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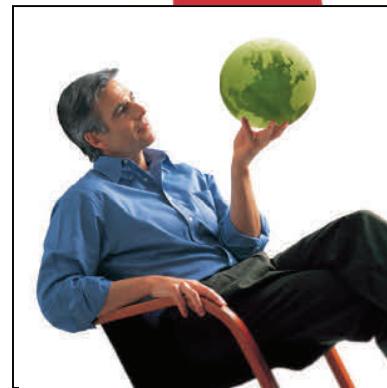
**International
Markets
Bureau**

MARKET INDICATOR REPORT | OCTOBER 2012

Food Packaging and Labeling Trends in Mexico



Source: Shutterstock





► **EXECUTIVE SUMMARY**

Over the period of 2008-2010, the Mexican economy suffered negative impacts which have led to reduced real disposable incomes for many consumers. As a result, consumers reduced expenditures, directing their consumption habits toward less expensive brands and purchasing items in smaller, less expensive packages, especially flexible plastic. While higher-income Mexicans may continue to enjoy more expensive packaging, the slow-to-recover Mexican economy means low-cost packaging units should continue to experience strong growth.

The population of working-age Mexicans is largely urbanized, with the majority of people leading busier lives than in the past. As a result, the demand for convenience is playing a major role in many food and beverage markets in Mexico. In response, the integration of compartmentalized packaging to divide separate meal components is gaining popularity in the food industry, as a means of both capturing the attention of consumers and providing convenience. Mexican consumers are demanding that consumer goods make their lives easier by saving time and resources when carrying, opening, consuming and disposing of the empty packaging.

Trends in food labeling are being driven by consumer segmentation, with manufacturers targeting label messaging to the needs and interests of specific consumer groups. Manufacturers are also required to comply with mandatory labeling requirements for some products, including pre-packaged food and non-alcoholic beverages.

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Source: Mintel

In 2011, approximately 62% of new product launches in Mexico were packaged in plastic, flexible packages that were 50 g in size.

Source: Mintel.

► KEY DRIVERS AND TRENDS



Drivers: Consumers and Industry

- ▶ Some Mexican consumers are pushing plastic producers to incorporate biodegradable resins derived from plants and not from petroleum.
- ▶ Consumers are looking for products in recycled and/or recyclable packaging. As a result, various goods are now being launched in packaging solutions that address these demands.
- ▶ For example, Walmart's sustainable packaging score card is a measurement tool that allows Walmart suppliers to evaluate themselves relative to other suppliers, based on specific metrics. The scorecard is a list of favorable packaging attributes, such as recycled, reduced, reused, renewable, etc.
- ▶ Product packaging differentiates between niche, higher-end products and bulk-economy products to service both low-income and higher-income consumers. Flexible packaging and flexible paper are often used for economy brands, while rigid plastic and folding cartons are used for premium products. Liquid cartons are most often used for preparations of fruit and vegetable juice products, while glass is used only for a small proportion of premium products. Mexican consumers see a strong link between the type of packaging and the perceived quality of the product.
- ▶ The Mexican packaging industry is slowly adopting global packaging trends. The majority of changes in the industry's packaging practices have come about as new companies or multinational firms replicate their launches in other countries.

Trends: Portion Control, Nutritional Labeling and Convenience

- ▶ Packaged food and beverage makers are saying "let's get small." According to Productscan Online, they are responding to concerns about obesity by shrinking package and serving sizes. This applies particularly to chips and other snacks.
- ▶ In 2010, several dairy manufacturers launched products in single-serving packs, which address the needs of those consumers who want to control portions. Aside from the advantage of carrying such packs for on-the-go consumption, these single servings are meant to provide a controlled amount of nutrition per portion. To attract this segment of consumers, manufacturers are communicating the calorie content of their products and other nutritional information. Dairy producers are also adopting the idea of selling bundle packs (smaller portioned snacks in individual packets, grouped together and sold as one unit) to provide several single servings over a week. On-the-go snacks and single-serve packs that address the convenience needs of Mexican consumers are seeing a rise in popularity.
- ▶ In recent years, there has been an increase in health consciousness among consumers across the world, and Mexicans are following suit. One of the ways in which consumers choose healthy foods is through the nutritional information or general health claims printed on external packaging. In order to attract consumers' attention, manufacturers print nutritional information to highlight the food value or health benefits of their products. Special packaging for kids is another rising trend in the dairy market. Foods that are targeted to kids use attractive colors and often feature favourite cartoon characters; these are mostly made available in single-serving packs for lunchboxes.
- ▶ The reduced incomes of some consumers have forced the industry to provide more affordable, smaller presentations. The need for on-the-go food products has also led manufacturers to incorporate package closures that open and re-seal numerous times, reducing waste and allowing the product to be visually distinctive from its competitors' offerings.

