

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

### Retail Foods

## Mexico Retail Sector Report CY2012

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**Report Highlights:**

During 2012 the retail industry continued its planned expansion with major retailers moving deeper into the small store segment, targeting customers who shop in convenience and small mom-and-pop neighborhood stores. Additionally, Mexico continued to grow in the number of premium and gourmet supermarkets with most key retailers expanding into this niche, giving local wealthy and growing middle-class customers an opportunity to find high-end products on a consistent basis.

**Post:**

Mexico City ATO

**Executive Summary:**

During 2012, key retail players focused on their core business- maintaining expansion strategies across the board in the Modern Trade sector- which grew its market share at the expense of the Traditional Sector, which consists of informal trade as well as traditional markets in Mexico. Today, both of these sectors are evenly divided with approximately 50 percent market share. Key retailers have developed specific strategies to strengthen their businesses, making them more competitive in 2012. Wal-Mart continues to grow their small-store segment, Comercial Mexicana continued to bolster merchandise inventories, Soriana showed success by restructuring its store target groups as well as investing in SAP technology, and Chedraui gained strength trading on the Mexican Stock Exchange and used much needed capital to continue its growth in Mexico and to fund Latino market expansion in the United States.

ANTAD, the nation's retail industry association, held its second "El Buen Fin" (The Good Weekend) campaign, which gained strength replicating Black Friday in the United States. With key retailer and major manufacturer participation, as well as government agencies agreeing to give part of the end-of-year bonuses in mid November, the retail industry showed commitment to this initiative and generated additional sales. In its second year, "El Buen Fin" captured support of the non-member retail segment as smaller independent stores joined the process of offering discounts and promotions to its customers during the second weekend in November.

Finally, Mexico continued to grow in the number of premium and gourmet supermarkets with most key retailers expanding into this niche, giving local wealthy and growing middle-class customers an opportunity to find high-end products on a consistent basis.

**Author Defined:****Section I. Market and Retail Sector Summary**

While retail in emerging markets continued its explosive growth in 2012, Mexico's increase in the retail sector grew but at a more moderate rate as new store openings were slightly under the forecasts for the year. The 2012 Global Retail Development Index by A.T. Kearney noted that Mexico moved slightly from a market where real estate was easily accessible to one where real estate became more difficult to secure and local competition became more sophisticated. This scenario reflected the activity seen during 2012 where local or regional retailers aggressively and effectively grew their floor space and larger firms like Wal-Mart and OXXO (Coca-Cola) opened many new stores but at a slower rate than was anticipated. It has become increasingly difficult to secure quality real estate in prime locations.

In 2012, Mexico reaped the rewards of having a stable economic environment. The country confronted what was seen as a transition year with economic stability based on many years of sustained growth and the country was seen as less vulnerable to general uncertainty. With presidential elections completed and a new governing party in office, Mexico closed the year with high economic expectations for the future. Much needed social reforms were in place by year-end creating an optimistic outlook for consumers, though external factors such as instability in Europe and the Fiscal Cliff in the United States negatively affected economic prospects in [Mexico](#).

As measured by the INEHI and Banco de Mexico, the [Consumer Confidence Index](#) continued to rise. Within Mexico, the news was positive with unemployment closing at 4.47 percent, slightly lower than that registered in 2011 of 4.51 percent. Inflation for the year closed at 3.6 percent which is marginally better than 2011 at 3.8 percent, and the Mexican peso exchange rate averaged 12.97 pesos/ U.S. dollar, also lower than the rate of 13.95 pesos for 2011. Finally GDP [growth](#) was even at 3.9 percent.

**Table 1. Mexico: Statistics at a Glance**

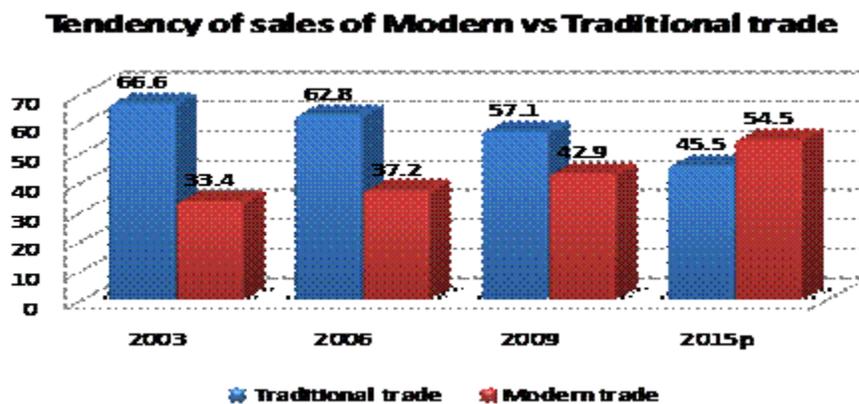
	2010	2011	2012	2013p
<b>GDP (% Growth)</b>	5.5	3.9	3.9	3.5
<b>Inflation (% Growth)</b>	4.4	3.8	3.6	3.6
<b>Exchange Rate (pesos)</b>	12.35	13.95	12.97	12.43
<b>Total Imports from U.S. (billions of USD)</b>	163.32	197.55	216.33	
<b>Total Exports to U.S. (billions of USD)</b>	229.65	263.40	277.63	

American Chamber of Commerce, Mexico City (p=projected)

As noted by [A.T. Kearney](#), international as well as local companies still see Mexico as a market for continued retail growth, especially in the small-store segment, which showed the highest rates of new store openings. This segment was of primary importance to Wal-Mart and Soriana which both focused about 50 percent of new activity in this niche.

