

Coffee Manufacturing: Could Mexico Be a Global Contender?

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THE GLOBAL INDUSTRY

The global coffee manufacturing industry processes coffee seeds into roasted beans, powder, and soluble concentrates. Industry valuation, which is increasingly driven by high-margin sub-segments, peaked at US \$66.45 billion in 2024 (The Business Research Company, 2025a). It is noteworthy that the espresso category alone accounts for 15.35 billion, fueled by the “premiumization” of at-home consumption which now commands 58.4% of that specific market (Technavio, 2025a). Geographically, demand is heavily concentrated in North America (43.7%), followed by Europe (23.9%) and APAC (18.3%), significantly outpacing South America (9.9%) and the Middle East & Africa (4.2%) (Technavio, 2025a). The broader industry projects a Compound

Annual Growth Rate (CAGR) of 6.00% through 2029 (The Business Research Company, 2025a).

Global supply recovered to 178 million bags in the 2023/2024 crop year, led by Brazil with 1.94 million hectares and an output of US \$17.4 billion (Statista, 2025; ©Euromonitor International, 2025). In the high-value Latin American segment, Mexico ranks second with a production value of US \$13.1 billion, surpassing Argentina and Colombia (©Euromonitor International, 2025).

The industry relies on distinct biological assets with Arabica projected to maintain a dominant 69.3% market share in 2025 and to trade at approximate-

ly US \$2.63 per kilogram; however, the sector is strategically re-evaluating Robusta varieties due to their superior resilience to rising global temperatures (CoherentMarketInsights,2025; Statista, 2025). Global trade data reveals a structural disparity in value capture; while Brazil dominates raw exports with US \$3.95 billion, significant economic value is accrued downstream (Statista, 2025). While industrial processing is valued at the “factory gate”, significant economic value is captured at the retail level led by the United States with revenues of US \$35.1 billion (Statista, 2025) driven by the expansion of “café culture” and the demand for premium formats in developed economies (Statista, 2025; The Business Research Company, 2025a).

GLOBAL LEADERS

The global coffee manufacturing market remains fragmented with the top ten competitors controlling only 49.92% in 2024 (The Business Research Company, 2025b). Nestlé S.A. leads with a 21.11% share and US \$25.34 billion in revenue, outpacing Keurig Dr Pepper Inc. (3.87%) and J.M. Smucker Company (2.57%) (The Business Research Company, 2025b). However, the competitive landscape has shifted to include vertically integrated retail giants like Starbucks Corp. and McDonald's Corp. as Tier 1 leaders, aggressively competing in the branded capsule and whole bean segments (Technavio, 2025a). To optimize competitive advantage, conglomerates are shifting toward "category-killer" portfolios and divesting broad assets to focus on high-growth categories by reducing the "cost of scope" and accelerating innovation (Deloitte, 2026).

Leaders are acquiring "insurgent brands" (thereby increasing the category average tenfold) to address premiumization and capture high-value niches (Bain & Company, 2025). This is a trend further disrupted by "digital-native" players like Luckin Coffee Inc., which leverage app-centric models to challenge legacy dominance (Technavio, 2025a). Furthermore, R&D aligns with the "food-as-medicine" movement by launching functional coffees with proteins and probiotics alongside AI-driven innovations where companies reverse-engineer flavor molecules to create sustainable "beanless" espresso (Technavio, 2025a; The Business Research Company, 2025a).

