

## SECTOR STUDY

# Container glass for the wine industry in MEXICO

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**A**s rising popularity of domestic wines sees greater consumption nationwide, potential exports to the neighbouring United States of America have contributed towards expanding Mexico's container glass market while rendering it more lucrative besides.

## MEXICAN WINE INDUSTRY

Mexico's wine has seen a steady transformation over the past fifteen years. Having had

In this issue, Glass Machinery Plants & Accessories presents an overview of the success of MEXICO's container glass industry for wine packaging – all thanks to ongoing achievements of the country's wine industry.







fewer than 25 wineries in 2006, the country now boasts more than 120 commercial wineries in Baja California alone. Today a few large-scale wineries -like L.A. Cetto- dominate production, which accounts for nearly half of Mexico's total wine production, with the remainder almost exclusively comprising boutique wineries of modest production. Annual production currently stands at a range of between 3.000 to 7.000 cases.

According to the latest Mexican Wine Council figures (CMV), the average per capita consumption of wine has more than doubled over the past eight years, i.e. from 450 millilitres in 2012 to 1.130 millilitres in 2020. The value chain produces about 2.4 million boxes of wine annually, which suffices to meet only 30 percent of the domestic demand, given that Mexicans consume an average of 9 million boxes per year.

Unlike other major wine-producing countries, there are neither formal appellations nor other geographical indications within Mexico. This has allowed for a lack of national restrictions, which has also encouraged





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experimentation. Here it's worth noting that most grape varieties will flourish in Mexico. Of these, more than 30 have firm foundations in Baja, while Magoni has 100-plus varieties within different experimental plots. Here winemakers focus more upon honest varietal expression than on some evasive notion of regional typicity.

Only 90 minutes' drive from the US-Mexico border, Baja California is the most popular wine-producing region in the country and is within 15 miles of the Pacific Ocean. Though it's made up of several valleys of varied microclimates and terroirs, the name of its most prolific subregion, Valle de Guadalupe, is often used to denote the entire region. The region has a hot, dry Mediterranean climate, akin to Napa Valley but with a strong maritime influence. Its soils are mostly sand, clay and granite, with elevations that range from 300 to 2,600 feet.

Here a variety of grapes flourish, primarily Cabernet Sauvignon, Merlot, Tempranillo, Grenache and Syrah for reds, and Chenin Blanc, Sauvignon Blanc and Chardonnay for whites.

Around 40 different grape varieties are used to produce wine in Mexico, the most common of these being Chardonnay, Sauvignon Blanc, Chenin Blanc, Riesling, Merlot, Cabernet Sauvignon, Garancha, Tempranillo, Carinena, Cabernet Franc, Petite Sirah, Zinfandel, Malbec and Petit Verdot. Nearly 75 percent of all Mexican wines are red, which is considered normal for a country with a warm climate.

Wine production in Mexico is also fraught with challenges. Being so far south, it has a very warm climate, meaning that wines will contain too much alcohol if vines get over-exposed to heat. The fruit itself will be jammy, with the result that its wines will become unbalanced. Mexican producers have none-

theless overcome these difficulties thanks to geographical conditions. Being mountainous, the country's high altitudes mean that the nights are quite cold. As such, sea breezes help to cool vineyards near the coast.

