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SECRETARÍA DE ECONOMÍA



Processed Food Industry

Business Intelligence Unit 2015

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Processed Food Industry in Mexico

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1. Processed Food Industry in Mexico


Business Intelligence Unit 2015


1.1 key Industry indicators

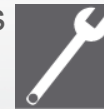
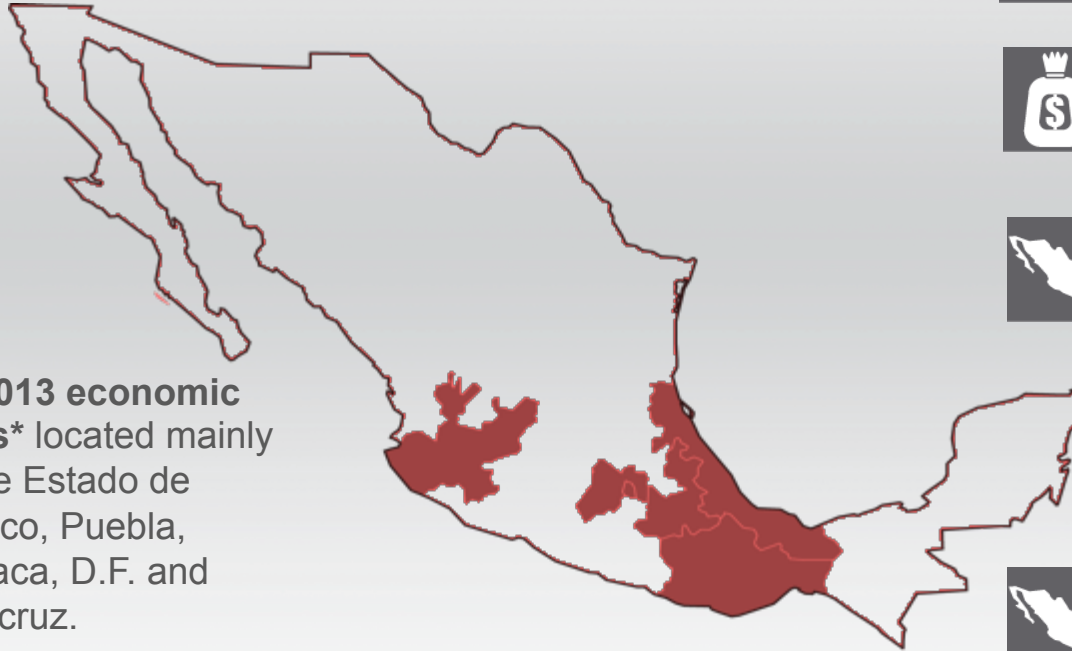
2° Second biggest supplier of processed foods to the United States (2014).

3° Third biggest producer of processed food on the continent (2014).

9 Nine of the top 10 transnational companies in the world have operations in Mexico

 **180,013 economic units*** located mainly in the Estado de México, Puebla, Oaxaca, D.F. and Veracruz.

 Industry employees: **795,236**



Production 2014: **US\$135.5 billion**

CAGR 2014-2020: **4%**



Consumption 2014: **US\$143.9 billion**

CAGR 2014-2020: **3.8%**



FDI (2004-2014): **US\$16,392 million**

FDI 2014: **US\$433 million**



Top investor countries between 2004 and 2014: Netherlands, United States, Switzerland, Japan and Luxembourg.

Exports 2014: **US\$8,261 million**



Main exports: cane sugar, baked goods, chocolate and confectionery.

