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Prepared By: Fabiola Cortez

Approved By: ANDRE BRADLEY

Report Highlights:

Exports of agricultural and related products to Mexico totaled USD \$18.6 billion and accounted for a 47 percent increase in the last 10 years. Mexico is still one of the largest and most consistent markets for U.S. agricultural products. With the geographical advantage of a long land border and a free trade agreement that has eliminated duties on all agricultural and food products, Mexico is a natural market for U.S. exporters.

Fact Sheet Mexico

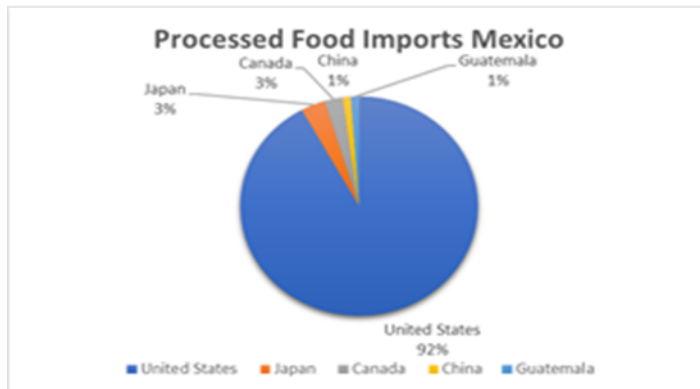
Executive Summary

Mexico continues to be one of the largest consumer markets in the world for U.S. products. Mexico's top trade partner is by far the United States, which imports 80 percent of all Mexican exports and provides Mexico with 50 percent of its total imports. Since NAFTA was implemented in 1994, total bilateral trade has increased from 50.84 billion to 677.8 billion.

Mexico imported \$122 billion worth of processed food products in 2018 with \$8.9 billion (over 60 percent) of the products coming from the United States. Mexico exported \$27.2 billion of processed food with nearly \$22 billion heading to the United States. The biggest categories were beer, tequila, and baked goods.

HRI Industry

Imports of Consumer-Oriented Products



Major hospitality multinationals as well as local companies will continue to expand throughout Mexico, launching more sustainable and practical formats to capture new visitors (international and locals). During 2018 the number of international visitors decreased to 41.5 million with an average expenditure of \$409. The decrease was caused by security issues and the bladder wrack that is affecting the Yucatan Peninsula were Cancun and the Mayan Riviera are located.

Retail Industry

According to the Mexican Association of Nationwide Retailers (ANTAD), there are 33 supermarket chains with 3,224 stores, 2,365 department stores, and 53,793 specialized stores throughout the country. Still, nearly 50 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets, which traditionally distribute local, domestic products. ANTAD also reports that retail sales keep a steady growth pace of around 7.8 percent per year.

Food Processing Industry

In Mexico, according to the National Institute of Geography & Statistics (INEGI), there are 187,347 economic units including offices, manufacturing plant and distribution centers under an industry classification of "food and beverage manufacturing and processing." They employ close to 800,000 workers.

Top 10 HRI Players

1. IHG (InterContinental Hotels Group)
2. Marriott International
3. Hyatt Group
4. Hilton Hotels & Resorts
5. NH Hotels
6. Hoteles Misión
7. Grupo Posadas
8. City Express Hotels
9. Hotel ONE
10. Boutique Hotels (independent)

Top 10 Retail Players

1. Bodega Aurrerá (owned by Walmart)
2. Walmart
3. Soriana
4. Chedraui
5. Comercial Mexicana
6. Casa Ley
7. HEB
8. OXXO (convenience store owned by FEMSA/ Coca-Cola)
9. Superama (owned by Walmart)
10. La Comer

Food and Beverage Trends in Mexico for 2018:

Consumers are aware of their health and nutrition, but also indulgence and experiences are becoming popular. Mexican traditional foods are gaining popularity with young chefs and consumers. Superfoods and vegan foods are getting awareness. Food delivery apps are helping restaurants to increase the number of consumers.

