

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

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### Opportunities Abound for U.S. Wines in Mexico

**Report Categories:**

Wine

Retail Food Sector

HRI Food Service Sector

**Approved By:**

Erik Hansen

**Prepared By:**

Vanessa Salcido & Erik Hansen

**Report Highlights:**

Currently 70% of the wine consumed in Mexico is imported from foreign countries. Nationwide wine consumption has increased in the last few years but is still very low in comparison with that of other countries like Spain, Italy, and France. However, some wine experts estimate an annual 12% growth rate in consumption in the next few years. Mexico's transition to more wine consumption over other alcoholic beverages, increased interest among different consumer sectors including women and young adults, and growing interest among consumers in trying novel wines makes Mexico an excellent market for the promotion and sales of U.S. wines.

## **General Information:**

### **I. Executive Summary: Consumption, Trends and Opportunities**

Mexican, European, and Chilean wines dominate the Mexican wine market although U.S. wines (and in particular California wines) have great potential to increase market share with more market promotion activities. Most Mexican wine consumers are aware that U.S. wines are held in high regard but these wines rank in the middle of the pack for awareness, trial, purchase interest and imagery.

Currently 70% of the wine consumed in Mexico is imported from foreign countries. Nationwide wine consumption has increased in the last few years but is still very low in comparison with that of other countries like Spain, Italy, and France. However, some wine experts estimate an annual 12% growth rate in consumption in the next few years. Mexico's wine market is on the rise resulting from an overall growth in domestic consumption which is leading to increasing domestic consumption and higher imports of foreign wines. Mexico's transition to more wine consumption over other alcoholic beverages, increased interest among different consumer sectors including women and young adults, and growing interest among consumers in trying novel wines makes Mexico an excellent market for the promotion and sales of U.S. wines.

### **II. Mexico's Wine Market**

Until recent years, Mexico was considered primarily a producer and consumer of beer and tequila.

However, with Mexico's transition towards greater wine consumption, the industry has met higher demand for quality wines than local wineries can supply. In general, Mexican wines are perceived as overpriced (considering the quality) in comparison with other similar quality wines found in the market from Chile, Argentina and Spain.

Over the last decade, Mexican wine production yielded an annual growth rate of 12% with production primarily in five Mexican states – Baja California, Coahuila, Queretaro, Zacatecas, and Aguascalientes. Twenty percent of the wine produced is exported to over 30 countries around the world. Currently, the Mexican wine industry consists of over 50 wineries located in Baja California (85%), and the rest in Coahuila, Queretaro, Zacatecas and Aguascalientes. As a whole, the Mexican wine industry offers over 300 wine labels among whites, reds, roses, and sparkling wines. Mexico produces various grape varieties such as Pinot Noir, Cabernet Sauvignon, Merlot, Syrah, Garnacha, and Alicante among others. This growing agribusiness employs more than 22,000 people.

The substantial growth in the Mexican wine industry has been reached for several reasons. Much is attributed to the initiative by key players in the industry to boost the wine culture throughout the nation. In addition, worldwide synergy among wine producers, distributors, and consumers of Mexican wines has driven the wine market in Mexico on an upward spike. Fortunately, for the Mexican consumer, domestic supply has increased as a result of steady marketing campaigns and a variety of distribution channels. Currently, 70% of the market is made up of wines from other countries with the remaining 30% coming from Mexican production. The wine industry in Mexico is still dominated by Chilean, Spanish, and French wines. Chilean wine dominance in the Mexican wine market is attributed to the vast availability of many high-quality, yet reasonable priced wines. Despite the popularity of these wines in the Mexican market, wine consumers in several states in Mexico are extremely open to trying wines from various countries including the United States.

For many years, wine was seen as a high-priced commodity in Mexico and geared mainly at the upper socioeconomic groups. Given that the majority of wines were imported from countries like France, Italy, and Spain, Mexican consumers were left with the impression that they were all of superior quality and, thus, exclusive and expensive. While the tastes and preferences of Mexican wine consumers have changed significantly over the past decades, Mexicans still prefer imported wines over domestically produced wines due to the belief that foreign wines must be “better”.

### III. Mexican Wine Consumption and Trends

Average wine consumption in Mexico is around 4.7 million cases per year. Even though the annual average consumption per capita of wine in Mexico of 350 milliliters is comparatively small with other countries, an increase in wine consumption over the last few years represents an optimistic foresight of the future. Wine consumption is strongly concentrated in the Mexico City area and in other important cities like Monterrey, Guadalajara, as well as throughout the Bajio area and the touristic coastal zones. Consumption on the coast and in important urban areas reaches 8 liters per capita per year. In addition, the market for wine in Mexico had is making strong inroads with two important and, until recently, untapped segments: women and young professionals.

