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The Mexican Market For Snack Foods

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Snack Foods

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Report Highlights:

Mexico continues to increase its production and consumption of snack foods. New product lines now stress health quality and are being promoted through strong campaigns by large manufactures. Younger consumers are open to new and innovative products and are the primary consumers of imported products from the United States. There is a wide range of U.S. snack food products consumed in Mexico. Most imported products are sold in urban centers. Mexico City, Guadalajara, and Monterrey account for approximately 28 million consumers that can afford and consume imported products.

General Information:

SECTION I. MARKET OVERVIEW

Mexican production of snack foods in dollar terms increased from an estimated \$2.2 billion in 2006, \$2.8 in 2007, to approximately \$2.6 billion in 2008. Local producers are the principal suppliers to this market and the main competitors

to U.S. snack food exporters. Driven by competition from imported snack products, Mexican companies continue improving their technology and, hence, product quality in recent years. These companies have also developed new product lines stressing the health and nutritional qualities of some products and have begun to use local ingredients. The average Mexican consumes an average of 3.28 kilos of snacks per year. In Monterrey consumption reaches 6 kilos.

United States is the primary supplier of snack foods to Mexico by far. Imported products are sold mainly in the retail sector. Mexico imports of snack foods from United States in dollar terms decreased from an estimated \$1.55 billion in 2006, to \$1.36 billion in 2007, to approximately \$1.25 billion in 2008. Mexican imports from the United States will continue to decrease due to the peso devaluation, the economic downturn and the new retaliatory duties imposed on U.S. products. The nearly 400,000 traditional mom and pop stores do not import directly and generally do not sell imported goods. They tend to focus on domestically produced products that are lower cost.

Advantages	Challenges
Mexican consumers like American products; they recognize most U.S. brands and associate U.S. made products with high quality and value.	Growing preference for healthy snacks, such as fresh vegetables and fruits (fresh and dried fruits).
Of the approximately 110 million Mexicans, a significant and growing share, approximately 23.5 million people, have the purchasing power and disposition to buy imported goods.	The traditional “mom & pop” stores and street markets continue to make up a large part of Mexico’s retail sector, but offer limited market potential for U.S. exporters due to their small size and limited purchasing capability.
Mexican consumers, especially the younger generation, are rapidly adapting to more international ways-of-life and purchasing imported items.	Mexico is traditionally a price driven market, particularly in food purchasing decisions.
Local producers are open to distribute imported products.	The snack food market is dominated by local producers, innovating and improving their product and quality in recent years
Increasing foreign investment and more women in the workforce are driving the demand for imported foods.	Importers, distributors and wholesalers control the domestic snack food market. Some large retailers are importing directly.
Growing demand for healthy products for people with weight problems.	Snacks are perceived as junk food.
Increase in the urban population.	Mexican consumers prefer local and traditional snack products.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Local snack producers manufacture a wide array of snack products for all income classes. They know the taste preferences of domestic consumers and develop a variety of products that include taste, quantity, quality and price. Packages range from simple to flashy. Large manufacturers often have product promotions that may contain additional product, little items for children or free packages of hot sauce.

Medium and small snack producers cannot compete with large producers and generally have a limited distribution network. These producers generally try to maintain lower product price points. Sabritas and Barcel have the best

distribution network in the country.

Mexican production of snack food in dollar terms, increased from an estimated 2.2 billion in 2006, to 2.8 in 2007, to approximately \$2.6 billion in 2008, according to the Instituto Nacional de Estadística, Geografía e Informática (INEGI) and own estimates. Local producers are the principal suppliers to this market and the main competitors to U.S. snack food exporters. Driven by competition from imported snack products, Mexican companies continue improving their technology and, hence, product quality in recent years. There are approximately 127 snack producers in Mexico. Twenty percent of all producers are located in Mexico City. Jalisco has 17 percent and Nuevo Leon 14 percent. The rest are dispersed in other states. These companies have also developed new products and have begun to highlight healthy product characteristics like no cholesterol, no carbohydrates, no trans fats, among others.

The top snack producers in Mexico are the multinationals. Sabritas (Frito-Lay) captures approximately 70 percent of the snack foods market and Barcel (Grupo Industrial Bimbo) accounts with 20 percent and the remaining 10 percent is distributed among medium and small companies such as Procter & Gamble, Bokados, Botanas Leo, Fritos Encanto, etc. New line products have been launched with traditional Mexican chilli flavors as well as stressing health contents.