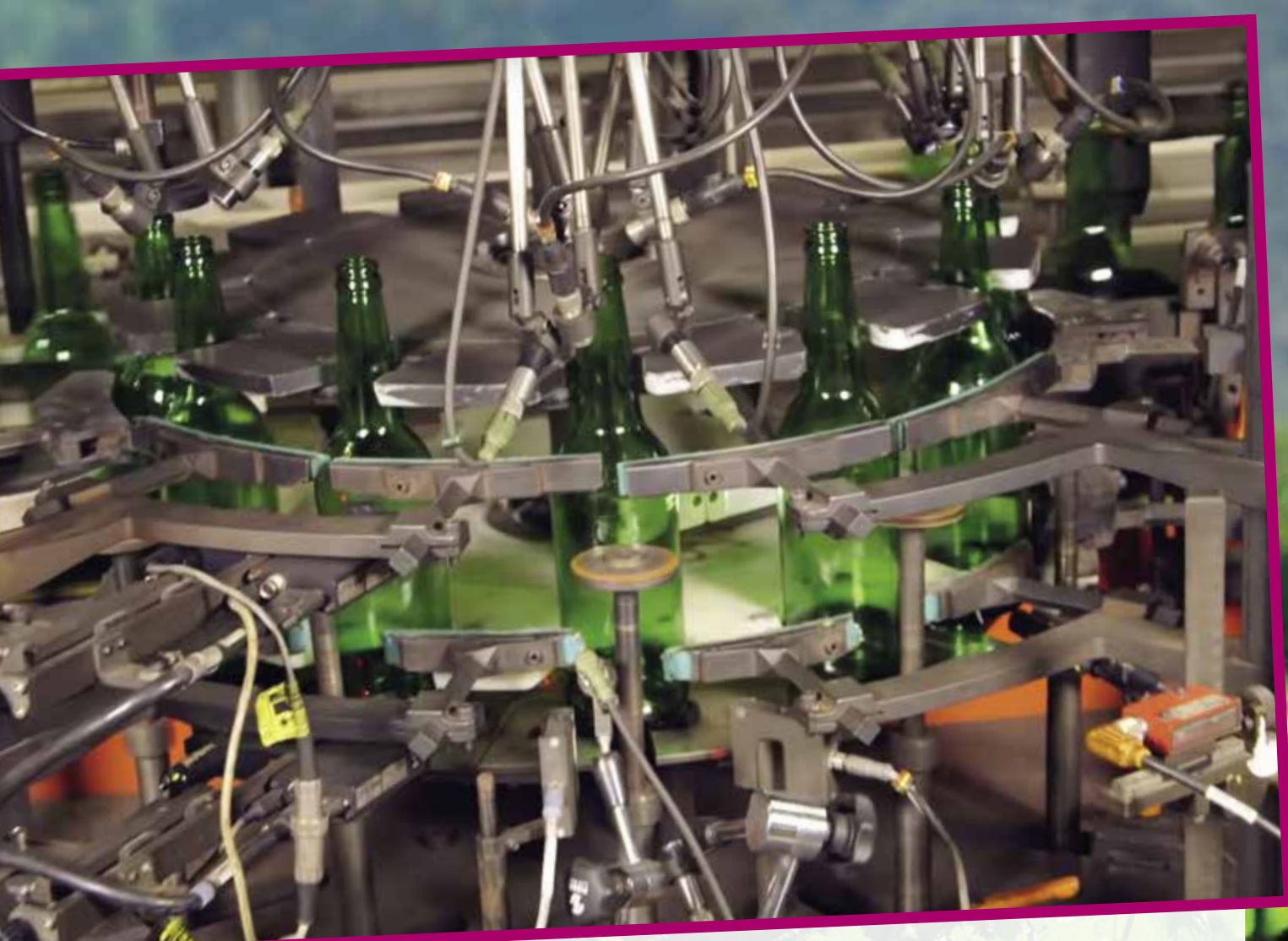
**A WORD ABOUT THE MARKET**

Together with the wine segment, container glass packaging holds great promise. With a population of about 126 million in 2020, Mexico is the tenth most populated country in the world. Among Spanish-speaking nations, it's the most populous and it's the third-most populous nation in the Americas after the United States and Brazil.

Such a sizable population offers a host of opportunities to wine industry container glass producers. A rise in disposable income coupled with the growing popularity of wines in the country will further increase container glass demand within







this segment over the short and medium-term. Not only. The Mexican government's emphasis upon wine exports over the coming years is further expected to create substantial opportunities for container glass producers of this segment.

#### **OWENS- ILLINOIS**

Owens –Illinois is Mexico's largest container glass producer and a major supplier to its wine industry. The company bought the country's Vitro SAB's glass container business in 2015 for about USD 2.15 billion with a view to strengthening its operations in Mexico. On the merits of this transaction, O-I effectively acquired five food and beverages glass container manufacturing plants in Mexico, one plant in Bolivia and distribution of container glass products to the United States. Vitro's Cosmetics, Fragrances

and Toiletries ("CFT") segment, the Company's Machinery and Equipment business, as well as its equity participation in the Comegua joint venture in Central America, were not included within this transaction.

