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**Prepared By:** Fabiola Cortez

**Approved By:** Andre Bradley

**Report Highlights:**

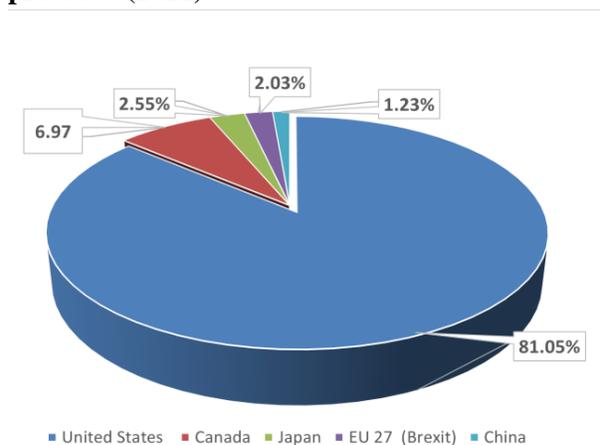
In 2021, exports of U.S. agricultural and related products to Mexico totaled \$25.5 billion. In spite of the ongoing COVID-19 pandemic and logistical challenges, Mexico remained one of the most consistent markets for U.S. food and agricultural exports, especially for foodservice products. Mexico continued to maintain its open-door policy and welcomed 31.8 million international tourists in 2021, which boosted its hotel, restaurant and institutional (HRI) industries following a sharp decline in 2020. The HRI sectors also benefitted in 2021 due to widespread COVID vaccinations, fewer mobility restrictions, and evolving COVID-related sectoral adaptations like flexible operating hours, delivery-only restaurants (dark kitchens), and menu changes. Mexico's HRI sectors are rapidly recovering and will achieve pre-pandemic levels of growth soon.

## Market Fact Sheet Mexico

### Executive Summary

The Mexican government expected GDP to grow to 6.3 percent in 2021, but it fell short, reaching only 4.8 percent mainly due to external shocks such as geopolitical conflicts, international supply-chain disruptions, and rising inflation. Mexico's top trading partner in 2021 was the United States, buying 82 percent of all Mexican agricultural exports and provided Mexico with 69 percent of its imports ([USDA ERS](#)). Mexico was the 16<sup>th</sup> largest economy in the world in 2021 (one step down from 2019). The Mexican food and beverage industry contributed \$35.1 billion to its 2020 GDP.

### Origin of Mexico's Imports of consumer-oriented products (2021)



Source: Trade Data Monitor -BICO USDA

### Food Processing Industry

According to the National Institute of Geography and Statistics ([INEGI](#)), there are 216,685 economic units including offices, manufacturing plants, and distribution centers under the industry classification of "food and beverage manufacturing and processing. In the second half of 2021, 1.96 million people worked in this sector, of which 50.1 percent were women.

### Food Retail Industry

According to the Mexican Association of Nationwide Retailers ([ANTAD](#), 2021), there are 31 supermarket chains with 3,284 stores. More than 56 percent of the retail market is covered by traditional trade (mom & pop stores, public and open-air markets) which usually only distribute local products. ANTAD also reported that retail sales in supermarkets grew steadily by approximately 7.7 percent per year (2020).

### Food Service Industry

Tourism represented 7.1 percent of the domestic GDP in 2021. A total of 31.8 international tourists visited Mexico in 2021. The HRI industry is composed by 24,625 hotels and 584,000 restaurants. Street stalls are a strong channel in foodservice in Mexico.