Relatively low wine consumption in Mexico reflects the country’s culture and high availability of beer and soft drinks most commonly accompanying meals among the general population. Producers and distributors have played a major role in transitioning the culture from traditional drinks to including wine with meals and at social gatherings. In addition, Mexicans are highly sensitive to the price-quality notion of products. With respect to wine, they are commonly influenced by information at the point of consumption be it by workers at retail outlets or by chef/service staff recommendations at restaurants.

**Table 1. Mexico: Comparison of Different Alcoholic Beverages by Sales Volume**

Millions of Liters	2006	2007	2008	2009
Beer	6,040,60	6,314,90	6,490,60	6,486,60
Cider	12,90	12,60	12,90	13,10
Alcoholic Beverages w/ Soda	115,80	121,60	128,70	130,10
Wines	49,60	61,60	64,80	66,00
Spirits	199,00	201,70	204,30	204,30
<b>Total Alcoholic Beverages</b>	<b>6,417,90</b>	<b>6,712,40</b>	<b>6,901,30</b>	<b>6,900,00</b>

**Source:** Euromonitor

As seen in the chart, wine consumption is much lower (66 million liters) compared with that of other alcoholic beverages such as beer (6.486 millions of liters). Over the years, beer and tequila consumption has dominated other alcoholic beverages in Mexico.

Wine purchases in Mexico are concentrated mainly among the high and medium high socioeconomic levels. The traditional upper class, commonly consisting of company owners and upper executives between the ages of 40 to 65 with a high purchasing power, is the most important segment in the wine market. The second most important segment includes well-educated men and women between the ages of 25 to 40, who attended private schools and usually have graduate degrees. An increase in wine consumption among the young adult segment in Mexico has had a major impact on the dynamics of the market leading to increased demand. A major factor for the increase in wine consumption among young

adults is the entry of wines in restaurants, many of which offer wine lists with a wide range of prices which encourage young adults to try them. In order to target and attract this new segment of consumers, wine vendors in Mexico are putting emphasis on presentation and expanding price ranges.

In 2008, the Federal Bureau of Consumer Interests (PROFECO) put together a consumers wine preference report. According to the report, Mexican consumers prefer red wines (89%) to other varieties. In fact, domestic wine production is divided between 80% red wines, 15% white wines, and 5% sparkling wines, with rosé production almost nonexistent.

In the past, Mexico’s wine consumption habits were most commonly characterized by consumption focus basically on the off-trade channel, almost exclusively in restaurants. More recently, Mexicans purchase wine at supermarkets or specialty stores to drink at home. A new trend that is gaining popularity among Mexican wine aficionados is to buy wines from specialty stores and consume them out at restaurants (paying the restaurant a small amount to uncork the bottle).

An important element that makes wine bottles distinctive is the cork. According to experts, cork contributes to a more complex maturity of wines by creating volatile organic compounds that enhance the smell and flavor. Screw caps are on the rise with many winemakers in the United States and around the world. Mexican consumers, however, are not yet welcoming screw caps since they are associated with cheap and low quality wines. Nevertheless, screw caps provide the best seal for bottled wines, and eliminate the “corked” and oxidation problem that frequently arises. Until this stigma is removed among Mexican wine consumers, importers and distributors are less likely to import wines with screw caps.

#### IV. Wine Commercialization in Mexico

Mexico imported nearly 40,000,000 liters of wine in 2009 worth approximately \$145 million USD. The main suppliers are Spain, Chile, France and Italy along with Argentina and the United States. The global financial crisis in 2009 had a tremendous impact in Mexico hitting consumers in their pocket books. Wine imports decreased 19% in 2009 compared to the previous year as consumers decreased consumption of luxury items such as wines. However, during the first six months of 2010, wine imports are up 11.3% compared to the same time period in 2009. The United States has seen the largest increase in market share during the first half of 2010 with an increase of 27%. U.S. wines (and in particular California wines) have great potential to increase market share with more market promotion activities.