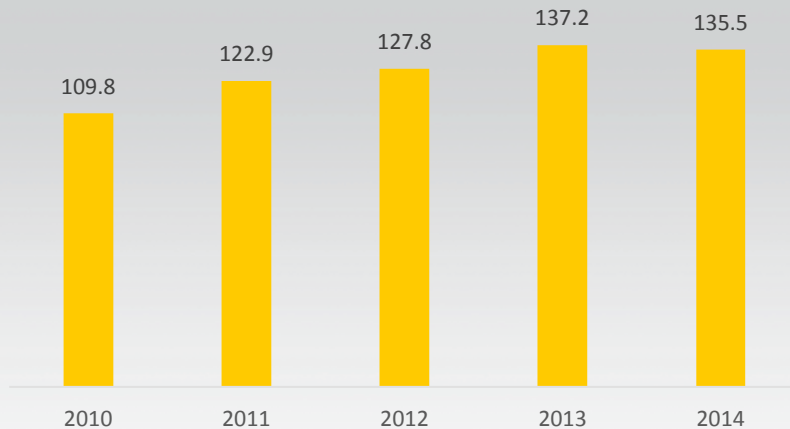
Top destinations: U.S. 68%, Japan 5.5%, Canada 2.5%, Hong Kong 2.2% and Guatemala con 2.1%.

1.2 Production and consumption in Mexico

Production

In 2014, Mexico produced US\$135.5 billion worth of processed food. This indicator is expected to grow at a CAGR of 4% between 2014 and 2020.

Graph 1. Processed Food Production (US billion)



The food processing industry accounted for 23.4% of manufacturing GDP and 3.9% of total GDP, and its added value was 37.4%.

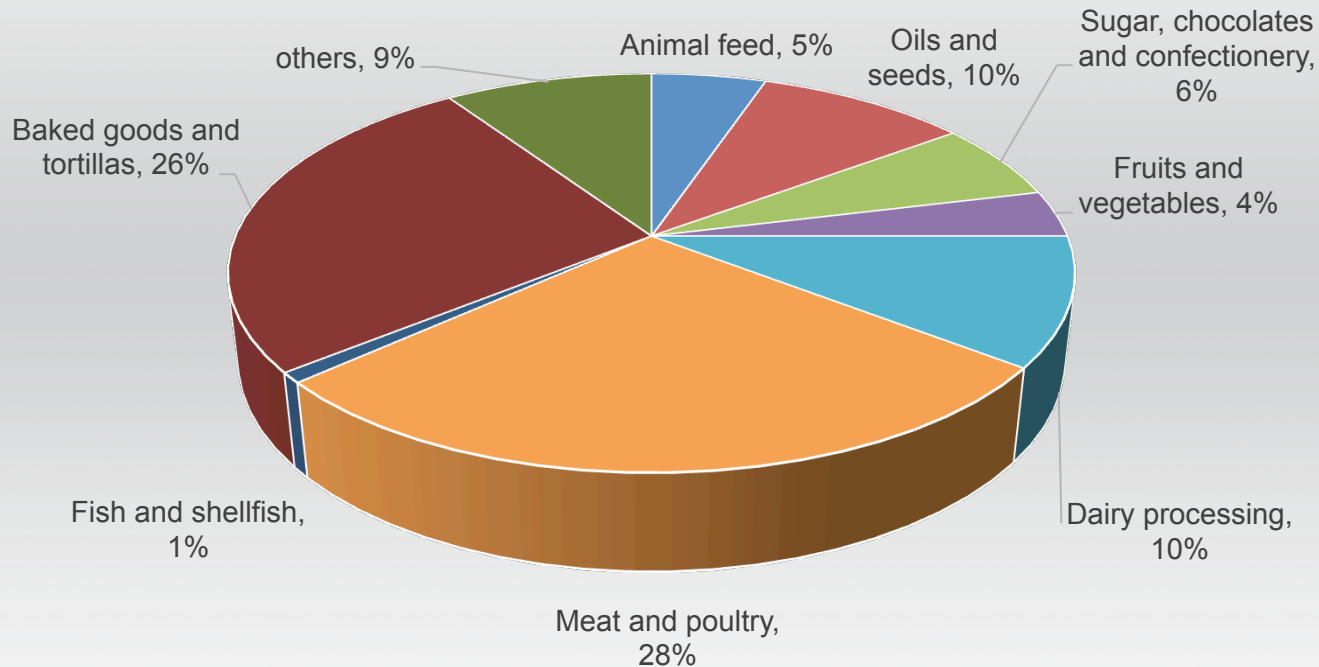
14.1% of production inputs came from foreign countries (fuente: INEGI).