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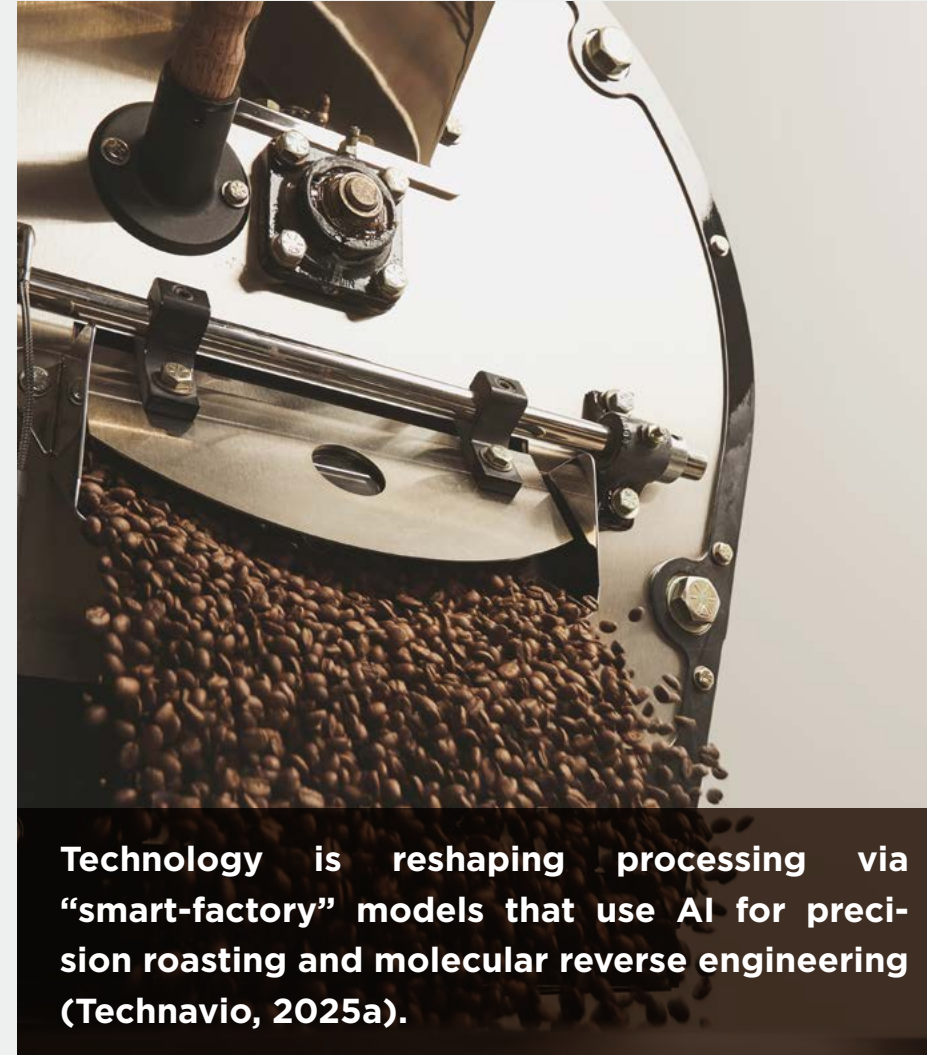
Production strategies now target younger consumers (18-24) who favor sweet, creamy, and ready-to-drink (RTD) formats (The Business Research Company, 2025a).

GLOBAL VALUE CHAIN

The upstream segment is heavily concentrated in the “Global South,” where Brazil leads with a production value of US \$17.4 billion, followed by Mexico (US \$13.1 billion) and Argentina (US \$5.9 billion) (©Euromonitor International, 2025). This stage relies on *Coffea Arabica* and *Robusta*, which currently trade under conditions of high volatility due to climate risks like “Coffee Leaf Rust” in Chiapas and Veracruz (Hivos, 2020; Stellar Market Research, 2025). Major players are investing in regenerative agriculture to mitigate these risks, as exemplified by the “Nescafé Plan 2030” (Nestlé, 2025).

Midstream activities (cleaning, roasting, and grinding) display geographic de-

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Technology is reshaping processing via “smart-factory” models that use AI for precision roasting and molecular reverse engineering (Technavio, 2025a).

coupling between growers and processors. While Brazil exports US \$11.37 billion mostly in raw beans, non-producing countries like Switzerland (US \$3.95 billion exports) and Germany (US \$2.71 billion exports) accrue significant value through re-exports of processed high-value formats (Statista, 2025). In industrial processing hubs like Mexico, the cost structure is rigid, with B2B

costs representing 82.5% of total expenditure (©Euromonitor International, 2025).

