready-to-Eat

- The fastest-growing category in 2014 is chilled ready meals with a four percent increase.
- Convenience plays an important role in the growing acceptance of ready meals in the market and with frozen ready meals in particular. More women are entering the workforce and fewer meals are being prepared and eaten at home.
- Chilled ready meals are preferred for their convenience and the perception that they are fresher than frozen ready meals.
- Consumer demand for chilled and frozen pizzas and for frozen ready meals is still low
- The Lonchibon brand offers a number of products individually sized (sandwiches, burritos, and ham and cheese croissants) for quick consumption since they do not require heating or opening a can as do other ready-to-eat products.
- The two dominant brands in chilled pizza are San Rafael and Fudd launched in 2009, both of which belong to Sigma Alimentos.
- Mexican companies Sigma Alimentos S.A. de C.V. and Grupo Bimbo S.A. de C.V. hold the largest market shares at 16 percent and 12 percent of total retail value.

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 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.

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 various 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

For further information and to learn more about the services provided by the Agricultural Trade Offices (ATO) in Mexico, please contact us at:

**U.S. Agricultural Trade Office in
Monterrey, Mexico**

U.S. Consulate
150 Prolongacion Avenida Alfonso Reyes
69196 Santa Catarina, N.L.Monterrey, Nuevo León
Tel: (011 52 81) 8047-3393
E-mail: ATOMonterrey@fas.usda.gov

**U.S. Agricultural Trade Office
Mexico City, Mexico**

Liverpool No. 31, Col. Juárez
06600 México, D.F., México
Tel: (011 52 55) 5080-2000 ext. 5282
E-mail: atomexico@fas.usda.gov

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.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX 3306	Niche products in the perceived healthy food market	8/23/2013
MX 3309	Conditions of proposed 2014 Value Added Tax	10/17/2013
MX 3312	Proposal for new labeling requirements	11/01/2013
MX 3316	Market Situation Update: Mexican Market for Craft Beer	12/11/2013

Sources:

Mexican Statistics and Geography Institute (INEGI)
Promexico
Foods -CANAINCA
Euromonitor International
Global Trade Atlas