In 2014, consumption of processed foods in Mexico reached US\$143.9 billion, and it is expected to grow at a CAGR of 3.8% between 2014 and 2020. (fuente: IHS)

1.2.1 Production by industry

In 2014, baked goods and meat processing activities accounted 54% of the total production value.

Graph 3. Production by industry 2014, % share



Around 85.9% of the main inputs used by the industry come from the domestic market and consist of fruits, vegetables, beef, cardboard, glass, plastic, and tin containers.

1.3 Market size of Mexico

Table 1. Mexican Processed Food Market Sales, 2014

Categories	Market value, 2014 (million USD)	CAGR 2014-2019	% Share in total value 2014
Baked goods	27,177	3.6%	40.3%
Dairy	13,221	4.8%	19.6%
Confectionery	4,764	4.0%	7.1%
Sauces, dressings and condiments	4,046	4.1%	6.0%
Sweet and savory snacks	3,670	4.4%	5.4%
Dehydrated processed foods	2,477	4.0%	3.7%
Canned/ preserved foods	2,251	3.6%	3.3%
Refrigerated processed foods	2,127	5.5%	3.2%
Oils and fats	2,182	4.7%	3.2%
Baby food	1,190	4.4%	1.8%
Frozen processed foods	883	4.2%	1.3%
Pasta	660	4.7%	1.0%
Ice cream	601	2.0%	0.9%
Spreads	523	5.5%	0.8%
Snack bars	410	8.2%	0.6%
Noodles	389	5.4%	0.6%
Ready-to-eat food	386	5.2%	0.6%
Meal replacements	327	5.8%	0.5%
Soups	167	2.5%	0.2%
Total	67,451	4.1%	100%

Source: Euromonitor

The Mexican processed food market in 2014 was worth US\$67,451 million, and it is expected to grow at a CAGR of 4.1% from 2014 to 2019.

The categories with the highest sales in 2014 were baked goods, dairy and confectionery, with a joint share of 67% of the domestic market.



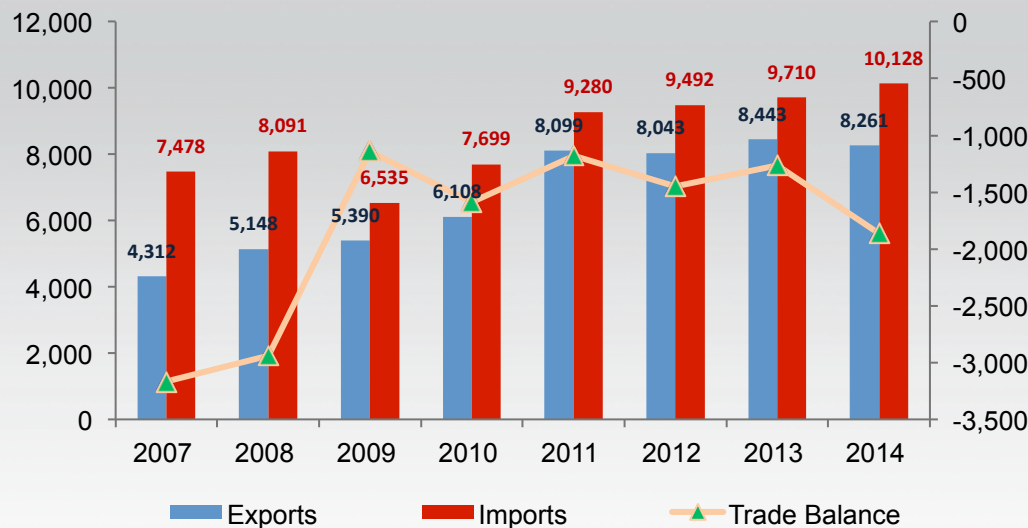
1.4 Mexican trade

In 2014, Mexican exports of processed food were valued at US\$8,261 million and grew at a CAGR of 10% in the period from 2007 to 2014.