GDP/Population

Population: 124.7 million (IMF WEO 10/18)
GDP: \$1.2 trillion (2018)
GDP Real Growth: 2.2% (2IMF WEO update 10/18)
Sources: Mexico by the numbers – ECON Section- U.S. Embassy Mexico

CONTACT:

U.S. Agricultural Trade Office Monterrey
150 Prolongación Av. Alfonso Reyes
69196 Santa Catarina, N.L. Monterrey, Nuevo León
Tel: (011 5281) 8047-3393
E-Mail: ATO.Monterrey@fas.usda.gov

U.S. Agricultural Trade Office Mexico City
31 Liverpool Col. Juarez
06600 Ciudad de México, México
Tel: (011 5255) 5080-2000 ext. 5282
E-Mail: atomexico@fas.usda.gov

Report Highlights

Exports of agricultural and related products to Mexico totaled \$18.6 billion and accounted for a 47 percent increase in the last 10 years. Mexico is still one of the largest and most consistent markets for U.S. agricultural products. With the geographical advantage of a long land border and a free trade agreement that has eliminated duties on all agricultural and food products, Mexico is a natural market for U.S. exporters.

Executive Summary

This report is for informational purposes only to assist exporters of U.S. food and agricultural products in their sales and promotional efforts in Mexico. U.S. exporters should take normal commercial precautions when dealing with any potential business contract, including checking references.

SECTION I. MARKET OVERVIEW

Mexico continues to be a strong and consistent market, representing one of the largest consumer markets in the world for U.S. products. Overall, Mexico's top trade partner is by far the United States, which imports 80 percent of all Mexican exports and provides Mexico with 50 percent of its total imports. Since NAFTA was implemented in 1994, total bilateral trade has increased from 50.84 billion to 229.70 billion.

U.S. agricultural and related product exports to Mexico for 2018 totaled \$18.9 billion representing an increase of 2.8 percent over 2017. Meanwhile, imports from Mexico increased 4.9 percent, reaching \$19.1 billion in 2018. In 2018, the United States' major agricultural exports to Mexico were: corn (\$2.82 billion), soybeans (\$1.77 billion), pork and pork products (\$1.42 billion), dairy products (\$1.34 billion) beef and beef products (\$1.03 billion) poultry and egg products (\$950.1 million), prepared food (\$709.0 million), and fresh fruits and vegetables (\$616.1 million). A total of 78 percent of the Mexican agricultural export are destined to the United States. Meanwhile Mexico's top agricultural exports to the U.S. were: horticultural products (\$19.1 billion), sugar and tropical products (\$2.5 billion), livestock and meats (\$2.1 billion), grains and feeds (\$1.2 billion), oil seeds and products (\$236 million).

In 2018, Mexico faced uncertainty during the first half of the year with the then on-going NAFTA renegotiations and upcoming Presidential election. Mexico had a growth of 2.2 percent in 2018, trade with the United States during the last quarter of the year, and the reconstruction activities after the natural disasters were the main factors that helped the economic growth.

According to data from INEGI (National Institute of Statistics, Geography and Informatics) the average income in 2018 for a Mexican household was \$9,600 which \$5,936 was spent as follows: 35 percent food; 19 percent transportation; 12 percent education; 9.5 percent housing; 7.4 percent personal care; 5.4 percent cleaning products or services; 4.6 percent clothing; 2.9 percent savings and financial transfers; 2.7 percent healthcare.

Income varies depending on the region; Mexico City, Nuevo Leon, Guanajuato, Sonora and Baja California registered a higher income due mainly to the industrial activities that take place in these areas. The states that register the lowest income are Guerrero, Chiapas, Oaxaca, Veracruz and Hidalgo; states mainly located in south Mexico where there is less industrial activity.

Advantages and Challenges for U.S. Exporters in Mexico

Advantages	Challenges
<ul style="list-style-type: none"> • The United States and Mexico are highly integrated economies and Mexicans are familiar with U.S. business practices. • The proximity of Mexico to the United States, cross-cultural awareness and strong bilateral relationships throughout the public and private sectors facilitates trade. • NAFTA and the new U.S.-Mexico-Canada Agreement have successfully increased market liberalization and access. • Import procedures are becoming more standardized. • Extensive presence of U.S. industry representatives facilitates the identification of trade opportunities. • Mexican consumers recognize U.S. brands and labels and associate them with high, consistent quality and value. • Population in urban centers is growing and the rate of employment among women is continuing to grow. • Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain technology for high value imports. • Local investment from restaurant chains continues to grow. • Continued growth in almost all the processed food industry in Mexico, will increase the need for inputs. • Greater knowledge about organic products is opening new product opportunities at the retail level; likewise, increase awareness of obesity issues is creating greater demand for healthy products. 	<ul style="list-style-type: none"> • Violence and crimes associated with illicit drugs have a negative economic impact and discourage some U.S. exporters from visiting Mexico. • Mexican consumers are price sensitive; imported products in general are higher in price. Recent exchange rate fluctuations have generally made U.S. products more expensive. • Transportation and distribution methods inside Mexico are undeveloped in many regions. • Technical barriers and labeling requirements can cause border crossing problems and delays as Mexican import regulations can change rapidly and without notice. • Mexico is the country with the most free trade agreements in Latin America, opening the door to many third-country competitors. • Mexican retailers are demanding more locally delivered products, with local servicing and attention. • Lower end, smaller supermarkets and convenience stores are the fastest growing segments in retail, which are not primary locations for imported U.S. products. • Local producers and food processors are rising to the challenge of producing quality goods with an increase in variety, learning and adapting to consumer demands. • Mexico exports large volumes of organic produce, offering direct competition to American organic producers. • U.S. businesses sometimes are not familiar with Mexican business culture.

