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Report Highlights:

Mexico's dairy sector is forecast to see milk production and domestic consumption each increase by 2 percent in 2027, supported by continued efficiency gains, genetic improvements, and expanding social programs. In the cheese sector, production, consumption, and imports are all forecast to increase due to an expanding HRI (hotel, restaurant, and institutional) sector, growing disposable urban incomes, and the rapid expansion of quick-service restaurant (QSR) chains. All together, these factors are driving robust demand for both fresh regional cheeses and imported functional processed cheeses. Consumption of skim milk powder (SMP) is forecast to rebound, supporting higher powder imports from the United States to fulfill industrial formulation needs and bridge seasonal supply gaps.

Fluid Milk

Table 1. Milk-Production, Supply, and Distribution

Dairy, Milk, Fluid	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	6,800	6,800	6,830	6,830	0	6,880
Cows Milk Production (1000 MT)	13,825	13,825	14,100	14,100	0	14,350
Other Milk Production (1000 MT)	170	170	171	170	0	170
Total Production (1000 MT)	13,995	13,995	14,271	14,270	0	14,520
Other Imports (1000 MT)	30	48	35	55	0	50
Total Imports (1000 MT)	30	48	35	55	0	50
Total Supply (1000 MT)	14,025	14,043	14,306	14,325	0	14,570
Other Exports (1000 MT)	12	2	10	2	0	2
Total Exports (1000 MT)	12	2	10	2	0	2
Fluid Use Dom. Consum. (1000 MT)	4,300	4,300	4,345	4,350	0	4,390
Factory Use Consum. (1000 MT)	9,713	9,741	9,951	9,973	0	10,178
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	14,013	14,041	14,296	14,323	0	14,568
Total Distribution (1000 MT)	14,025	14,043	14,306	14,325	0	14,570
(1000 HEAD) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Not official USDA data.

Production

2027

Milk production for 2027 is forecast at 14.5 MMT, an increase of 2 percent. The projected growth is driven by continued investment in improved bovine genetics, reproductive technologies, and dairy production infrastructure.

Investments in improved genetics, sexed semen, and automated total mixed ration feeding systems are expected to support productivity gains over the medium term. By 2027, cows from genetically improved breeding lines are expected to contribute to higher average milk yields per lactation cycle. In intensive dairy-producing regions, including La Laguna, Chihuahua, and Jalisco, daily production can exceed 30 liters per cow. Additionally, stable or declining grain and forage prices relative to milk prices are expected to support the continued use of nutrient-dense feeding programs, helping commercial dairies maintain production efficiency and operating margins.

Continued private capital expenditure in farm gate cooling equipment, direct farm to plant transport, and milk collection centers are forecast to reduce post milking losses, converting more raw milk into processable supply. The integration of traditional smallholders into formal supply chains with leaders like Grupo Lala, Alpura, and GAQSA will provide small producers with bulk access to inputs, technical assistance, and stable processing contracts.

Federal policies, including the Plan Mexico initiative, are expected to support domestic milk production and encourage the substitution of imported skim milk powder (SMP) with domestically produced fluid milk. Elevated international freight costs and exchange rate fluctuations may further incentivize domestic processors to source raw milk from local suppliers.

2026

Milk production for 2026 is estimated at 14.3 MMT, an increase of 2 percent. This growth is driven by technological adoption, supply chain restructuring, and regional operational dynamics. Investments in major dairy-producing regions, including La Laguna (Coahuila and Durango), Jalisco, Guanajuato, and Querétaro, have contributed to widening productivity differences between modern commercial dairies and traditional farms. Large-scale operations have increasingly adopted precision total mixed ration feeding, climate-controlled housing with cross-ventilation systems, and automated milking equipment to improve feed efficiency and increase milk yields per cow.

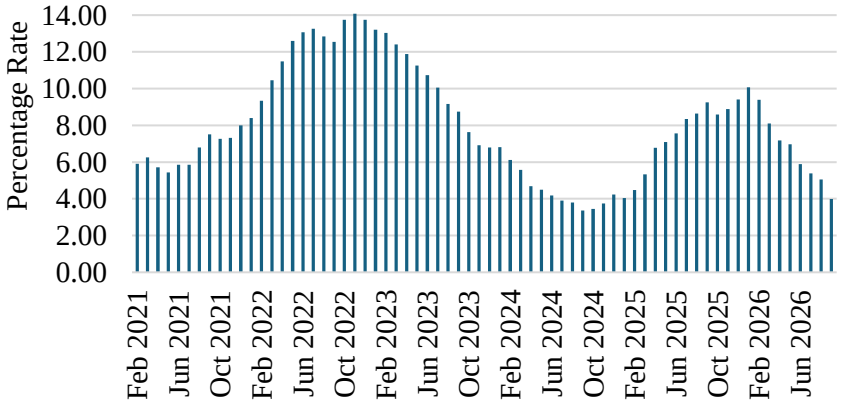
Supply chain consolidation and cooperative arrangements are also supporting productivity gains among smaller producers by improving access to veterinary supplies, standardized feed formulations, milk cooling infrastructure, and processor purchasing contracts. Federal social programs, including Liconsa, provide an additional source of demand through direct purchases from domestic small- and medium-scale producers, helping stabilize market access and producer revenues. Together, these developments are expected to support continued growth in milk output, although productivity gains remain uneven between modern commercial operations and traditional dairy farms.

