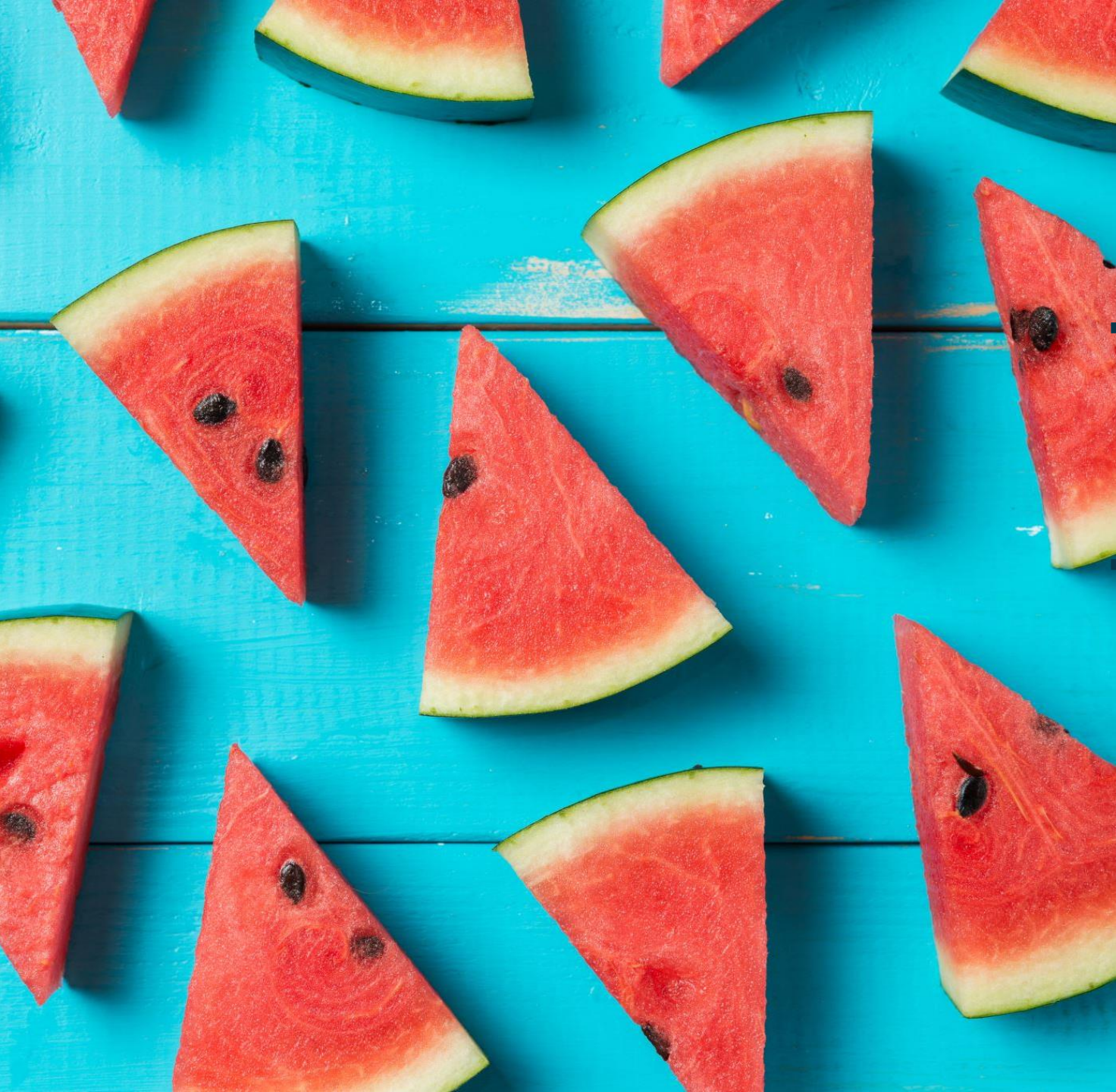


**National Watermelon Promotion Board
Market Assessment- Mexico**

November 13, 2024



**National
Watermelon
Promotion Board**



Introduction

- **Objective**

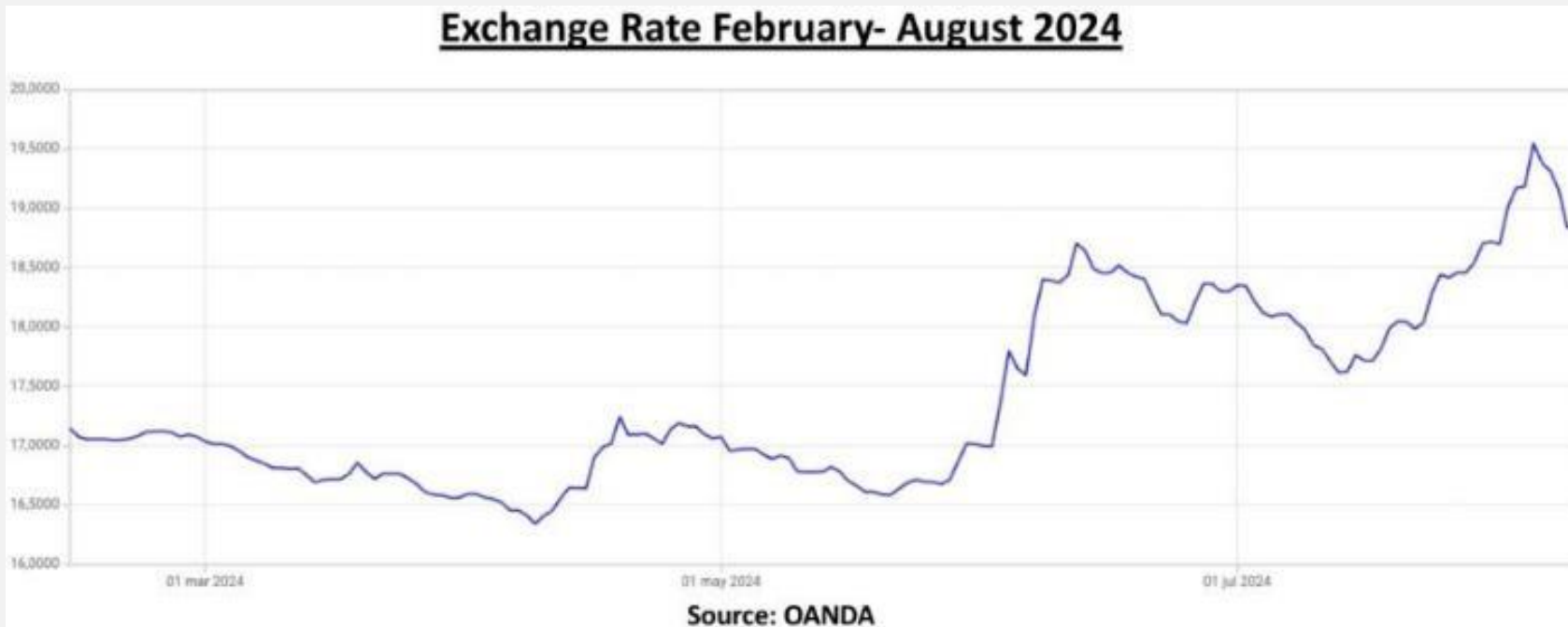
- Identify long-term export opportunities for U.S. Watermelons in Mexico

- **Methodology**

- Analysis of economy, trade and consumer trends
- Interviews with importers, retailers, U.S. and Mexican entities
- Opportunities and conclusions discussed by the team of NHG-Imalinx

