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Organic Foods Find Growing Niche in Mexico

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Retail Food Sector

Coffee

Fresh Fruit

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Report Highlights:

Demand for organic food products in Mexico has been growing over the last few years along with the overall trend of healthier eating. Organic foods are perceived by many Mexican consumers to be healthier than conventional foods. Mexico is now considered the second most obese country in the world and the Mexican government has made it a priority to reverse this through education campaigns and new food nutrition laws targeting school children. As a result, a growing number of Mexican consumers are pursuing healthier lifestyles which include better eating habits. This makes Mexico an attractive market for U.S. exporters of organic food products.

General Information:

Section I: Mexican Organics Market Overview

Mexico is a top 20 producer of organic foods worldwide with 1.3 million acres of land dedicated to organic agriculture. Mexico is the main producer and largest exporter of organic coffee and the third largest producer of organic honey. Other organic crops grown in Mexico include corn, cacao, avocados, sesame seeds, cactus paddles, vanilla beans, milk, and dairy products. Over the last decade, several efforts had been made by the Mexican government and private sector to promote organic farming. Dozens of outdoor markets (*tianguis*) and farmer's markets for organic products have been set up in different regions of Mexico including Oaxaca, Veracruz, and Chiapas where more than 500 small producers gather to sell their products. Market analysts expect this trend to continue growing in the future. Even though organic production represents less than 1% of all agricultural production on surface planted in Mexico, it generates around 10% of the gross domestic product in the agricultural sector with revenues of approximately 300 million USD a year.

According to the Program for Support and Services for Agricultural Commercialization (ASERCA), an organism that depends on the Mexican Secretariat of Agriculture (SAGARPA), the worldwide demand for organic products is growing at 20-30% annually. Organic production in Mexico is composed mainly of small and medium-sized family farms or cooperatives. Distributors tend to handle all negotiations with retail stores and ensure that organic producers receive fair prices for their products, which contributes significantly to the sustainability of many rural communities.

The success of organic agriculture in Mexico and its growth can be explained by a combination of factors including demand and access to premium prices in the international market; better incomes; the high prevalence of traditional agriculture in Mexico that facilitates conversion to organic production; and the indigenous connection many farmers have with mother earth (protection of the earth as part of belief system).

Table I. Mexico: Organic Production Area by Crop, CY 2008

Crop	Hectares	% of Organic Production
Coffee	191,489	48.2
Avocado	60,166	15.1
Vegetables	35,414	8.9
Herbs & Species	30,199	7.6
Cacao	14,796	3.7
Grapes	12,032	3.0
Agave Tequila	8,986	2.3
Mango	8,573	2.2
Coconut	8,031	2.0
Sage	5,149	1.3
Corn	4,599	1.2
Cactus (Nopal)	3,527	0.9

Citric Fruits	3,201	0.8
Sesame seeds	1,005	0.3
Other	10,053	2.5
Total	397,220	100

Source: Basic Data of Organic Production in Mexico, CIIDRI, Chapingo University

The Mexican organics market is still relatively small compared to other countries but is growing at a rapid pace. The distribution channels for organics are still primarily specialty stores, internet sales, small sections in select supermarkets, and weekly farmers markets such as the Mexican Tianguis and Organic Markets Network (REDAC) coordinated by the Center for Economic, Social & Technological Research for the Agro industry and World Agriculture (CIESTAAM) of the University of Chapingo.

Domestic organic production is mainly composed of fresh fruits and vegetables. Packaged organic foods are still in the early stages of development in Mexico but are already beginning to make inroads in the market.

Section II: Policies and Regulations

On February 7, 2006, the Mexican “Organic Products Law” (*Ley de Productos Organicos*) was published in the Federal Registry (*Diario Oficial*) and since then the Mexican government’s involvement in this sector has increased significantly. As mandated by the law, the National Council for Organic Production (CNPO) was established in 2007 with the participation of producers, processors, importers/distributors, universities, government entities, and certifiers. The certifiers act as consultants for SAGARPA on organic production issues and commercialization issues.

SAGARPA developed the “Regulations for Organic Products Law” with support from the Secretariat of the Economy (ECONOMIA), the Secretariat of Health (SS) and the Secretariat of the Environment (SEMARNAT) from 2006-08 and published the law in the Federal Register on April 1, 2010. The objective of this law is to guarantee the organic integrity of products by defining the requirements of independent certifiers. The law also establishes the details of organic certification and timeframes for the publication of ingredient lists, substances, products, consumables, methods and ingredients allowed in organic production. While this law has been published, the Guidelines for Organic Operation have not yet been finalized.

The regulatory framework for organic production in Mexico is not complete until the Guidelines for Organic Operation are published. The guidelines are now being submitted for their review to the General Legal Coordination from SAGARPA. Once the guidelines are approved, the Federal Commission for Regulatory Improvement (COFEMER) will publish them on its website for public comments. The guidelines will provide the legal framework and standardization for organic production and commercialization in Mexico including, the establishment of labeling requirements for organic products, among several other important policies related to the organics sector.

