



## Fresh Food in Mexico

### EXECUTIVE SUMMARY

#### Fresh Food in Mexico Sees New Opportunities

**M**exico is considered one of the main producers of several types of fresh food globally, such as eggs, poultry, tuna, lobster, pecan nuts, honey, strawberries and avocados, which benefits the consumption of most of these and other fresh products. In 2017, Mexico remained the global leader in per capita egg consumption. Also, it is among the countries with the highest per capita consumption of poultry, lemons and oranges, among others. Fresh food is still preferred by consumers in Mexico compared with processed food, which is perceived as not fresh enough and less healthy. Most fresh products are locally produced, and there are plenty of distribution channels throughout the country where people can purchase them.

The Mexican economy showed a slightly recovery after the devaluation of the Mexican peso in 2016, and despite the fact that salaries in general are still low when compared with the US or Europe, the consumption of most fresh products registered a positive performance in 2017, since they are considered as basic foods by all segments of the population, and regardless of the industrialization of products such as beans, tomatoes, and fruits. Processed products are gaining followers due to their practicality and availability, but their prices are still higher than those of fresh food, which makes them unaffordable for people with the lowest incomes.

The trend towards natural and healthy food has also boosted the production and consumption of organic products, with Mexico being the fourth global producer of organic products such as maize, mangoes, apples, beans, oranges, and avocados, among many others. Most organic products have prices which are double or triple the price of standard products. However, the government, along with trade associations and independent organisations, has been working with independent small producers to support different activities to develop and improve the technology and processes used in organic production, in an effort to reduce production costs and increase the availability and thus sales of organic fresh products.

Although retail remains the main distribution channel for fresh food, food service is showing a positive trend, and is increasing the demand for and consumption of fresh products, including organic products. It is also evolving along with consumer demand, by offering more options for vegetarians and vegans, more gourmet options for the higher-income segment and reinventing

traditional Mexican dishes which are affordable by all population segments. The institutional channel is also growing, mainly due to the number of companies that include food service as a benefit to employees, along with the increasing number of hotels and hospitals throughout the country.

Mexico had a year full of challenges in 2017, after being hit by hurricanes and two strong earthquakes that caused damage, mainly in Oaxaca, Chiapas, Morelos, Puebla and Mexico City. Recovery was faster than expected in terms of people and regular activities. However, several crops in these and other regions were devastated.

#### The Renegotiation of Nafta Leaves Uncertainty

During 2017, one of the most significant events was the renegotiation of the North American Free Trade Agreement (NAFTA) among the US, Canada and Mexico. This was signed in 1994, and gradually eliminated import tariffs on products commercialized among the three countries. This renegotiation included the revision of commercial terms regarding import tariffs and export volumes, mainly between Mexico and the US, of products such as pork, sugar, berries, potatoes, apples, and some poultry, to mention the most relevant.

Another important issue besides price and volume is concern about pests in crops and livestock diseases, which have been analyzed and evaluated for several years without resolution, which is the case of potatoes from the US or avian flu in Mexico, which had a negative impact in 2012-2013.

Meanwhile, local producers, along with national trade associations and commercial chambers from the different industries, have been working to define possible target markets to continue growing in terms of exports. Also, they are assessing which markets could be suppliers of products that could see strong increases in prices or that could be limited in terms of import volumes in order to ensure supply in the country.

#### The Retail Channel is the Most Active in Terms of Promotional Activities for Fresh Food

Some retailers in Mexico have aggressive expansion plans, reaching more consumers by establishing outlets in medium to small cities, mainly thanks to the development of new smaller formats. To motivate consumers to buy fresh food, the main strategy is to create marketing campaigns to communicate the freshness of the products offered, with lower prices offered on specific days of the week, for example: Tuesdays and Wednesdays in Comercial Mexicana; Fresh Tuesdays in Walmart;

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Tuesdays and Wednesdays for fruits and vegetables in Chedraui; and Tuesday and Wednesday in Soriana.

During 2017, there was also a trend of promoting local production by local farmers to support fair trade and the culture for healthy food and natural products, with open market events running for two or three days in strategic places or large cities.

#### **A Moderate Positive Performance is Expected Over the Forecast Period**

Population growth and the fact that Mexico is one of the main producers of a wide range of fresh products are the main factors expected to lead to a positive performance for all fresh food categories in the forecast period. However, the NAFTA renegotiation could compromise the free trade agreement, negatively impacting the consumption of products imported from Canada or the US, mainly in 2018 or 2019.

One important opportunity to increase per capita consumption of fruits and vegetables is that a wide product variety is produced locally, but people are not necessarily aware of them or their benefits. Therefore, current consumption is still low when compared with other countries with a lower population, or those that do not have local production. The preference of Mexicans for products produced in Mexico will continue to position local products over imported ones. ■

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