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Mexico

Poultry and Products Annual

Poultry and Eggs are Pillars of Production

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Report Highlights:

The poultry sectors (chicken, turkey, and eggs) are pillars of animal protein production in Mexico. Production of broiler meat is expected to continue to increase as vertical integration spurs improvements in genetics and biosecurity. An increase in broiler meat consumption is being met by this production growth, while imports stagnate in 2017. The poultry sector is also the primary consumer of feed grains in Mexico, and feed comprises the largest percentage of production costs for both poultry meat and eggs.

Commodities:

Poultry, Meat, Broiler

Poultry, Meat, Turkey

Poultry, Eggs

Poultry, Meat, Broiler**Production****Vertical integration spurs improvements in genetics and biosecurity**

The forecast for poultry production in 2018 is 3.5 million metric tons (MMT), up from 2017, as the increasing vertical integration has spurred producers to improve genetics and biosecurity. This is expected to drive production to exceed 2016 and 2017 levels. Thus, the sector expects to maintain growth during the remainder of 2017 and in 2018. The 2017 estimate is adjusted to reflect this trend as well as data from the National Poultry Association (UNA).

Mexico is working to prevent horizontal contamination

Despite no widespread outbreaks of highly pathogenic avian influenza (HPAI) after the 2012 outbreak, the industry remains concerned about the possibility of a new outbreak which has compelled the implementation of stricter biosecurity measures overall.

Saturation in the poultry sector and the proximity of farms is one reason behind the spread of avian influenza in several states (such as Jalisco). Some of the tools producers are using to combat contamination are vaccines, the relocation of productive centers (progenitor farms) to neighboring states with better natural conditions for biosecurity, and other on-farm tools.

As discussed in previous reports, other tools under development include an indemnification program, as well as the creation of a National Poultry Research Center. Further, the Secretary of Agriculture (SAGARPA) in Mexico and the U.S. Department of Agriculture (USDA) work closely on avian influenza issues as the two countries share flyways.

The importance of genetics

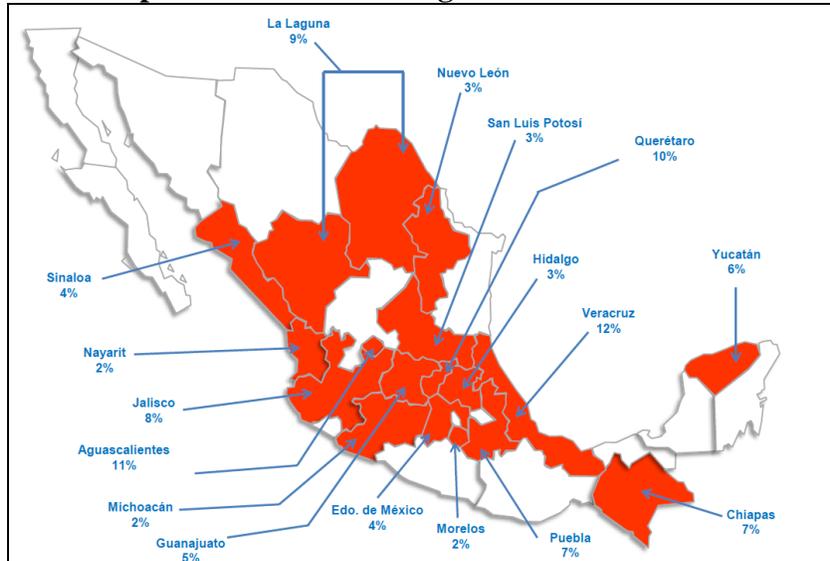
Mexico continues sourcing 3-day old chicks, both for the meat supply and progenitors, from the United States in large quantities given the limitations to domestically produce breeding stock. Three genetic lines are predominant in Mexico – Ross, Cobb-Vantress, and Hubbard.

Poultry continues to dominates protein production

Based on production numbers from the Servicio de Información Estadística Agrícola y Pecuaria (SIAP), and as previously reported, poultry and eggs account for more than 60 percent of livestock production in

Mexico. Meat from broilers and spent hens alone accounted for a third of production.¹ The states of Veracruz, Queretaro, Jalisco and Aguascalientes led domestic broiler production during 2016.