Consumption

2027

Milk consumption in 2027 is forecast at 14.6 million metric tons (MMT), an increase of 2 percent. Forecasted growth is expected to be supported by improved household purchasing power, institutional demand, expanded retail distribution, and increased demand for milk as a processing input. Real minimum wage increases and moderating food inflation are expected to support consumption among lower- and middle-income households, for whom fluid milk remains an important source of dietary protein.

Figure 1. Price Inflation – Pasteurized Milk (Retail)



Source: National Institute of Statistics and Geography (INEGI)

Government social distribution programs, including Liconsa (Leche para el Bienestar), are expected to sustain demand among low-income and rural households as the government works toward its target of reaching 10 million beneficiaries by 2030. Meanwhile, the expansion of supermarkets, discount retailers, and convenience store chains with refrigerated storage is improving access to fluid milk in secondary and smaller cities. Demand from dairy processors also contributes to consumption, as increased production of fresh cheese and drinking yogurt channels additional fluid milk into value-added products in response to changing urban dietary preferences.

2026
Milk consumption in 2026 is estimated at 14.3 million metric tons (MMT), an increase of 2 percent. Growth is supported by urbanization, expanded retail distribution, and increased demand from the dairy processing sector. Improved cold-chain infrastructure and the expansion of supermarkets and convenience stores are increasing access to refrigerated pasteurized milk, including in markets where limited refrigeration has historically favored shelf-stable products. These developments also help reduce retail spoilage and support more consistent household consumption.

Industrial demand further supports milk consumption, as domestic fluid milk is used in the production of cheese, yogurt, and fortified dairy beverages. In addition, the government's Liconsa/Leche para el Bienestar program supports baseline demand by providing subsidized milk to low-income households, helping maintain access to dairy products amid food price pressures.

Trade

Imports

2027
Milk imports in 2027 are forecast at 50,000 MT, a decrease of 9 percent, reflecting a normalization following temporary import increases in 2026 to address localized shortages. Rising domestic production, supported by investments in improved genetics, feeding systems, and on-farm refrigeration in major dairy regions such as La Laguna, Jalisco, and Guanajuato, is expected to reduce processor reliance on imported supplies. Improved domestic transportation and regional distribution networks, alongside the anticipated return to domestic sourcing by processors and public procurement programs, are expected to further constrain import demand.

2026
Milk imports in 2026 are estimated at 55,000 MT, an increase of 15 percent. Although domestic fluid milk production continues to expand, local supply is primarily directed toward retail consumption and cheese manufacturing, leaving demand for specialized milk products partially dependent on imports. Industrial food processors, the hotel, restaurant, and institutional (HRI) sector, and beverage manufacturers rely on U.S. imports of ultra-high-temperature (UHT) milk, organic fluid milk, and specialized high-solids formulations that domestic processors do not produce in sufficient quantities.

Imports also serve northern border markets, including Tijuana, Mexicali, and Ciudad Juárez, where cross-border sourcing can be more cost-effective than transporting fluid milk from major production regions such as Jalisco and La Laguna. In 2026, localized supply shortfalls in northern border markets, partly due to domestic transportation constraints, were more pronounced than in previous years,

increasing processor reliance on imported fluid milk. In addition, U.S. suppliers provide milk that meets specific industrial requirements for butterfat and protein content, somatic cell counts, and quality certifications. These imports help meet the needs of multinational food manufacturers and other processors requiring consistent product specifications.

Exports

2027
Milk exports in 2027 are forecast to remain flat at 2,000 MT. Mexico's fluid milk export capacity is geographically confined to cross border trade (serving localized, niche border markets in the southern United States). Fluid milk's high perishability, strict sanitary inspection standards, and high shipping weight relative to value prevent long distance export corridors beyond these regional border pockets.

2026
Milk exports in 2026 are estimated to remain flat at 2,000 MT. Mexico's fluid milk exports reflect an industry focus on satisfying growing internal demand. Export activity remains localized within border regions, primarily fulfilling regional market opportunities in the southern United States.

Cheese

Table 2. Cheese –Production, Supply, and Distribution

Dairy, Cheese	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	485	485	495	495	0	510
Other Imports (1000 MT)	180	232	200	250	0	290
Total Imports (1000 MT)	180	232	200	250	0	290
Total Supply (1000 MT)	665	717	695	745	0	800
Other Exports (1000 MT)	6	6	7	7	0	8
Total Exports (1000 MT)	6	6	7	7	0	8
Human Dom. Consumption (1000 MT)	659	711	688	738	0	792
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	659	711	688	738	0	792
Total Use (1000 MT)	665	717	695	745	0	800
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	665	717	695	745	0	800
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Not official USDA data.