► FOOD PACKAGING



**Mexico – Packaging Classes – Total Historic/Forecast
– Retail/Off-Trade – Unit Volume – Million Units**

Package type	2006	2007	2008	2009	2010	2011*
Total packaging	59,322.4	61,427.3	61,896.0	61,523.4	63,812.7	65,771.3
Metal	3,268.4	3,376.5	3,435.8	3,411.0	3,514.3	3,632.2
Metal food can	2,981.5	3,085.0	3,148.8	3,124.7	3,219.2	3,332.1
Metal beverage can	10.3	10.2	9.4	7.9	7.3	7.0
Metal aerosol can	43.8	44.1	40.7	42.1	53.4	58.4
Metal tins	226.8	230.7	231.1	230.8	228.5	228.8
Other metal	6.0	6.5	5.9	5.5	5.8	5.9
Rigid plastic	8,847.5	9,051.1	9,009.6	9,250.7	9,774.1	10,172.3
PET bottles	1,133.3	1,071.9	976.4	965.0	1,023.2	1,053.8
PET jars	173.6	182.6	185.5	209.2	222.4	236.8
Thin wall plastic containers	3,852.2	3,900.8	3,770.4	3,845.2	4,008.5	4,142.7
Squeezable plastic tubes	8.6	9.7	12.5	15.3	16.4	17.7
Other rigid containers	795.1	854.9	900.0	930.6	965.9	1,001.8
HDPE bottles	2,614.7	2,746.7	2,867.5	2,978.0	3,212.3	3,375.3
Plastic trays	269.9	284.5	297.3	307.3	325.4	344.3
Ready meal trays	0.0	0.0	0.0	0.0	0.0	0.0
Other plastic trays	269.9	284.5	297.3	307.3	325.4	344.2
Glass	868.6	878.0	842.3	817.2	813.3	814.6
Glass bottles	153.9	165.2	155.1	143.7	149.0	157.8
Glass jars	714.7	712.9	687.2	673.5	664.3	656.9
Liquid cartons	3,883.6	4,168.4	4,040.4	4,093.9	4,191.8	4,279.1
Gable top liquid cartons	1,355.5	1,322.0	1,184.3	699.2	674.9	656.6
Brick liquid cartons	2,489.4	2,805.2	2,816.7	2,906.0	3,043.8	3,160.7
Other shaped liquid cartons	38.7	41.1	39.4	488.6	473.2	461.9
Paper-based containers	5,550.3	5,752.0	5,815.5	5,832.0	6,097.0	6,265.1
Folding cartons	5,395.5	5,592.8	5,654.5	5,671.9	5,929.4	6,094.7
Composite containers	96.6	99.1	101.1	99.5	104.8	106.9
Board tubs	57.3	59.2	58.9	59.6	61.8	62.5
Paper-based trays	0.9	0.9	1.0	1.0	1.0	1.0
Flexible packaging	36,904.0	38,201.3	38,752.4	38,118.6	39,422.2	40,607.9
Stand-up pouches	716.7	770.2	770.1	790.7	822.0	862.3
Plastic pouches	556.6	588.3	581.0	596.5	619.6	651.6
Aluminium/plastic pouches	160.1	181.9	189.1	194.2	202.4	210.7
Flexible plastic	28,051.0	29,064.4	29,584.5	29,183.9	30,200.0	31,023.9
Aluminium foil	704.2	715.4	719.6	715.7	727.4	726.4
Flexible paper	6,788.9	6,956.0	6,949.7	6,687.1	6,880.6	7,145.1
Flexible aluminium/plastic	148.2	157.0	172.2	175.5	183.5	191.9
Flexible aluminium/paper	357.3	387.7	384.6	379.1	397.5	410.8
Blister and strip packs	137.7	150.6	171.7	186.6	211.2	247.5

*Note: 2011 forecasts are the latest statistics available at time of writing.

Source: Euromonitor, Mexico Packaging

► FOOD PACKAGING (continued)



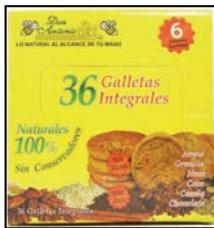
**Mexico – New Product Releases – Product Packaging Analysis
– Percentage by Packaging Type – 2011**

	Flexible	Bottle	Carton	Jar	Can	Flexible stand-up pouch	Flexible sachet
Bakery	12.1	0.1	0.7	0.2	0.1	0.4	0.1
Sauces and seasonings	0.7	5.3	0.3	3.5	1.1	0.5	0.3
Snacks	8.8	0	0.2	0.5	0.1	1.0	0.4
Sugar, gum and confectionery	7	0.1	1.0	0.2	0.3	0.2	1.0
Dairy	1.7	1.3	1.9	0.3	0.4	0.2	0.5
Processed fish, meat and egg products	3.5	0	0.1	0.1	1.0	1.0	1.1
Chocolate confectionery	3.7	0	1.7	0.3	0.1	0.4	0.1
Fruits and vegetables	1.2	0	0.1	0.4	1.4	0.2	0.1
Breakfast cereals	2.5	0	0.1	0	0	0.2	0.2
Meals and meal centres	1.3	0	0.2	0	0.2	0.2	0.5

Source: Mintel, GNPD, Mexico Food Packaging New Product Releases for the 12 months ending December 12, 2011.