The following are the snack food categories: fried corn products (charritos, tortilla chips, puffs), popcorn, other fried or roasted products except from corn (spiced peanuts, wheat flour foods, potato chips); and other non-generic products.

Table 1: MEXICAN SNACK FOOD PRODUCTION, 2006-2008
(US Million Dollars and Thousand Tons)

	2006		2007		2008	
	US \$	Tons	US\$	Tons	US\$	Tons
Production	2.2	391,152	2.8	284,487	2.6	275,800

Source: Instituto Nacional de Estadística, Geografía e Informática-INEGI (National Institute of Statistics, Geography and Informatics), and own estimates.

The Mexican snack industry is divided into four segments:

- Multinationals or large manufacturers: Sabritas (Frito Lay Mexico) and Barcel (Grupo Industrial Bimbo)
- Important companies with regional distribution
- Big and non-branded manufacturers
- Large number of small manufacturers, and hundreds of artisan producers

There are two channels for distributing snack foods in Mexico:

1) Supermarkets which handle a great variety of brands and flavors in family-size packages or packages that include several personal bags. All packaging should comply with all the norms and government requirements such as labeling or packaging materials. These products are also heavily advertised. Supermarkets, club stores, and department stores continue to provide U.S. exporters the best retail outlets. There are approximately 17,024 retail stores, 2,812 supermarket chain stores, 1,365 department stores, and 12,847 specialty stores throughout Mexico.

2) Traditional retail channels or mom and pop stores (with over 400,000 outlets according to AC Nielsen) carry

important brands and often exhibit their products in special dispensers. They generally carry items in smaller packages and can carry brands and products which do not comply with government requirements and with little advertising support. These outlets serve a large number of Mexican consumers and generally do not sell imported products. Every now and then a consumer might find a small amount of products in family-sized packaging, but this is the exception.

In addition to supermarkets and traditional mom and pop stores, there are a large number of small vendors that distribute their products at schools, at larger intersections, outside government or business offices, stadiums, theaters, metro and bus stations and at the Central Markets for retail sales. Final consumer prices and quality grades will vary depending upon the location and the consumer they are targeting.

U.S. exports to Mexico are expected to continue to decrease in 2009 due to the weak Mexican peso, the economic downturn and the application of new retaliatory duties on some U.S. products. According to NAFTA, all import tariffs for U.S. products reached zero on January 1, 2009. However, on March 18, 2009, the Secretariat of Economy (SE) published an announcement in the Diario Oficial (Federal Register) modifying the import tariffs [1] of 90 U.S. agricultural and industrial products as a reaction to the elimination of the U.S.-Mexico Cross-Border Trucking Demonstration Project. From this list, 36 agricultural products were impacted including four different varieties of snack products. Please refer to the table below:

Table 2: Newly Applied Import Tariffs on Snack Products
Effective Date: March 19, 2009

HS Code	Product	New Tariff
2008.11.01	Peanuts, prepared or preserved, shelled (peanut butter)	20%
2008.11.99	Peanuts, prepared or preserved, other	20%
2008.19.01	Prepared nuts, almonds	20%
2008.19.99	Other prepared nuts	20%

Source: Sagarpa/SIAP, Secretariat of Agriculture, Rural Development, Fisheries and Food Agro/Food and Fisheries Information Services (SAGARPA)

Table 3: Mexico Snack Imports from U.S. 2006-2008
(U.S. Million Dollars)

Import Code Numbers	2006	2007	2008
10059001-Popcorn	9.3	14.8	25.0
20052001-Potatoes	67.1	39.8	28.8
20081101-Peanuts without shell	1.2	2.2	5.5
20081199-Other prepared peanuts	3.7	2.8	2.1
20081901-Prepared or preserved almonds	2.0	1.8	2.9
20081999-Other prepared or preserved nuts including mixes	71.8	74.9	60.7
Total	155.1	136.3	125.2

Source: World Trade Atlas

1. Entry Strategy

The best way to understand the Mexican market is by visiting the country and talking to potential buyers, retailers, distributors and other players in order to prepare a more effective entry strategy. U.S. exporters must conduct appropriate market research, find appropriate business contacts and thoroughly review Mexican import regulations in order to successfully seize market opportunities and overcome market challenges. An affordable way to investigate the market is to participate in and/or attend Mexican trade shows, particularly U.S. Pavilions organized by the Agricultural Trade Office (ATO) at selected shows. If you need information on trade shows, please contact us at the following e-mail address: atomexico@usda.gov. In addition, please keep in mind the following:

Business is generally conducted in Spanish. Have an interpreter, or better yet, a person working for you who speaks Spanish.