The Modern Trade segment, comprised of established retail, department, and specialty stores (pharmacies and convenience stores) in Mexico is growing at the expense of the Traditional Trade segment, including independent mom-and-pop stores, informal street vendors, municipal and city markets, and wholesale markets known as “centrales de abasto”. As spending expands, consumers are becoming more sophisticated, looking for stores that are more modern and outlets which give them a broader range of global products. The Traditional Trade capitalizes on its proximity to consumers as its key advantage, which is the platform targeted by the Modern Trade sector for its future growth. As projected by [ANTAD](#), the informal trade will continue to slowly lose strength to the more established retailers.

**Table 2. Commercial Growth: Modern and Traditional**

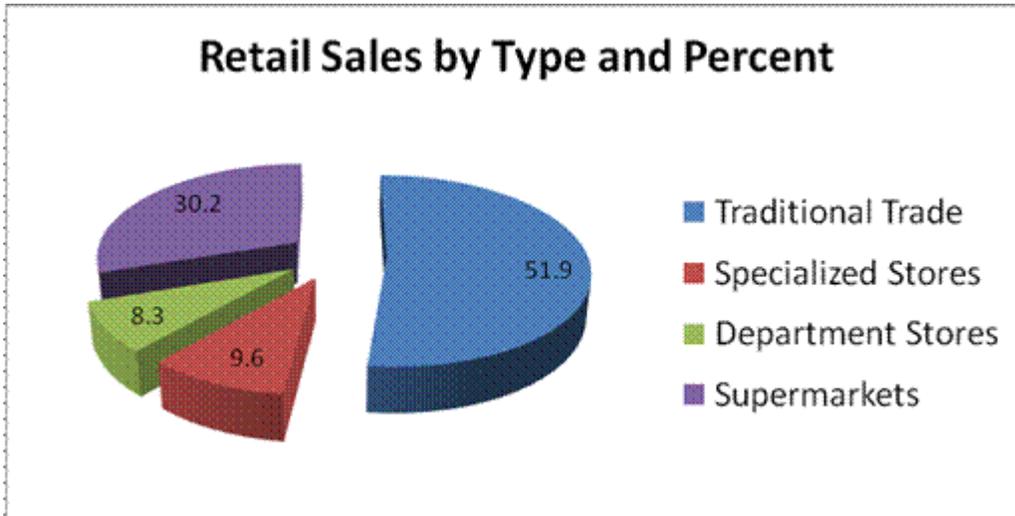


**Trade**

Source: ANTAD 2011

In June 2012, the distribution of retail business was described by ANTAD to be 51.9 percent in the Traditional Trade and 48.1 percent in the Modern/ Organized trade of their members. Of this, about 30 percent of business is conducted in supermarkets across Mexico.

**Table 3. Retail Sales by Type and Percent**



Source: ANTAD 2012

Overall, sustained growth in the retail sector continued through 2012. ANTAD reports 10.8 percent growth over a year ago, driven by new store openings and “El Buen Fin” weekend in its second year. A 4.7 percent growth rate is reported among all types of stores (department, supermarket, and specialty) factoring out new store openings in 2012. It is important to note that ANTAD reports 3.5 percent sales growth in same-store supermarkets and 9.6 percent growth in total supermarkets showing that growth is driven by new store openings. Overall, supermarkets represent 53 percent of total ANTAD sales. Total retail sales of the Modern Trade sector within ANTAD’s membership closed the year at \$83.3 billion dollars, a 10.8 percent increase over 2011. Growth by type of stores and product for 2012 was as follows:

**Table 4. Retail Sales Growth by Type of Store and Merchandise**

Store Type	Same Stores % Growth	Total Stores % Growth	%Growth by Merchandise	Same Stores % Growth	Total Stores % Growth
Supermarkets	3.5	9.6	Groceries and Fresh Foods	4.0	10.9
Department Stores	8.6	13.5	Clothing	6.4	11.7
Specialty Stores	5.0	12.6	General Merchandise	5.1	10.5
<b>Total ANTAD</b>	<b>4.7</b>	<b>10.8</b>	<b>Total ANTAD</b>	<b>4.7</b>	<b>10.8</b>

ANTAD Press Release January 2013

As reported by ANTAD, the total sales increase for 2012 varied by product category. Cellular phones, appliances, and computers drove sales with yearly increases of 19 percent, 13 percent, and 12 percent respectively, attributed mostly to the promotional efforts during the “El Buen Fin”. Groceries, non-alcoholic drinks, fresh/ frozen products, meats/ fish, and fresh produce had sales increases of over 8 percent.