This is a melted cheese product, sold in a 300 g plastic, flexible, stand-up pouch, which sells for US\$3.28. This melted cheese with jalapenos product is sold frozen in the increasingly popular flexible pouch packaging. Claims made as part of the product marketing message are microwaveable, easy and quick to prepare.



These wholegrain biscuits, packaged in a 1.89 kg flexible plastic pouch, sells for US\$5.77. While the “100% natural” product messaging on the package could be the main claim, the manufacturer has done a great job of incorporating flexible packaging. There are 18 individual packets, containing two cookies each. This packaging has also enabled the company to bundle six assorted flavours into the mix.

Source for both: Mintel

Common Package Sizes – By Most Popular Pack Type – 2011 – Trade Unit Volume – Million Units

Pack type	Pack size								
	5 g	15 g	50 g	60 g	64 g	65 g	125 g	150 g	200 g
Rigid Plastic (thin wall plastic containers)				245	1,781	165	895	234	
Flexible packaging (flexible plastic)	2,175	1,443	2,961		1,781				2,175

Source: Euromonitor; pack size data as of December 12, 2011.



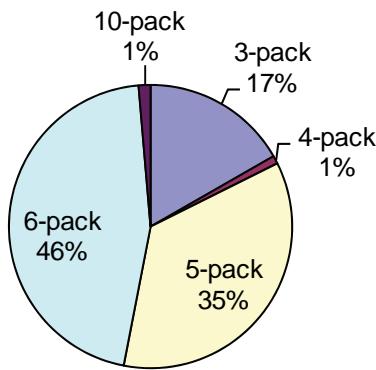
► FOOD PACKAGING (continued)

**Most Popular Closure types – By Most Popular Pack Type
Trade Unit – Volume – Million Units**

Pack type	Closures	2011
Rigid plastic	Peel-Off Foil	4,292.9
	Peel-Off Paper	1,946.9
	Plastic Screw Closures	1,753.8
	Other Plastic Closures	1,310.8
	Plastic Dispensing Closures	327.0
	Plastic Overcaps	177.1
	Peel-Off Plastic	156.7
	Metal Screw Closures	1.6
Thin wall plastic containers	Peel-Off Paper	1,946.9
	Peel-Off Foil	1,664.2
	Other Plastic Closures	338.8
	Plastic Overcaps	176.7
	Peel-Off Plastic	156.7
	Peel-Off Foil	12.1

Source: Euromonitor; food packaging closures data as of December 12, 2011.

New Product Launches – Multipack Size – by % – by Pack Unit 2012



Source: Euromonitor, Food Packaging Multipacks.

► FOOD LABELING

Consumer segmentation is driving trends and innovation in labeling. Through segmentation by age, gender, and lifestyle, manufacturers are crafting food label messaging to highlight the information that is of the greatest importance to these varied consumer groups.

For seniors, labels speaking to the health issues relevant to them are important, while gender and lifestyle also influence labeling. For women and children, labels that emphasize a product's specific nutritional profile, while also underscoring its functional properties, are predominant on the shelves. Such terms as "high in antioxidants," "100-calorie snack size," "high/added vitamins," "low calorie," and "no trans fats" are the most popular.



► FOOD LABELING (continued)

According to International Diabetes Federation estimates, more than 10% of Mexico's population suffers from diabetes. Manufacturers have tried to capitalize on this by introducing healthy variants of confectionery products. For certain categories, such as confectionery and bakery, "low/no sugar" and "low calorie" claims on product labels could be seen on the vast majority of new product launches in 2009. These claims were the two most predominant in new product launches, in Mexico's confectionery sector.

In Mexico, an increasing number of people are choosing to live alone and convenient food choices tend to be their priority. As a result, convenience is playing a large role in, not only how food products are packaged, but also label messaging.