The United States was the main destination for Mexican exports, accounting for 67.6% of total exports, followed by Japan with 5.5%, Canada 2.5%, and Hong Kong 2.2%.

Table 2. Destination of Mexican exports, 2014

Graph 4. Trade balance of the Mexican Processed food industry, 2007-2014 (million USD)



Country	Value 2014, (million USD)	% Share 2014	Growth 2013-2014
United States	5,587	67.6%	-4.4%
Japan	456	5.5%	-14.0%
Canada	209	2.5%	56.4%
Hong Kong	183	2.2%	39.1%
Guatemala	177	2.1%	-1.0%
Venezuela	118	1.4%	-25.4%
Spain	113	1.4%	64.7%
United Kingdom	105	1.3%	76.6%
Vietnam	78	0.9%	54.5%
Netherlands	76	0.9%	34.9%
Others	1,159	14.0%	-5.8%
Total	8,261	100%	-2.2%

Source: Global Trade Atlas

Mexico's processed food imports in 2014 had a value of US\$10,128 million, which represented a growth of 4.3% compared with 2013.

Source: Global Trade Atlas

1.4.1 Main exports

Table 3. Main products exported by the Mexican Processed Food Industry, 2014

Tariff Code	Description	Exports 2014 (million USD)	% Growth 2013-2014	% Share	Main Export Destinations and % Share
1701	Cane or beet sugar and chemically pure sucrose	907	-30.4%	11.0%	U.S. 81.4%, United Kingdom 5.5%, Canada 4.6%, Morocco 2.4% and Libya 1.6%
1905	Bread, pastry, cakes, biscuits, and other bakers' wares	786	4.3%	9.5%	U.S. 86.2%, Canada 5.9%, Guatemala 1.4%, Dominican Rep. 1.0% and Panama 0.9%
1704	Sugar confectionery (including white chocolate), not containing cocoa	605	6.9%	7.3%	U.S. 87.4%, Guatemala 2.8%, Costa Rica 1.8%, Dominican Rep. 0.9% and Canada 0.9%
1806	Chocolate and other food preparations containing cocoa	565	-5.5%	6.8%	U.S. 86.1%, Canada 6.6%, Guatemala 0.9%, Costa Rica 0.7% and Colombia 0.6%
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted, or in brine	461	16.8%	5.6%	U.S. 84.2%, Hong Kong 9.1%, Vietnam 3.8%, Japan 0.9% and France 0.8%
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins;	407	-16.9%	4.9%	U.S. 64.8%, Puerto Rico 5.8%, Spain 4.7%, Belgium 4.4% and Canada 3.2%
0802	Other nuts, fresh or dried, whether or not shelled or peeled	385	57.1%	4.7%	U.S. 80.8%, Hong Kong 13.9%, Vietnam 4.5%, Spain 0.2% and Russia 0.1%
020329	Frozen meat of swine	359	-8.7%	4.4%	Japan 85.5%, U.S. 8.0%, South Korea 6.1%, Canada 0.3% and China 0.03%
1901	Malt extract	356	-10.4%	4.3%	Venezuela 26.8%, U.S. 8.7%, Peru 7.4%, Colombia 6.9% and Guatemala 6.8%
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved	348	7.5%	4.2%	U.S. 85.4%, United Kingdom 2.9%, Netherlands 2.7%, Spain 1.4% and Japan 1.2%
	Others	3 082	3.5%	37.3%	

In 2014, Mexico's top export products were cane sugar, followed by baked goods, confectionery and chocolate.

Other products also experienced a considerable growth rate compared with 2013, some examples include nuts at 57%, crustaceans at 17%, and fruits prepared or preserved at 8%.

1.5 Companies located in Mexico

There are **180,013 economic units*** from the industry in Mexico, mainly in Estado de México, Puebla, Oaxaca, DF and Veracruz. The food industry has **795,236 employees**.