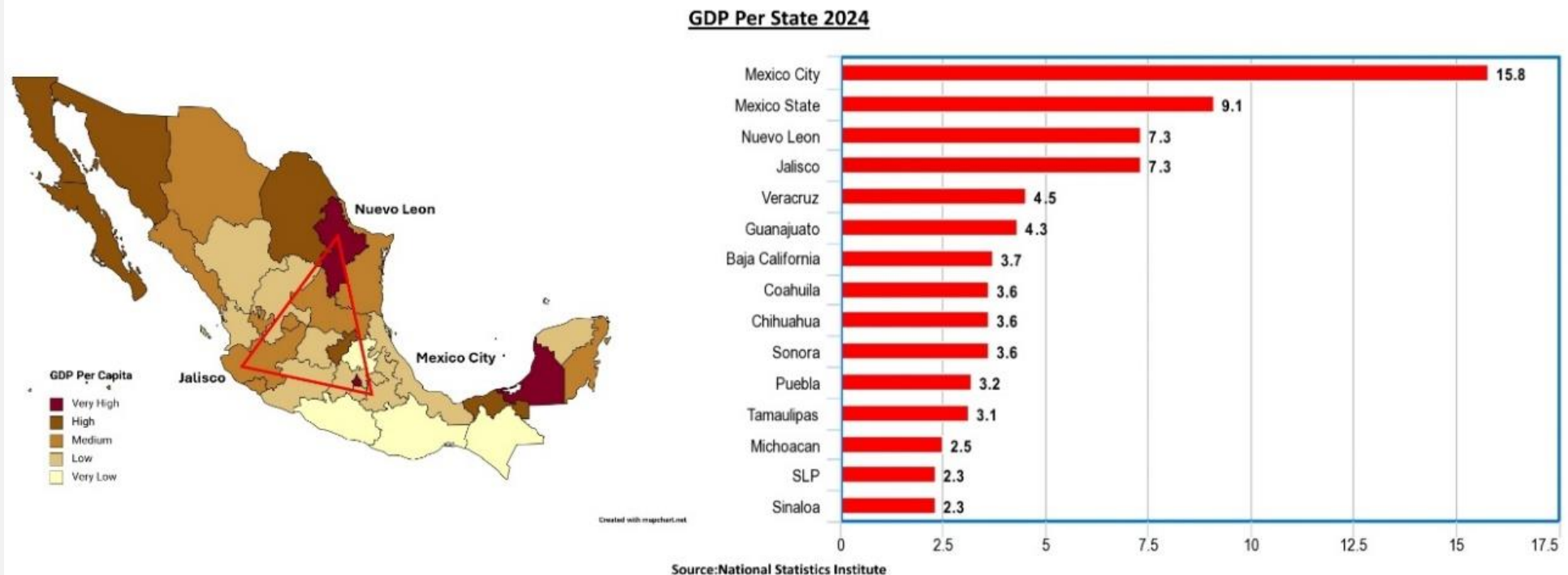
Mexican Economy

- Main trading partner with the United States.
 - Open trade policy and diversified manufacturing, trading and tourism segments
 - Gross Domestic Product (GDP) \$1,269 billion USD
 - GDP per capita of \$9,946 USD (1/4th the United States)
 - Average annual growth rate of 2.1%
-
- Exchange rate is a key indicator for trade



Population

- Mexico has a population of 130 million people
- Average age of 29 yrs old in 2020 (avg. 45 years old in 2055)
- 50% population Middle-class society
- Four states generate 40.2% of national GDP: Mexico City, Mexico State, Nuevo León and Jalisco are key economic centers in each region