Mexico – New Product Launches – Product Claims by Food Category – Total Launches – 2011

	Minus	Natural	Suitable for	Convenience	Ethical and environmental	Plus	Functional	Demographic*	Total Claims
Bakery	157	96	113	63	144	103	25	12	749
Snacks	157	102	117	73	64	38	30	17	625
Sauces and seasonings	65	121	78	37	41	6	10	0	370
Dairy	102	27	65	41	17	79	38	17	409
Processed fish, meat and egg products	50	47	26	130	25	8	5	2	308
Sugar and gum confectionery	53	18	40	17	42	4	6	29	226
Breakfast cereals	35	52	40	16	58	74	25	28	352
Meals and meal centers	13	23	7	69	16	4	3	1	150
Fruit and vegetables	17	41	23	37	19	10	5	2	161
Side dishes	13	25	31	27	20	10	2	1	138

Source: Mintel, GNPD, Mexico New Product Launches; claims for the 12 months ending December 12, 2011.

Note: A "Demographic" claim is one where a product is targeted for a particular age group. For example, a product may be marketed as intended for toddlers, children, seniors, or adult women.

This product is roasted almonds, packaged in a 150 g multi-laminate, flexible, stand-up pouch. The pack sells for US \$4.86. The label on the front of this packaging focuses on communicating that the product is 100% natural, free from colorant, cholesterol, preservatives and contains natural fibre. In addition the product is labeled as kosher.

Source: Mintel



► REGULATORY COMPLIANCE



Legislation

Packaging legislation in Mexico is quite limited. However, the absence of regulations does not imply the presence of low-quality packaging in Mexico, as the competitive environment encourages companies to launch better products in terms of price and quality. Furthermore, Mexico exports packaged products to other countries in which the regulatory environment is very strict. This suggests that packaging in Mexico is somewhat consistent with packaging in the rest of the developed world in terms of quality, technology and functionality.

The legal framework in Mexico does not provide specific regulations to encourage recycling. However, the Mexican Congress passed a residual waste law in late 2003, to provide the legal framework governing packaging and recycling activities. It states that solid waste (including packaging) should be recycled, although no specific obligations were set and a legal framework promoting environmental protection has been in place since 1998. As of 2010, there were still no provisions to oblige packaging companies to recycle.

Waste Management

Waste management remains a serious issue in Mexico, as consumers have neither the incentive nor the means to separate their waste and perform recycling activities. In Mexico City there is a law requiring households to separate their waste into organic and inorganic containers, but it is not enforced. Furthermore, refuse trucks are not equipped with separate containers, and the different waste is combined anyway. The scene is changing of late, with businesses and consumers becoming more interested in better waste management practices.

With greater infrastructure and a higher level of recycling, metal packaging is the most frequently recycled type in Mexico. There are several facilities and companies for the recycling of metal packaging in Mexico. Paper is the second-most recycled type of packaging, with a recycling rate of 85%, as many companies use secondary paper fibre for packaging, while only a small proportion of companies use virgin paper fibre. The recycling rate of glass packaging is approximately 55%. Plastic (rigid and flexible) is the least recycled type of packaging as, according to trade sources, only 15% of plastic packaging is recycled.

Harmful Ingredients

For products that contain harmful ingredients, including those that can cause allergy or intolerance, labeling and advertising are changing. It is unlikely that these products will disappear totally from the market, but more transparent labeling that clearly states the contents is popping up on shelves and will eventually be required, so that the final choice can be made by better-informed consumers.

According to the United States Foreign Agriculture Service report (GAIN report number MX0320) dated December 2010, mandatory package labelling requirements for pre-packaged food and non-alcoholic beverages for retail that are mandatory include nutritional information, a list of ingredients/additives associated with hypersensitivity, intolerance or allergy; and new provisions related to health and nutritional claims. For further details, see the Mexican official standard, NOM-051-SCFI/Salud1-2010, which came into effect in mid-2011: http://www.foodlabels.com/pdf/Mexico_NOM-051-English.pdf.



► REGULATORY COMPLIANCE (continued)

Mandatory Label Information Requirements

- ▶ All information must be in Spanish.
- ▶ Product description/name must be placed in the main exhibit panel of the product package or label.
- ▶ Lot number information may be placed anywhere on the package.
- ▶ Country of origin must be in Spanish and can be placed anywhere on the package.
- ▶ Manufacturer and importers information on imported products is optional and must include: Importer, Company name, Address plus Registro Federal de Causante number.
- ▶ The ingredients list must be headed by the word ingredients; ingredients must be listed in descending order by quantity. Additives must be listed when they perform a technical function in the finished product.
- ▶ The net content legend has to be placed in the main exhibit panel.
- ▶ The expiration date must follow Codex International Regulations and can be placed anywhere on the package.
- ▶ Nutritional information is mandatory, except for certain products like alcoholic beverages.

► KEY RESOURCES

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The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

Food Packaging and Labeling Trends in Mexico

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ISSN 1920-6615
AAFC No. **11528E**

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please contact:

Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

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