**Table 2. Mexico: Imports of Wine by Country, in USD, 2007-09**

Partner Country	United States Dollars			% Share			% Change 09/08
	CY 2007	CY 2008	CY 2009	2007	2008	2009	
World	144,100,551	177,531,901	144,320,697	100	100	100	- 18.71
Spain	44,820,073	56,686,450	45,429,299	31.10	31.93	31.48	- 19.86

Chile	29,294,255	34,112,094	30,173,036	20.33	19.21	20.91	- 11.55
France	27,139,749	36,040,566	24,954,171	18.83	20.30	17.29	- 30.76
Italy	13,662,625	16,825,340	15,282,386	9.48	9.48	10.59	- 9.17
Argentina	11,515,361	12,647,274	13,661,630	7.99	7.12	9.47	8.02
United States	8,806,875	10,701,291	7,679,836	6.11	6.03	5.32	- 28.23
Germany	3,606,849	4,753,065	2,068,594	2.50	2.68	1.43	- 56.48
Australia	1,941,906	2,167,422	1,705,738	1.35	1.22	1.18	- 21.30
Portugal	2,105,375	1,835,326	1,665,297	1.46	1.03	1.15	- 9.26

**Source:** Global Trade Atlas

**Table 3. Mexico: U.S. Imports by Country in USD, Jan-Jun 2008-10**

Partner Country	United States Dollars			% Share			% Change
	Jan-Jun 08	Jan-Jun 09	Jan-Jun 10	2008	2009	2010	10/09
World	70,698,200	57,684,510	64,194,201	100.00	100.00	100.00	11.28
Spain	22,348,628	18,659,567	18,725,930	31.61	32.35	29.17	0.36
Chile	13,844,612	13,005,828	14,729,303	19.58	22.55	22.94	13.25
France	13,161,267	7,981,224	8,831,133	18.62	13.84	13.76	10.65
Italy	6,598,947	6,005,027	6,909,887	9.33	10.41	10.76	15.07
Argentina	5,382,719	5,591,672	6,526,970	7.61	9.69	10.17	16.73
United States	4,837,805	3,436,246	4,366,504	6.84	5.96	6.80	27.07
Germany	1,780,959	801,470	1,038,386	2.52	1.39	1.62	29.56
Australia	1,083,622	789,139	872,497	1.53	1.37	1.36	10.56
South Africa	222,405	250,930	845,175	0.31	0.44	1.32	236.82

