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## **Mexico**

### **Dairy and Products Annual**

#### **Need for Ingredients Continues to Constrain Dairy Sector**

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**Report Highlights:**

Fluid milk production in Mexico continues its steady growth as it works to supply its processing sectors, particular its ever-growing cheese production. However, the lack of high quality and value-added ingredients constrains the growth of its processing industries, requiring Mexican processors to turn to imports to fill the gap between demand and production. U.S. cheese exports declined after Mexico imposed retaliatory tariffs against some U.S. agricultural products in July, although the new U.S.-Canada-Mexico agreement brings welcome stability back to the market. Mexico's new President has promised multiple poverty alleviation programs, some of which aim to increase milk production through guaranteed prices and larger government purchases.

**Commodities:**

Dairy, Milk, Fluid

Dairy, Cheese

Dairy, Butter

Dairy, Milk, Nonfat Dry

Dairy, Dry Whole Milk Powder

**Executive Summary:**

Although Mexico's fluid milk production has grown steadily in recent years, its dairy sector remains unable to provide the volume of high-quality ingredients necessary to supply its processing industries. Mexican dairy processors rely on imported ingredients and inputs for producing goods for both domestic consumption and export.

Mexico's every-growing demand for all types of cheeses is driving both imports as well as a higher domestic production that is monopolizing available fluid milk and other high-quality ingredients.

However, retaliatory tariffs imposed in response to the United States' Section 232 steel action had a dampening effect on U.S. exports of cheese to Mexico in July 2018. Although U.S. cheese imports into Mexico have recovered because of the United States' price competitiveness and geographical advantage, continued tariffs could open the door for more European cheese imports.

The completion and signing of the U.S.-Mexico-Canada Agreement came as a relief to the U.S. and Mexican dairy sectors, providing renewed stability to U.S.-Mexico trade and ensuring continued access to goods and products for both countries. The new agreement preserves the same tariff-free treatment of agricultural and food products as under NAFTA.

Mexico's new President has promised to create multiple new agricultural programs and schemes aimed at alleviating poverty for smallholder farmers, particularly in the southeastern part of Mexico. Some of these programs are specifically aimed at increasing milk production of small farmers, such as guaranteed milk prices and herd repopulation. The new administration also plans to merge the state-owned LINCONSA, which distributes government-purchased milk to disadvantaged families, with another state-owned entity to create a Mexican Food Security organization. The new President has vowed to raise the purchase price of milk and to increase the volume of government milk purchases.

**Dairy, Milk, Fluid****Production:**

The 2019 forecast for total commercial production is 12.5 million metric tons (MT), representing a trend of moderate but steady increases since 2010. Production for 2018 was raised slightly based on official numbers. Other milk production, which primarily represents goat's milk, was revised down for 2018.

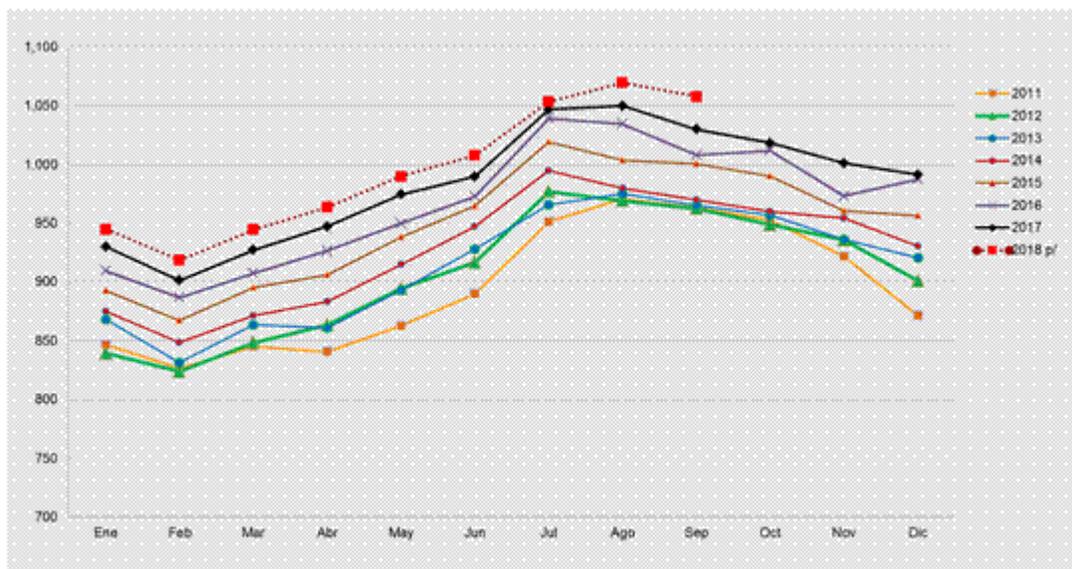
The 2017 total production value was adjusted down slightly to reflect official numbers.