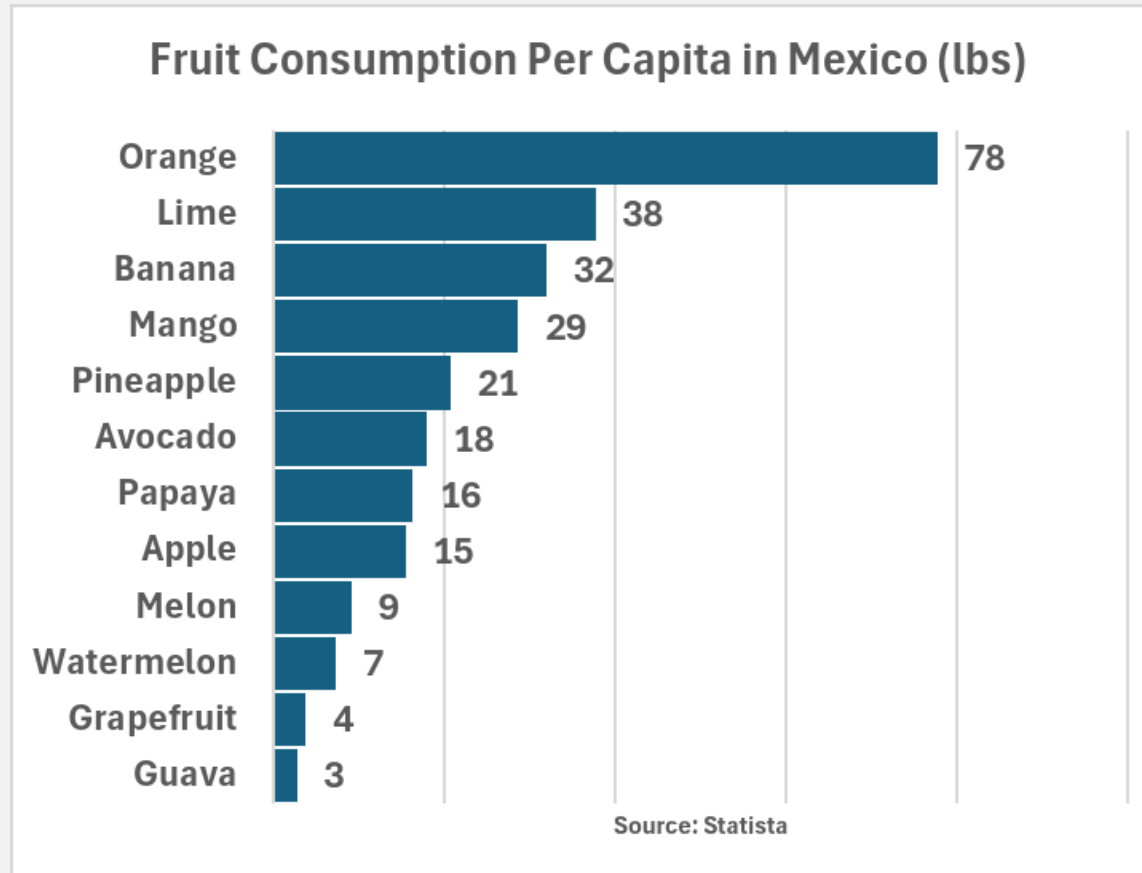
Produce in Mexico

- Mexico is the ninth-largest global producer of agricultural products and the 7th exporter
- Mexico exports food to 190 countries, 80% of the exported value remains in North America
- Watermelons are the 23rd most produced crop in Mexico and exports to the United States grew 7.1% in 2023 for a total value of 150 million USD in 2023

Fruit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Avocado	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mango				✓	✓	✓	✓	✓	✓	✓		
Pineapple	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Papaya	✓	✓	✓	Production of Fruit in Mexico per Month					✓	✓	✓	✓
Strawberry	✓	✓	✓	✓	✓							
Orange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Apple	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Guava	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pomegranate						✓	✓	✓	✓			
Lemon/Lime	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Watermelon			✓	✓	✓	✓	✓	✓				
U.S. Watermelon					✓	✓	✓	✓	✓			

Produce Consumption in Mexico

- Mexico has the highest consumption per capita of fruits and vegetables in Latin America (85%)
- Oranges were the most consumed fruit in Mexico, with an average of 35.3 kilograms (78 lbs.) consumed per person followed by limes, bananas, mangos and pineapples
- Watermelons were in 11th position, with an average of 3.5 kg (7.5 lbs.) per year. U.S.=14 lbs. Per year



Watermelon Production in Mexico

- Mexico is the 12th global producer and 2nd largest exporter of watermelons
- Mexico's largest client is the United States, buying 89% of total Mexico's total watermelon exports.
- Mexico increased production 49% in ten years to 1,428,000 metric tons in 2024; but in fits and starts:
 - 2014 - 2020: 10% Growth
 - 2021 - 12% reduction
 - 2022 - maintained
 - 2023 - rebounded 21%

Overall Watermelon Market Mexico 2014-2023 ACTUAL											Forecast 2024-2030						
Tons	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Mexico Annual Production	946,000	1,020,000	1,200,000	1,332,000	1,472,459	1,345,705	1,362,393	1,192,839	1,177,070	1,428,910	1,471,777	1,515,931	1,561,409	1,608,251	1,656,498	1,706,193	1,757,379
Exports	662,341	710,870	768,161	669,544	676,705	630,196	586,153	303,572	400,112	726,939	748,747	771,210	794,346	818,176	842,722	868,003	894,043
Production U.S.	1,689,834	1,802,213	2,015,633	2,026,607	1,965,034	1,862,718	1,565,068	1,545,659	1,550,296	1,663,468	1,713,372	1,764,773	1,817,716	1,872,248	1,928,415	1,986,267	2,045,855