**Table 5. Growth 2012 by Product Category**

Product Category	% Growth for 2012
Cellular phones	19

Computers	12
Appliances	13
Groceries (including baby food and candy)	12.5
Non-alcoholic drinks	10
Fresh and frozen foods	9
Meat, poultry, fish and seafood	9
Fruits and vegetables	7.6

ANTAD Press Release January 2013

Various factors influenced sales growth during 2012. Retailers saw an increase in promotional activities and attracted more consumers into stores and enticed them to spend more money on each store visit. Additionally, new stores were effective in targeting consumer needs and reached customers more effectively in all socioeconomic levels. The increased credit availability for consumers fueled sales as did the increased level of specialized service seen at the point of sale. Finally, broader product offerings gave consumers what they needed which they found consistently in stock. These factors were key in the continued expansion of the Organized Trade sector in reaching the population through a more effective supply chain that expanded deeper into smaller communities in Mexico. This expansion was fueled by an estimated investment of \$3.6 billion dollars increasing new ANTAD affiliated stores by more than 1,900 in the country.

ATO Mexico noted the continued increase of top-of-the-line supermarket outlets. City Market by Comercial Mexicana opened two new stores in 2012, Chedraui inaugurated eight Selecto Chedraui gourmet stores, and regional chains such as Super Casa Ley and HEB stores in the northern part of the country increased new store openings in this high-end sector. The offer of premium and gourmet products increased in all middle and high income stores, capitalizing on the continued trend for consumption of high-value, high-quality goods.

Overall, 2012 saw an increase in promotional activity across the board. National retailers continued their initiatives such as Wal-Mart's year-long campaign of "everyday low prices". Wal-Mart introduced a new promotional campaign in October 2012 offering consumers the lowest prices in Mexico on many items during the month. The well entrenched promotional campaigns by Comercial Mexicana "Miercoles de Plaza" (Wednesday market days) and the summer campaign of "Julio Regalado" (July Give-a-Way) continued successfully as did "Super Venta de Verano" (Super Summer Sale) by Soriana and a new, end-of-the-year promotion which proved very successful. By far, the strongest promotional campaign this year was "El Buen Fin" which successfully bolstered consumer spending. "El Buen Fin" had a successful second year, proving to be an event which is here to stay. Members of ANTAD, major manufacturers, credit institutions, and government agencies joined forces under a heavily publicized program to imitate Black Friday's success in the United States. By giving employees their "aguinaldo" (end-of-year bonuses) in November, employers made it possible for consumers to take advantage of many opportunities to spend by receiving direct discounts, no-interest payment options, and many novel promotions across the country as the industry banded together to incentivize sales over the long holiday weekend of November 18-21, 2012.

Consumers in Mexico have specific characteristics which influence their purchasing decisions. In a survey developed by ANTAD last year among people from the A,B, and C socio-economic segments, 89 percent reported shopping in supermarkets of which 70 percent of products purchased were food and beverages, 20 percent were health and beauty aids, and 10 percent were other types of products.

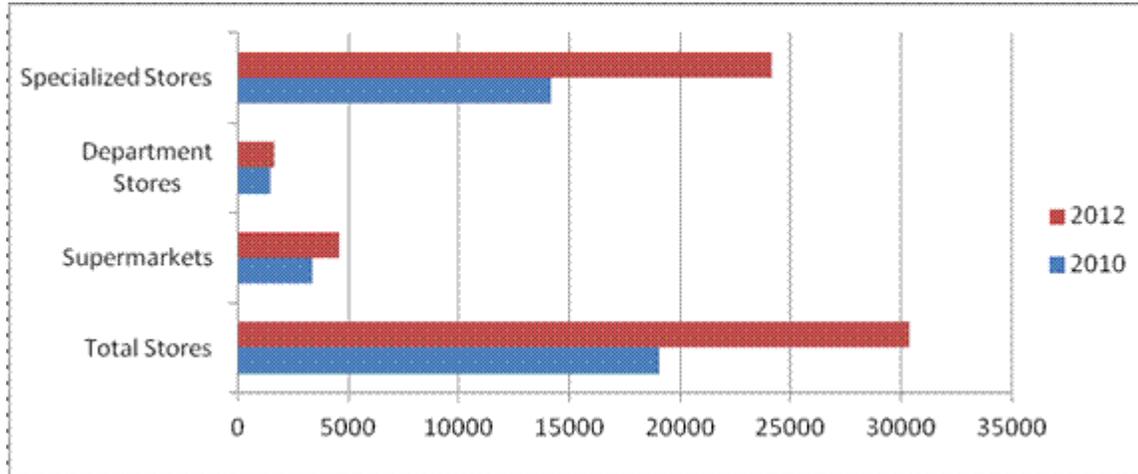
Consumers have become more sensible and better informed, demanding broader product choices and well-trained personnel at the point of sale. Consumers were seen more often leaving stores and going to competing

establishments when the products were out of stock. It was noted by Kantar World Panel that Mexicans go to the store on average of 23 days per month, the highest rate in Latin America.