Mexico's domestic production continues its steady increase because of efforts to improve the genetics of its dairy breeding cows, which is a key factor in improving fluid milk. As of August 2018, Mexico's imports of live dairy cattle (HS 01022901) were up 9 percent from the previous year, with 99 percent of

the 11,230 head coming from the United States. Stable and low grain prices are also supporting current production. Dairy cows used 16 percent of the feed produced in Mexico in 2018, according to the National Council of Balanced Feed Producers and Animal Nutrition (CNAFAB).

The Mexican state of Jalisco continues to be the largest producing state in Mexico, followed by Coahuila, Durango, and Chihuahua.

### Monthly Production of Milk, 2011-2018 (Millions of liters)

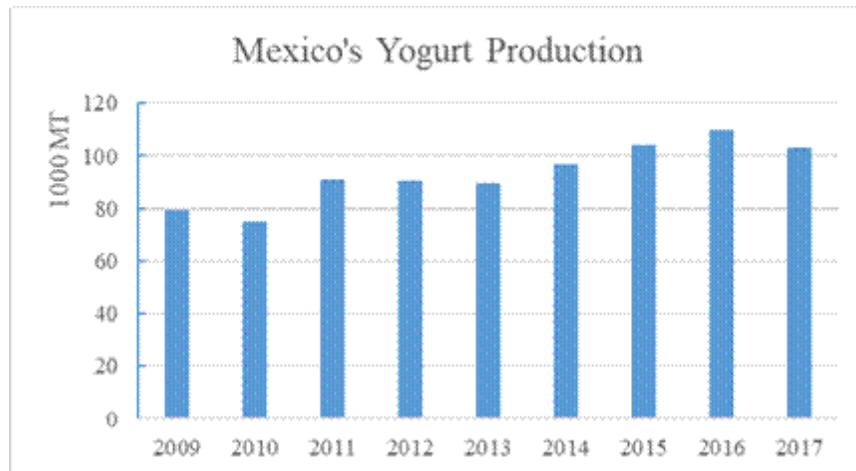


Source: SIAP (Boletín de Leche: Julio-Septiembre 2018)

### Consumption:

For 2019, fluid use for domestic consumption is forecast to be relatively flat at 4.2 million MT, as demand currently remains stable. Although industry believes that consumption levels have room to increase, much of the fluid milk supply continues to go into the processing sector. Industrial production of value-added dairy products continues to grow at a faster rate than consumption of fluid milk. Factory usage is forecast for 2019 at 8.4 million MT, more than twice the volume of domestic consumption.

Dairy processors use fluid milk to produce products such as UHT milk (ultra-high pasteurization for shelf stable milk), and cheese. Milk is also used in the production of yogurt, cream, butter, and anhydrous milk fat production. Production of some of these processed products increased steadily in the last few years. For example, domestic yogurt production continues to grow since 2009. As of August 2018, annual production was already 11 percent higher than at the same point the previous year. Industry believes that consumption of yogurt products will continue to increase in the next few years.



Data Source: SIAP (Boletín de Leche: Julio-Septiembre 2018)

### Trade:

The forecast for imports of fluid milk in 2019 continues to be flat at 44,000 MT. Domestic production of fluid milk accounts for the majority of domestic needs, with imports comprising less than one percent compared to production. Although the 2018 number has been revised down based on trade data through August 2018, Mexico saw a small increase in imports of fluid milk during the January to August period compared to the same time last year. Imports of fluid milk are price-dependent, with import volumes often increasing from November through February when U.S. milk prices are lower than those in Mexico. This year the United States was the source of almost 100 percent of Mexico's imports of milk and cream, with U.S. market share increasing by more than 4 percent. France supplied a fraction of a percent of Mexico's imports, while imports from Germany and New Zealand were negligible.