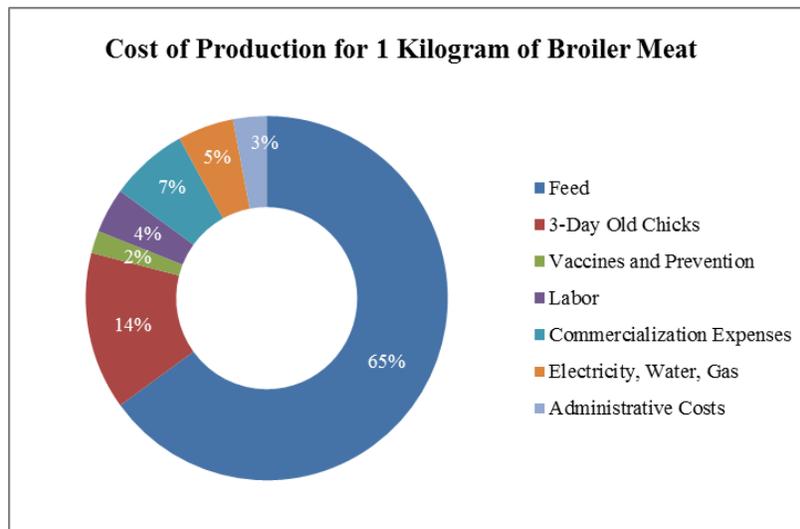
Principal Chicken Producing States in Mexico in 2016



Source: UNA's Compendio de Indicadores Económicos del Sector Avícola, 2017.

What goes into a chicken?

The poultry sector is the primary consumer of oilseed meals and forage grains for feed in Mexico. UNA reports that feed represents 65 percent of the total cost of production of broiler meat. Ample feed grain supplies and stable prices will continue to propel poultry production through the end of 2017 and into 2018.



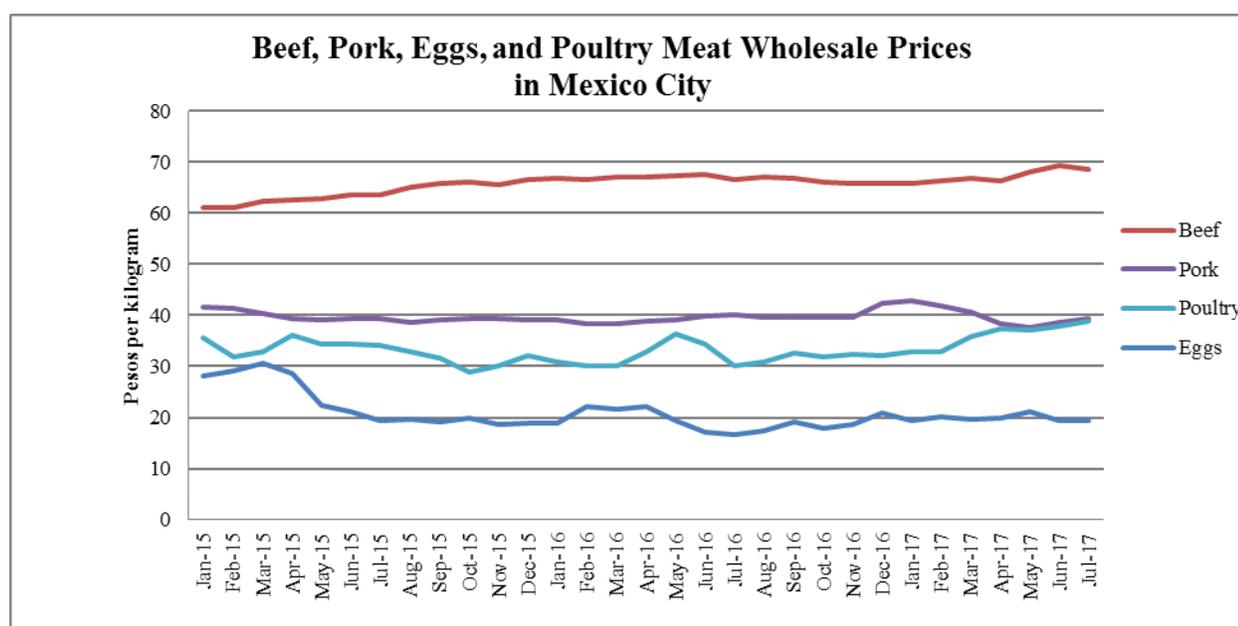
¹ These figures generally only consider commercial production. Backyard production for domestic consumption is widespread throughout Mexico, making it difficult to quantify.