**Section II. Retail Store Openings**

This year, ANTAD reported a total of 30,364 retail stores in their member base of Supermarkets, Department Stores, and Specialized Stores, including Convenience Stores.

**Table 6. Growth in Type of Retail Outlets**



Source: ANTAD 2010 and 2012

Specialized stores include convenience stores and pharmacies, making this sector the highest growth sector in the retail industry by far accounting for 72 percent of all new store openings. OXXO convenience stores owned partially by Coca-Cola alone grew by 10 percent, up 7 percent from last year, contributing 1,040 new stores to the ANTAD base in 2012.

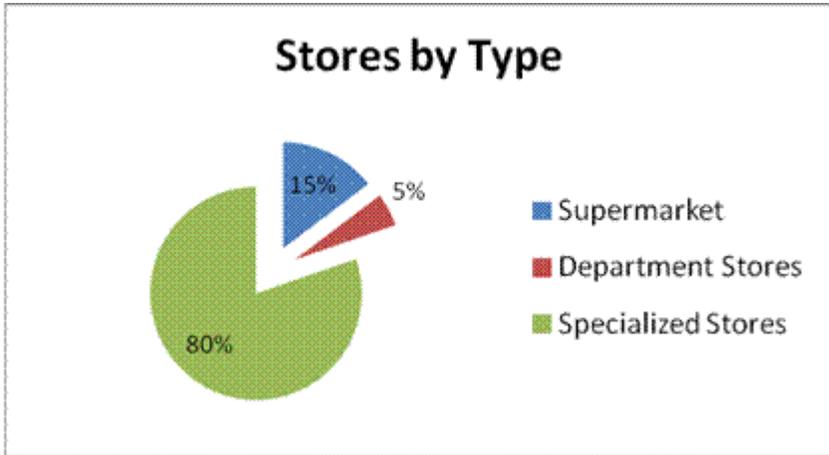
**Table 7. Number of Stores and Percent Change**

Retail Chains	Number of Stores 2011	Number of Stores 2012	% Change
Total	27,551	30,364	10%
Super Markets	4,019	4596	14%
Department Stores	1,576	1,651	5%
Specialized Stores	21,956	24117	10%

Source: ANTAD

Small stores in the supermarket segment consistently showed the highest growth in new super market store openings with Wal-Mart alone representing 40 percent. Convenience stores and pharmacies are included within the Specialized Store segment and realized a 10 percent growth rate. This reflects OXXO’s objective of doubling the number of stores over five years. Specialized stores now represent 80 percent of total retail outlets within ANTAD.

**Table 8. Stores Percentages by Type**



Source: ANTAD

**Section III. Top National Retailers’ Initiatives and New Store Openings** (All Numbers are Estimates):

**Wal-Mart**

Wal-Mart continued to grow through 2012 maintaining its double digit growth in the low-end and small-sized supermarket category with an estimated 263 new store openings. Due to problems in acquiring real estate and permits, growth was slightly lower than expected.

**Table 9. Number of Wal-Mart Stores**

	2011	2012	Total Stores
<b>Wal-Mart</b>	223	263	1882
<b>Bodegas Aurrera</b>	33	220	412
<b>Mi Bodega</b>	45	29	256
<b>Bodega Express</b>	131	164	755
<b>Superama</b>	4	2	90
<b>Wal-Mart Supercenter</b>	9	14	227
<b>Sam’s Club</b>	13	18	142

Source: Wal-Mart, Infobasics and ANTAD

Among its initiatives, Wal-Mart has had a very aggressive promotional calendar, joining in with a full advertising campaign enticing customers to maximize their shopping savings with their “El Buen Fin” promotions in all their stores. As the results were very favorable and to minimize cannibalization of their December sales, Wal-Mart alone launched an extension to this campaign under the slogan “El Ultimo Fin” (the last weekend before Christmas) hoping to capitalize on consumers receiving the second part of the year-end bonuses.

Additionally, they maintained the year-long campaign focusing on everyday low prices in order to compete head on with Comercial Mexicana’s summer promotion “Julio Regalado” and Wednesday’s market day under “Miercoles de Plaza.”

Finally, this chain expanded its store-in-store concept of general merchandise under 10 pesos (less than \$1 dollar) at the front of many of its Wal-Mart and Bodega Aurrera store formats in order to capture customers’ impulse buying without having to enter the larger section of the store.