The Law of Organic Products and Regulations for Organic Products Law make up the general regulatory framework of organic production in Mexico and they establish the basis to achieve

international recognition and negotiate agreements of equivalency with foreign countries authorities such as Canada, United States and the European Union. Currently there is no organic labeling policy in place and the official logo has not yet been defined. Until this takes place, organic products are subject to general labeling requirements.

Section III: Organic Certification

Organic certification is the process through which the certifying companies, which have previously been accredited and approved, verify that the production systems, management and processing of these products are in line with the requirements established by Mexican laws and regulations. The organic certification process gives credibility and reinforces the confidence and understanding between the producer and the consumer. It is a market tool that allows the producer to get access to more premium markets and is the only way of maintaining a differentiated organic market.

One of the main problems in Latin America is that the certification process for organic products depends on foreign certifying companies. 74% of the organic production areas certified in Mexico are carried out by foreign companies and the remaining 26% by local certifying agencies. There are currently only 13 established and accredited certifying companies in Mexico.

Before starting the process of certification, it is essential to first identify the market of destination. The importer chooses the certifying companies that endorse the organic products. Second, it is important to verify that the certifying agency and certificate are recognized and have validity in the market of destination. Among the most recognized certifying agencies that operate in Mexico are Oregon Tilth, Bio Agrichert, OCIA, Naturaland, and Certimex (a local non-profit).

Table II. Mexico: Main Certifying Agencies operating in Mexico

Agency	Address	Webpage	E-mail	Country of Origin
Bio Agricoop-Mexico	Benito Juárez No. 26 Panacho Michoacán México, 60250	www.bioagricoop.tripod.com.mx		Italy
Mexican Institute of Normalization and Certification A.C.	Manuel Maria Contreras No. 133 6 th Floor Col Cuauhtémoc México D.F. 06500		direccion@imnc.org.mx	Mexico
Naturaland, Mexico	AP 1-1240 68000 Oaxaca, Oax, Mexico	www.naturaland.de	naturaland@prodigy.net.mx	Germany
Mexican Certifying Agency of Ecological Process and Products CERTIMEX	H. Escuela Naval Militar 621-301 Col. Reforma 68050 Oax, Oax	www.certimexsc.com	certimexsc@prodigy.net.mx	Mexico
OCIA – Mexico Mexican Certifying Agency of Organic Products CEMEXPO	H. Escuela Naval Militar 621-203 Col. Reforma 68050 Oax, Oax		ocia@prodigy.net.mx	Mexico
Ceres G.M.B.H	Aldama No. 133. Esq. 2 de Marzo. Texcoco Estado de Méx.		ceres_mex@yahoo.com.mx	Mexico

IMO Control	A.P. 356. Texcoco, Edo. Mex.		imomexico@yahoo.com.mx	
BCS-Oeko Garantie Gmb-H	Texcoco Edo. De Mexico		bcsm@prodigy.net.mx	Germany
Demeter Bund	Brandschneise D-64295 Darmstadt, Germany	www.demeter.de		Germany
SGS France		www.sgs.com.mx	sandra_condiglieri@sgs.com	France
Mexican Association of Organic Inspectors AMIO	H. Escuela Naval Militar 621-30 Col. Reforma 68050 Oax, Oax		amio@prodigy.net.mx	Mexico
Colima University University Certifying Committee of Organic Products CUCEPRO	Av. Gonzalo de Sandoval No. 444 Col. Villa San Sebastian 28040 Colima. Col.		cucepro@cgic.ucol.mx	Mexico
Quality Assurance International QAI	12526 High Bluff Drive, Suite 300 San Diego CA USA	www.qai-inc.com		United States
Guaranteed Organic Certification Agency, USA		http://www.goca.ws	gocala@prodigy.net.mx	United States
Oregon Tilth Certified Organic	PO BOX 10266 Eugene OR 97440 USA	www.tilth.org	organic@tilth.org	United States

Section IV: Consumption and Trends

Demand for organic food products has been growing over the last few years along with the overall trend of healthier eating. Mexico is now considered the second more obese country in the world and the Mexican government has made it a priority to reverse this through education campaigns and new food nutrition laws targeting school children. As a result, a growing number of Mexican consumers are pursuing healthier lifestyles which include better eating habits. That is why many retail outlets have introduced a variety of healthy and/or organic food products on their shelves. There are also a growing number of consumers that are “green” and making purchasing decisions based on whether the food items are grown in environmentally-friendly and sustainable ways. These consumers tend to belong to medium and upper socioeconomic classes and are willing to pay a premium price for these products. Since organic fruits, vegetables, meat, and milk are substantially more expensive than conventional products, retailers target these products to consumers with high levels of education and high purchasing power.