SECTION II. EXPORTER BUSINESS TIPS

Business Culture

Personal relationships are essential to Mexican business relationships. Mexicans attach great importance to courtesy in all business endeavors. A warm handshake combined with conversation about the person's well-being, family, or other similar topics prior to launching into any conversation related to business is considered a common courtesy. The concept that "time is money" should be left at the border, and though Mexican businesses are also conscious of the bottom line, courtesy and diplomacy are more important values to most Mexicans than getting immediately down to business.

It is important to visit your potential clients in Mexico. If a current or potential Mexican client visits you in the United States, you are expected to wine and dine him. You will be accorded similar treatment when visiting Mexico.

For more information regarding business culture in Mexico, please visit the U.S. Department of Commerce - Country Commercial Guide with a detailed chapter on Business Culture at the following link: <https://www.export.gov/article?id=Mexico-Business-Travel>

Entering the Mexican Market

U.S. exporters should consider contacting local distributors/importers as an important early step in their efforts to establish themselves in the Mexican market. A good distributor should promote sales and make sure that the imported products are available at points of sale. It is essential to maintain close contact with your representative, especially regarding changes in import procedures and documentation.

Recommendations

- Carry out market research, not only in terms of typical market research, but also in finding appropriate business contacts and thoroughly reviewing Mexican import regulations in order to successfully seize market opportunities and overcome market challenges.
- Participate in and/or attend Mexican trade shows, particularly U.S. pavilions organized at selected shows. A list of main trade shows in Mexico is available in Section VI of this report. A trade show can serve to contact local distributors/sales agents, buyers and businessmen, and to become familiar with local competition. In the case of new-to-market companies, be prepared to provide support for in-store and media promotions to familiarize consumers with your products. Another option is state/regionally organized trade missions.
- If no trade shows are of interest, plan a preliminary visit to talk to buyers, retailers, distributors and other players in order to prepare a more effective entry strategy.
- Investigate if you will be able to acclimatize your product to local preferences, if required; prepare product information/promotional material in Spanish and assign specific budget to promote your product locally.
- Carry out background checks before entering into contractual agreements with potential importers.

SECTION III. IMPORT FOOD STANDARDS AND REGULATIONS

In recent decades, Mexico has become a very pro-trade country. Mexico currently has trade agreements with over forty countries, providing varying levels of market access. Since the implementation of NAFTA in 1994, tariffs on U.S. agricultural and food products were gradually eliminated. However,

Mexico currently imposes retaliatory tariffs on several U.S. agricultural products in response to U.S. tariffs on Mexican steel and aluminum. For a complete list of the tariffs, please see "[Mexico Announces Retaliatory Tariffs](#)".

Information on import regulations, customs procedures, and other requirements for exporting to the Mexican market are detailed in our annual Food and Agricultural Import Regulations and Standards Report (FAIRS). Please review the latest edition, available at our Global Agricultural Information Network: <https://www.fas.usda.gov/data/mexico-fairs-country-report-4>

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Market Trends

1. Traditional retail sales and marketing chains are changing rapidly due to expansion, consolidation, mergers and acquisitions.
2. Mexican consumers now are informed about what is happening globally and look for the same products at their local stores.
3. The addition of women in the labor force adds to disposable household income to allow for the purchase of products previously perceived as too expensive.
4. Mexicans are loyal to brands and buy them even if the price is slightly higher.
5. Retail expansion in both rural and small communities is creating new markets for consumer products. Restaurants and entertainment services are following.
6. Mexico has concerns on obesity and cardiovascular diseases. The labeling regulations for food and beverage products attempt to discourage calorie intake, mainly of sugar and trans fats. Due to such regulations, manufacturers are producing reduced calorie products or reduced portion size of their regular products.
7. The young population is including more consumption into their lifestyles, looking for new and different products, especially those that are popular on social media. Growing categories for this target are craft beers, snacks, fast-food restaurants, and casual-dining restaurants.
8. A rise in urbanization is pushing up sales of packaged food and ready-to-eat meals and creating new markets for catering and fast-food services.
9. Food processors will increase their offerings of health and wellness packaged foods, such as cereals, processed fruits and vegetables, and yogurt
10. Safer packaging options allow children to handle products on their own, and smaller packaging options geared towards younger consumers as well as less affluent consumers are becoming more prevalent. Prepared or ready-to-eat meal substitutes and products with easy preparation, such as microwavable products, are also growing.