Production

2027
Cheese production in 2027 is forecast at 510,000 MT, an increase of 3 percent. Cheese production is expected to benefit from higher value-added returns. As domestic milk production expands in 2027, processors are expected to allocate a greater share of available milk to cheese manufacturing, where

butterfat and protein content can generate higher returns. Greater emphasis on milk solids in raw milk procurement also incentivizes producers to improve feed management and milk composition, supporting cheese yields.

Investments in ultrafiltration, reverse osmosis, and automated cheese processing are expected to improve processing efficiency and solids recovery. The commercialization of whey byproducts, including whey protein concentrates and isolates, provides an additional revenue stream for processors and supports the profitability of cheese manufacturing.

Demand from the hotel, restaurant, and quick-service restaurant (QSR) sectors, alongside expanded supermarket distribution, is expected to support production of mozzarella, manchego, cheddar blends, and other value-added cheeses. Multi-year procurement contracts and growing retail demand for packaged, sliced, and shredded products provide processors with more predictable sales opportunities and support continued expansion of domestic cheese production.

2026

Cheese production in 2026 is estimated at 495,000 MT, an increase of 2 percent. Growth is supported by improved processing efficiency and continued investment in modern dairy manufacturing equipment, including membrane filtration, ultrafiltration (UF), and automated cheese production systems. These technologies improve milk-solids recovery and cheese yields, allowing processors to increase output without proportional increases in raw milk supply. Cheese manufacturing also provides an outlet for seasonal milk surpluses by converting perishable fluid milk into products with longer shelf lives. Additionally, the recovery of whey to produce whey protein concentrates (WPC) and isolates (WPI) generates additional revenue, supporting processing efficiency and production growth.

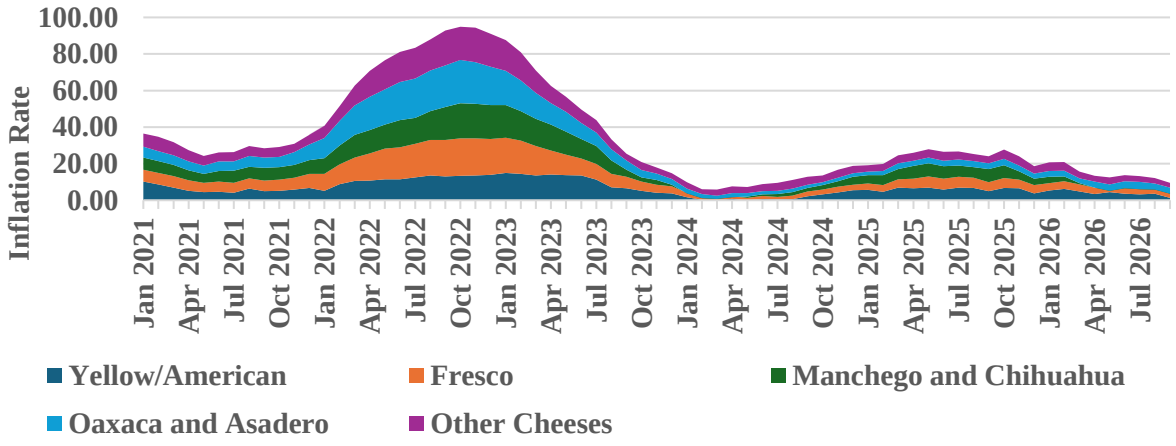
Consumption

2027

Cheese consumption in 2027 is forecast at 792,000 MT, a 7 percent increase. Consumption growth is expected to be supported by continued minimum wage increases and household purchasing power, with demand remaining concentrated in affordable products such as pre-packaged Panela, blended melting cheeses, and economy processed cheese slices.

Food service expansion, particularly among pizza chains, quick-service burger outlets, and snack bars, is expected to sustain demand for industrial cheeses such as mozzarella and cheddar. As quick-service restaurant (QSR) chains expand into secondary and smaller cities, established procurement contracts are expected to support more stable growth. Meanwhile, supermarket and convenience store expansion is improving access to packaged and shredded cheese products in rural and semi-urban markets. Demand for convenient, protein-rich snacks, including cheese sticks, cubes, and natural cheeses, is also expected to support retail sales.

Figure 2. Price Inflation – Cheese (Retail)



Source: National Institute of Statistics and Geography (INEGI)

2026

Cheese consumption in 2026 is estimated at 738,000 MT, a 4 percent increase. Growth is driven by expanding foodservice demand, changing urban consumption patterns, and increased availability of value-added products. The expansion of international and domestic pizza chains into secondary and smaller cities is supporting demand for mozzarella, cheddar, and blended melting cheeses, particularly in industrial blocks and pre-shredded formats.

In major urban centers, including Mexico City, Guadalajara, and Monterrey, demand for convenient, ready-to-use products is increasing as consumers seek options that fit busy lifestyles. Cheese sticks, cubes, individually wrapped slices, and pre-shredded products are gaining popularity for their convenience, portion control, and affordability across income groups. Cheese is also increasingly marketed as a protein-rich, low-carbohydrate snack, supporting demand among health-conscious consumers.