#### Quick Facts

##### **Total Imports Consumer Products ([INEGI 2021](#)):**

\$ 62,017.60 million

##### **Mexico's most imported agricultural products ([BANXICO 2021](#)):**

- |                             |                                |
|-----------------------------|--------------------------------|
| 1. Corn                     | 6. Turnip seeds                |
| 2. Soy seeds                | 7. Seeds                       |
| 3. Other agricultural prod. | 8. Cotton                      |
| 4. Milk and dairy prod.     | 9. Other fresh or dried fruits |
| 5. Fish and seafood         |                                |

##### **Top ten hotels in Mexico 2021**

- |                   |                        |
|-------------------|------------------------|
| 1. Riu Hotels     | 6. Iberostar           |
| 2. AMR Collection | 7. Barceló             |
| 3. Marriott       | 8. Hotel Xcaret Mexico |
| 4. Hilton         | 9. Karisma             |
| 5. Palace Resorts | 10. Meliá              |

Source: [Pasillo Turistico Magazine](#)

##### **Top ten restaurant chains in Mexico 2021:**

- |                           |                    |
|---------------------------|--------------------|
| 1. Alsea                  | 6. Grupo Fisher's  |
| 2. Gigante                | 7. Grupo Garabatos |
| 3. Carso                  | 8. CMR             |
| 4. El Puerto de Liverpool | 9. Supersalads     |
| 5. Grupo Anderson's       | 10. La Era Natural |

Source: [Euromonitor](#)

##### **GDP/ Population:**

Population: 127.8 million (2021, estimated)

Median age ([INEGI](#)): 29

GDP 2021 (USD): \$1.7 trillion ([INEGI](#))

GDP Real Growth 2021: 5.02% ([INEGI](#))

Food Industry GDP USD (2020): 39.4 billion

#### Contact Information:

E- Mail: [AgMexico@usda.gov](mailto:AgMexico@usda.gov)

Or visit FAS Mexico's [website](#) and the FAS [homepage](#).

## SECTION I. MARKET OVERVIEW

### *Economy Overview*

Mexico is the second largest export market for U.S. agricultural and related products and represents one of the largest consumer markets in the world for the U.S. goods. Overall, Mexico's top trading partner by far is the United States, which imports 80 percent of all Mexican exports and provides Mexico with 50 percent of its total imports. Since the North American Free Trade Agreement (NAFTA, now the United States-Mexico-Canada Trade Agreement (USMCA)) was implemented in 1994, total agricultural exports to Mexico increased from \$4.67 billion to \$25.52 billion in 2021.

In 2021, the United States exported \$7.28 billion in processed foods to Mexico.<sup>1</sup> The top five exports were dairy products, food preparations, syrups and sweeteners, processed vegetables and pulses, margarines, and oils.<sup>2</sup> 2021 U.S. imports of processed foods from Mexico reached \$17.5 billion, with alcoholic beverages, snacks, chocolate and confectionary, non-alcoholic beverages, and processed fruits rounding out the top five.

After the Mexican economy contracted by 8.2 percent in 2020 caused in part by the COVID-19 pandemic, the economy rebounded in 2021 with 4.8 percent growth. Agriculture grew by 2.9 percent; industrial output grew by 6.5 percent; and the service industry grew 4.0 percent. Although Mexico's hospitality sector (included in the service industry) rebounded after the availability of vaccines in mid-2021, it continued to be negatively affected by the outbreaks of the Delta and Omicron variants and logistical delays.

### **HRI Sectors in Mexico**

Tourism accounted for 7.1 percent of gross domestic product (GDP) in 2021, as Mexico maintained its open-door policy and did not enforce specific sanitary restrictions for international tourists. According to Mexico's Secretariat of Tourism (SECTUR), 31.8 million international tourists visited in 2021, mainly to Cancun, Riviera Maya, and Los Cabos. The economic revenue from international tourists was \$18,52 billion, with an average expenditure of \$580 per person.

### *Hotels*

According to INEGI, in 2019<sup>3</sup> Mexico had 24,695 hotels and 854,004 hotel rooms. Sixty percent of the hotels are in the Cancun and Riviera Maya corridor as it is the main tourist destination in the country, followed by Mexico City, Puerto Vallarta, and Riviera Nayarit. Mexico ranks seventh in the world in terms of hotel supply, given the number of rooms it has. According to SECTUR, the Mexican hotel industry in accounts for 28.7 percent of tourism GDP and generates nine percent of tourism jobs, with each room generating 1.5 direct and three indirect jobs.