Exports of fluid milk for 2019 are forecast at 8,000 MT, following an increase in export volumes in 2018. Although the 2018 export number were revised down to 7,000 MT based on trade data through August, Mexico's exports have increased by 17 percent from the previous year. While almost 67 percent of Mexico's milk exports go to the United States, much of this year's increase in export volume is due to higher exports to Guatemala, which are 50 percent greater than at the same point in 2017. Exports to both Cuba and Belize in 2018 have decreased (44 percent and 21 percent lower than in 2017, respectively).

### Policy:

#### **New Free Trade Agreement Returns Certainty to U.S.-Mexico Trade**

The completion of negotiations for the new United States-Mexico-Canada Agreement (USMCA) in late September 2018 returned certainty and a promise of renewed stability to U.S.-Mexico trade relations. Mexican government officials and industry had favorable reactions to the agreement. Industry sources report that Mexican dairy processors welcomed the continued tariff-free access to U.S. dairy ingredients, which Mexico needs to supply its increasing production of high-value dairy products. The new USMCA continues duty-free treatment for all food and agricultural products that were at zero tariff under the North American Free Trade Agreement (NAFTA).

#### **Official Norms on Dairy Products Close to Finalization**

Official regulatory norms (Norma Oficial Mexicana, or NOMs) for yogurt, powdered milk, and cheese are going through the final stages of the Mexican regulatory approval process and should be published in December 2018. For additional details, see [MX8012](#).

### **New Administration Promises Poverty Alleviation Strategies for Small Producers**

Agricultural policy, including policies that affect the dairy sector, could face a number of changes in the next year under the new Mexican Presidential Administration. The new President, Andrés Manuel Lopez Obrador, commonly referred to as AMLO, promised during both his campaign and the transition period to make poverty reduction and agricultural self-sufficiency a cornerstone of his Administration. He has vowed to make multiple changes to the agricultural sector, including the dairy sector, to relieve poverty for smallholder farmers. More than half of all dairy farms in Mexico are small-scale (30 head or under), while less than one percent of farms have more than 1,000 head (but produce more than 20 percent of fluid milk nationally).

Some of AMLO’s promised policy changes are likely to impact dairy production in the coming years. One of the proposed poverty-alleviation programs is establishment of fixed prices for specific quantities of some agricultural commodities. In addition to setting fixed prices for staple crops like wheat, rice, corn, and beans, the proposed program would also pay dairy farmers a set price for certain quantities of fresh milk. AMLO has also made promised to help repopulate or increase the herd in the some of the poorer states in southern Mexico.

### **LICONSA to Merge with DICONSA to Form New Food Security Organization**

As reported previously, the state-owned enterprise LINCONSA purchases milk from **domestic** producers at a subsidized price to distribute to disadvantaged families. The current nationwide price of milk distributed by LICONSA is MX \$5.50 per liter (or a little more than 25 cents in USD) and MX \$4.50 in the states of Oaxaca, Guerrero, and Chiapas. Under the “Un peso el litro” program, LICONSA sells milk for MX \$1.00 per liter in 616 low-income municipalities across Mexico.

The new government has pledged to merge LICONSA with Diconsa, the government organization that supplies basic commodities to rural communities in both fixed and mobile stores throughout Mexico. The new organization will be called Mexican Food Security (Segalmex) and will be responsible for guaranteeing access for the poor to a basic basket of supplies. The new Administration announced that Segalmex would both buy fluid milk from small producers at higher prices and increase the purchase amount from 550 to 800 million liters a year.

Dairy, Milk, Fluid	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Cows In Milk	6500	6550	6550	6550	0	6500
Cows Milk Production	12162	12121	12230	12281	0	12380
Other Milk Production	167	167	170	168	0	169
Total Production	12329	12288	12400	12449	0	12549
Other Imports	42	42	45	43	0	44
Total Imports	42	42	45	43	0	44
Total Supply	12371	12330	12445	12492	0	12593
Other Exports	6	6	10	7	0	8
Total Exports	6	6	10	7	0	8
Fluid Use Dom. Consum.	4184	4174	4183	4183	0	4185

<b>Factory Use Consum.</b>	8181	8150	8252	8302	0	8400
<b>Feed Use Dom. Consum.</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	12365	12324	12435	12485	0	12585
<b>Total Distribution</b>	12371	12330	12445	12492	0	12593
(1000 HEAD), (1000 MT)						

*Note: A conversion rate of 1.03 kg was used to convert production and trade from liters into MT. Trade is defined at HS 0401.*

## **Dairy, Cheese**

### **Production:**

The forecast for cheese production in 2019 is revised up to 422,000 MT as demand continues to increase production and drive expansion in the sector. Cheese production continues to monopolize the use of fluid milk and high value dairy ingredients. The figure for 2018 has been revised upward based on official data, reflecting the multi-year trend in expanded production.