Younger urban demographics are driving the growth of premium, flavor infused cheeses. These products align with gourmet home cooking trends, wine pairings, and social media food culture.

Trade

Imports

2027

Cheese imports in 2027 are forecast at 290,000 MT, an increase of 16 percent. While Mexico's domestic cheese production expands, it remains unable to satisfy total national consumption. Local dairy processors face constraints in total raw milk availability and solids recovery, requiring imports to meet baseline household and commercial food demand.

Global dairy market conditions favor U.S. cheese suppliers, who hold a substantial cost advantage over European and Oceanian exporters. With U.S. block cheese trading at a discount per pound relative to international spot benchmarks, Mexican food processors, importers, and distributors are increasing procurement contracts toward U.S. suppliers to maximize profit margins on raw materials.

Major food, bakery, and confectionery manufacturers in Mexico are expanding domestic production to serve local and regional Latin American markets. These operations rely on imported specialized cheese products, including whey protein concentrates, dehydrated cheese powders, and high-solids melting cheeses, to meet standardized quality and formulation requirements. As a result, manufacturers often depend on established, long-term import supply contracts rather than sourcing these specialized ingredients from domestic processors.

2026
Cheese imports in 2026 are estimated at 250,000 MT, an increase of 8 percent. Although domestic cheese production continues to expand, consumption exceeds local output, requiring distributors to rely on imports, primarily from the United States. Constraints in raw milk availability, milk-solids supply, and processing capacity limit domestic manufacturers' ability to meet demand.

U.S. suppliers provide consistent volumes of pre-sliced, cubed, and shredded cheese that meet foodservice specifications and may not be available domestically at comparable scale. Duty-free access under the USMCA, geographic proximity, and established transportation networks enhance the competitiveness of U.S. cheese imports, making bulk cheese more price-competitive than higher-cost domestic alternatives during periods of strong demand.

The United States is Mexico's primary cheese supplier, accounting for 90 percent of imports. U.S. suppliers primarily provide industrialized cheese products to the quick-service restaurant (QSR) and hotel, restaurant, and institutional (HRI) sectors.

The European Union, New Zealand and South American countries serve a separate market niche by supplying higher-tier specialty cheeses. Their products complement, rather than compete with, the industrialized cheeses supplied by the United States.

Exports

2027
Cheese exports in 2027 are forecast at 8,000 MT, an increase of 14 percent. Growth is expected to be supported by expanding trade with Central America, where retail modernization and foodservice demand are increasing demand for packaged, vacuum-sealed, and pre-shredded cheese products. Mexican processors benefit from competitive production costs and established overland transportation routes. Additionally, continued bilateral trade integration and coordination between SENASICA (Mexico's agricultural health authority) and regional trading partners are expected to streamline sanitary certification, customs inspections, and refrigerated transport procedures.

Exporters are also targeting U.S. retail and foodservice markets, where demand for traditional Mexican cheeses, including Oaxaca, Panela, and Cotija, provides additional growth opportunities.

2026
Cheese exports in 2026 are estimated at 7,000 MT, an increase of 17 percent. Demand in Central American markets, particularly Guatemala, El Salvador, and Honduras, reflects continued consumption of traditional cheeses such as queso fresco, Panela, Oaxaca, and Cotija. Limited domestic processing capacity and cold-chain infrastructure in these markets create opportunities for Mexican commercial processors to supply consistent volumes at competitive prices.

Butter

Table 3. Butter -Production, Supply, and Distribution

Dairy, Butter	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	253	253	255	255	0	260
Other Imports (1000 MT)	33	33	40	36	0	39
Total Imports (1000 MT)	33	33	40	36	0	39
Total Supply (1000 MT)	286	286	295	291	0	299
Other Exports (1000 MT)	1	1	1	1	0	1
Total Exports (1000 MT)	1	1	1	1	0	1
Domestic Consumption (1000 MT)	285	285	294	290	0	298
Total Use (1000 MT)	286	286	295	291	0	299
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	286	286	295	291	0	299
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Not official USDA data.

Production

2027

Butter production in 2027 is forecast at 260,000 MT, an increase of 2 percent. The increase in national milk production is expected to generate greater volumes of milk solids. As cheese production and skim milk processing expand, additional butterfat is recovered as cream. Domestic churning facilities utilize this surplus cream to produce butter, maximizing the value of each liter of raw milk processed.

Improved farm-level cold-chain infrastructure is also forecast to enable regional processors to collect and preserve more fresh cream from small and medium-sized producer cooperatives, allowing local churning facilities to increase output.

2026

Butter production in 2026 is estimated at 255,000 MT, an increase of 1 percent. The modest increase in domestic butter production reflects limited investment in industrial churning capacity. Dairy processors prioritize fluid milk processing and cheese manufacturing, which generally offer higher margins and faster returns. The substantial capital investment required to establish modern, high-capacity churning facilities continues to constrain production expansion and sustain reliance on imported U.S. butterfat.