Hospitality magazine *Pasillo Turístico* published a top-10 2021 hotel chains list based on feedback from travel agencies and tour operators based on operations, promotions, products, and services. These include:

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<sup>1</sup> Source: [U.S. Census Bureau Trade Data](#) – U.S. Exports of Processed Food Total – CY 2015-2021

<sup>2</sup> Source: [U.S. Census Bureau Trade Data](#) – U.S. Imports of Processed Food Total – CY 2015-2021

<sup>3</sup> Latest available information.

1. Riu Hotels
2. AMR Collection
3. Marriott
4. Hilton
5. Palace Resorts
6. Barceló
7. Iberostar
8. Hotel Xcaret Mexico
9. Karisma
10. Meliá

In addition to traditional hotel accommodations, vacation rentals are very popular in Mexico. The versatility of places to stay and the flexibility of reservations has made Mexico one of the top 10 vacation rentals destinations. Remote work has attracted more foreigners to live in Mexico as the cost of living is lower. The features most sought when searching for a vacation rental are high speed internet and pet friendly. There is a noted increase in the number of foreign residents living in Mexico since the beginning of the pandemic. This is accompanied by an increase in imported products and a growth in ethnic restaurants addressing niche markets. <sup>4</sup>

The top ten restaurant chains in Mexico in 2021 were:

1. Alsea (Starbucks, Domino's Pizza)
2. Gigante (Shake Shack)
3. Carso (Sanborns)
4. El Puerto de Liverpool (own restaurants)
5. Grupo Anderson's (Señor Frogs)
6. Grupo Fisher's (Fisher's)
7. Grupo Garabatos (Garabatos)
8. CMR (Red Lobster)
9. Supersalads (own restaurants)
10. La Era Natural (own restaurants)

Source: Euromonitor

Another important component of Mexican foodservice is street vendors, which serves a wide assortment of food. Street food has gained popularity due in part to popular streaming service television shows and social media. Some popular foods have inspired chefs to create their own versions of street food in their restaurants. Street food in Mexico varies depending on the region, the time of day (e.g. breakfast versus dinner), and in some cases, even the day of the week. This segment of foodservice is independent and is supplied by public markets, wholesale markets, and cash and carry outlets.

In 2016, delivery apps began to arrive in urban areas, but COVID-19 dramatically boosted the delivery services. Consumers ordered food deliveries from their favorite restaurants, as well as learned about new options like the 'dark kitchen' format, which proved to be popular and profitable, as it reduces operating costs. Likewise, some chains have opted to include take-out and delivery-only locations.

### *Key Drivers and Consumer Trends*

Mexico remains as a price-sensitive market overall even while there are consumers willing to pay for premium quality products. The Mexican market is divided in two big segments:

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<sup>4</sup> Source: [BBC News Mundo - The impact of immigration in Mexico City due to COVID - Spanish version](#)

- High and middle socioeconomic levels which demand quality and functional products (often imported).
- Middle and lower socioeconomic levels which are much more price sensitive. (According to World Bank, 53 percent of Mexico’s population lives on less than USD \$100/month).

**Table 1: Top Ten 2022 Consumer Trends in Mexico**

1		Consumers need to trust brands and companies need to be more transparent in disclosing information about their products, such as what they contain, where they were produced, and where the ingredients came from.
2		The trend of plant-based products is increasing in Mexico. Consumers are becoming vegan or adding plant-based products to their diets due to health and environmental concerns.
3		Food choices are now signals or one’s entire lifestyle as personal values intervene with purchase decisions.
4		Consumers increasingly favor the flavor and authenticity of local foods.
5		Consumers are looking for products featuring health benefits.
6		Accelerated by the pandemic, consumers are hungry for new food and beverage experiences.
7		The pandemic reshaped existing eating occasions and launched new ones, like eating-at-home gastronomy.
8		Ingredients that were once considered waste are now being given a new lease in life in a circular economy.
9		Consumers are calling the shots and expecting more engagement with brands.
10		Technological advances have created serious innovation opportunities for the entire food and beverage industry.

Source: Innova Market Insights – Top Trends in Mexico 2022

FAS Mexico conducted a study in 2021 about consumer behavior during pandemic, please consult our [GAIN report](#) for additional information.

