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## Authentic Mexican Food: The Next Organic Trend?

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### Background

Hispanics are the biggest minority group in the United States. They numbered approximately 43 million people in 2006, or 14.4 percent of all U.S. residents. Of that, 64 percent are Mexican. Overall, Mexican-Americans are 10 percent of the U.S. population and growing. Chicago-based consumer research firm, Mintel, estimates that by 2011 Hispanics will grow to 49 million people, or about 15.7 percent of the total U.S. population. However, 80 percent of the population lives in the western U.S. as shown in Table 1.

Hispanics' median household income in 2004, the most recent year for which data was available, was \$34,000, well below the \$44,000 for all U.S. households, according to Mintel's analysis of Bureau of Labor Statistics data. Hispanics also spend a smaller portion of their income on dining out than non-Hispanics—35 percent and 43 percent, respectively. Hispanic households are also more likely to be larger in size than non-Hispanic households, which has a direct impact on dining-out decisions. The combination of lower income and bigger households means that Hispanics are more likely than other ethnic groups to visit fast food and fast-casual restaurants, according to Mintel, or eat at home.

Hispanic consumers are much more receptive to advertising and marketing messages than is the general population. Yankelovich, the Chapel Hill, North Carolina-based research firm, found in its 2007/2008 Monitor Multicultural Marketing Study that nearly 60 percent of Hispanics “enjoy looking at or listening to advertising,” compared with 30 percent of non-Hispanic whites. It found that authenticity was absolutely critical and brands that conveyed authenticity were important.

That's because the Hispanic market is not just one market but rather many, with influences ranging from country of origin to the language of choice to the level of acculturation, or the degree to which a person has acclimated to the prevailing culture. Marketers break the subgroups out in various ways, but they all agree that customized strategies are key. Yankelovich has found that about 50 percent of Hispanic consumers tend to speak Spanish and are closely affiliated with their country of origin. Another quarter are what the firm calls “relatively assimilated,” while the remaining quarter—and the group growing most quickly—considers itself bicultural. This group

represents the biggest opportunity for operators—especially those in the fast food or fast-casual segments because the more acculturated group is likely to go more often.

## **Background**

Most experts suggest that Mexican food is undergoing a process much like Italian food has done over time. Namely, all Italian food is not alike. In fact, Italian food is different depending upon the regional geography in the country. The popularity of the Mediterranean diet helped raise an awareness of Italian food, as well. However, Mexican foods offer greater convenience, which is not a characteristic of Italian food.

Latin foods such as nachos, chips and salsa, fajitas, quesadillas, tacos, burritos, and black beans are today as American as hot dogs and relish. Mexican food varies by region, because of local climate and geography and ethnic differences among the indigenous inhabitants and because these different populations were influenced by the Spaniards in varying degrees. The north of Mexico is known for its beef production and meat dishes. Southeastern Mexico, on the other hand, is known for its spicy vegetable and chicken-based dishes. Seafood is commonly prepared in the states that border the Pacific Ocean or the Gulf of Mexico

Truly authentic Mexican food and “Tex Mex” (Texan-Mexican) cuisine are different. Mexican cuisine combines with the cuisine of the southwest United States (which itself has a number of Mexican influences) to form Cal-Mex and Tex-Mex cuisine. While Mexican restaurants can be found in almost any town throughout the United States, few use “authentic” or “traditional” techniques and ingredients. Some states, such as Texas, New Mexico, Arizona and parts of California and Florida, have high Mexican/Hispanic populations in which many authentic Mexican restaurants can be found.

In Europe, Mexican food is now the leading ethnic food sold in each country (except the United Kingdom where Indian food dominates), and for many consumers, Mexican food is considered “American food,” which is unusual because there are very few Mexicans in Europe.

## **Consumer Trends**

By any statistical measure, Mexican food consumption is increasing faster than any other segment of the restaurant industry. In addition, it is rapidly becoming more popular for home preparation. Preserving regional authenticity and seeking to preserve Mexican cultural integrity are increasingly important trends in the restaurant and retail supermarket industries. New flavors are part of this trend but the emphasis remains in cultural authenticity. A typical specialty food aisle in a mainstream retail supermarket has many different types of foods, sauces, and salsas. In many large cities such as Chicago, Miami and New Orleans, these are being segmented into Honduran, Peruvian or other countries.