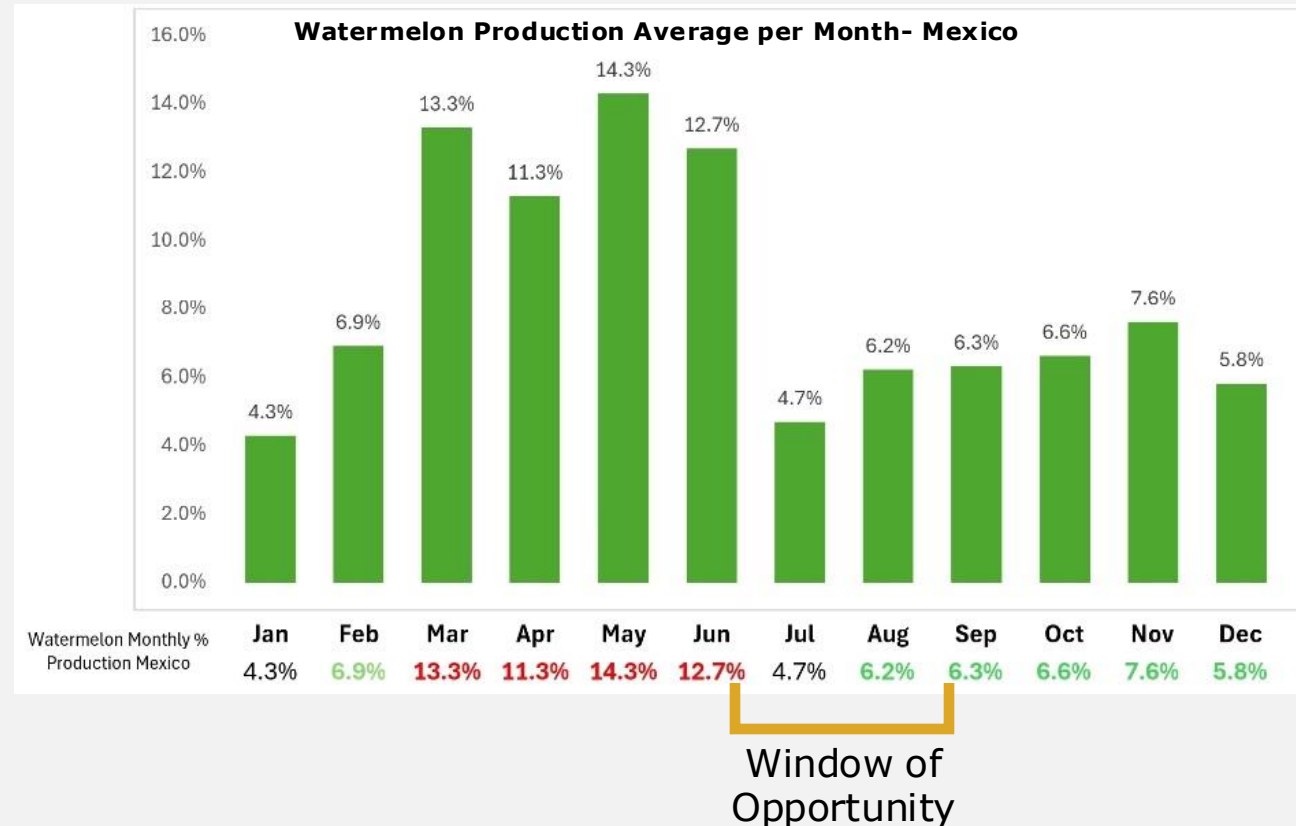
Watermelon Trade in Mexico

- U.S. Exports to Mexico inconsistent from 2021 through 2023, due mainly to fluctuations in U.S. production
- Conditions in favor to have consistent production in U.S.
- Potential growth of 500 MT of exports in 2025+8% per year