Source: UNA's Compendio de Indicadores Económicos del Sector Avícola, 2017.

Consumption

Devoted to broiler meat

Consumption of broiler meat is forecast up at 4.3 million tons for 2018, as poultry continues to be the preferred and most affordable animal protein in Mexico for the low and mid-income population.



Source: Secretaria de Economía, National System of Information and Market Integration (SNIIM).² Based on carcass weights.

According to industry sources, Mexicans will consume approximately 32 kilograms per capita in 2017 with an increase expected in 2018. Consumption figures for 2017 were revised downward (although still reflecting year on year growth) due to reduced consumer purchasing power caused by inflation.

The year on year growth in 2017 consumption is being met almost entirely by increases in production, while imports stagnate.

Trade

Imports up in 2018, flat for 2017

The forecast of imports for 2018 is up at 810,000 tons as growth in domestic production is not expected to satisfy the demand of processors of value-added products. However, the forecast for 2017 was

² <http://www.economia-sniim.gob.mx/nuevo/>

adjusted down to be relatively flat as import numbers were lower during the January to July period as in 2016. This might be attributed to a disadvantageous exchange rate in the early part of the year, and imports are expected to rebound in the second half as the peso has stabilized around 17-18 pesos to the dollar. In recent years, imports have provided approximately 20 percent of the total supply, and this is not expected to change.

Chicken leg quarters and mechanically deboned meat from the United States remain top imports as inputs for value added products. For example, nuggets and wings, will be consumed mainly in the Hotel and Restaurant Industry (HRI) sector.

As of June 2017, 91 percent of Mexican imports of broiler meat originated in the United States. In 2016, imports from the United States for the same period represented nearly 92 percent of market, 3 percent lower than the same period in 2015.

Brazil gaining share but sanitary issues are not paving the road

As previously reported, Brazil continues gaining minor market shares while Chilean imports have been steady for the past five years. Under the tariff rate quota (TRQ), Brazil (which has at least 20 authorized establishments for export to Mexico), is developing steady inroads in the frozen poultry products market. However, Brazil it not likely to be significantly competitive in the Mexican market in the short term, mainly due to sanitary issues following a meat scandal in early 2017. However, it is important to note in the below chart how Brazil, has increased its share during the last three years, while Chilean imports shows a stable trend.



Source: Instituto Nacional de Estadística y Geografía (INEGI) through Global Trade Atlas, 2017

Argentina current has a few authorized establishments with clear intentions to export, but to date in 2017 has not exported any product.

Exports are flat

The export forecast flat at is 6,000 metric tons in 2018. In 2018, Mexico will continue working to open new market niches as well as to reopen traditional Asian markets that were closed due to the aftereffects

of the 2012 HPAI outbreak. Additionally, despite a TRQ under the trade agreement between Mexico and Japan, official figures are null.

Policy

Spring HPAI outbreak in the United States

On March 5, 2017, USDA's Animal and Plant Health Inspection Service (APHIS) confirmed the presence of highly pathogenic H7N9 avian influenza in a commercial chicken breeder flock in Lincoln County, Tennessee. In response, the Import and Export Directorate from the Animal Health General Directorate's National Service of Health, Food Safety, and Food Quality from the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SENASICA - SAGARPA), announced trade restrictions for U.S. live poultry and poultry products from Lincoln County, Tennessee (See [MX7008](#)).