**Table 2: Advantages and Challenges for U.S. Exporters**

<u>Advantages</u>	<u>Challenges</u>
Increased awareness in health and body care generates greater demands for healthy products.	In 2020, Mexico implemented new mandatory Front of Pack Labeling Regulations. Products that exceed specified nutrition thresholds for calories, fats, salts, and sugars must display a warning sign label.

	Please refer to our <a href="#">GAIN</a> Report on NOM-051 standard.
Consistent private-public supply chain investments ensure reliable and timely deliveries of perishables, preserving product quality and adding to U.S.-Mexico supply chain connections by land, air, and sea.	The logistics costs increased during the pandemic due to port closures and lack of containers. Air cargo is not well consolidated in Mexico for certain products.
Industry practices are gaining in sophistication to ensure end-to-end cold chain distribution nationwide.	Cold chain distribution remains limited at the “last mile” of delivery and in Southern Mexico, where distribution hubs remain undeveloped.
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 becomes attractive for other countries trying to export their products.
The government’s program to combat food price inflation placed a six-month suspension on import tariffs for 21 staple items and five basic commodities for food processing.	Mexican restaurants are adapting its menus due to inflation by reducing portions, or less costs alternatives.

## SECTION II. ROAD MAP FOR MARKET ENTRY

Small-to-medium sized potential exporters can work with the appropriate U.S. State Regional Trade Group (SRTG) to take advantage of the SRTG’s resources for marketing and promotion support in Mexico. To learn about more services available from the SRTGs, find the SRTG for your geographic region in the list below and visit the website.

- Western U.S. Agricultural Trade Association (WUSATA)
- Southern U.S. Trade Association (SUSTA)
- Food Export-Midwest (previously named MIATCO) (Food Export)
- Food Export-Northeast (previously named Food Export USA) (Food Export)

Many U.S. companies seeking to export to Mexico attend trade shows such as [ABASTUR](#) (foodservice) and [EXHOTEL](#) to gain insight on the Mexican market, establish new contacts, and get to know buyers, potential business partners, importers, and distributors. In addition to recognizing the differences between Mexican and U.S. [business culture](#), it is important for U.S. exporters to consider regional purchasing patterns. Some products might fit perfectly in certain regions, but not in the whole country.

It is important for U.S. companies to find an experienced and professional importer or distributor as local partner. Distributors or importers will help with issues related to regulations, procedures, labeling, and customs clearance. The main supermarket chains have their own purchasing and importing departments. Companies attempting to approach large chains should have enough production capacity to meet the large product volumes they typically require. We encourage you to check our [Exporter Guide](#) and [Food Processing Ingredients Report](#) for a detailed view. In addition, ATO Mexico City launched a series of educational videos which are available [here](#).

### **SECTION III. COMPETITION**

Mexico's retail Food sector is a crowded and highly competitive marketplace. A largely self-sufficient domestic market can source about 90 percent of its inputs locally, including fruits, vegetables, and packaging materials. For the remaining 10 percent, the United States is supplier of choice. U.S. Agricultural exports enjoy a sterling reputation in Mexico due to consistent product quality, stable supplies, and proximity. Additionally, preferential market access under NAFTA signed in 1994 and its successor agreement the United States-Mexico-Canada Trade Agreement, which entered into force in July 2020, further enhance bilateral trade.

Other major exporters to Mexico include Canada, Ireland, Brazil, Chile, and China. Since joining NAFTA, Mexico has negotiated trade agreements with more than 45 countries. The latest agreements include the new 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), formally created in March 2018. The agreement entered into force in Canada, Australia, Japan, Mexico, New Zealand, and Singapore on December 30,2018.