As reported in previous dairy reports, the traditional cheeses Fresco, Doble Crema, Panela, and Amarillo continue to dominate Mexican cheese production. The large increases in production in 2018 again come from higher production of Fresco (11 percent higher than at the same period in 2017) and Doble Crema (10 percent higher). Production of Manchego also saw a significant increase from January to August 2018 at 16 percent.

### **Consumption:**

The forecast for cheese consumption in 2019 is 538,000 MT, reflecting continuing demand for domestic and imported cheeses. Industry believes that consumption has room to expand even more in the next year. Even with increased production, the 2018 consumption estimate was revised down to account for higher than expected exports.

### **Trade:**

Cheese imports for 2019 are projected to be 128,000 MT. Mexico imports more than 60 different kinds of cheese to meet its ever-increasing domestic demand. The United States continues to supply the vast majority of Mexico's cheese imports, with its market share increasing to 79 percent as of August 2018. The Netherlands, Uruguay, New Zealand, and Chile share the majority of the remaining market share, although numerous other European Union (EU) countries provide a growing share of imports. The 2018 figure was adjusted down from the previous Post estimate based on updated official numbers.

Mexico is the United States' number one destination for cheese exports. In 2017, the United States shipped 85 percent more cheese to Mexico than to its second biggest market, South Korea. In fact, exports of U.S. cheese to Mexico in 2017 were greater than its exports to South Korea and Japan (the third largest U.S. market) combined. The volume of U.S. cheese sent to Mexico seems poised to grow even more: as of August 2018, imports of cheese from the United States were already six percent higher than at the same point the previous year.

## **Retaliatory Tariffs on U.S. Cheeses Demonstrate Moderate Impact on Imports**

In response to measures imposed by the United States under Section 232, Mexico announced that it would impose retaliatory tariffs on \$2.6 billion of U.S. agricultural exports to Mexico in July 2018. In addition to pork cuts, fresh apples, bourbon, and several other agricultural products, fresh, grated and powdered, and a number of other cheeses faced increased tariffs of 20 or 25 percent. (For additional information, see [MX8028](#) and [MX8034](#))

In the lead up to the imposition of tariffs in July, cheese importers increased their purchases of U.S. cheeses to take advantage of the lower prices. Imports then dropped off significantly in July when the tariffs took effect. Fresh cheese imports (HS code 040610) more than doubled in June from the previous month but then decreased 43 percent in July following the imposition of 25 percent tariffs.

Cheeses in the “other” category (HS 04069099) decreased by 45 percent in July from the previous month. Grated or powdered cheeses (HS 04062001) increased 38 percent in June before decreasing by 43 percent in July after the tariffs went into effect. Cheeses in category 04069004, which includes edam, gouda, and havarti, saw a 23 percent increase in June over the previous month before falling by 37 percent in July. However, the high demand for imported cheeses means that companies will have to pay the tariffs in order to supply the market.

While year to date imports of some of these categories, such as fresh cheese, have decreased (down 17 percent from the same period in 2017), overall 2018 U.S. imports of the other categories have increased (HS 04059004 is up 17 percent; HS 0402001 is up 10 percent). However, imports of these types of cheeses have increased from EU countries during this period as well. Imports from Spain, Denmark, Italy, Germany, and Poland all made inroads in the Mexican market in 2018. The Netherlands increased its shipments of cheese by more than 6 percent and France alone increased its cheese exports to Mexico by 109 percent. While U.S. cheeses is still price competitive even with the additional tariffs, EU countries could continue to gain market share if the retaliatory tariffs continue.

## **Mexico Exports Jump in 2018**

The 2019 forecast for cheese exports is 12,000 MT on the strength of higher than expected exports in 2018. Although exports of Mexican cheese have seen moderate increases since 2015, exports in 2018 increased dramatically, primarily to the United States and countries in South and Central America. Exports to the United States alone jumped more than 400 percent. Several of Mexico’s top cheese producing companies have significantly increased their distribution to the United States, Chile, Guatemala, Peru, Nicaragua, the Dominican Republic, and Panama this year and industry reports that these companies will continue to prioritize exports into next year. The 2018 Post export estimate was revised up to 16,000 MT based on official trade data through August.