Anti-Dumping NAFTA Panel complete and sunset review underway

Preface: It is important to note, that the anti-dumping duties claimed by Mexico in 2012 have not been enforced as Mexico suffered from a HPAI outbreak, and imported products were needed to meet domestic demand. See previous reports for further background.

On May 11, 2017, Mexico published in Mexico's Federal Register (*Diario Oficial de la Federación/DOF*) the "Final Decision of the Panel regarding the revision to the final resolution to the antidumping investigation on imports of CLQs, merchandise classified in tariff codes 0207.13.03 and 0207.14.04 originating from the United States of America, independent of their country of origin." Through this publication, the NAFTA Binational Panel unanimously decided to confirm the content of the Final Resolution issued and published by the Secretariat of Economy (SE) in the DOF on August 6, 2012. However, the Panel urged the *Unidad de Practicas Comerciales Internacionales* (UPCI), as the Investigator Authority (IA) to revise the methodology used to calculate the duties.

On August 2, 2017, the Secretariat of Economy (SE) published in the DOF the resolution that declares the initiation of the "sunset review" of the compensatory duties imposed on imports of CLQs originating from the United States (despite never having been enforced). Interested parties showed their interest to initiate the examination, and Economía determined July 1, 2016 to June 30, 2017 as the examination period and July 2012 to June 30, 2017 as the analysis period.

TRQ to continue?

As previously reported, in early 2013, SE published a TRQ for 300,000 MT of poultry meat to be imported duty-free from third countries without a Free Trade Agreement with Mexico. The TRQ was extended twice, and currently is scheduled to end by December 2017 (see [MX6003](#) and [MX4016](#)). Industry continues to petition SE to suspend the duty-free TRQ. The TRQ is nowhere near filled.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Market Begin Year Mexico	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	3285	3275	3384	3400	0	3500
Total Imports	791	791	825	795	0	810
Total Supply	4076	4066	4209	4195	0	4310
Total Exports	5	5	6	6	0	6
Human Consumption	4071	4061	4203	4189	0	4304
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	4071	4061	4203	4189	0	4304
Total Use	4076	4066	4209	4195	0	4310
Ending Stocks	0	0	0	0	0	0
Total Distribution	4076	4066	4209	4195	0	4310
(MIL HEAD) ,(1000 MT)						

Poultry, Meat, Turkey

Production

The turkey sector still struggling to replicate the broiler and egg success

The 2018 forecast for turkey production is slightly up from the 2017 figure at 14,000 metric tons. Even though there are programs dedicated to rebuild turkey production, the sector has not yet been able to replicate the broiler and egg success. Specifically the economic incentives to produce turkey are low, there is a reduced number of producers, and Mexico is dependent on imports to meet demands.

Poultry Meat, Turkey Post Estimates	2016	2017	2018
Production	13	13.5	14
Imports	160	165	170
Exports	1	1	1
Consumption (1000 MT)	172	177.5	180

Not official USDA Data, Post Estimates

A product of the south

Although the state of Chihuahua is the leader of turkey production in Mexico as per UNA data, the majority of turkey production in Mexico takes place in southern states from the Yucatan to the State of Mexico. These states serve principally local and regional markets with whole turkey, rather than the mechanically separated meat demanded from food processors across Mexico. This is not expected to change in the short term.

Currently, the predominant genetic line in commercial production of turkey in Mexico is Nicolas 700.

Consumption

Ample opportunity to increase consumption

As previously reported, turkey (particularly whole turkey), remains seasonal around traditional holiday recipes and events, mirroring regional production in the south. However, daily consumption is on the rise through processed products such as deli meat (particularly turkey ham), turkey bacon, and sausages, in part due to perceived health benefits compared with red meat.

Overall, however, per capita consumption is much lower than other countries such as the United States. There appears to be ample opportunity to increase consumption.

Trade

Chile and Brazil – traditional competitors with U.S. turkey

The 2018 import forecast for turkey meat is set at 170,000 tons. As previously mentioned, domestic production is not sufficient to cover demand, particularly of the processing sector. The forecast for 2017 was raised to 165,000 based on official data from January to June. Figures for the 2016 imports are kept at 160,000 to reflect official data.