**Comercial Mexicana / Costco**

[Comercial Mexicana](#) divested Costco Mexico from its portfolio this year. With this move, Comercial Mexicana

liberated much needed capital in order to continue its growth plans for 2013. The company focused on consolidating its product offering at the point of sale. Consumers have seen a steady increase in products, better assortments as well as novelty items previously not found in these stores.

Additionally, the store's traditional promotional campaign "Julio Regalado" took on a new twist to its long standing campaign by advertising "Todos quieren ser Julio Regalado" (Everyone wants to be Discounted July) supported by an aggressive promotional budget. The latter coupled with better product assortment at the point of sales has strengthened Comercial Mexicana's income and sales.

This retailer closed 3 existing locations and reopened them using the City Market format capitalizing on its premium location within elite neighborhoods in Mexico City. In 2012, they continued this track of refurbishing existing locations as part of their strategy to strengthen their position in the market. Comercial Mexicana plans to change many Sumesa stores into the more lucrative formats. Some additional, well selected store locations will be seen in 2013.

**Table 10. Number of Comercial Mexicana Stores**

	2011	2012	Total Stores
<b>Comercial Mexicana</b> Store Openings	(3)	-1	199
<b>Comercial Mexicana</b>	0		52
<b>Bodega C.M</b>	0		42
<b>Mega C.M.</b>	(3)	-1	83
<b>Al Precio</b>	0	-1	5
<b>Sumesa</b>	(1)		12
<b>Fresko</b>	0		1
<b>City Market</b>	1	1	4

Source: Comersi, Infobasics and ANTAD

### **Grupo Soriana**

The new positioning strategy which Soriana began in 2011 continued in 2012 and showed clear signs of success. Soriana's actions to position its stores by customer base with specific product offerings proved to be a strong initiative as customers started to understand what Soriana stores have to offer. The company placed strong emphasis on lower prices which proved to be successful with the increased traffic in stores. During 2012, Soriana placed specific efforts on Mercado Express, opening half of new stores in the Mercado Express format. This store format as well as Mercado Soriana services primarily the low income segment of the population with great success.

In order to continue its corporate strategies, Soriana announced plans in 2012 to work with SAP resources planning software and Accenture to transform the company's business models and structure, placing added emphasis on technology and corporate culture. This will help position Soriana for its expansion plans to make the company more profitable and competitive in the Mexican market.

Additionally, Soriana is testing a high-end store concept called Soriana Super Marne hoping to capitalize on the growing market in premium and gourmet products. Its first store opened in September of 2011 in the northern city of Monterrey using a refurbished existing location. Its target is high income consumers in the region with incomes higher than \$5,500 USD per month. The product mix being offered includes wines and liquors, delicatessen, and prepared meals from around the world made by local chefs. Its high employee-to-customer ratio will insure the best customer service in the region.

Finally, while Soriana is headquartered in Northern Mexico with a large portion of its stores in northern states, Soriana became the second-largest national chain with its purchase of Gigante stores and thus is no longer considered a regional retailer. Grupo Soriana opened 48 new stores with more than half in the small “express” type format keeping pace with this sector’s continued growth.

**Table 11. Number of Soriana Stores**

	2011	2012	Total Stores
<b>Soriana New Store Openings</b>	50	48	606
<b>Hiper Soriana</b>	7	15	249
<b>Mercado Soriana</b>	11	12	147
<b>Soriana Super</b>	2	10	105
<b>Mercado Express</b>	26	25	72
<b>Soriana Super Marne</b>	1	0	0
<b>City Club</b>	3	0	33

Source: Grupo Soriano, GC Retail in Detail and ANTAD

### Grupo Comercial Chedraui

Chedraui strengthened its position in the market in 2012 by adding more high-end stores to its product offering. The new store format competes with the high-end Superama (Wal-Mart) as well as with HEB stores in the north. Chedraui Selecto now has its first store in Mexico City, which opened in 2012.

Additionally, Chedraui continued its expansion into the United States by acquiring eight stores and opening one new El Super store for a total of 45 outlets targeting the Latino market in California and the South Western United States. The company will continue its plans for growth in 2013.

**Table 12. Number of Chedraui Stores**

	2011	2012	2012 Total Stores
<b>Chedraui New Store Openings</b>	12	15	
<b>Chedraui</b>		9	154
<b>Super Chedraui</b>	4	3	40
<b>Selecto Super Chedraui</b>		2	2
<b>Selecto Chedraui</b>	1	1	8
<b>Total Mexico:</b>	<b>17</b>	<b>24</b>	<b>198</b>
<b>Total U.S.A:</b>			
<b>El Super</b>	<b>3</b>	<b>9</b>	<b>45</b>

Source: Chedraui

### Section IV. Top Regional Retail Chains

Regional chains showed constant growth during 2012 and will continue to do so for many years to come. As reported by the [DENUE](#), the retail stores are concentrated in greater numbers in 11 of the 32 states in Mexico with 70 percent of all stores in these [states](#), leaving 21 states with low penetration of supermarkets, offering great potential for growth as the country’s economy continues to grow. Most supermarket retailers in Mexico target towns and cities with population of over 100,000-1 million inhabitants where most of the stores are located today. But, in search of new niches, retailers are targeting towns with population of 15,000 or more, of which there are still over 300 towns and cities in Mexico that offer [potential for new stores](#).

