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Organic Packaged Food in Mexico

PROSPECTS

Wider Product Availability Helps Boost Sales Growth, but High Prices Set to Rise Further

Over the forecast period, the global demand for organic packaged food is expected to rise dynamically. This is a positive outlook for organic producers, and it represents an opportunity for them to expand their businesses. A wider availability of products drives the volume growth of this category. Examples include the dominant organic milk brand Bové, which has expanded its product portfolio with lactose-free and semi-skimmed versions of organic cow's milk, as well as flavored organic milk. Another example is the Santiveri brand, which now offers organic cookies, cereals, muesli, and pasta among other items. However, as demand rises it means that the average unit price of organic packaged food in the local market is likely to increase. Local products such as organic coffee and organic honey are already being exported and are consumed more in foreign markets than in Mexico. This is because they tend to be expensive and therefore only attract a niche albeit growing consumer base locally. Imported organic food and drink also cost more than standard products, and sometimes they are mixed in on retail shelves with other imported and gourmet products.

Stronger Volume Sales Growth Stifled by Weakening Economy

The economic slowdown and the prevailing uncertainty about the country's future economic

performance has restrained the growth of this category. Amid very sluggish real GDP growth, consumers are cutting back on unnecessary purchases, which often include the higher-priced organic products. This fall in purchasing power is compounded by the weakening local currency, which is contributing to price rises as more organic packaged food becomes imported into Mexico. Moreover, as the supply of organic raw materials becomes scarcer, the cost of producing organic packaged food becomes even greater.

The Organic Baby Food Boom could be Next

Over the forecast period, sales of organic baby food are expected to become more dynamic compared with the review period, especially thanks to organic prepared baby food. The good performance of this category is explained by the increase in the number of households with two working parents, and by accelerated lifestyles observed mostly in urban areas. Parents and their infants are increasingly eating out of home, and commuting times are becoming longer. This is raising the demand for packaged baby food in general, which can be transported and stored easily and is ready to eat. Regarding organic products, the offering remains limited and most consumers are not aware such versions exist. However, this is an opportunity for companies. While disposable income increases at a more rapid pace, mostly the result of having two incomes as opposed to one per household, parents will feel the need to compensate for the limited time



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they spend with their children by purchasing high-quality products, such as those with no artificial additives or preservatives.

COMPETITIVE LANDSCAPE

Grupo Herdez Sustains its Organic Lead

In 2019, Grupo Herdez remained sales leader in organic packaged food, thanks to its Aires de Campo brand. The company has expanded its product portfolio, positioning the brand as a reference for organic packaged food. Grupo Herdez offers organic spreads, spices, salad dressings, cooking oils, rice, bread, milk, yoghurt, and snacks. It also offers organic juices, herbal infusions, fresh eggs, fresh meat, and honey, among other lines. While focusing on the quality of its products, Grupo Herdez is also interested in positioning Aires de Campo as a socially and environmentally responsible brand. This has attracted a niche of concerned consumers who appreciate these values and are willing to pay more for goods from ethical brands. Over the forecast period, Grupo Herdez is expected to remain an important player within organic packaged food, as it continues developing its product portfolio and investing in its brand's positioning.

The Category is Attracting Big Names

As demand increases in Mexico, major brands are launching products in organic packaged food. Examples include the mayonnaise brand Hellmann's, the pasta brand De Cecco, which has launched a variety of organic pasta (including spaghetti, fusilli, rigate), and the evaporated milk brand Carnation. This is intensifying competition, with more brands set to join the category in the forecast period. Organic packaged food is an attractive category that is

expected to gain in relevance, and there is a lot of room for companies to expand. In 2019, the Campo Vivo brand recorded significant value sales growth, as it managed to further develop its distribution networks. Although this brand is primarily focused on fresh food, over the review period it launched organic packaged food including pasta, apple purée, green sauce, breakfast cereals, honey, snacks, chilli sauces, and ketchup, among other products. Over the forecast period, Campo Vivo is expected to increase its offering of packaged food, as well as its distribution networks, and more companies are likely to enter organic packaged food to compete.

Mexican Staples and Favourites Receive the Organic Treatment

Mature categories such as milk, ketchup, and rice registered limited growth over the review period. Leading companies are constantly looking for ways to innovate and this can be challenging in such mature categories. However, over the review period organic packaged food became an interesting alternative and companies have invested in the development of their organic ranges. Grupo Lala SAB de CV launched organic milk for its Lala brand in 2018, following Kraft Heinz launching its Heinz organic ketchup in the previous year. Moreover, organic brands such as Aires de Campo and Campo Vivo are offering organic rice. Other popular categories for Mexico such as chilli sauces are also seeing organic versions introduced. For example, Campo Vivo and San Miguel offer organic green sauce, while organic processed beans are offered by Earth Co and organic tortilla chips by Pro-Orgánico. Over the forecast period, more brands and companies are expected to explore the idea of offering organic products, as this is an attractive category that will gain in relevance among consumers. ■



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