Consumption

2027

Butter consumption in 2027 is forecast at 298,000 MT, an increase of 3 percent. Industrial bakeries, commercial pastry producers, and premium snack manufacturers continue expanding butter usage over margarines and hydrogenated oils to meet consumer expectations for high-tier ingredient quality.

Retail butter consumption continues to benefit from a gradual shift away from vegetable oil-based spreads toward natural butterfat, particularly in urban areas. Following rapid growth in previous years, adoption has stabilized, with middle- and upper-income households sustaining steady retail demand.

As Mexico's hotel, restaurant, and institutional (HRI) sectors prepare for major international events (Formula 1, concerts, film festivals), hotel occupancy and high-end restaurant food service continue to scale up. Upscale foodservice operations, international hotel chains, and fast casual dining concepts prioritize real butterfat for culinary cooking and baking, driving steady baseline demand in major metropolitan centers and coastal resort zones.

2026
Butter consumption in 2026 is estimated at 290,000 MT, an increase of 2 percent. Urban households are actively replacing ultra-processed spreads, hydrogenated vegetable oils, and margarines with natural dairy fats. Driven by growing health awareness regarding trans fats and synthetic additives, consumers view traditional butter as a single ingredient, minimally processed kitchen staple. This clean label transition is most pronounced in high-income metropolitan areas where middle- and upper-income shoppers prioritize perceived nutritional purity over low-calorie synthetic alternatives for daily home cooking and table use.

Commercial bakeries, pastry shops, and packaged gourmet snack manufacturers are increasingly reformulating recipes to replace palm oil and margarine with real butterfat to meet consumer demand for premium flavor profiles.

Trade

Imports

2027
Butter imports in 2027 are forecast at 39,000 MT, an increase of 8 percent. While national fluid milk production continues to expand, domestic dairy processors prioritize capital investments in fluid milk processing and cheese manufacturing, which generally offer higher returns than butter production. As a result, domestic butter production is expected to grow only modestly, limiting the sector’s ability to meet national demand. Importers are forecast to rely primarily on U.S. butter and bulk butterfat to bridge the resulting supply gap.

Direct overland rail and refrigerated truck transit under the USMCA continues to provide a clear cost advantage over ocean freight routes from New Zealand or Europe. Coupled with ongoing competitive pricing from U.S. dairy fat surpluses, importing bulk butterfat remains economically more efficient for Mexican processors and commercial bakeries than allocating raw domestic milk and building expensive new local churning infrastructure.

2026
Butter imports in 2026 are estimated at 36,000 MT, an increase of 9 percent. Sustained strength in the Mexican Peso makes importing finished U.S. butterfat cheaper than purchasing raw domestic milk solids and processing them locally. Sourcing U.S. bulk butterfat allows domestic food manufacturers to

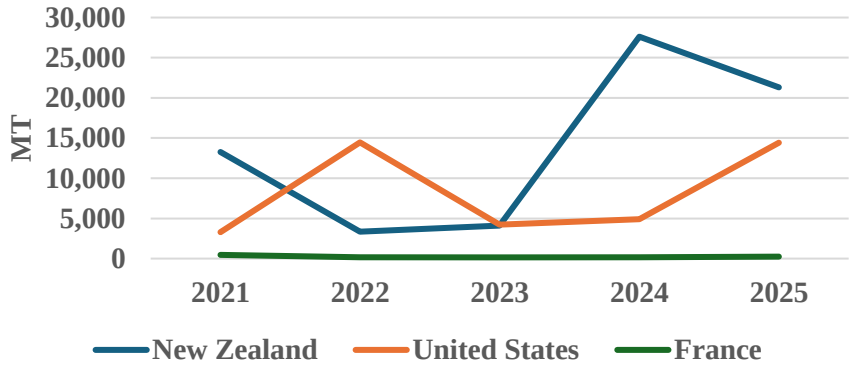
bypass the high capital costs of constructing local churning facilities while taking advantage of favorable exchange rate pricing.

Growth in U.S. dairy ingredient production is contributing to higher overall milkfat production, with an increasing share directed toward butter manufacturing. This greater availability of U.S. butter creates an opportunity for Mexican producers to import the finished product rather than purchase raw ingredients and manufacture butter domestically.

High maritime freight rates, rising global fuel costs, and long maritime transit times increase the cost of importing from traditional suppliers like New Zealand. In contrast, the United States offers direct overland rail and truck transport under USMCA frameworks. This geographical proximity reduces transit times and transport friction, positioning U.S. suppliers to eventually overtake New Zealand as Mexico's top foreign butter/butter fat provider.

New Zealand and the United States are the leading exporters to Mexico. Both countries serve different niches in the Mexican market. New Zealand's butter is often more expensive due to its higher fat content for baking, whereas U.S. products are positioned as high-volume, budget-friendly options.