As with many culinary trends, the move toward authentic Mexican is starting in restaurants and moving into retail. According to the Food Channel Trendwire in a video clip on YouTube, “The most dramatic progress will follow the usual pattern, starting among upscale independents and trickling down to fast-casual restaurants and other venues that boast high accessibility.” Various news reports suggest that ambitious American chefs with Mexican roots are pursuing further education in regional Mexican cooking styles, either by traveling home to Mexico or accessing

something more convenient.” Trendwire reported, “While some of the items (such as fresh fish tacos) seem tame and familiar, others speak clearly of cultural integrity. The Yucatan menu, for instance, offered shrimp wrapped in a banana leaf with that region’s pibil sauce (based on fruit juices, garlic, cumin and achioté seasoning paste).”

Authentic Mexican sauces and salsas appeal to a broad audience at retail. Different levels of “heat” are one way to differentiate Mexican salsas and sauces. However, authentic Mexican ingredients are becoming more important. Some consumers look for certain types of sauces while others want certain brands.

A 2004 Packaged Facts study titled *The U.S Market for Hispanic Foods and Beverages* said as much: “Many U.S. consumers have accepted mainstream Mexican foods as part of American culture.” The study also says that “Hispanic convenience foods” grew by 104 percent between 1999 and 2004. Expo Comida Latina, which bills itself as “The Hispanic Food and Beverage Show,” puts the total U.S. market for Latin food and beverages at \$4.3 billion.

The restaurant industry is made up of three distinct segments – fast food, casual dining and fine dining. In recent years, the industry has started to break into more categories, including quick-casual and home-meal replacement, which are two of the fastest-growing segments within the food service industry. The segments are very important ones for Latino consumers and Mexican Foods.

### **Industrial Organization of Mexican Food Products**

There are two types of manufacturers of specialty Mexican products. These are old-line ethnic food producers who have been in business for decades or specialty food innovators that are newer. Both styles of companies create products that appeal to buyers searching for Mexican authenticity.

#### *Specialty Food Manufacturers*

El Paso Chile is a specialty-type food innovator that has been selling Mexican-style products since it began in the 1980s. They focus on ingredients including different Mexican dried and fresh chiles, such as green chile, chipotle and tomatillos, and provide authentic regional flavors from Mexico and the American southwest. Many of its innovative food products are designed for ingredient use.

Bayless’ Frontera Foods offers authentic Mexican products and Latin products. Santa Fe Seasons has mainstream and specialty markets with a variety of authentically flavorful products that contain no preservatives. One of its products, Mole Pronto, contains tomatillos, onions, bananas, toasted sesame seeds, chocolate and semi-sweet chocolate. Its jarred red chile or red chile enchilada sauce is ideal for carne asada (roasted meat).

One online Latin food store, MexGrocer.com, has over 1,100 products. Mexican food industry know-how has led to a 40 percent gross profit margin and a 40 percent growth rate for MexGrocer. One member of the senior management team worked for Switzerland’s leading Internet grocery store, LeShop.ch. About half of MexGrocer shoppers are non-Latinos. In all, the MexGrocer site receives no less than 250,000 visitors a day.

Ruiz Foods was founded by a poor immigrant and his son who began cooking up Mexican specialties in a home kitchen for the Latino market in California. By dint of trial and error, Louis and son Fred moved from an original offering of bean-and-cheese enchiladas to a wider range of products produced at a plant in Dinuba, California, covering almost 350,000 square feet. They now boast massive sales through giant outlets like Wal-Mart, Costco, McDonald's, Burger King and Wendy's.

Azteca Foods Inc. (Chicago, Illinois) began selling corn tortillas with preservatives, a first in this industry. In addition, they were the first to sell flour tortillas. Flour tortillas are now commonplace and have displaced most corn tortillas. In addition, tortillas are used as wraps as a substitute for bread. Tortillas are needed in all kinds of sizes and thicknesses because of their versatility.

