

## **MEXICO**

### **Market Overview**

According to the Census Bureau, Mexico remained the second largest trading partner to the United States in 2022, reporting a record-high total trade of US\$779.3 billion, 17% higher than in 2021. The United States totaled US\$324 billion in combined exports to Mexico, second to Canada. Mexico is a mature and competitive market, with a growing economy that has deep ties to the U.S. agricultural and food manufacturing industries. The country's intertwined processes and trading practices make Mexico a natural, close, solid market for U.S. agricultural products.

Mexico is the 15<sup>th</sup> largest economy in the world and the second largest in Latin America. With the geographical advantage of a long land border and the United States-Mexico-Canada Agreement (USMCA), which eliminated duties on agricultural and food products, Mexico is a natural market for new-to-export U.S. companies.

In 2022, U.S. exports of consumer-ready food products to Mexico reached US\$12.02 billion, up from US\$10.7 billion in 2021. Mexico remains the second largest export market for consumer-ready products from the U.S., after Canada. Mexico also imports a considerable amount of U.S. processed foods. In 2022, it reached US\$8.21 billion, up from 2021, also ranking second. The top processed food exports to Mexico in 2022 included processed and prepared dairy products, soups, syrups and sweeteners, condiments, sauces, jams and jellies, alcoholic beverages, pasta, processed cereals, dog and cat food, processed vegetables and pulses, snack foods, and prepared and preserved meats.

### **Market Opportunities and Challenges to U.S. Food Exporters in Mexico**

#### **Opportunities:**

- Mexican food and agricultural industries have similar business practices to the U.S.
- Mexican consumers recognize U.S. brands and labels and associate them with high consistent quality and value.
- Mexico's food manufacturing industry requires intermediate products from the U.S.
- The proximity of Mexico to the U.S., cross-cultural awareness, and strong bilateral relationships facilitate trade.

#### **Challenges:**

- Mexican consumers are price sensitive; imported products in general are higher in price.
- Technical barriers and labeling requirements can cause border crossings problems and delays.
- Mexican import regulations can change rapidly and without notice.

### **Retail Sector**

According to Euromonitor, the packaged food market in Mexico was estimated to reach US\$67.1 billion in 2021, which makes it the 11<sup>th</sup> largest packaged food market in the world. That represents a growth rate of 32.1% or US\$16.3 billion since 2017. The forecast for growth in this market is also promising. By the year 2026, retail sales in the packaged food market in Mexico is expected to reach US\$84.5 billion, a growth rate of 21.7%, or US\$15 billion. High-growth products in the forecast include pet food, processed meat, seafood, meat alternatives, savory snacks, ice cream, frozen desserts, ready meals, baby food, confectionery, sweet biscuits, snack bars, fruit snacks, and cheese.

Mexico's National Association of Retailers and Department Stores (ANTAD) reported sales increases of 13.8% from January 2022 - January 2023. With the Mexican retail sector made up of 3,284 supermarkets, 2,507 department stores, and 41,103 specialized stores, most sales are generated at traditional markets, including small mom-and-pop stores and public markets. Traditional trade remains important due to its convenience and long-standing tradition.

Consumer-oriented, convenience food products will continue to drive growth for U.S. packaged food imports, though high inflation in Mexico is currently influencing purchasing decisions.

Top product prospects include private label food across all categories, dairy products especially cheese, convenience foods, healthy foods, and plant-based food. A current trend is special diet products such as keto-friendly, fermented products, and low-calorie alcoholic drinks.

### **Food Service Sector**

According to Euromonitor, the Mexican foodservice sector in 2022 reported increased sales nearly reaching pre-pandemic levels; however, a full recovery is expected in 2023. The sector worked on price structure to lower the high inflation impact on consumers. Other recent information on the sector indicates that restaurants showed an important recovery of 47% in the October 2021-October 2022 period, reaching pre-pandemic levels, according to a study made by Open Table.

INEGI (Mexican Statistics Institute) reported that the tourist sector showed a firm recovery of 20.3% in 2022 of international tourism, benefiting the foodservice sector. Foreign visitors' total expenditure also increased 42.5% compared to 2021. The tourism sector represented 8.6% of the GDP before the pandemic; the expected 8.3% recovery in 2022 will put it closer to full recovery. Mexico returned to the top 10 most visited countries in the world in 2022.

In line with the Post report, Open Table's study shows that high-end restaurant consumers in 2022 were willing to spend more on specialized ethnic cuisine, with Greek, Mediterranean, Latin American, and Asian in the top categories. The hospitality industry will continue expanding on high-end/sustainable formats, where imported products are a major draw for consumers.

Top product prospects include healthy and organic products, probiotic and fermented products, sugar and alcohol-free beverages, Asian-style products, ethnic foods, wines, spirits, craft beer, and specialized dairy products.

### **Food Processing Sector**

Post reports that the food processing industry in Mexico is the world's 11th largest in the world, and it is the third largest in the Americas after the U.S. and Brazil. The food industry in Mexico is one of the most dynamic, with an average annual growth of 4.3%.

Stricter labeling regulations are continuously being implemented to increase visibility and warn consumers about obesity and weight management in Mexico. Food processing companies are increasingly reformulating and creating new foods with better nutritional profiles. According to The Food Tech Mexico 2023, Mexican consumers' trends include sustainable, functional, and immune system-supportive foods. The U.S. remains the most important supplier of ingredients to Mexico due to its consistent food safety, variety, high-quality, and availability.

Top product prospects include dairy ingredients, healthy bakery ingredients, functional ingredients, calorie-free sweeteners, plant-based proteins, and low-calorie and free-from products. These intermediate products are used in the manufacturing of all kinds of foods and beverages including bakery, snacks, refrigerated, frozen, canned food, beer, functional drinks, and fermented products.