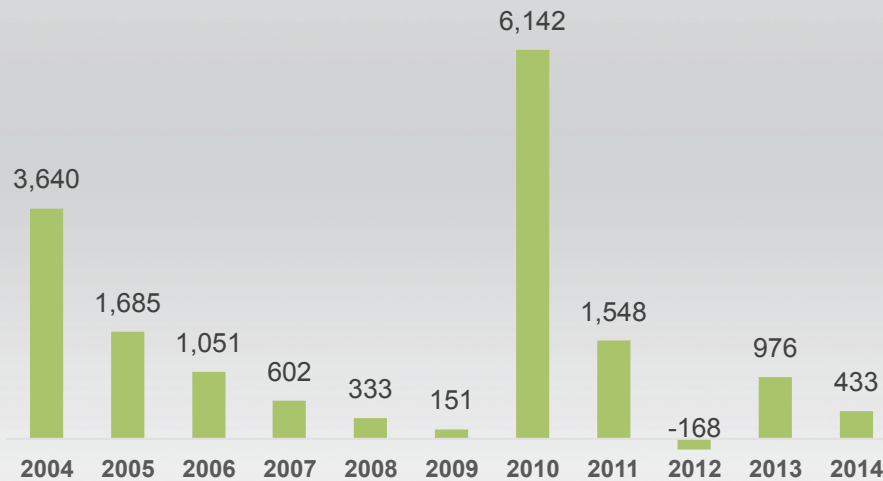


*Including companies, plants, corporate offices and sales offices.

1.6 Foreign Direct Investment (FDI)

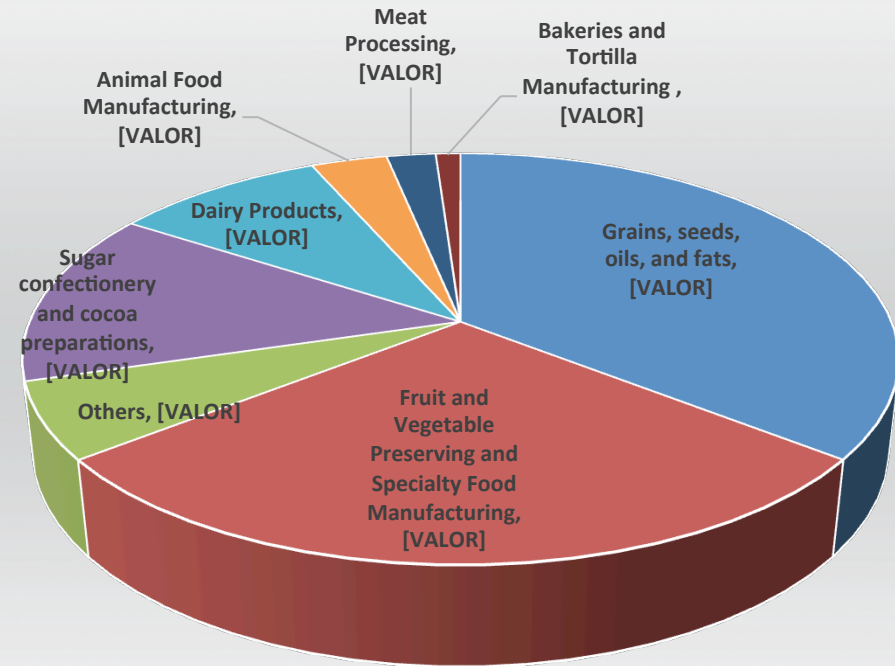
In 2014, the Mexican food industry received US\$433 million in foreign direct investment and the accumulated value between 2004 and 2014 was US\$16,393 million.

Graph 5. FDI Evolution in the Mexican Food Industry (million USD), 2004-2014



Source: Ministry of Economy

Graph 6. Accumulated FDI inflows by type of activity (million USD), 2004-2014



Source: Ministry of Economy

In the period 2004-2014, the main investor countries in the industry were Netherlands, USA Switzerland, Japan, Luxembourg and Spain.

1.6.1 Recent investment projects



* The company announced the investment of US\$40m for the installation of its second plant in Jalisco. The decision of installing this second plant obeys to the *availability of existing primary inputs in the entity*.