Value-capture peaks in the downstream segment are dominated by the “Global North.” The United States leads globally with retail revenues of US \$90.1 billion, followed by Japan (US \$35.0 billion), which significantly outpaces producing nations like Brazil (US \$33.0 billion) (Statista, 2025). Distribution is largely anchored in offline channels (75.4%) although the online segment is growing faster at a CAGR of 6.5% (Technavio, 2025a). The market is shifting towards the “prosumer” (sophisticated consumer) with the Home-and-Office segment now capturing 58.4% of the market share, thereby driving demand for premium compatible capsules and super-automatic machines (Technavio, 2025a; The Business Research Company, 2025a).

FOREIGN TRADE

The global coffee trade exported 147 million and imported 138 million bags in 2024/25, encompassing both raw inputs and value-added goods (Statista, 2025; The Business Research Company, 2025a). Geopolitically, the “Great Trade Rearrangement” positions Mexico as a strategic US partner, overtaking China to optimize North American logistics (McKinsey Global Institute, 2024b).

In 2023, Brazil dominated exports (US \$3.95 billion) followed by Germany (US \$3.64 billion) as both growers and manufacturing hubs (©Euromonitor International, 2025). The US leads imports (US \$5.63 billion) followed by France (US\$3.42 billion) (Statista, 2025).

Trade favors high-value varieties with Arabica projected to hold a 69.3% market share and trading valued at US \$2.63/kg for Robusta (Coherent Market Insights, 2025; Statista, 2025). Additionally, cross-border movement of derivatives like liquid concentrates is accelerating, driven by convenience demands (The Business Research Company, 2025b).

Sourcing strategies increasingly prioritize “near-shoring” with partners like Mexico to minimize trade barriers (XLIII Coffee, 2025).



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INDUSTRY DRIVERS AND CHALLENGES

Market expansion is driven by “at-home premiumization” (58.4% share) and the corporate sector’s push for “talent retention”, thereby fueling a 10.8% CAGR in Office Coffee Services (OCS), in which clients now mandate certified sourcing to meet ESG goals (Technavio, 2025b; Zion Market Research, 2024). Financially, sustainability has become a critical value driver with global consumers becoming increasingly willing to pay premiums for specific certifications, led by Organic (26%), Fairtrade (24%), Rainforest Alliance (23%), and the Common Code for the Coffee Community or 4C (19%) (Statista, 2025). Additionally, the Ready-to-Drink (RTD) segment is surging, fueled by Gen Z’s preference for functional “food-as-medicine” formats (The Business Research Company, 2025a).

The industry is adopting “smart-factory” models, utilizing AI-driven precision roasting and IoT telemetry to ensure consistency and predictive maintenance for B2B clients (EY, 2025; Technavio, 2025b). However, this convenience creates tension; the rise of single-serve capsules has intensified environmental pressure regarding solid waste, challenging the industry to balance premium delivery with circular-economy principles (Technavio, 2025a).

Supply chains face threats from climatic volatility and coffee leaf rust (CLR), in addition to skepticism regarding certification efficacy; reports indicate uncertainty concerning fair trade, noting that benefits often skew toward middle-income nations like Mexico rather than the poorest growers (Hivos, 2020; The Business Research Company, 2025a).