Figure 3. Mexican Butter Imports



Source: Trade Data Monitor (TDM)

Skim Milk Powder (SMP)

Table 4. Dairy, Milk, Nonfat Dry -Production, Supply, and Distribution

Dairy, Milk, Nonfat Dry	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	50	50	50	50	0	50
Other Imports (1000 MT)	380	257	390	230	0	260
Total Imports (1000 MT)	380	257	390	230	0	260
Total Supply (1000 MT)	430	307	440	280	0	310
Other Exports (1000 MT)	1	0	0	0	0	1
Total Exports (1000 MT)	1	0	0	0	0	1
Human Dom. Consumption (1000 MT)	429	307	440	280	0	309
Other Use, Losses (1000 MT)	0	0	0	0	0	0

Total Dom. Consumption (1000 MT)	429	307	440	280	0	309
Total Use (1000 MT)	430	307	440	280	0	310
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	430	307	440	280	0	310
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Not official USDA data.

Production

2027

SMP production in 2027 is forecast to remain flat at 50,000 MT, with Mexican processors expected to continue favoring milk powder imports over investing in domestic drying capacity. The United States benefits from large-scale spray-drying facilities and lower marginal production costs per metric ton that continue to provide a consistent, price competitive supply of milk powder to meet growing SMP demand in Mexico from industrial processors, bakeries, and food manufacturers. Mexican processors are likely to favor continued investments in other products like fluid milk, cheeses, and yogurt. These generally offer higher operating margins and faster capital turnover for processors such as Lala, Alpura, and GAQSA than converting raw milk into skim milk powder (SMP).

2026

SMP production in 2026 is estimated to remain flat at 50,000 MT. With total milk consumption projected to reach 14.3 MMT, incremental raw milk production is largely absorbed by fluid milk bottling operations and cheese production. As a result, processors tend to divert raw milk to drying facilities during temporary seasonal production surpluses rather than treating SMP production as a core business activity.

Spray-drying skim milk into powder requires substantial natural gas and electricity inputs, making domestic SMP production costly relative to U.S. competitors. Establishing modern, high-throughput spray-drying facilities also requires significant long-term capital investment. Consequently, domestic dairy companies tend to prioritize capital expenditures (CapEx) on cold-chain infrastructure, ultrafiltration, and cheese-processing automation, where returns on investment (ROI) may be higher and investment risks more manageable than in SMP production.

Consumption

2027

SMP consumption in 2027 is forecast to reach 309,000 MT, an increase of 10 percent, driven by expanding industrial processing and social nutrition programs. This growth is expected to reverse the temporary moderation in demand observed in 2026, when greater domestic fluid milk availability allowed Leche para el Bienestar (Liconsa) to reduce its reliance on imported SMP.

Although federal policy prioritizes domestic fresh milk procurement, expanding social programs and targets to serve 10 million beneficiaries by 2030 are expected to sustain demand for SMP to supplement seasonal supply gaps and support food distribution in remote communities with limited cold-chain

infrastructure. SMP also remains an important ingredient in shelf-stable food baskets (despensas) distributed through federal, state, and municipal nutrition programs.

Meanwhile, commercial dairy processors increasingly direct domestic fluid milk toward higher-value products, including bottled milk, yogurt, and specialty cheeses, reducing the availability of milk for powder production. As industrial food manufacturers expand output to meet domestic and export demand, SMP remains a cost-effective, shelf-stable source of functional dairy solids for bakery products and processed foods. Together, growing industrial demand, expanding social programs, and limited domestic powder availability are expected to drive higher SMP consumption and reinforce Mexico's reliance on imports to meet demand.

2026
SMP consumption in 2026 is estimated at 280,000 MT, a decrease of 9 percent. With national raw milk production expanding, domestic fluid milk supply has recovered from previous drought conditions and high feed costs. Improved pasture conditions in northern regions and yield gains from precision feeding have increased the daily supply of fresh fluid milk available to commercial processors and state procurement networks. As fresh fluid availability rises, processors require less rehydrated SMP to meet basic fluid and fresh dairy manufacturing targets.

Historically, Liconsa relied on SMP as a buffer to rehydrate liquid milk for its social distribution outlets (lecherías), especially during seasonal supply troughs or dry periods. Supported by government guaranteed prices (11.50 MXN/L), Liconsa has expanded direct farm-gate collection from small and medium scale producers. Replacing rehydrated powder with direct liquid collection reduces Liconsa's annual SMP intake by tens of thousands of metric tons, partially removing one of the largest single institutional buyers from the domestic powder market.

Trade

Imports

2027
SMP imports in 2027 are forecast at 260,000 MT, an increase of 13 percent. The projected rebound in Mexico's SMP imports reflects a recovery in domestic powder consumption and the limited capacity of domestic spray-drying facilities to meet national demand.

Commercial processors are forecast to increase precautionary purchasing to mitigate seasonal fluctuations in domestic fluid milk collection and potential disruptions to international supply chains.

2026
SMP imports in 2026 are estimated at 230,000 MT, a decrease of 11 percent. Because Mexico relies on imports to bridge the gap between domestic consumption and local supply, the decline in overall demand is estimated to reduce import volumes. As market absorption decreases, importers are likely to scale back orders from foreign suppliers, primarily USMCA partners, to avoid oversupply.