Overall Watermelon Market Mexico 2014-2023 ACTUAL											Forecast 2024-2030						
Tons	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
U.S. Watermelon	-	302	514	824	717	1,201	254	97	158	63	200	400	432	467	504	544	588
U.S. Watermelon Organic	-	-	155	250	369	171	35	74	112	86	60	120	130	140	151	163	176
Imports	-	302	668	1,075	1,086	1,372	289	171	270	149	260	520	562	607	655	707	764

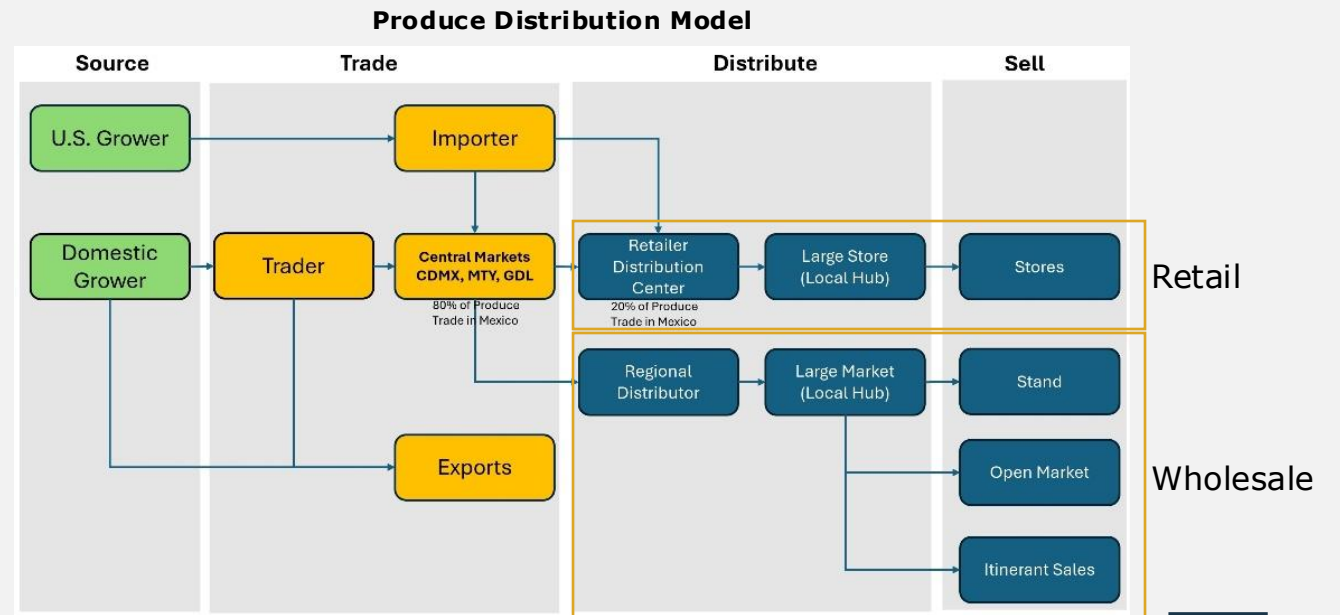
Opportunities for U.S. Watermelon Industry

- Slight opportunity in “commodity” watermelon but greater potential for U.S. watermelon varieties (seedless, specialty) and organic based on consumer preferences
- Window of opportunity created by the reduction of Mexican watermelon production in July-August
- Interest from trade in U.S. watermelons (Costco, Alsuper, El Florido, Tarahumara, Bebo)



Watermelon Distribution in Mexico

- Nogales, Arizona is the predominant entry point of U.S. watermelons
- Opportunity to develop Texas as a backhauling point. Mexican exports going out that direction
- Majority of produce enters the market through importer, it is distributed via central markets and regional wholesalers
- Some retailers have integrated logistics and are able to bring product directly



Watermelon Marketing in Mexico- Retail

- Mexican retail market represents less than 50% of overall trade with annual growth of 5%
- The same retailer will have different retail formats in Mexico
- Regional retailers with a strong presence in specific areas
- National retail chains (Walmart, Soriana, Chedraui) have robust buying teams and complex operation