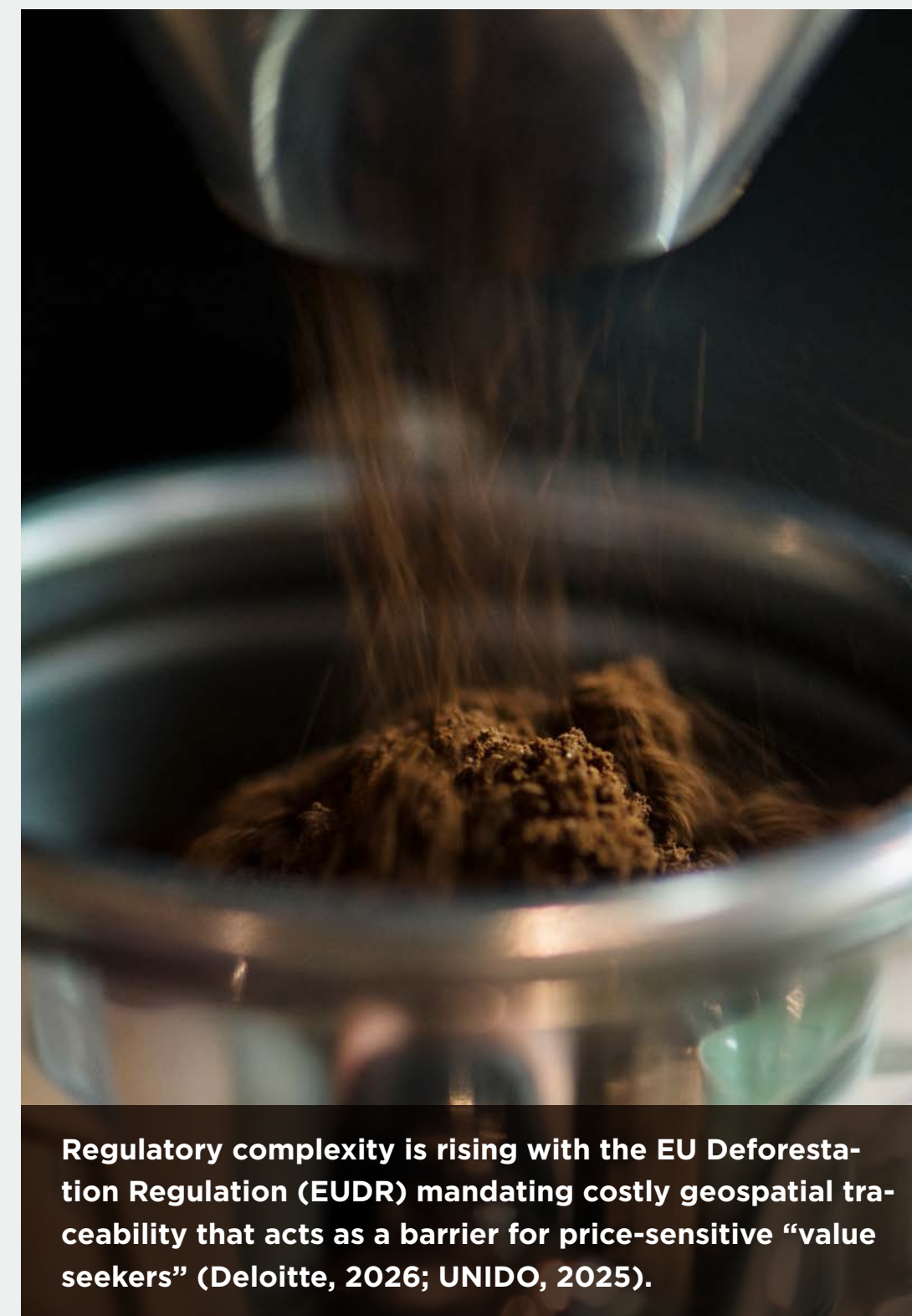


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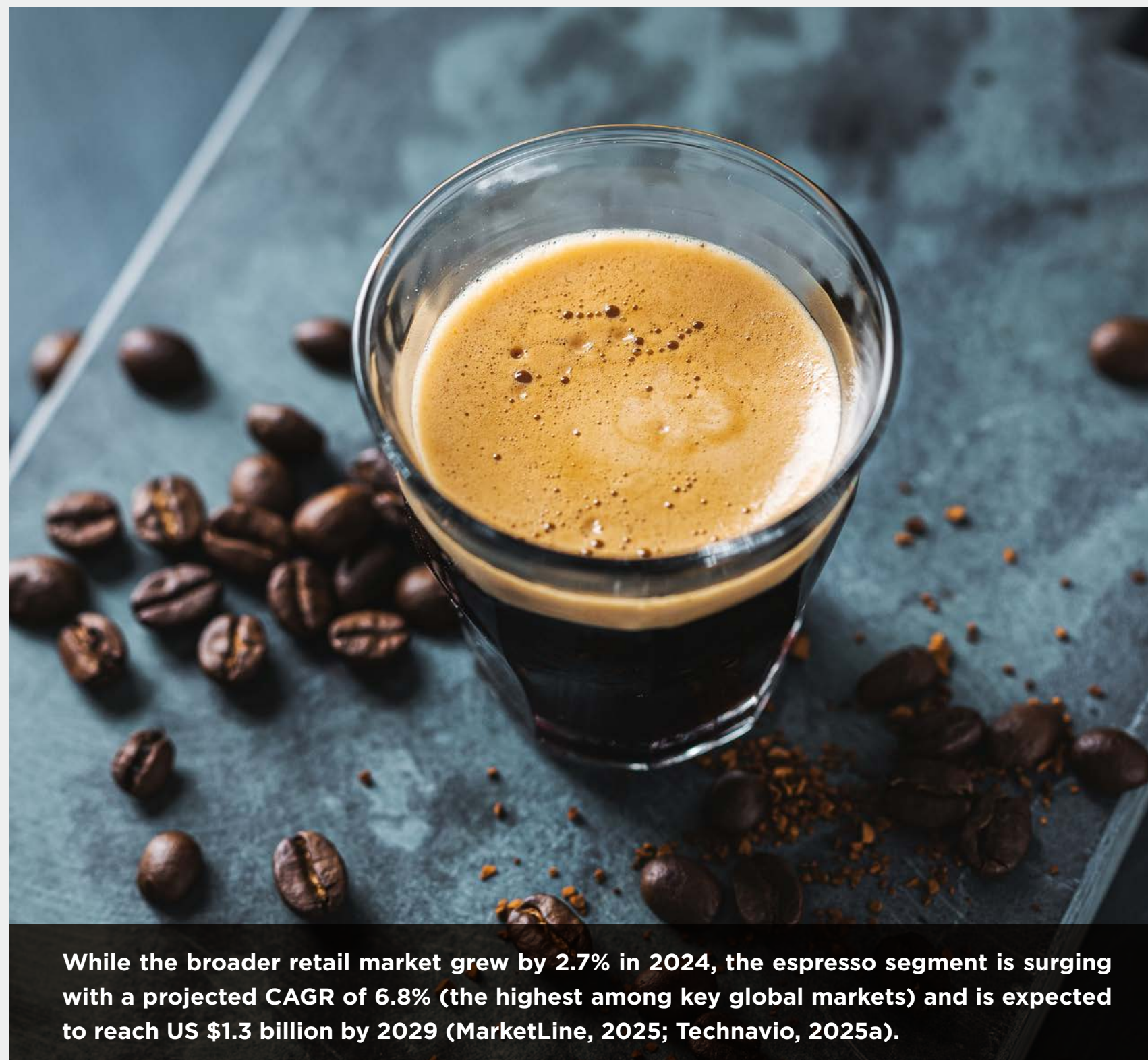
Regulatory complexity is rising with the EU Deforestation Regulation (EUDR) mandating costly geospatial traceability that acts as a barrier for price-sensitive “value seekers” (Deloitte, 2026; UNIDO, 2025).