#### *Old-line Food Manufacturers*

Three of the more established companies are La Preferida, Goya Foods and Juanita's Foods. La Preferida (Chicago, Illinois) manufactures more than 200 authentic Mexican food items including salsas, specialty sauces, taco sauce and mole. Some of its offerings include Salsa Chipotle, Salsa Verde, Green Jalapeño Salsa and Mexican Cooking Sauce—Chile Ancho (mild), Green Mole Paste and Pipian Paste. Since 1898 the family-owned business has been involved in the food business. Many Mexican immigrants worked in the meat slaughter plants and steel mills in Chicago. They began selling Mexican foods to these workers and their families. Their original specialty was a spicy sausage called a chorizo. It now markets over 200 authentic Mexican food products.

Founded in 1936, Goya Foods (Manhattan, New York) is the U.S.'s largest Hispanic-owned food company, bringing in \$750 million in annual sales, including the United States, Spain, the Caribbean and Latin America. Started by Spanish-born Prudencio Unanue in Manhattan, Goya's 1,400 products increasingly reflect the latest demographic and cultural trends. This includes Mexican, Caribbean, Latino and South American foods. Goya reaches out to "general market" consumers with recipes, which Latinos generally do not need, and convenience foods like quick and easy rice and bean dishes where Latinos may prefer cooking from scratch. Goya has registered double-digit growth rates for several years running now, including a healthy 12 percent last year.

Juanita Foods (Wilmington, California) offers ready-to-serve Puebla-style mole, a variety of Mexican hot/taco sauces and others. Founded in 1946 by George De La Torre Sr. and his nephew, Albert Guerrero, Juanita's Foods has become the world's largest manufacturer of menudo, a popular Mexican stew. Originally, the company was called Harbor Canning Company and, in addition to manufacturing menudo, it packed fish primarily for sport fishermen. The increase in Mexican food is due primarily for its convenience and flavors. In 1977, Juanita's Foods acquired the Pico Pica Sauce brand, and in 1984, the company built a new plant and began canning a hot and spicy Menudo, called Menudo Picoso, and Albondigas, a traditional meatball soup, as well as Pico Pica Taco Sauce. Shortly thereafter, Juanita's Foods became the first company to introduce authentic Mexican-style hominy. In 1986, the company officially changed its name from Harbor Canning Company to Juanita's Foods and focused on the image of the

Mexican lady who had become the symbol of authentic, ready-to-serve home-cooked Mexican food.

Today, Juanita's Foods is the world's largest manufacturers of prepared, "canned menudo" and the number one selling hominy brand in the United States. Juanita's also offers Chicken and Pork Pozole, Meatball Soup, Mexican-Style Hominy, Hot and Mild Sauces, Traditional Beef and Vegetable and Traditional Chicken and Vegetable Soups, Traditional Beef Chile Colorado and Pork Chile Verde stews. All of these very authentic, ready-to-eat Mexican food delicacies are being sold under the Juanita's Foods and Pico Pica brands. Now a third-generation family-run business, it is their ongoing commitment to innovation, authenticity and quality that has allowed Juanita's Foods to become a leader in the Mexican food category.

**Table 1. Hispanic and Mexican Population Relative to Total U.S. Population for Western States.**

	Total Population	Hispanic Population	Hispanic Population as a Percent of Total U.S.	Mexican as Percent of Total Hispanic
California	36,457,549	13,074,155	35.86%	82.92%
Texas	23,507,783	8,385,118	35.67%	83.78%
Arizona	6,166,318	1,803,377	29.25%	88.78%
Colorado	4,753,377	934,410	19.66%	71.85%
New Mexico	1,954,599	860,687	44.03%	52.13%
Nevada	2,495,529	610,051	24.45%	77.93%
Washington	6,395,798	580,027	9.07%	80.11%
Oregon	3,700,758	379,034	10.24%	83.89%
Utah	2,550,063	286,113	11.22%	76.75%
Oklahoma	3,579,212	244,822	6.84%	82.23%
Kansas	2,764,075	236,351	8.55%	81.79%
Nebraska	1,768,331	130,230	7.36%	78.46%
Total	96,093,392	27,524,375	28.64%	81.97%
U.S. Population	299,398,485	44,252,278	14.78%	64.04%