Domestic fluid milk production in 2026 is expanding following the recovery from drought conditions and high feed costs. As major industrial processors and state procurement channels (Liconsa / Leche

para el Bienestar) gain access to more daily fresh fluid milk, they require less reconstituted SMP to manufacture liquid milk, cheese, and yogurt. The availability of fresh fluid substitutes for imported dried nonfat solids, cutting foreign powder dependencies.

The United States maintains a 97–98 percent market share for SMP/NFDM imports into Mexico. This dominance is driven by duty-free access under USMCA, overland freight advantages (cross-border rail and trucks), and short lead times compared to ocean shipments from Oceania or Western Europe.

Whole Milk Powder (WMP)

Table 5. Dairy, Milk, Whole Dry -Production, Supply, and Distribution

Dairy, Dry Whole Milk Powder	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	125	125	125	125	0	125
Other Imports (1000 MT)	7	7	7	7	0	8
Total Imports (1000 MT)	7	7	7	7	0	8
Total Supply (1000 MT)	132	132	132	132	0	133
Other Exports (1000 MT)	2	4	2	4	0	3
Total Exports (1000 MT)	2	4	2	4	0	3
Human Dom. Consumption (1000 MT)	130	128	130	128	0	130
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	130	128	130	128	0	130
Total Use (1000 MT)	132	132	132	132	0	133
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	132	132	132	132	0	133
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Not official USDA data.

Production

2027

WMP production in 2027 is forecast flat at 125,000 MT. Spray-drying whole milk, which removes moisture while retaining milkfat, is an energy-intensive process. High industrial energy costs in major dairy-producing states, including Jalisco, Coahuila, and Durango, increase domestic drying costs and limit production incentives. Consequently, processors are forecast to operate spray-drying facilities primarily to meet baseline contractual obligations rather than expand output, particularly when fluid milk processing offers more attractive returns on investment.

Under federal social policy guidelines (Leche para el Bienestar / Liconsa), public procurement focuses heavily on acquiring 100 percent domestic fresh fluid milk from small and medium producers at guaranteed floor prices (11.50 MXN/L). State intervention actively draws raw fluid milk into public distribution networks and local cold chain collection centers rather than subsidizing state or private dehydrating infrastructure.

2026
WMP production in 2026 is estimated flat at 125,000 MT. The primary constraint on WMP production is the limited national capacity of industrial dehydration and spray-drying towers. Unlike fluid milk pasteurization or cheese production, spray-drying plants require specialized high-capacity equipment. No major private or public capital investments are currently slated to bring new large scale WMP drying towers online for the 2026–2027 cycle.

Consumption

2027
WMP consumption in 2027 is forecast at 130,000 MT, an increase of 2 percent. Although some lower-tier food processors can substitute WMP with skim milk powder (SMP) and vegetable oil blends, premium bakery products, chocolate, ice cream, and specialized nutritional formulations rely on whole milk fat for specific functional properties, including mouthfeel, texture, and melting performance. As Mexico's processed food sector expands to meet growing urban demand and serve regional export markets, large-scale manufacturers are expected to increase WMP procurement to secure a consistent, shelf-stable source of dairy solids.

While federal programs (Leche para el Bienestar / Liconsa) prioritize fresh fluid milk procurement in areas with established collection and distribution infrastructure, some state and municipal nutrition programs continue to use WMP in shelf-stable food packages (*despensas*) distributed to remote and rural communities with limited cold-chain access. During seasonal periods of reduced milk availability, regional distributors may supplement local supplies with reconstituted WMP to maintain consistent dairy availability across rural distribution networks and support continuity in program deliveries.

2026
WMP consumption in 2026 is estimated to remain flat at 128,000 MT. The estimated WMP consumption in Mexico reflects a combination of domestic fluid milk substitution and industrial reformulation.

When domestic farm-gate milk production increases, regional dairies, food processors, and public distribution networks tend to prioritize fresh milk sourced from local producers over reconstituted WMP. Reconstituting WMP requires additional processing, including heating, mixing, and homogenization, which can increase energy consumption and production costs. By contrast, fresh fluid milk can simplify processing and reduce the need for reconstitution. Where supply is sufficient, processors favor fresh milk for applications such as fluid bottling, yogurt, and fresh cultured dairy products, where its functional properties, flavor, and texture are well suited to production requirements. As a result, stronger domestic milk availability is estimated to moderate demand for WMP in these applications.

Trade

Imports

2027
WMP imports in 2027 are forecast at 8,000 MT, an increase of 14 percent, driven by growth in industrial food manufacturing. Domestic WMP production is expected to remain relatively stable, constrained by

existing spray-drying capacity and high energy costs, limiting the ability of local suppliers to accommodate additional demand.

Expanding production in Mexico's industrial baking, confectionery, chocolate, and specialized nutritional sectors is expected to support demand for WMP with specific functional characteristics, including instantized formats and tailored solubility and fat dispersion properties. Meanwhile, commercial ingredient distributors and food manufacturers are expected to increase forward purchases heading into 2027. Precautionary purchasing to mitigate seasonal declines in domestic milk availability and potential international supply chain disruptions is expected to support higher import volumes.