THE INDUSTRY IN MEXICO

Mexico functions as a dual strategic hub, utilizing 659,700 hectares for cultivation while simultaneously operating as a sophisticated processing node for the North American market: a capacity recently enhanced by the establishment of the Databricks Center of Excellence in Mexico City to drive AI-led industrial transformation (EY, 2025; Statista, 2025). The industry generates a production value of US \$13.1 billion (second in Latin America) with activity heavily centered on value-added transformation like instant coffee and liquid concentrates due to “near-shoring” investments in Veracruz and Chiapas (©Euromonitor International, 2025; McKinsey Global Institute, 2024a; XLIII Coffee, 2025).

Domestic demand presents a dual reality: Mexico is the second-largest market in Latin America with a value of US \$18.1 billion and a per capita expenditure of US \$141; notably, this figure surpasses Brazil (US \$136) and Colombia (US \$71) although it trails Argentina (US \$201), which indicates a robust consumer base relative to the region (©Euromonitor International, 2025).

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While the broader retail market grew by 2.7% in 2024, the espresso segment is surging with a projected CAGR of 6.8% (the highest among key global markets) and is expected to reach US \$1.3 billion by 2029 (MarketLine, 2025; Technavio, 2025a).



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Simultaneously, the “near-shoring” influx is catalyzing the B2B sector: the Office Coffee Service (OCS) market is projected to grow at a robust CAGR of 10.8% and to reach US \$175.2 million by 2029, as multinational corporations establish operations and demand premium, global-standard workplace amenities (Technavio, 2025b).

Despite ranking as the world’s seventh-largest producer, Mexico relies on imports for 28.9% of its market, which is valued at US \$4.45 billion (©Euromonitor International, 2025; Grand View Research, 2025). A circular-trade dynamic with the United States sees Mexico exporting US \$3.64 billion in intermediate goods while re-importing finished specialized formats, thereby confirming its role as an integrated USMCA processor as opposed to a self-sufficient brand owner (©Euromonitor International, 2025; XLIII Coffee, 2025).

The landscape is consolidated with Nestlé holding a 43.6% market share, although local stakeholders still exert influence (MarketLine, 2025). Sabormex (8.4%) competes via heritage brands, while Café Punta del Cielo (5.0%) drives R&D in proprietary espresso technologies and capsules (MarketLine, 2025). Notably, Café Tostado de Exportación registered the largest share gain between 2019 and 2024, evidencing the rising competitiveness of national processors in a crowded market (MarketLine, 2025).



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Urbanization in Mexico City and Monterrey is driving a cultural shift from traditional *café de olla* to premium formats although the sector remains reliant on household consumption (91.3%) and highly price-sensitive retail channels (©Euromonitor International, 2025; Technavio, 2025a).

THE STRATEGIC DECISION

Mexico could evolve into a “global champion” of value-added manufacturing by leveraging the “Great Trade Rearrangement” and USMCA (McKinsey, 2024b). These forces position Veracruz and Chiapas as primary “near-shoring” hubs for premium instant, liquid concentrates, and functional RTD beverages (McKinsey, 2024a; XLIII Coffee, 2025). Furthermore, by utilizing biodiversity to create distinct profiles, firms can target the “value-seeker” demographic in both US and domestic markets (Deloitte, 2026).

Achieving this shift requires adopting “smart-factory” models, integrating AI-powered precision roasting and digital twins for consistency (EY, 2025). Manufacturers must also invest in traceability platforms like “TraceMark” to comply with the EU Deforestation Regulation (EUDR) and verify sustainability (UNIDO, 2025). Beyond technology, developing commercial capabilities to build “insurgent brands” (flexible portfolios competing with legacy giants) is essential to reduce import dependency and capture retail margins (Bain & Company, 2025).

In this context, key strategic questions emerge:

1. What are the competitive advantages of the Mexican coffee manufacturing and ingredients industry?
2. How competitive is Mexico in the global coffee-processing market and which factors most strongly shape its competitive position?
3. What conditions and strategic capabilities would enable emerging Mexican firms to develop value-added coffee products, such as functional beverages, liquid concentrates, or ready-to-drink (RTD) formats, and compete effectively in regional or global markets?

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