While Mexico is a traditional importer of turkey meat from the United States and Chile, Brazil has recently made inroads into the supply of frozen turkey meat, particularly around the turn of year from 2016 to 2017. Imports from Brazil increased by more than 300 percent between the January to June period in 2017, when compared with 2016. Chile, however saw a sharp decline during that period, while the United States saw an increase of 15 percent continuing to rebound from HPAI. Overall, the United States dominates the turkey market, providing around 94 percent of imported turkey meat in both 2016 and 2015.

Why the decline for Chile?

In short, Chilean imports are lowering back to traditional levels. During the 2015 HPAI outbreak in the United States, Chile took advantage of the gap in imports.

Mexican exports to be flat

In 2018, Mexico's exports are expected continue at the same levels as turkey production is not expected to greatly increase. The United States is the primary export destination (94 percent in 2016), however, in 2017, growth of exports to Japan has been seen (no exports to Japan were recorded in 2016). Negligible amounts also go to Central American markets.

Poultry, Eggs

Production

The forecast for 2018 is up to almost 2.9 million tons based on estimates from UNA (see below). UNA's data shows steady growth during the past three years. As previously reported, and in parallel with the maneuvers that broiler producers are taking, egg farmers are expanding the production area beyond the traditional states of Jalisco and Puebla. The sector is making inroads into northern states to take advantage of natural biosecurity conditions (i.e. lower concentrations of farms and ranches, greater distances between production facilities, etc.), as well as to offset the saturation of production in the above-mentioned traditional areas.

Mexican Egg Production (MT)	
2012	2,386,576
2013	2,509,350
2014	2,571,270
2015	2,637,581
2016	2,765,422
2017	2,798,209*
2018	2,882,156*

**forecast*

Source: UNA's Compendio de Indicadores Económicos del Sector Avícola, 2017.



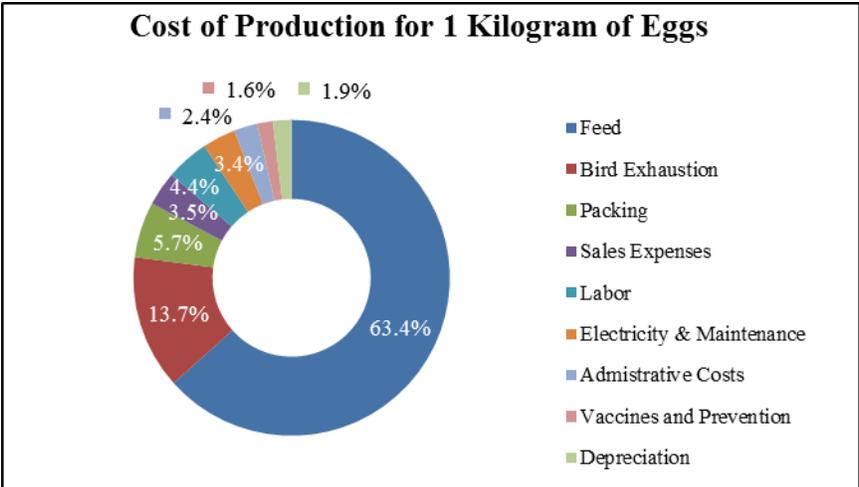
Source: UNA's Compendium of Economic Indicators of the Poultry Sector, 2017.

Avian influenza outbreaks continue to be a concern for most producers. The aforementioned vertical integration along with implemented biosecurity measures, and expansion into other regions may mitigate some of the risks of horizontal contamination.

Younger generations, such as Millennials, continue to build demand for “cage free” and “free range” eggs as they relate to animal welfare. In Mexico, the “cage free” format is more attractive for producers given that it can be done in closed facilities, while “free range” takes place in open spaces which are potentially vulnerable to incursions of wild fowl and exposure to diseases. However, both of the above-mentioned systems have higher production costs than traditional egg farming resulting in higher consumer costs, which may limit their growth as the target market is relatively small.