2026
WMP imports in 2026 are estimated flat at 7,000 MT. Unlike SMP, Mexico's WMP market is largely supported by domestic production, which meets most of the national consumption. This strong domestic supply base limits the need for imports, with foreign purchases primarily serving to address regional supply gaps and meet demand for specialized applications.

WMP import demand is also influenced by international butterfat and cream prices, which affect the product's relative cost competitiveness. When global dairy fat prices are elevated, imported WMP may become less attractive than domestically sourced fluid milk or locally produced powder. To manage input costs and protect margins, some industrial buyers may substitute WMP with lower-cost SMP combined with vegetable fats in applications where product specifications permit.

The United States maintains an 80 percent market share for WMP imports into Mexico. New Zealand and EU cover the remaining 20 percent, with shares varying according to business opportunities and international market variations.

Exports

2027
WMP exports in 2027 are forecast at 3,000 MT, a decrease of 25 percent. As domestic demand absorbs available production, Mexican processors are forecast to prioritize local bakery, confectionery, and food manufacturing customers over export markets. Meanwhile, competition from lower-cost U.S. and South American milk powders is putting pressure on Mexican WMP sales in Central America, as regional processors shift toward cheaper alternatives. These factors are expected to reduce Mexico's WMP exports, with shipments largely limited to existing contractual commitments.

2026
WMP exports in 2026 are estimated to remain flat at 4,000 MT. Mexico's WMP exports remain limited as domestic consumption absorbs most available production, leaving little surplus for international markets. Export volumes primarily serve niche commercial contracts with regional food processors rather than reflecting a sustained surplus of commodity powder.

High domestic energy and milk collection costs constrain Mexican processor ability to compete with major global exporters, including New Zealand, the European Union, and the United States, which benefit from larger production bases and established export infrastructure. As a result, Mexican WMP exports are concentrated in nearby Central American markets, including Guatemala, El Salvador, and

Honduras, where overland logistics support regional trade. Export growth is therefore expected to reflect localized cross-border shipments rather than a broader expansion into global commodity markets.

Policy

Leche para el Bienestar

Leche para el Bienestar (historically and widely known as Liconsa) is Mexico's national social milk supply program. Its mission is to provide affordable, highly nutritious milk to low-income and vulnerable populations across Mexico. The program aims to combat malnutrition, child anemia, and food insecurity among low-income households. To qualify for a Liconsa enrollment card, households must include members from vulnerable priority groups.

Liconsa milk is subsidized by the federal government and sold at approximately MXN 5.50–6.50 per liter, significantly below commercial milk prices, which typically exceed MXN 25–30 per liter. The program provides fortified fluid milk and reconstituted skim milk powder enriched with essential micronutrients to support nutritional outcomes among low-income populations.

Beyond providing affordable milk, Liconsa supports domestic producers by purchasing raw milk from small- and medium-scale Mexican dairy producers through guaranteed-price mechanisms (Precios de Garantía). When domestic supply is insufficient or distribution constraints limit access to fresh milk, the program supplements supply with imported skim milk powder (SMP), which is reconstituted for distribution.

Milk is distributed through specialized neighborhood dispensaries (lecherías), community centers, and Diconsa rural supply stores. Distribution formats vary by location, with fluid milk supplied where cold-chain infrastructure is available and powdered milk serving remote communities where storage and transportation are more challenging. The program serves more than 6 million beneficiaries nationwide and has a long-term federal mandate to expand coverage toward 10 million people by 2030.

Table 6: Liconsa Metrics

Metric / Parameter	**Details & Context**
Liconsa Subsidized Prices	Progressive pricing applies based on vulnerability: 4.50 MXN/L in highest marginalization zones 6.50 MXN/L in mid-tier, 7.50 MXN/L standard
Annual Distribution Target	Progressing toward the 800 million liter/year target. Program distributed over 312 million liters in first half of 2026.

Metric / Parameter	Details & Context
Beneficiary Base Expansion	Added 500,000 beneficiaries in early 2026, scaling from 6.3 million toward the objective of 10 million by 2030.
100% Domestic Sourcing	Under Plan Mexico, Liconsa intends to eventually transition away from imported milk powder to 100% nationally produced fluid milk.

Source: Portal gob.mx

Table 7: Milk Price Comparison: Liconsa vs. Commercial Sector 2026

Category	Liconsa (Government)	Commercial Processors
Producer Price (Cold)	11.50 MXN/L	9.80 – 10.60 MXN/L
Producer Price (Non-Refrigerated)	11.35 MXN/L	8.50 – 9.20 MXN/L
Retail Price (UHT)	4.50-7.50 MXN/L*	24.50 – 41.00 MXN/L
Retail Price (Past.)	N/A	24.74 – 33.00 MXN/L
Target Producer	Small/Medium (<100 cows)	Large Industrial / Cooperatives

**Note: Liconsa retail prices are sorted by marginalization index. 7.50 MXN is the standard; 4.50 MXN in higher marginalized municipalities.*
Table updated with data January-August 2026
Source: Portal gob.mx

Attachments:

No Attachments