Distribution is a key factor in the success of the organic foods market. Organic packaged products are mainly available in major supermarkets chains like, Wal-Mart, Superama, Soriana, Comercial Mexicana and City Market. The second largest distribution channel is small independent specialty stores such as the Green Corner, and Aires de Campo.

Some of the obstacles for the growth of this sector are:

- Price (sometimes up to 30% more expensive than their non-organic version)
- Lack of knowledge of the organic concept

- Poor differentiation of organic products versus conventional products
- Placement of organic products with conventional products at the points of sale
- Low availability of products
- Doubts of the organic integrity of the products
- Small investment of producers to promote the organic sector

Some of the next strategies needed to drive this market are to:

- Achieve an organic concept that is able to penetrate and convince the public of benefits and quality
- Increase point of sale exhibition of organic products as well as augment variety of organic products
- Educate consumers on the benefits and qualities of organic foods

Organic Packaged Foods

There are just a few local producers of organic packaged foods present in the Mexican market. Most of the bigger local producers are specialized in the production and commercialization of organic food products. Unifoods produces organic milk and some organic dairy products.

Aires de Campo has been the pioneer company in Mexico in commercializing organic foods. It operates through 20 BioCentros scattered throughout Mexico. BioCentros are distribution warehouses designed for 500 to 750 regular clients. These warehouses create a direct link between buyers and producers of organic food products.

Aires de Campo is probably the leading company in terms of distribution of organic packaged food in the country since it is present in almost all the main retail outlets. They have three major distribution channels for their products: retail outlets where most of their volume is concentrated; specialty stores where they have the biggest variety of Mexican and imported organic products; and home delivery. The company also manufactures the private label brand *Via Verde* exclusively for Wal-Mart stores in Mexico. These strategies and partnerships have given Aires de Campo the benefits of consolidation and strong brand positioning in Mexico.

Table III. Mexico: Organic Packaged Food Company Shares 2005 -2009

% Retail Value RSP	2005	2006	2007	2008	2009
Unifoods S.A. de C.V.	-	79.8	80.7	67.9	69.6
Agricola Valle Grande Ltda	-	-	-	6.0	5.8
Aires de Campo SA de CV	21.7	0.3	0.3	4.3	4.6
Marzetti T CO	-	-	-	1.7	1.8
Smuckers de Mexico	-	-	-	1.4	1.6
Impulsora de Restaurantes el Fogoncito S.A. de C.V.	48.6	0.7	0.8	0.5	0.4
Heinz Mexico S.A. de C.V.	0.6	0.0	0.0	0.1	0.1

Desarrollo Agropecuario Bravo S.A. de C.V.	9.6	0.1	0.1	0.1	0.1
Divella, F SpA	3.5	0.1	0.1	0.0	0.0
Organiciville Inc	1.3	0.0	0.0	0.0	0.0
Agroindustrias Covadonga SA de CV	0.7	0.0	0.0	0.0	0.0
Private Label	-	-	-	0.4	0.4
Others	14	18.9	17.9	17.4	15.6
Total	100	100	100	98.2	100

Source: Euromonitor International Estimates

Unifoods was the leading company in the organic packaged food market in 2009 with 67% market share. Its core product is organic milk. Agricola Valle Grande was the second largest with a 6% market share and Aires de Campo was the third leading company with 5% of the market in 2009.

Section V: Importers and Distributors of Organic Products

Currently there are few specialized importers of organic products in the Mexican market – particularly for organic packaged foods and packaged and pre-washed organic vegetables. Below is a list of the key distributors of organic products in Mexico:

AIRES DE CAMPO

Contact: Roberto Latapi

Address: Av. San Antonio 16 Int. 2 San Pedro De Los Pinos

Tel: 011-52-55-2614-0122

E-Mail: rlg@airesdecampo.com

Website: www.airesdecampo.com

CAMPO VIVO

Contact : Mateo Dornier

Address: Cuauthemoc 11 Urbana Ixhuatepec C.P. 55349 Ecatepec

Tel: 011-52-55-2733-0088 Ext. 103

E-Mail: m.dornier@campovivo.com.mx

Website: www.campovivo.com.mx

FOOD SOLUTIONS S.A. DE C.V.

Contact: Raymundo Cid del Prado

Address: Carr. a Huinalá KM 1.5-A. Col. El Milagro

Apodaca, N.L. 66634

Tel: 011-52-81-8321-3636 ext. 211

E-mail: raymundo@nutribits.com

Website: www.nutribits.com

DISTRIBUIDORA PROMESA – DIPRO

Contact: Eliette Orozco

Address: Av. Madero 1590 Col. Nueva, Mexicali 21100, Baja California

Tel: 011-52-686-555-7105 Fax: 011-52-686-555-7116

E-mail: info@diproworldorganic.com

Website: <http://www.diproworldorganic.com>