Presently, O-I operates a total of six plants countrywide, which span Guadalajara, Los Reyes, Monterrey, Mexico City, Nava, Queretaro, and Toluca.

In 2019, OI acquired Nueva Fábrica Nacional de Vidrio, S. de R.L. de C.V. ("Nueva Fanal") from Grupo Modelo, a wholly-owned affiliate of Anheuser-Busch InBev in a transaction valued at approximately USD 188 million. The Nueva Fanal facility is located near Mexico City, Mexico. This plant has four furnaces that produce and supply approximately 300,000 tons of glass containers annually for Grupo Modelo brands, which serve both local and global export markets.

#### **SAVERGLASS**

Based in France, Saverglass is a major supplier of container glass to the Premium and Super-Premium Wine and Spirits industries. A relative newcomer to the Mexican container glass industry, the company's 85,000-tonne-per-annum production plant became operational in 2018.

The plant is located in Acatlan de Juarez, near the town of Tequila in Jalisco State and about 40 km from Guadalajara, a major city in Mexico. The Mexican plant gives Saverglass direct access to shipping routes to the western and eastern United States and is also close to Mexico's Tequila producers.

Acatlan's plant is Saverglass' fifth container glass production site. It's also the industrial group's fourth decoration plant.

To set up this production facility, Saverglass made an investment of USD 120 million. On a yearly basis, the plant produces



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120 million bottles in extra white and antique colours.

Founded in 1897 in Feuquieres, northern France, Saverglass operates three plants in France and one in Dubai. The company exports to more than 80 countries and has offices in Napa, Seattle, New-York and Louisville.

Says Regis Maillet, Marketing Director for Saverglass Group: "Our decision to have feet on the ground in the Americas has resulted in both impressive business growth and positive client feedback. More than ever we're committed to growing the premium wine and spirit market in North America, thus empowering distillers and wineries alike to have bottles manufactured and decorated that reflect their brand while bringing them faster to market."

### GRUPO PAVISA

Grupo Pavisa designs, produces and sells container glass to premium segments within the alcoholic beverage industry. Latino Americana de Vidrio, Pavisa's glass container division, is a leading manufacturer of high value-added speciality glass containers in Mexico.

Grupo Pavisa operates two industrial sites near Mexico City: one dedicated to container glass production and the other, inaugurated in 2014, specializing in glass decoration, which includes lacquering, screen printing, sand-blasting, acid etching, pad printing, chromography and hot stamping. The company's business is mainly focused upon the US market.

### CROWN HOLDING

US-based Crown Holdings Incorporated, a leading global packaging supplier, operates two container glass plants - one in Mexico-Crown Sivesa, the other in Crown Vichisa.

The company's Sivesa Glass facility is one of the country's oldest container glass producers. Located at Veracruz, it has an installed container glass capacity of 360 TPD. Crown Holdings commenced commercial production in 2018 from a new glass bottle manufacturing plant within the municipality of Meoqui, Chihuahua. The company invested USD 120 million for the construction of this plant, which has a production capacity of 450 tonnes per day of container glass.

### FEVISA INDUSTRIAL

Fabrica de Envases de Vidrio, S.A. de C.V. opened in 1987 in Mexicali, Baja California with the main objective of providing packaging solutions to the food and beverage industry - both producing and distributing quality glass packaging while delivering the product on time and at a competitive price.

FEVISA then expanded its production capacity in 2005 by opening a new plant in San Luis Potosi, Mexico. The Mexicali plant has charge of distributing the containers to the west coast of the United States and Mexico while that of San Luis Potosi handles distribution to such areas as Monterrey, Guadalajara, and Mexico City, where 80 percent of the Mexican population resides.

### GRUPO MODELO

Global brewer AB InBev owned Grupo Modelo operates three container glass plants in Mexico. These are located at Mexico City, San Luis Potosi and Tierra Blanca - with each strategically placed near breweries operated by the company. All three plants are capable of producing about 15 million glass containers per day. ■