Personal face-to-face communication is critical. Personal contact with buyers is essential to initiate business relations in Mexico. Visit the market in person to explore opportunities and to develop personal contacts. Follow-up by email or fax if appropriate, but having an in-country representative or making periodic personal visits is also important.

Mexican importers/distributors are a key component to U.S. export sales in Mexico. Finding a good importer/distributor in Mexico is critical to exporting successfully in Mexico. They should conduct product promotions and make sure they are displayed in a good location. Importers/distributors serve as a link to buyers and in-country representatives, have the expertise to handle complicated regulations and can trouble-shoot problems that imports can face at the border.

2. Market Size, Structure, Trends

Mexico has a population of approximately 110 million inhabitants, of which 51% are women and 49% men. 70 percent of the population is urban and are dispersed in 126 major cities. 20 percent of the rural population lives in communities of less than 2,500 inhabitants and the remaining 10% are classified as semi-urban and live in communities with between 2,500 to 10,000 inhabitants. The Mexico City metropolitan area has an estimated population of 23 million of which 99.8 percent are urban and .2% rural. Mexico City has a concentration of economic, political and cultural resources not seen anywhere else in the country. The second largest city is Guadalajara, with 6.7 million people and is located about 290 miles northwest of Mexico City. Monterrey comes in third with 4.2 million people and is located in the northern border state of Nuevo Leon and is considered the center of Mexico's iron and steel industry.

There are several factors that are contributing to the growth of the Mexican Market. Snacks are considered cheaper than traditional meals. People who live in large cities have declined or have no time to prepare their own meals because of traffic, long distances and time pressures. Mexico offers growth and stability. Consumer habits are changing and one of the factors driving this change are women. They represent 51% of the population and are significant consumers.

Large companies continue to offer products in packages of different sizes and use the amount of product content as a means to derive their price points. The strategy of many producers' is to keep prices stable or low in order to keep low-income consumers loyal to their products.

The traditional snack food concept and consumption has been evolving. Traditional snack foods were traditionally salted snacks such as potato chips, corn chips, tortilla chips, peanuts, popped popcorn, pretzels and similar snacks and salted and roasted nuts and seeds. This pattern has been changing. Consumers of all ages are becoming more conscious of healthier food choices. However, the consumption of food products that are categorized as high fat or high in calories also continues to increase. Schools are now prohibited from selling unhealthy foods and have established programs to educate parents and students of all ages about good nutrition, diet, weight control and general health. Some consumers are making a conscious effort to consume more healthy or more natural snack products such as fruit (fresh or dried), cereal, nuts and cereal grains, granola bars), nuts, yoghurt and other healthier items.

Consumers have become more fragmented, the snack industry needs to offer a wider variety of snacks, healthier and more innovative and tastier products, with increased natural ingredients.

3. Company Profiles

<i>Manufacturer</i>	<i>Brand Name</i>	<i>Product Distribution</i>
Sabritas	Sabritas, Ruffles, Cheetos, Doritos, Rancheritos, Sabritones, Fritos, Mafer, Tostitos, Poffets	National distribution
Barcel, S.A. de C.V.	Chips, Barcel, Takis, Chicharrones, Tosta, Hot nuts, Maxi, Ondas, Paprizas, Chipotles, etc.	National distribution
Bokados, (Nacional de Alimentos y Helados, S.A.)	Bokados, Nachitos, Prispas, Bokaditos, Chirritos, Strips, Rinks, Topitos, Olas, Ruedas, Golos, Bokachitos, Rielitos, Mazapan Azteca, Pistaches, Semillas de Calabaza, Gira-Solitos, etc.	Northern, Central, Eastern, and Western distribution.
Procter & Gamble de México	Pringles (<i>grab & go</i>)	Main large cities
Botanas Leo (Xignus)	Clasicas, Friton Leonchitos, Big Pap, Cacahuates, Tostadas, Reggias, etc.	Mainly in Northern cities
<i>Fritos Encanto de Monterrey, S.A. de C.V.</i>		Mainly in Northern cities
Act II (Productos del Monte)	Act II	Main large cities