* Also, the company opened its first 'Zero Water' dairy factory in Jalisco; which will generate almost 1,200 jobs and it will enable it to use recycled water from its dairy operations.



* Mars has invested US\$22m to expand its pet food plant in Poncitlan. This will generate up to 125 jobs.



* The investment of US\$600m is earmarked for the construction of the biggest cookie factory in the world, which will be located in Nuevo León. The plant will be installed in the Monterrey Interport, which is set to be the country's major product distribution and logistics center, able to meet all the industry's needs in terms of facilities and transportation.

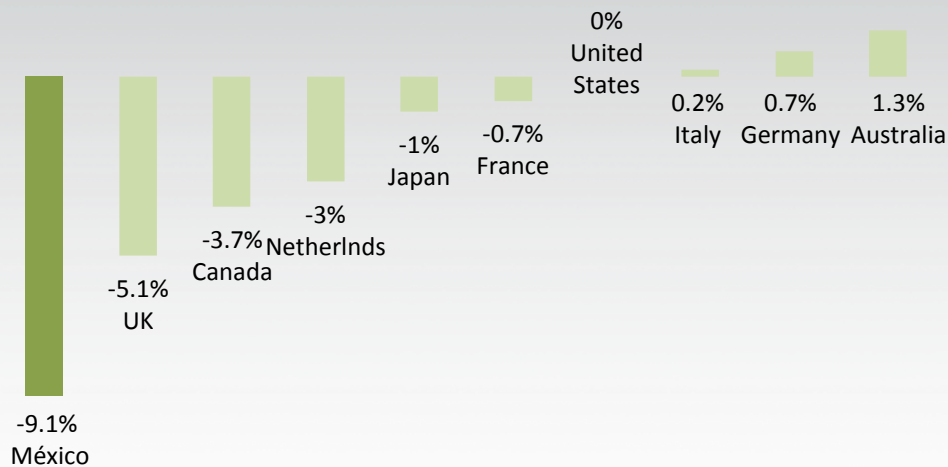


* The Company invested US\$34.9m in a plant for poultry processing, feed, and incubation. For Tyson, Mexico is the second most important market in the world, behind the United States. The company currently operates three production plants and seven distribution centers, enabling it to sell around 3.2 million birds weekly.

1.7 Competitive costs

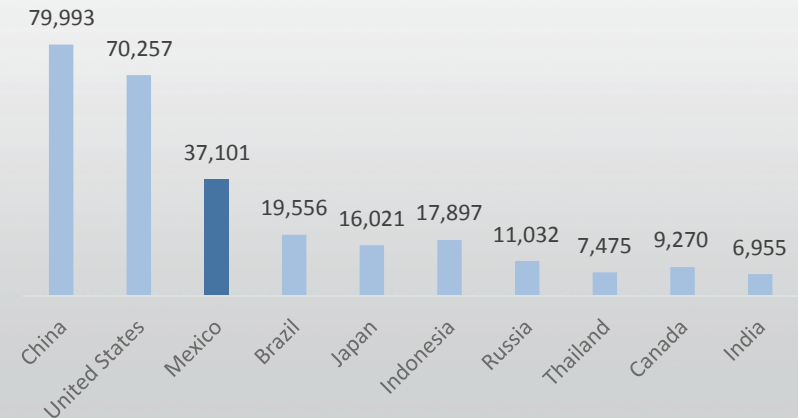
The production units of the Mexican food industry are performing exceptionally well, with net operating profits in 2014 of US \$37.1 billion higher than reported by Brazil, Japan, and Indonesia.

Graph 7. Cost Index of the Processed Food Industry of Selected Countries, 2014



Source: KPMG, Competitive Alternatives (KPMG's Guide to International Business Location), 2014

Graph 8. Net Operating Profits in the Processed Food Industry in Selected Countries, million USD, 2013



Source. Global Insight

Mexico offers savings of up to 9.1% compared with the United States.

Furthermore, Mexico City and Monterrey ranked first and second, respectively, for the lowest costs for setting up manufacturing operations in the food industry.

¡Thank you!