## Casa Ley

Casa Ley is the largest privately-owned supermarket chain servicing 12 northern states in Mexico. It has 179 stores as of September 2012 in its three segment types, making it the largest regional retailer in the country. Ley's mission is to offer quality and the broadest selection of products at a good value. In these stores "Customers find all their needs... and much more". Next, Ley Express has over 25 stores offering convenient locations to its customers, very close to home so that they can buy their daily needs in one convenient location. Primarily groceries and some products for the home can be found here.

Super Ley is the more modern of its stores, insuring the best service by having the latest technology and design within these stores. By insuring the best store layout and contemporary graphics, Super Ley is modern and well suited to their customer's tastes and needs. Many specialty items and select food products can be found in here.

Finally, Ley Super Mayoreo is a wholesale-type retail store offering door-to-door service at wholesale prices catering to institutions, restaurants, pharmacies, and small retailers. The general public can buy here without needing a membership.

## Calimax

Calimax is located in Mexico's northwest and has joined forces with another regional retailer S-Smart in order to strengthen its purchasing power. Calimax was successful with its process to renew its image and started building its supermarkets under its new store concept which is smaller but more functional. In these new stores, produce plays a central role in order better serve customer's needs. By 2012, Calimax has over 100 stores in the North West area of Mexico from Baja California to Sonora. This chain carries over 30 percent of its products from abroad, mostly of U.S. origin. Calimax established a joint venture with Smart & Final out of Los Angeles, California using this association to fund some of the new store openings as well as to benefit from economies-of-scales when purchasing products from the United States. Calimax continues with its expansion plan in the area, planning to open 12 additional stores in 2013.

## Section V. Supermarkets by Geographic Location

### Supermarket Chains

There are 36 supermarket chains reported by ANTAD in Mexico, some servicing specific regions while others have nationwide coverage. Some cater directly to consumers as do all national chains, while others focus on wholesalers and small businesses, tending to operate regionally.

**Table 13. ANTAD Distribution Description**

Country Location or Zone	Mexican States included:
Metropolitan	Mexico City and surrounding area
Center	Aguascalientes, Colima, Hidalgo, Guanajuato, Jalisco, Michoacán, Morelos, Puebla, Querétaro, San Luis Potosí, and Tlaxcala
North	Coahuila, Chihuahua, Durango, and Zacatecas
Northeast NE	Nuevo Leon and Tamaulipas
Northwest NW	Baja California Norte, Baja California Sur, Nayarit, Sinaloa y Sonora
Southeast SE	Campeche, Quintana Roo, Tabasco, Veracruz, and Yucatán
Southwest SW	Guerrero, Chiapas, and Oaxaca

Source: ANTAD and GC Retail in Detail

**Table 14. Supermarket Geographic Locations**

	DF	Center	North	NE	NW	SE	SW	Total 2010	Total 2011	Total 2012 (New)	% Change
Wal-Mart	X	X	X	X	X	X	X	1250	1473	90	9%
Comercial Mexicana	X	X	X	X	X	X	X	231	199	2	0%
Costco									32	0	0%
Soriana	X	X	X	X	X	X	X	479	558	48	9%
Casa Ley	-	X	X	-	X	-	-	158	179	28	17%
Chedraui	X	X	-	X	-	X	X	143	171	15	8%
Calimax	-	-	-	-	-	X	-	60	75	26	34%
Alsuper	-	-	X	-	-	-	-	49	n/a	0	0%
Merco	-	-	X	X	-	-	-	34	n/a	0	0%
S-Mart	-	-	X	X	-	-	-	47	49	4	8%
MZ	-	-	-	-	X	-	-	31	37	0	0%
HEB	-	X	X	X	-	-	-	33	39	43	10%
Waldo's	-	X	X	X	X	-	-	n/a	297	?	n/a
Super Sta Fe	-		X	X	X			n/a	81	95	15%