A. Retail Sector

Ever since the signing of the North American Free Trade Agreement (NAFTA) in 1994, retail trade has become more diversified and the quality of merchandise has improved in all types of formats. Foreign players, especially from the United States, have entered the Mexican market with different store formats, pushing Mexican retailers to modernize and expand their facilities. The main urban cities are well covered by several supermarket chains, and now the strategy is to move out to smaller cities throughout the country and to target specific, localized, high-end segments.

The Mexican Association of Nationwide Retailers (ANTAD) has 59,382 stores registered in 2018, composed by 33 supermarket chains with 5,710 stores, department stores 2,374 and 49,174 specialized

stores nationwide. Still, nearly 50 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets, which traditionally distribute local products. ANTAD also reports that retail sales keep a steady growth pace of around 7.8 percent per year.

For a more specific and thorough analysis of the Mexican retail sector, please review our latest [Retail Food Sector Report](#).

B. Hotel, Restaurant, Institutional (HRI) Sector

Based on statistics published by the National Institute of Geography & Statistics (INEGI), Mexico has over 22,560 businesses registered as hotels, motels, and other lodging facilities and more than 544,937 registered as restaurants, caterers, nightclubs, bars and other food preparation services.

We have published specific reports with a more complete examination of the Mexican HRI sector, and in some cases, for specific subsectors like restaurants or hotels. Please review our collection of HRI Food Service Sector Reports, available at the Global Agricultural Information Network: [Mexico HRI Foodservice Report](#).

C. Food Processing Sector

In Mexico, according to the National Institute of Geography and Statistics (INEGI), there are over 187,347 registered companies under the industry classification for food and beverage manufacturing/processing. Mexico has a relatively strong food processing industry, growing at a rate of almost four percent, and with a market value of almost \$135 billion. Leading Mexican brands have well-developed national distribution networks, are well positioned in the market, and enjoy high brand awareness with consumers, who tend to be very loyal, despite macroeconomic fluctuations.

A more complete and exhaustive analysis of the food processing sector is available in our [Food Processing Ingredients Report](#).

BEST HIGH VALUE PRODUCT PROSPECTS

U.S. consumer-ready exports to Mexico have grown in recent years, with record sales across many product categories such as poultry meat, dairy, fresh vegetables, processed fruit and vegetables, breakfast cereals and mixes, processed meat, wine and beer. In some cases (like wine, food preparations, and beef), specialists and industry contacts believe that there is still potential for growth in these products, creating additional opportunities for U.S. exporters.

Product Category	2018 U.S. imports (in million/1)	Import tariff rate	Key constraints over market development	Market attractiveness for USA
Meat [Bovine]	1,035.9	0	Constant pressure from domestic producers, claiming unfair trade practices.	Mexican market is aware of the high quality the beef meat has.