## **Policy:**

### **EU-Mexico Free Trade Agreement**

As reported in the Semi-Annual Dairy Report ([MX8022](#)), Mexico and the European Union announced an agreement in principle of their free-trade agreement in April 2018 (known as TLCUEM in Mexico). When technical negotiations conclude and the agreement is officially endorsed, the final TLCUEM is

expected to contain provisions to protect EU geographical indications (GIs) that could negatively impact cheese exports from the United States.

**New USMCA Provides Protections for Common Cheese Names in Mexican Market**

The new trade agreement between the United States, Mexico, and Canada includes provisions against establishing GIs that would prevent U.S. producers from using common names, as well as a consultation mechanism for regarding inclusion of GIs in future trade agreements. The United States and Mexico also agreed to side letters on GIs that set a broad definition for “prior user” of cheese names and list specific cheese names in use in the Mexican market.

Given the lack of clarity regarding what GIs will be protected under a finalized TLCUEM, it is unclear how Mexico in practice will balance its agreed-to GI protections under the EU free trade agreement with the new provisions of the USMCA.

Dairy, Cheese	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	396	396	405	410	0	422
Other Imports	122	122	125	126	0	128
Total Imports	122	122	125	126	0	128
Total Supply	518	518	530	536	0	550
Other Exports	7	7	6	16	0	12
Total Exports	7	7	6	16	0	12
Human Dom. Consumption	511	511	524	520	0	538
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	511	511	524	520	0	538
Total Use	518	518	530	536	0	550
Ending Stocks	0	0	0	0	0	0
Total Distribution	518	518	530	536	0	550
(1000 MT)						

**Dairy, Butter**

**Production:**

The 2019 butter and butterfat production forecast is 222,000 MT, as butter processors continue to compete for fluid milk and other inputs with other dairy processors. Although there has been moderate growth in butter production since 2016 due to continued demand from the bakery and confectionary sectors, production in 2018 has been flat. With both butter and butterfat (*crema o grasa butirica*) production showing almost no growth, production in 2018 was revised down based on updated official data.

**Consumption:**

Consumption of butter for 2019 is forecast at 252,000 MT. Although the bakery, confectionary, and processing sectors continue to need a steady supply of butter and butterfat for processing, household consumption is not expected to grow considerably in the near term. A reduction in imports and an

increase in exports of butterfat also contribute to less butter available for domestic use. As such, the Post estimate for 2018 consumption has been adjusted down to reflect the reduced supply available.

**Trade:**

**Imports Continue to Slow on Smaller Butterfat Volumes**

The 2019 import forecast for butter (HS 040510) and butterfat (HS 040590) is 42,000 MT, mostly based on a downward trend in imports of butterfat since 2016. The 2018 Post estimate for imports was also reduced based on official trade data. Mexico gets the vast majority of its butterfat from New Zealand, although those imports have been falling since 2016. Year to date imports of butterfat from New Zealand in 2018 are 54 percent lower than at the same time in 2017. Imports of U.S. butterfat (or anhydrous milk fat, as it is known in the United States) have shown a steady increase since 2016, with a 112 percent increase during the January-August period in 2018 alone. However, U.S. butterfat accounts for only a 13 percent market share in 2018. Even with the reductions in trade volume, New Zealand remains more price-competitive in butterfat production and accounts for 78 percent of the Mexican import market. The Netherlands and Chile continue to hold small percentages of the markets as well (5 percent and 2 percent, respectively).

Year to date imports of butter have risen slightly, with the United States and New Zealand providing most of Mexico’s imported butter. France and Denmark together provide about 20 percent of Mexico’s butter imports. Mexico continues to consume less butter per capita than many countries, coming in 44<sup>th</sup> globally by volume of imported butter in 2018.

**Exports Rebound after Falling in 2017**

Exports in 2019 are forecast at 12,000 MT, reflecting a growth in exports of butterfat to the United States. The United States is the primary destination for Mexico’s butterfat exports, with Guatemala receiving small but increasing amounts as well. The United States and Cuba remain Mexico’s main recipients of butter.