Source: ANTAD and GC Retail in Detail

## Section VI. Total Imports into Mexico and Main Competitors 2012

<u>Commodity</u>	<u>%Change</u>	<u>Rank</u>	<u>Country</u>	<u>% Share 2009</u>	<u>% Share 2012</u>
<b>Edible Fruits and Nuts</b>					
HS Code: 08		1	United States	75	82
Total Net Imports 2009 (USD): \$618.4 million		2	Chile	18	12
Net Imports 2010 (USD): \$703.4 million	14%	3	China	1.9	1.4
Net Imports 2011 (USD): \$818.7 million	16%	4	Argentina	0.9	1
Net Import 2012: \$970.2 million	19%				
<b>Fresh Apples, pears and quinces</b>					
HS Code: 0808		1	United States	91	96
Total Net Imports 2009 (USD): \$259 million		2	Chile	5	2
Net Imports 2010 (USD): \$285.9 million	10%	3	Argentina	3	1
Net Imports 2011 (USD): \$290.5 million	2%				
Net Import 2012: \$392.7 million	35%				
<b>Grapes fresh and dried</b>					

HS Code: 0806		1	Chile	75	63
Total Net Imports 2009(USD): \$69.4 million		2	United States	24	37
Net Imports 2010 (USD): \$93 million	34%				
Net Imports 2011 (USD): \$529 million	469%%				
Net Import 2012: \$582 million	10%				

#### Chicken Meat fresh or frozen

HS Code: 0207		1	United States	93	95
Net Imports 2009(USD): \$703.5 million		2	Chile	7	5
Net Imports 2010 (USD): \$821.4 million	17%				
Net Imports 2011 (USD): \$977 million	19%				
Net Import 2012: \$1.1 billion	12%				

#### Meat frozen

HS Code: 0202		1	United States	57	74
Net Imports 2009(USD): \$31 million		2	Australia	20	10
Net Imports 2010 (USD): 24 million	-23%	3	New Zealand	9	10
Net Imports 2011 (USD): 28.7 million	20%	4	Canada	7	6
Net Import 2012: \$30.1 million	5%	5			

#### Meat fresh or chilled

HS Code: 0201		1	United States	80	87
Net Imports 2009(USD): \$808.1 million		2	Canada	20	13
Net Imports 2010 (USD): 851 million	5%				
Net Imports 2011 (USD): 904 million	6%				
Net Import 2012: \$802 million	-11%				

#### Dairy Products

HS Code: 04		1	United States	66	75
Net Imports 2009 (USD): \$1.07 billion		2	New Zealand	18	11
Net Imports 2010 (USD): \$1.27 billion	19%	3	Chile	4	3
Net Imports 2011 (USD): \$1.67 billion	31%	4	Uruguay	5	2.5
Net Import 2012: \$1.64 billion	-2%				

Rice					
HS Code: 1006					
Net Imports 2009(USD): \$345.3 million		1	United States	99	92
Net Imports 2010 (USD): \$320 million		2	Uruguay	.08	7
Net Imports 2011 (USD): \$377 million		3	Pakistan		.2
Net Import 2012: \$370 million			Argentina		.16
Wheat					
HS Code: 1001					
Net Imports 2009(USD): \$728 million		1	United States	73	78
Net Imports 2010 (USD): \$847 million	16%	2	Canada	27	22
Net Imports 2011 (USD): \$1311 million	35%				
Net Import 2012: \$1482 million	13%				
Cereal					
HS Code: 10					
Net Imports 2009(USD): \$3.03 billion		1	United States	91	82
Net Imports 2010 (USD): \$3.24 billion	7%	2	South Africa	8	6.5
Net Imports 2011 (USD): \$5.48 billion	70%	3	Canada		6.4
Net Import 2012: \$5.44 billion	-1%				
Dry Beans and Legumes					
HS Code: 0713					
Net Imports 2009(USD): \$208.4 million		1	United States	72	71
Net Imports 2010 (USD): \$161.7 million	-22%	2	Canada	24	17
Net Imports 2011 (USD): \$156.6 million	3%	3	China	4	7
Net Import 2012: \$328.7 million	110%	4	Argentina		3.6
Wine					
HS Code: 2204					
Net Imports 2009(USD): \$144.3 million		1	Spain	31	30
Net Imports 2010 (USD): \$162 million	12%	2	France Chile	17	18
Net Imports 2011 (USD): \$186 million	15%	3	Chile	21	18
		4	Italy	11	13.5

million					
Net Import 2012: \$191 million	3%	5	Argentina	9	9
		6	United States	6	6
		7	Germany	1	2
<b>Total Agricultural Trade</b>					
HS Code: 1-24		1	United States	72	73
Net Imports 2009(USD): \$18 billion		2	Canada	7.3	7.4
Net Imports 2010 (USD): \$20.3 billion		3	Chile	2.8	2.2
Net Imports 2011 (USD): \$25.4 billion		4	Guatemala	1.8	1.48
Net Import 2012: \$26.5 billion		5	China	1.4	1.31
		6	South Africa	0	1.09
		7	Guatemala	0	1.06
		8	Argentina	1.2	.75

Source: GTIS (FAS export information) and INEGI

## Section VII. Best Product Prospects

Over the past 10 years, Mexico has seen an increase in its middle class of 17 percent, one of the fastest growing segments in Latin America. The consumption of high-quality products is on the rise with consumers looking for good quality products. Middle class families are not worried about their kids getting enough food; they are worried about them eating too [much](#).