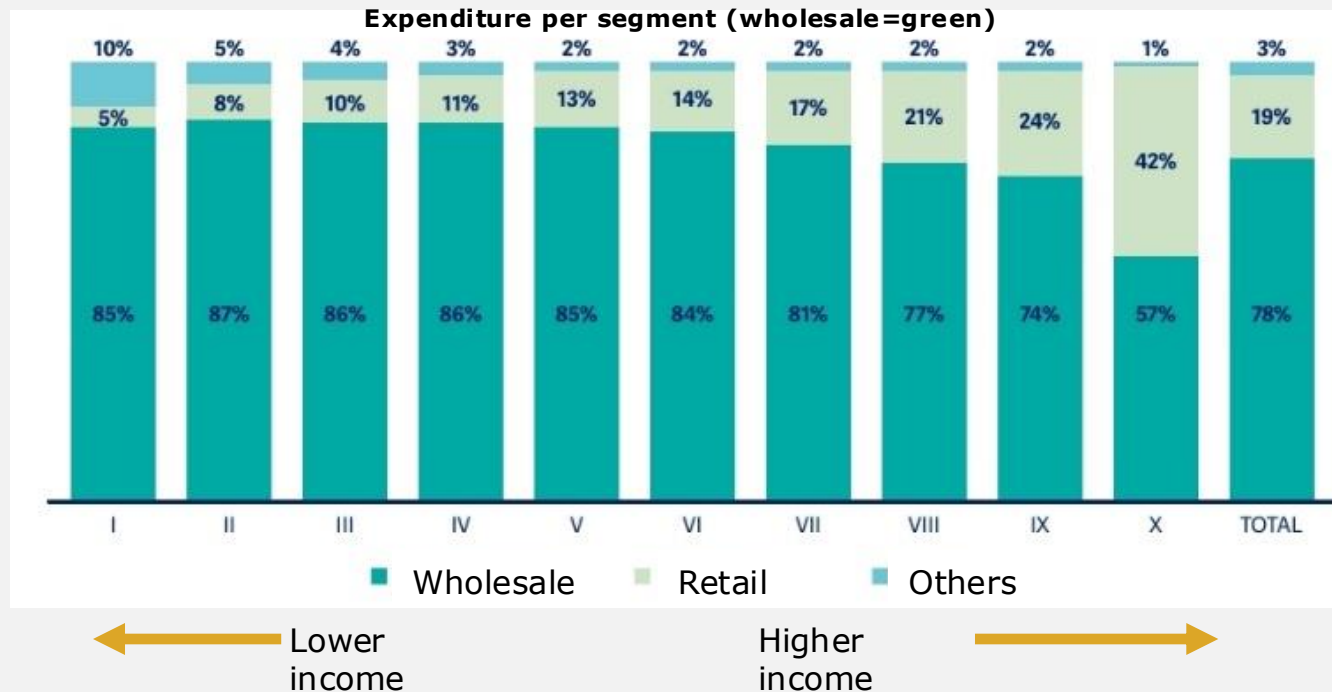


Retailers rank and coverage

Rank	Retailer	Stores	Share
1	Walmart	2,753	43%
2	Soriana	801	26%
3	Chedraui	404	10%
4	Casa Ley	290	5%
5	La Comer	80	2%
6	Costco	40	3%
7	HEB	57	2%
8	Other	1,652	9%
Total		6,077	100%

Watermelon Retail in Mexico- Wholesale

- Wholesale market is predominant for food and beverage items
- It consists of small-scale businesses: from grocery to “tianguis”
- Wholesale trade offers advantages such as proximity and product quantity
- Retail and wholesale complement each other, but certain segments rely on traditional for produce items