Dairy, Butter	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	223	223	226	221	0	222
Other Imports	49	49	45	40	0	42
Total Imports	49	49	45	40	0	42
Total Supply	272	272	271	261	0	264
Other Exports	8	8	6	10	0	12
Total Exports	8	8	6	10	0	12
Domestic Consumption	264	264	265	251	0	252
Total Use	272	272	271	261	0	264
Ending Stocks	0	0	0	0	0	0
Total Distribution	272	272	271	261	0	264
(1000 MT)						

**Dairy, Skim Milk Powder (SMP)**

**Production:**

The forecast for SMP production in 2019 is 45,000 MT. The 2018 value has been decreased to 43,000 MT, reflecting official data and a 19 percent reduction in the January-August period. Production growth continues to be limited by competition for raw material (fluid milk) with other high value-added products, particularly cheese. Production costs also impede the growth of domestic milk powder production, as low domestic milk prices mean that imported product is significantly cheaper compared to the costs of producing powders domestically. Drying capacity is also a limiting factor on the amount of milk powder that can be produced. Although two additional drying facilities in Jalisco have come on line this year to help local producers dry more of their milk, only one is large volume and may not have enough capacity to significantly expand Mexico's total production.

**Consumption:**

The consumption forecast for 2019 is 325,000 MT, as consumption is expected to return to more normal levels after a decline in 2018. The 2018 figure for consumption was reduced significantly to account for the higher exports to Venezuela. Although there is continued demand from dairy processors such as confectionary companies who need milk powders, not fluid milk, to produce their goods, high levels of exports to Venezuela in 2018 have monopolized the available supply of SMP.

**Trade:****Imports of SMP Show Continued Steady Growth**

SMP imports in 2019 are forecast at 355,000 MT, reflecting a steady increase in the need for SMP to supply domestic processing industries' need for inputs. Mexico is a net importer of SMP, as its own production cannot meet its domestic demand. The United States was effectively the primary source for Mexico in 2018, with almost 99 percent of its market share. From January to August in 2018, imports from the United States increased by more than 26 percent over the same period in 2017. As a result, the Post estimate for 2018 was increased based on official trade data. In contrast, imports from other normal suppliers, such as Canada, Germany, New Zealand, and Poland all reduced significantly. Imports from Spain, which in 2017 shipped more than 21,000 MT, were zero in 2018.

**Exports to Venezuela Skyrocket in 2018**

The 2019 forecast of 75,000 MT will be dependent on whether high exports volumes to Venezuela continue. After a dramatic increase in exports to Venezuela in 2017, year to date exports in 2018 increased even further. As of August 2018, exports of SMP to Venezuela catapulted to 94,000 MT, a 372 percent increase from the same period the previous year. The 2018 Post estimate has been revised significantly to reflect the new official trade data. Exports to other markets have increased to other destinations as well. Mexico shipped 48,000 MT to the United States as of August 2018, its highest amount of exports to this market since 2015. Mexico exported 1,087 MT of SMP to Turkey for the first time in 2018. Its exports to Chile and Panama also increased, while shipments to its more traditional destinations (Belize and Honduras) are down.

**Policy:**

## Tariff Rate Quota (TRQ) for Milk Powder

In 2012, Mexico established a TRQ for World Trade Organization (WTO) countries of 80,000 MT of powder milk imports (HS Codes: 04021001 for SMP and 04022101 for WMP). This TRQ allocates 40,000 MT for use by LICONSA, with the remainder to be allocated among the private sector.<sup>1</sup> LINCONSA reports that 26,462 MT of powdered milk were imported from January to June 2018 under its purchasing program.<sup>2</sup> According to the Import and Export General Tax Law, the duty applied to imports from third countries for SMP with whom Mexico does not have a free trade agreement (HS code: 04021001) is 45 percent ad valorem.

## Imports from United States Remain Duty Free Under USMCA

As noted in the Fluid Milk section, the new USMCA continues duty-free treatment for all food and agricultural products that were at zero tariff under NAFTA. All U.S. milk powder will remain duty-free and free of any TRQ.