Grains go to eggs

As previously mentioned in this report, the poultry sector is currently Mexico’s main consumer of oilseed and grains as feed. The latest UNA data indicates that feed represents 63.4 percent of the cost of production of eggs.



Source: UNA’s Compendio de Indicadores Económicos del Sector Avícola, 2017.

Currently, similarly to the broiler sector, the egg sector relies on imported genetics. Five predominant genetic lines (Bovans, Hy line, Lohman, Hy Sex Brown, and Isa brown) are the pillars of production for table eggs in Mexico.

Consumption

More eggs, please!

Mexico remains one if not the number one consumer of eggs worldwide. For 2018, industry expects per capita consumption to rise to 23.6 kg as eggs continue to be (alongside poultry meat) one of the most affordable sources of animal protein for the medium and low-income population. Preliminary figures from UNA indicate that by the end of 2017 the per capita consumption is expected to be 23.3 kg.

Eggs are a common addition to breakfast dishes such as *chilaquiles* and *huevos rancheros*, as well as the base for dishes such as *huevos a la mexicana*. Consumption is across economic status, dishes both served at high end restaurants and low-cost street vendors, as well as consumed in the home.

Brown/red eggs garner a premium

Although a small percentage of production (previously reported as 3-5 percent), the continued perception of consumers that brown/red eggs have more protein and are of higher quality fuels prices. Regardless, the vast majority of production and consumption in Mexico is of white eggs, as seen in both standard super markets and wet markets.

Make that an egg white omelet

While the major destination for processed eggs and products is the bakery and confectionery sector (as well as other food processes such as mayonnaise), consumer processed egg products continue to be on the rise. In particular liquid eggs, whites, or yolks are marketed for easy (and perceived as healthy) food preparation in the home and at restaurants.

Trade

Imports for table eggs in 2018 are forecast at 65,000 tons, in large part due to sustained demand from processors in the bakery and confectionary industry. This is in part due to retail consumer preference for orange-colored yolks (traditional under Mexican production) rather than yellow-yolks (as in U.S. production), as well as the need for U.S. eggs to be refrigerated. Principal points of sale such as wet markets, and many homes do not have refrigeration available.

As of June 2017, official data for both table eggs and egg products shows imports up by 6 percent at 31,901 tons MT from the same period in 2016, as the steady demand from processors for eggs and egg product continues. Further, the importation of hatching eggs is expected to continue increasing. In general, the imports of eggs and egg products is minor in comparison with domestic production.

U.S. eggs dominate imports

The U.S. market share has been steady over the past five years, and is expected to continue during the remainders of 2017 and throughout 2018. In 2016, the United States held 99.1 percent of the market share (including table eggs, egg products, and hatching eggs) in Mexico. Other imports (under 1 percent total) came from Brazil, Argentina, New Zealand, Canada, Spain, and Italy. Of the imported eggs from the United States, the majority are hatching eggs.

Mexican exports of eggs is minimal but growing

As previously reported, Mexico is looking to recover those markets that closed after the 2012 HPAI outbreaks. Also, Mexico is looking to export eggs to the United States and Canada. In the meantime, as of June 2017, Mexican exports to Japan have more than doubled compared to the same period of 2016. Similarly exports to Cuba have increased by more than 500 percent during the same period. It is expected in the short term that Japan and Cuba will remain the primary destination for Mexican eggs and products.

Policy

The norm (known as a NOM in Mexico) for eggs including sanitary requirements and testing methods is expected to be updated soon as per [PROY-NOM-159-SSA1-2015](#). This NOM was published for comment in 2016, and is now pending publication of the final version. The goal of the NOM is to address food safety provisions and regulations governing the production of eggs in Mexico. While this NOM will likely apply to imported product, impact to imports of U.S. eggs is not foreseen.

For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com.mx or visit the FAS headquarters' home page at 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 , the equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and the equivalent to the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites 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.

Other Relevant Reports:

Report Number	Subject
MX7008	Mexico Reacts to an HPAI outbreak in the United States
MX7002	Vertical Integration Bolsters the Mexican Poultry Industry