Challenges for U.S. Watermelons

Domestic production

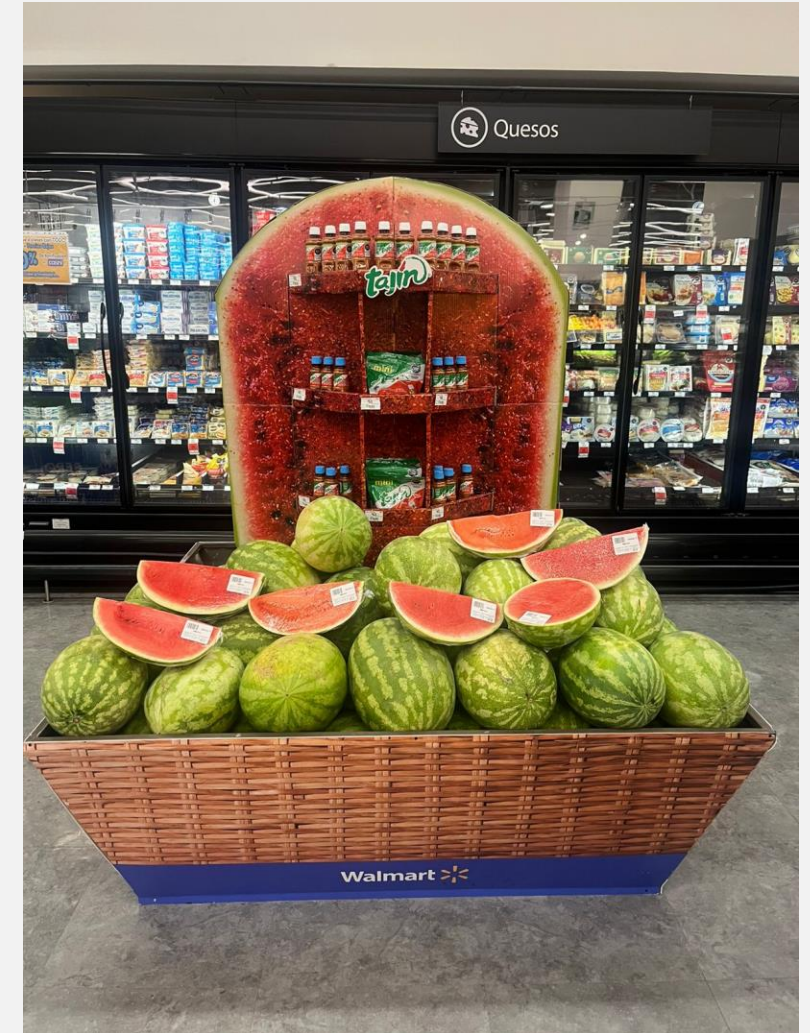
- High volume/ Low price of Charleston variety.
- Gradual introduction of new varieties for U.S. Market

Price and exchange rate

- Price reduction in case of excess domestic production
- Exchange rate increase of over 10%

Trade

- Contact, training and relationship with buyers
- Lack of understanding of market dynamics from retail buyers
- Reduced contact due to production and sales cycle every year



Considerations

Value

- NWPB can develop a high-value program with global partners such as Walmart or Costco
- Merchandising support such as decorated bins or investment in retail marketing could be requested by buyers, but this investment should not exceed 10% of total program
- Negotiate trade terms to get paid DAF (Delivered at Frontier), reduce logistical discounts and payment terms

Quality

- Focus on the quality, consistency, Good Farming Practices from NWPB
- Provide printed materials or access to digital information about industry standards for trade

Price

- Watermelon is highly sensitive to price. Monitor prices systematically. <http://infosiap.siap.gob.mx/>
- Identify opportunities to start contacting traders and importers, i.e., once a price increase of Mexican watermelon is detected

Supply

- Reliability is key for retailers specifically
- Develop relationship with buyers and a long-term sourcing plan taking into account local production

Trade Leads for NWPB As Of August 2024

Retail

- **Alsuper.** Regional retail chain based in Chihuahua, interested in yellow watermelon
- **Costco Mexico.** With over 50 stores in Mexico, they represent a high-end offering appealing to middle class and higher in Mexico. They are looking for specialty items and shippers' lists
- **Distribuidora el Florido.** a Cash-and-carry retailer with over 40 stores in northern Mexico. They offer volume products but also look for opportunities to differentiate and have good value. They asked for shippers list for watermelon varieties from Mexico

Wholesale

- **Grupo Tarahumara.** Specialized in fine fruits and vegetables. Being the leading company at the national level and with the most experience in the industry
- **Grupo Bebo.** Importer specialized in melons and watermelons, also grower of cantaloupes in Mexico

Conclusions

- Mexico has potential as a market for U.S. watermelons despite increasing domestic production
- Understanding of quality, price, consistent supply, and seasonality is key
- NWPB must capitalize on U.S. competitive advantages (seedless, specialty, organic)
- Regaining market share can be achieved by developing relationships with importers/distributors, targeting specific segments

