

Market Potential for Premium Chile Rellenos in the Southwestern United States

By Shawna McLain, Ben Wilson, Ryan Scott and Dr. William Gorman , New Mexico State University

Background

Chile rellenos are considered a delicacy in the southwest. Rellenos are peppers stuffed with a variety of cheeses and breaded with an egg white or flour batter. Rellenos have been popular in Mexico for more than two centuries. Traditional Mexican Rellenos are made with a mild, bell-pepper flavored, and Poblano pepper and then filled with meat and cheese.

The relleno migrated into the Southwest more than a century ago and gradually expanded throughout the United States. Approximately 100 years ago Fabian Garcia developed a new variety of long chile peppers that is a signature crop for New Mexico. Southwestern rellenos are made with these spicy peppers paired with delicious cheese fillings and breaded with a traditional recipe.



Chile Industry

Fabian Garcia's development of the long green chiles helped New Mexico become the foundation for the United States commercial chile industry. New Mexico now produces 2/3 of the chile that is consumed in the United States.

There are several different varieties that are used in making a chile relleno. The most common varieties are the 6-4 and the Big Jim Chile. The 6-4 is a mild flavored chile and the Big Jim is a longer thicker walled chile with medium heat.

Early season New Mexico chile pods are firm and green. As the growing season progresses, they mature into sweeter red fruits that still retain the spicy chile flavor. The stage in which the chile exhibits both red and green can be described as Pintado (which means "Painted" in Spanish).

Niche Market

Chile Rellenos are primarily used with New Mexico chile pods that are firm and green. The reason for this is because it's said that is difficult to peel the ripe red chile pods. Today there is a new process that fire roasts the red chile pods and removes the skins with a cold-water power wash. This innovative process allows you to use the red or pintado chiles for rellenos and provides a niche market for the product.

Market Outlets

Primary market focus for the premium relleno is expected to be to full-service restaurants specializing in Mexican and New Mexican cuisines. Also, many full-service restaurants featuring American menus are likely to carry the product to diversify their menus. A high quality relleno may be of interest to some fast food and institutional restaurants and as a frozen food item in supermarkets.



Market Size

The marketing region that should be focused on is primarily in the southwestern region of the United States. In this marketing region there are approximately 6,600 full-service restaurants that feature Mexican/New Mexican cuisines.

There are approximately 47,000 full-service restaurants and 75,000 limited-service or fast-food establishments. More than half of these restaurants feature American cuisine and some Mexican-style items.

Expected sales per restaurant vary among which type of restaurant (Mexican/American). Industry sources estimate that 150 rellenos per week is a reasonable average. Restaurants with American menus estimate they can sell 75 rellenos per week.

Production Capacity

Market research shows that the production capacity that the company can produce is approximately 80,000 rellenos in the first year and increasing by 50% in year two and another 50% in year three. In order to achieve this goal scheduling chile acreage, training employees and maintaining quality control is critical.

Geographic Size

The geographic region that is recommended is the Southwestern United States. The first year rollout is to Arizona, New Mexico, Colorado and Oklahoma. The second year roll out will be to Nevada, Texas and Utah. Then expand to California by the third year. This market area matches well with your production capacity and favorable demographics.

Industry Trends

Major restaurant industry trends in the United States:

- An increase in the percentage of consumers buying/eating meals outside the home.
- Increasing young ethnic population that prefers spicy foods like chile.
- A rapidly growing Hispanic population, they are likely to be familiar with chile rellenos.
- An increase in the percentage of Mexican-American owned businesses that serve Mexican food.
- Full service restaurants looking for new menu opportunities to stimulate stagnant sales.

Direct Competitors

There are approximately six regional competitors that sell a New Mexico-style chile relleno. None of these companies offer a premium chile relleno and all use the long green chile pods.

Bueno Foods- new Mexico Company that offers a variety of products including a relleno that comes in different batters and different types of cheese. They are noted for price-competitive products, not premium items.

Ruiz Foods, Inc- California Company that offers all products in bulk, but proportioned for convenience. They use lower priced, non-uniform chile. They cater to high-volume, low-cost fast-food markets.

Matador Processors- Oklahoma company that uses a bread crumb batter relleno. It's a small regional company that has very few products marketed; They do offer beef stuffing for their relleno.

Foods of NM offers products with New Mexican grown chile. It's a small company with little volume and limited distribution area.

Santa Fe Brand, Inc and Albuquerque Tortilla Company have a limited distribution territory and do not pose much of a threat.

Competitive Analysis

NMSU/NAMA conducted an informal tastes panel to determine how competitor's products compare to a Premium Chile relleno. Results showed that none of the competitor's rellenos ranked highly for taste. Dislikes the panel expressed were:

- Bland, processed flavor
- Small, not uniform in size and shape
- Thin-walled
- Inferior quality cheese
- Fell apart easily
- Tasted like "corn dogs"

The research indicated that there is a market opportunity to provide a premium relleno.

Placement in Restaurants

In order to reach your sales goals it is critical to begin placement in 200 Mexican and 100 other restaurants in the first year roll out. By the second year achieve placement in 300 Mexican and 150 other restaurants, and finally by year three placement in 450 Mexican-cuisine restaurants and 225



Distribution Strategies

Most food Manufacturers distributes their products to restaurants through national and regional food service distributors such as Sysco Foods, Shamrock Foods, and US Food Services.

Quality Assurance

In order to develop a premium relleno the process will require select harvesting for size, color, and shape of the chile. The relleno will be made with the highest quality cheese and a home-style traditional batter.

Business Strategies

Based on the analysis and industry trends, there is a competitive advantage for a New Mexican Premium Pintado Chile Relleno. These strategies can provide market potential for the relleno.



Product Positioning

The relleno will be branded as a premium entrée because of the quality of the ingredients used. Branding the product will make the product distinctly different from competitors



Branding

The New Mexico Pintado Chile Relleno will be established as a premium brand distinctly different from its competitors. One tool for establishing this brand awareness is with the Pintado chile pepper logo. "Mr. Pintado" will appear on packaging, brochures, and advertisements. The advantage of this logo is you will be able to trademark the "Pintado" giving you the competitive advantage



Price

Competitors prices range from \$0.84 to \$1.11 per relleno when sold by their distributor. Due to the premium quality of the relleno it will be sold at a price of \$1.20 per relleno to the restaurant. The relleno will be sold to the food distributor at \$0.83.



Selling Strategies

- Direct sales calls demonstrating the quality of the product
- Work with a food broker to create the market and contact restaurants and chefs
- Sales calls to potential buyers and follow-up sales calls.



Promotion

- **Food Brokers:** Hire food brokers to promote the NM Pintado Chile Relleno.
- **Food and Trade Shows:** Participate in national and regional food shows.
- **Brochures:** These will contain information, including recipes, and preparation tips for the Relleno will distributed at food shows
- **Menu Inserts:** Colorful menu inserts will be provided to the restaurants.
- **Catalogs:** The relleno will appear in several distributors catalogs.
- **Magazine and Print Advertisements**
- **Website**
- **TV and Newspaper:** As a pull strategy feature the chile relleno on a TV food program.
- **Word of Mouth**