Dairy, Milk, Nonfat Dry	2017		2018		2019	
	Market Begin Year		Market Begin Year		Market Begin Year	
	Jan 2017	Jan 2018	Jan 2018	Jan 2019	Jan 2019	Jan 2019
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	49	49	50	43	0	45
Other Imports	331	331	400	345	0	355
<b>Total Imports</b>	<b>331</b>	<b>331</b>	<b>400</b>	<b>345</b>	<b>0</b>	<b>355</b>
<b>Total Supply</b>	<b>380</b>	<b>380</b>	<b>450</b>	<b>388</b>	<b>0</b>	<b>400</b>
Other Exports	29	29	75	105	0	75
<b>Total Exports</b>	<b>29</b>	<b>29</b>	<b>75</b>	<b>105</b>	<b>0</b>	<b>75</b>
Human Dom. Consumption	351	351	375	283	0	325
Other Use, Losses	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	<b>351</b>	<b>351</b>	<b>375</b>	<b>283</b>	<b>0</b>	<b>325</b>
<b>Total Use</b>	<b>380</b>	<b>380</b>	<b>450</b>	<b>388</b>	<b>0</b>	<b>400</b>
Ending Stocks	0	0	0	0	0	0
<b>Total Distribution</b>	<b>380</b>	<b>380</b>	<b>450</b>	<b>388</b>	<b>0</b>	<b>400</b>
(1000 MT)						

## Dairy, Whole Milk Powder (WMP)

### Production:

The production estimate for WMP in 2019 is 135,000 MT, reflecting a trend of slower than expected growth from 2018. The 2018 figure has been revised, as production was down 14 percent during the January-August 2018 period based on official data. WMP continues to dominate milk powder production in Mexico although it must still compete for the use of high quality fluid milk. As noted in the SMP section, domestic drying capacity and production costs are limiting factors that prevent the amount of expansion possible in Mexican milk powder production. Domestically-produced milk powders continue to supply milk powder for Mexican consumption or for distribution through LINCONSA.

<sup>1</sup> <http://www.siiicex.gob.mx/portalSiiicex/Transparencia/HistoricoCupos/ArchivoHistorico/infespec-Alimentosybebidas-Historico.htm>

<sup>2</sup> <https://www.gob.mx/liconsa/acciones-y-programas/compra-de-leche-en-polvo-de-importacion>

## Consumption:

The 2019 consumption forecast is 117,000 MT, as consumption returns to more normal levels after a steep decline in 2017. WMP is a direct substitute for fluid milk and is often packaged both as a shelf stable product and for distribution by LINCONSA. It is also needed for use by dairy processors to make specialty milk drinks and other value-added products or for reconstitution as fluid milk.

## Trade:

While the import forecast for 2019 is expected to remain relatively flat at 7,000 MT, this still represents a steady return to pre-2016 levels. The 2018 value was revised based on official trade data. Uruguay has become Mexico's biggest supplier in 2018, with imports through August at 2,225 MT. New Zealand has continued to lose market share, with imports falling 34 percent when compared to the same period in 2017. The level of imports from the United States has increased so far in 2018 and its market share this year now roughly equals of New Zealand.

The 2019 export forecast is 25,000 MT, a return to lower levels after the 2017 spike in exports. The 2018 Post estimate was lowered based on official trade data and a drop in WMP exports to Venezuela. However, 2017's WMP exports to Venezuela were replaced by the surge of SMP exports in 2018. It remains unclear if the levels of exports of either SMP or WMP will be maintained in the next year.

Exports of WMP to the United States in 2018 grew to 3,872 MT through August, an increase of 44 percent over the same period in the previous year, while exports to Mexico's other traditional markets, Cuba and Columbia, both declined (by 12 and 48 percent, respectively).

Dairy, Dry Whole Milk Powder	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	139	139	140	130	0	135
Other Imports	4	4	3	6	0	7
Total Imports	4	4	3	6	0	7
Total Supply	143	143	143	136	0	142
Other Exports	77	77	40	30	0	25
Total Exports	77	77	40	30	0	25
Human Dom. Consumption	66	66	103	106	0	117
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	66	66	103	106	0	117
Total Use	143	143	143	136	0	142
Ending Stocks	0	0	0	0	0	0
Total Distribution	143	143	143	136	0	142
(1000 MT)						

## Other Relevant Reports Submitted by FAS/Mexico

Report Number	Title
<a href="#">MX8022</a>	New Trade Agreements with the Potential to Diversify Dairy

<a href="#">MX8028</a>	Mexico Announces Retaliatory Tariffs
<a href="#">MX8034</a>	The Phasing In Of Mexican Retaliatory Tariffs

**FAS/Mexico Website:** We are available at <https://www.fas.usda.gov/regions/mexico> or readers may visit the FAS headquarters' homepage at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx) and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://www.salud.gob.mx). These websites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.