Mexico's economic expansion, more educated population, credit availability, more urban life-styles, dual-income households, opens many opportunities for American products in this market. Also, [Mexico today](#) is characterized by families having fewer children and investing more in them. These changes in the Mexican market, among families and consumers marked the demand for products offering convenience, high quality and value.

Two clear segments offer the highest potential in supermarkets given the rapid expansion of stores in these niches including high-end and low-end, convenience type stores. Within these two segments the trends continued for 2012 as follow:

### Ready-to-Serve:

Supermarket chains are experiencing a growing demand for good quality products targeting those consumers looking for ease of preparation. Ready-to-serve products continued to be a fast growing niche in most high-end supermarkets as are those products that come ready-to-cook, with little to no preparation needed. In Mexico, families consuming these products like to add their own personal touch to dishes, feeling that they tailored the food to the family's taste.

### Ready-to-Eat Products for Convenience Stores:

Convenience stores and products targeting this sector remained strong given the aggressive growth seen in 2012. This sector is still expected to continue growing through 2013 at a fast pace; most products sold here are

ready-to-eat, snacks or a quick lunch on the run. Many convenience stores grew its section of warm goods such as hot dogs, sandwiches, and instant soups as well as offering an increased number of fresh fruits, both cut and packaged or whole.

**Fresh Food for In-Home Use:**

Eating at home, with meals cooked fresh is still the practice most Mexican families prefer both because it's less expensive and because traditionally they prefer home cooked meals. These practices insure a steady market for fresh food in the foreseeable future.

**Health and Wellness products:**

Natural agricultural products are well-positioned to capitalize on this growing segment aimed at the young, overweight population. Consumers have shown an increase interested in products offering nutrition and healthful benefits, which resulted in a surge of these products in supermarkets of all sizes.

**Products for the Low-End Market:**

The lower-end supermarkets and small "express" type stores offer huge potential for American products. But, the challenge comes in that products in this sector are very price sensitive. U.S. exporters must reach economies of scale to offer low priced goods to these budget conscious consumers. As most stores focus on produce and groceries, these offer the most viable opportunities for export.

**American Wines:**

With 9 percent growth in the overall wine market in Mexico, American wineries need to focus their attention in this expanding market. U.S. wines have a small presence locally and account for approximately 6 percent of total imports. With a well developed strategy there is large potential for growth.

**Section VIII. Mexico: Advantages and Challenges for U.S. Exporters**

**Table 15. The table below remains accurate and current**

<b>Advantages</b>	<b>Challenges</b>
Industry leaders are hiring and partnering with sophisticated security companies to insure commerce continues uninterrupted	Security issues in Mexico are real, but businesses continue to operate without disruption
Direct foreign investment in Mexico grew consistently through 2012	New job creation in Mexico is not keeping pace with population growth, forcing unemployment to remain unchanged
Mexican retailers are very familiar with U.S. retail practices	Local manufacturers are adapting quickly to meet retailers needs and specifications bringing new competition to U.S. products
Western style supermarkets are gaining wider acceptance in every segment of the retail environment, especially in high and low-end stores	Local retailers are demanding more often that products be delivered locally with local servicing and attention
Mexican consumers are becoming more knowledgeable about what they buy, looking for quality and price with retailers reacting by opening high end supermarkets	While U.S. products are of very high quality, many times they come at a higher cost than sourced locally, limiting the stores where they can be sold
Industry practices are becoming more sophisticated insuring: <ul style="list-style-type: none"> <li>• cold chain distribution for wider</li> </ul>	While cold chain distribution is now available nationwide, it has not been implemented throughout lower levels of the distribution chain, such as wet

penetration nationwide <ul style="list-style-type: none"> <li>Increased use of technology at the POS</li> </ul>	markets. Regional distribution south of Mexico City is still being developed
Greater knowledge about organic products is opening new product opportunities at the retail level	Mexico exports large volumes of organic produce, offering direct competition to American organic producers
Industry-wide investments are continuously being made, insuring better infrastructure and logistics	Lower-end, smaller supermarkets and convenience stores are the fastest growing segments in retail, which are not the primary locations for more expensive U.S. products
Growth in retail is driven by new store openings both at the supermarket and convenience store levels, expanding opportunities for U.S. products nationwide	Approximately 30% of Mexican workers are employed in informal, non-tax paying jobs which places a large burden on the tax system, limiting funds in the market
Local producers are rising to the challenge of producing quality goods with an increase in variety, learning, and adapting to growing demands	Mexico is the country with the most free trade agreements in Latin America, opening the door to many competitors delivering products into the market with few to no tariff barriers
Increased awareness in obesity issues is creating greater demand for healthy products, positioning U.S. produce and its huge array of products at an advantage	Mexico is looking to diversify its imports away from the U.S. so that the dependency on its neighbor is reduced

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