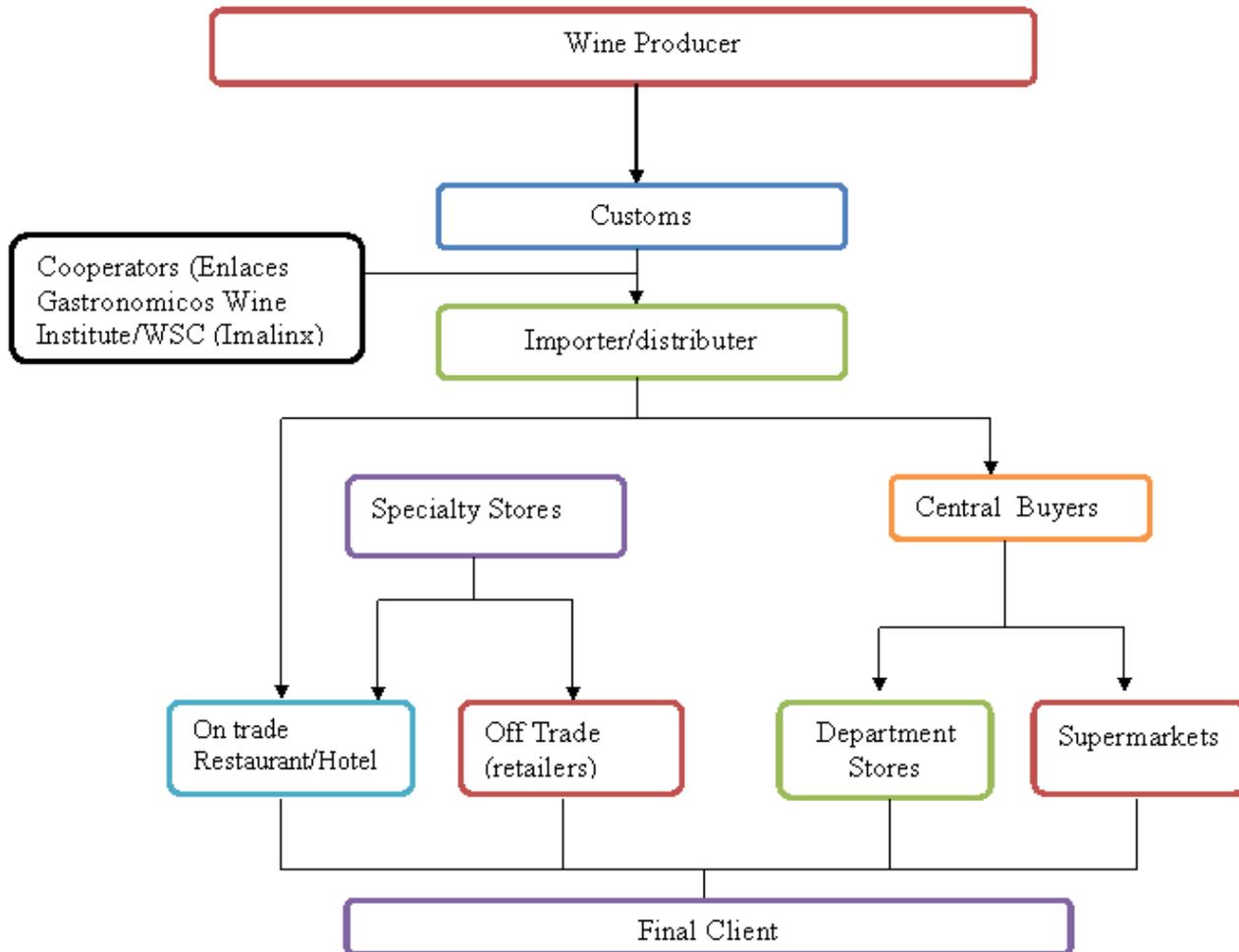
**Source:** Global Trade Atlas

In Mexico, foreign wine producers/representatives do not typically play an important role in introducing new wine labels to the market. Instead, local importers and distributors take ownership and responsibility for commercializing the wine among the different points of sale. In addition, some foreign wine producers/exporters have the option of exporting directly to large retail chains or specialty stores. Importers usually operate regionally since national coverage presents logistical challenges given the country's infrastructure.

Promotion and publicity are two key aspects to assure new-to-market labels will have success in both on-trade and off-trade channels. To increase chances of success in the market, wineries are encouraged to allocate more funds towards retail, hotel and restaurant promotions in Mexico. Some of the actions shown as valuable in the marketing plan are:

- Public relations and presentation of the products (tasting and seminars)
- Promotions at the points of sale (tastings)
- Publicity in the media

**Graph 1. Mexico: Flow Chart of Imported Wines Commercialization**



## V. Importers & Distributors in Mexico

### **Vinoteca**

Mr. Baruch Gomez - Manager

Tel. 011-52-55-5254-6051

Mexico D.F.

Website: [www.vinoteca.com](http://www.vinoteca.com)

Email: [baruch@vinoteca.com](mailto:baruch@vinoteca.com)

### **De La Uva**

Mr. Mario Hemuda

Tel. 011-52-33-1077-5655

Guadalajara, Jalisco

Website: [www.delauva.com.mx](http://www.delauva.com.mx)

Email: [mario.hemuda@delauva.com.mx](mailto:mario.hemuda@delauva.com.mx)

### **Ferrer y Asociados**

Ms. Marina Hernández

Tel: 011-52-55-5203-6611  
Website: [www.ferrer.com.mx](http://www.ferrer.com.mx)  
Email: [marina.hernandez@ferrer.com.mx](mailto:marina.hernandez@ferrer.com.mx)

**Exclusivas Benet**

Mr. Hector Montoya  
Tel: 011-52-5552-7477  
Mexico D.F.  
Website: [www.exclusivas-benet.com](http://www.exclusivas-benet.com)  
Email: [hmontoya@benet.com.mx](mailto:hmontoya@benet.com.mx)

**Serengeti**

Ms. Claudia Priego  
Tel: 011-52-55-5523-5510  
Mexico D.F.  
Website: [www.serengetimexico.com](http://www.serengetimexico.com)  
Email: [claudiap@serengetimexico.com](mailto:claudiap@serengetimexico.com)

**Calidad en Vinos Importados**

Mr. Francisco Pulido  
Tel: 011-52-8503-2521  
Mexico D.F.  
Website: Not Available  
Email: [erika\\_luhrs@cavisa.com.mx](mailto:erika_luhrs@cavisa.com.mx)

**VI. Other Relevant Reports**

Report Number	Subject	Date Submitted
MX 9332	Mexican Consumers Are Thirsty for U.S. Wines	November 6, 2009

**VII. For More Information:**

**FAS/Mexico Web Site:** We are available at [www.mexico-usda.com](http://www.mexico-usda.com) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

**FAS/Mexico YouTube Channel:** Catch the latest videos of FAS Mexico at work  
<http://www.youtube.com/user/ATOMexicoCity>

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx) and Mexico's equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx). These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.