**Table 3: 2021 Top Imports of Consumer-Oriented Products to Mexico and Global Competition**

<b>Annual Series: January-December 2021</b>		
<b>Commodity</b>	<b>Partner Country</b>	<b>Value in \$ Millions</b>
Agricultural Products	World	\$ 37,293
	United States	\$ 24,968
	Canada	\$ 2,613
	Ireland	\$ 1,364
Dairy Products	World	\$ 2,474
	United States	\$ 1,733
	New Zealand	\$ 163
	Unidentified	\$ 152
Pork and Pork Products	World	\$ 2,430
	United States	\$ 1,979
	Canada	\$ 401
	Spain	\$ 35
Poultry and Poultry Products	World	\$ 1,607
	United States	\$ 1,327
	Brazil	\$ 162
	Chile	\$ 91
Beef and Beef Products	World	\$ 1,249
	United States	\$ 946
	Canada	\$ 144
	Nicaragua	\$ 117
Soups and Other Food Preparations	World	\$ 968
	United States	\$ 743
	Guatemala	\$ 44

Source: INEGI and Trade Data Monitor

#### **SECTION IV. BEST PRODUCT PROSPECTS**

Current U.S. export sales trends indicate that intermediate-and-consumer oriented products will drive future growth. Niches of opportunity continue to appear as Mexico's domestic processing sector diversifies and consumers shift to demand healthy, convenient, and high-quality foods, as indicated by recent consumer habits during the COVID-19 pandemic.

Based on Post assessments, the U.S. food and agricultural products with the highest sales potential are:

- Healthy and environmentally friendly processed foods (i.e., lower sodium, fat, sugar, etc.).
- Dairy products-functional yogurts, added with probiotics, and lactose-free.
- Plant-based beverages and products-e.g. soy, almond, coconut, rice, oat, beverages/yogurt/pudding/ice-cream products.
- Frozen products mainly precut, seasoned, mixed with vegetables.

#### **SECTION VI. 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.

##### **ATO Mexico City**

Liverpool #31 Col. Juárez  
Mexico City, CDMX 06600  
T: + 52 (55) 5080-2000 ext. 5282  
Email: [AgMexico@usda.gov](mailto:AgMexico@usda.gov)

##### **ATO Monterrey**

Prol. Av. Alfonso Reyes #150  
Col. Valle Poniente  
Santa Catarina, NL 66196  
T: +52 (81) 8047-3100 ext. 3232  
E: [AgMexico@usda.gov](mailto:AgMexico@usda.gov)

#### **MAIN TRADE SHOWS IN MEXICO**

<b>Trade Show</b>	<b>Description</b>	<b>Website</b>
Expo ANTAD	Trade show organized by the National Retailers and Department Stores Association. Takes place annually in Guadalajara.	<a href="#">Expo ANTAD</a>
Confitexpo	Confectionary industry tradeshow. Takes place annually in Guadalajara.	<a href="#">Confitexpo</a>
Mexipan	Bakery industry trade show. Takes place every other year in Mexico City.	<a href="#">Mexipan</a>
Expo Café	Trade show related to coffee and coffee shops suppliers. The show has two editions per year one in Guadalajara and	<a href="#">Expo Cafe</a>

	the second one in Mexico City.	
Gourmet Show	Trade show related to gourmet products, including new categories like vegan, organic, wines and spirits and chocolate products.	<a href="#">Gourmet Show</a>
Expo Cerveza Mexico	Craft beer trade show. Takes place annually in Mexico City.	<a href="#">Cerveza Mexico</a>
Agro Baja	Agricultural and Fishery exhibition. Takes place annually in Mexicali.	<a href="#">Agro Baja</a>
Expo Carnes y Lacteos	Beef, Pork, Poultry meat and dairy trade show. The event takes place annually in Monterrey.	<a href="#">Expo Carnes</a>
Exphotel	Regional trade show related to hospitality covering mainly the Mayan Riviera and the Yucatan Peninsula.	<a href="#">Exphotel</a>

#### ADDITIONAL INFORMATION

**FAS Mexico Web Site:** We are available at our [website](#) or visit [FAS Headquarters website](#) for a complete selection of FAS worldwide agricultural reporting.

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SADER) can be found at [Agricultura](#) and Mexico's equivalent to the U.S.

Department of Commerce (SE) can be found at [Economia](#) . These websites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

#### **Attachments:**

No Attachments