Source: Personal visits to three random stores located in Mexico City and Metropolitan area

SECTION III. COSTS AND PRICES

Snack product prices may vary depending on where the product is sold. Hotels and restaurants may double or triple prices. Convenience stores increase prices moderately. Retail, mom and pop stores, traditional markets, and street markets may offer standard sale prices. Content product presentations vary. Individual size packaging is generally found in mom & pop stores as well as street markets, which target lower income consumers, while medium to family

sizes are found in supermarket chains and club stores. Some size presentations and prices are shown in the following table:

Table 4: PRODUCT CONTENT IN GRAMS AND PRICE IN MEXICAN PESOS

Brand Product	Product Presentations and Costs
Cheetos, Doritos, Rancheritos, Sabritones, Fritos, Tostitos, Poffets	36 grams: \$ 4.00 - \$ 4.50 35 grams: \$ 6.00 - \$ 6.50 48 grams: \$ 7.00 - \$ 7.50 50 grams: \$ 5.00 - \$ 5.50 52 grams: \$ 5.50 - \$ 6.00 90 grams: \$17.00 - \$20.00
Chip Potatoes: Sabritas, Ruffles, Chips	35 grams: \$ 7.00 - \$ 8.00 85 grams: \$ 9.00 - \$10.00 167 grams: \$23.36 - \$25.50 170 grams: \$25.06 - \$27.90 343 grams: \$39.00 - \$42.75 450 grams: \$44.00 - \$47.00
Peanuts: Mafer, Hotnuts, Nishikahua, Golden Nuts, KKwates,	36 grams: \$ 4.00 - \$ 4.50 50 grams: \$ 6.00 - \$ 7.00 60 grams: \$ 6.00 - \$ 7.00 95 grams: \$10.00 - \$11.50
Popcorn: Act II Poffets Private Label	91 grams: \$ 5.40 - \$ 6.45 85 grams: \$ 5.90 - \$ 6.12 105 grams: \$ 4.40 - \$ 5.10
Pringles	141 grams: \$32.00 - \$35.40 74 grams: \$14.30 - \$17.50 20 grams: \$12.00 - \$13.80

Source: Personal visits to three random stores located in Mexico City and Metropolitan area

SECTION IV. MARKET ACCESS [2]

Under NAFTA, Mexican imports of snack foods do not require special import permits. The basic Mexican import document is the Pedimento de Importación (customs entry document) should be presented to Mexican Customs together with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notice. Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. This form is available from the U.S. Customs Service, freight forwarders, local U.S. Chambers or State Departments of Agriculture, and does not have to be validated or formalized.

Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Imported products to be sold at retail outlets must be labeled according to Mexican government specifications. Labeling is subject to a national regulatory requirement termed a "NOM." The principal NOM for snack food labeling, both from local production and foreign sources, is NOM-051-SCFI-1994. Bulk products do not need to comply with NOM 51 if these items are sold and weighted in the presence of the consumer. Some U.S. suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product

prior to entering the country. All the information on the label must be in Spanish and must include the following data:

- | | |
|---|--|
| -Country of origin
(i.e. Producto de EE.UU.) | -Ingredients |
| -Importer's name, address
and RFC number (taxation number) | -Producer's name and address |
| -Commercial/brand name | -Product description in Spanish |
| -Exporter's name and address | -Preparation and handling instructions |
| -Product description in English | -Date of expiration |
| | -Special warnings |
| | -Net weight in metric units |

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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[1] For more information on the latest Tariff Modifications, see the following GAIN report: MX9010 at

<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

[2] For a detailed study of Mexican Regulations for Exporting/Border Crossing, Import Requirements and additional information on labeling NOMS, see following GAIN reports: MX8313 Mexico Exporter Guide, MX8314 FAIRS Report, and MX1223 Labeling Regulations at

<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>