Meat [Swine]	1,420.5	0	The retaliatory tariffs were eliminated in May 2019 for swine cuts.	Mexican market is aware of the high quality the swine meat has.
Poultry meat	950.1	0	Antidumping resolution was determined in 2018 confirming dumping from the U.S.	Chicken is the meat most consumed by Mexicans, mainly due to price.
Milk powder	1.4 billion	0	Pressure from local producers to have additional regulation on milk and milk powder	Mexico depends on 35% on the imports of powder milk and dairy products.
Cheese	396.2	0	Because of high prices, a large segment of families cannot afford cheese in their diet. Retaliatory tariffs of 20 percent were eliminated in May 2019.	Healthy eating trends create opportunities for cheese, especially for low-fat, calcium-enriched and lactose-free products.
Fresh apples	285.4	0	Constant pressure from domestic producers, claiming unfair trade practices. Retaliatory tariffs of 20 percent were eliminated in May 2019.	Awareness and maturity of the market creates an opportunity for non-traditional varieties. Healthy- eating promotional campaigns indirectly benefit U.S. fresh produce.
Bakery goods (bread, cakes, pastry, cookies, etc.)	192.5	0	Might be affected by the recent 8 percent tax (IEPS) on “junk food” depending on calories intake	Perceptions of “healthy eating” affect this category. Companies are including low-calorie or vitamin-enriched varieties using more dried fruits as ingredients.
Sauces	253	0	Cultural barriers might affect sauces that try to substitute traditional Mexican recipes.	Opportunities created for private label and innovative flavors to a more knowledgeable consumer
Soups	221.8	0	Mexicans are used to cook fresh soups looking for home-style flavors.	Ready to cook, or ready to eat products, low in sodium and tasteful will have a good opportunity in the market.
Prepared foods	790.9	0	Mexican consumers have a very demanding/ spice-oriented taste. Companies should be familiar with the Mexican palate.	Ready meals are more popular due to the demand for convenient inexpensive foods.
Wine	20.9	0	A special tax (IEPS) for alcoholic beverages ranges from	Wine consumption both in restaurants and at homes is

			26.5 to 53 percent, depending on the alcohol volume.	growing fast.
Beer	983	0	A special tax (IEPS) for beer is set at 26.5 percent.	Consumer awareness creates a niche for “specialty” beer.

/1 Source: USDA/FAS BICO Report, GTA and Post analysis; /2 Source: Secretariat of Economy <http://www.economia-snci.gob.mx/>

SECTION V. AGRICULTURAL AND FOOD IMPORTS

Table A. Key Trade & Demographic Information

Agricultural imports from all countries / U.S. market share ^{1/}	\$23.5 billion / 70.84 percent
Consumer food imports from all countries U.S. market share ^{1/}	\$12.2 billion / 73.03 percent
Total population / Annual growth rate ^{2/}	124.7 million /1.4 percent
Urban population ^{2/}	103.15 million
Number of major metropolitan areas (> 1 million inhabitants) ^{2/}	12
Per Capita Gross Domestic Product ^{2/}	\$9,614 (nominal)
Unemployment rate ^{2/}	3.7 percent
Percentage of Food Expenditures from total income ^{3/}	34.1 percent
Female population employed ^{4/}	22,401,518
Exchange rate ^{5/}	US\$ 1.00 = 19.24

1/ Source: Global Trade Atlas; 2/ Source: World Bank; 3/ Source: INEGI, National Household Income & Expenditure and 2010 Census. 2015 Update; 4/ Source: Mexico Ministry of Health, Labor and Social Welfare latest published information; 5/ Source: Mexico Central Bank

Table B. Mexico, Top 10 Suppliers of Consumer Oriented Agricultural (value in USD)

Partner Country	United States Dollars			% Share		
	2016	2017	2018	2016	2017	2018
World	\$11,251,934,043	\$11,821,372,026	12,235,324,821	100.00	100.00	100.00
United States	\$8,295,659,734	\$8,663,513,375	\$8,935,739,564	73.72	73.28	73.03
Canada	\$497,197,950	\$482,075,131	\$568,170,650	4.41	4.07	4.64
Chile	\$391,974,251	\$354,772,823	\$356,691,472	3.84	3.00	2.91

Brazil	\$146,468,037	\$273,486,731	\$270,438,991	1.30	2.31	2.21
Spain	\$197,3904,403	\$277,635,695	\$235,264,939	1.75	2.34	1.92
New Zealand	\$299,662,026	\$297,752,299	\$231,138,918	2.66	2.51	1.88
Netherlands	\$144,705,211	\$155,120,853	\$168,182,026	1.28	1.31	1.37
China	\$108,513,870	\$103,882,244	\$152,885,784	0.96	0.87	1.24
Italy	\$85,922,448	\$98,896,846	\$120,235,699	0.76	0.83	0.98
Germany	\$106,860,560	\$110,780,030	\$113,523,961	0.94	0.93	0.92

Source: Global Trade Atlas

For additional information on U.S. agricultural and related product exports to Mexico, including reports on exports in each main product category, please visit the Global Agricultural Trade System at: <https://apps.fas.usda.gov/gats/default.aspx>.

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.

U.S. Agricultural Trade Office in Monterrey

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

U.S. Agricultural Trade Office in Mexico City

Liverpool #31, Col. Juarez
Mexico City, CDMX 06600
T: +52 (55) 5080-2000 ext. 5282
E: atomexico@fas.usda.gov

Attachments:

No Attachments