

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Mexico**

### **Dairy and Products Semi-annual**

#### **Mexico's Milk Production to Increase During MY2015**

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**Report Highlights:**

As medium term trends in genetics and technology continue its implementation in high-end farms, Mexico's milk production is seen higher in MY2015 while cheese consumption and imports, which might be affected due to stagnant purchasing power in specific sectors of the population, are seen lower in MY2014 and MY2015. The outlook for the remainder of the complex is largely similar to previous forecasts.

**Commodities:**

Dairy, Milk, Fluid

**Production:**

The new Post MY2015 (January to December) fluid milk production estimate is revised slightly upward from our previous forecast figure to 11.84 MMT, based mainly on newly revised data published by Mexico's Agriculture ministry, SAGARPA. In addition, previously reported medium term trends in genetics and technology continue to lift Mexican milk production (See Dairy Annual [MX4072](#)). As with MY2015, the new Post fluid milk production estimates for MY2014 is revised upward given the above mentioned factors and, also, due to LICONSA's [1] increased price paid to producers that undoubtedly enticed them to increase production in 2014. MY2013 production figures were revised slightly upward to reflect the latest official data.

<sup>[1]</sup> [1] NOTE: LICONSA, S. A. de C.V. is "a state-owned company devoted to the industrialization and distribution of high-quality milk at a reasonable price, whose main purpose is supporting the nutritional resources of disadvantaged families." END NOTE.

**Consumption:**

The new Post MY2015 total fluid milk consumption forecast (domestic and factory use) is 11.87 MMT, up just one percent up from the 2015 USDA official figure, based on anticipated slightly higher production levels. The industry confirms that the consumption of added-value products for middle and upper income consumers with sustained support from LICONSA for lower income consumers is an ongoing trend. The Post MY2014 total fluid milk consumption estimate is revised upward as the increased demand by the industry (factory use to prepare added-value products), has grown while keeping domestic fluid milk consumption in check. MY2013 production figures were revised slightly upward to reflect the latest official data.

The dairy processing industry continues responding to increased demand for specialized products, such as the new Greek yogurt boom, lactose-free, high-calcium, and even reduced fat fluid milk products. Consequently, specialized dairy products continue gaining domestic market share and greater volumes of fluid milk are being directed to processing use. All of this demonstrates the improvement in the mid-high consumer's income and, also, their concern about obesity problems compelling them now to be more focused on nutritional and functional benefits.

**Trade:**

The new Post MY2015 import forecast is revised slightly down from the 2015 USDA official estimate, at 40,000 MT, based on the forecasted increase in domestic production. The government notes that this also fits with the medium to longer-term goal of the current administration. As previously reported, this program seeks to grow the importance of domestic production relative to imports. The Post MY2014 and MY2013 fluid milk import estimate were revised down from the USDA estimate, due to slightly higher production in 2014 and 2013, per official data. In addition, this decrease can be attributed to the LICONSA program to purchase more domestic product.

The Post MY2015 fluid milk export estimate is expected slightly down compared to the USDA official figure, at 12,000 MT, as sustained demand from the industry reduces product availability for export, especially given less attractive international prices. Post’s MY2014 and MY2013 export estimate were kept unchanged.

[1] [1] NOTE: LICONSA, S. A. de C.V. is “a state-owned company devoted to the industrialization and distribution of high-quality milk at a reasonable price, whose main purpose is supporting the nutritional resources of disadvantaged families.” END NOTE.

**Production, Supply and Demand Data Statistics:**

Dairy, Milk, Fluid Market Begin Year Mexico	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Cows In Milk	6,300	6,300	6,350	6,350	6,400	6,400
Cows Milk Production	11,255	11,294	11,442	11,464	11,600	11,682
Other Milk Production	156	157	157	160	160	160
<b>Total Production</b>	11,411	11,451	11,599	11,624	11,760	11,842
Other Imports	42	41	42	35	41	40
<b>Total Imports</b>	42	41	42	35	41	40
<b>Total Supply</b>	11,453	11,492	11,641	11,659	11,801	11,882
Other Exports	10	10	11	11	13	12
<b>Total Exports</b>	10	10	11	11	13	12
<b>Fluid Use Dom. Consum.</b>	4,160	4,160	4,180	4,180	4,185	4,185
<b>Factory Use Consum.</b>	7,283	7,322	7,450	7,468	7,603	7,685
<b>Feed Use Dom. Consum.</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	11,443	11,482	11,630	11,648	11,788	11,870
<b>Total Distribution</b>	11,453	11,492	11,641	11,659	11,801	11,882
1000 HEAD, 1000 MT						

**Commodities:**

Dairy, Cheese

**Production:**

The new Post MY2015 total cheese production estimate is kept unchanged at 280,000 MT, reflecting availability of fluid milk and stable demand for aged and fresh cheeses and cheese products. The Post MY2014 and MY2013 cheese production estimates remain unchanged.

**Consumption:**

The new Post MY2015 total cheese consumption estimate is marginally reduced to 370,000 MT, from the USDA official figure as demand for aged cheeses is expected to remain fairly stable among high-middle and high-income consumers, but low and lower-middle income consumers demand for fresh cheese products might be affected due to stagnant purchasing power. The MY2014 consumption estimate was revised down based on input from private sources that cite reduced consumer’s purchasing power given lower than expected economic growth. MY2013 figures were revised downward to reflect the latest official data.

**Trade:**

The new Post MY2015 cheese import estimate is expected lower at 95,000 MT, as fluid milk availability will allow for sustained domestic production and substitute for additional imports. However, Mexico will continue importing raw materials to complement domestic production. Post's MY2014 estimate was revised down by about 11 percent compared to the USDA official figure, given stagnant consumer purchasing power. MY2013 import estimates were revised down to reflect recently published official data.

The new Post MY2015 estimate for cheese exports is 5,000 MT, marginally down from the USDA official figure. Despite competition in international markets with EU chesses that are being diversified to other markets given the Russian embargo, Mexican cheese manufacturers continue targeting new market niches supported by increased domestic fluid milk production. Nevertheless, low international prices could play an important role in making export decisions. Post's MY2014 revised estimate is below the USDA official figure given the same effects above mentioned. MY2013 export estimate is unchanged reflecting the latest official data from the Secretariat of Economy.

**Production, Supply and Demand Data Statistics:**

Dairy, Cheese Market Begin Year Mexico	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	0	0	0	0	0	0
Production	270	270	275	275	280	280
Other Imports	103	91	99	88	99	95
Total Imports	103	91	99	88	99	95
Total Supply	373	361	374	363	379	375
Other Exports	5	5	5	4	6	5
Total Exports	5	5	5	4	6	5
Human Dom. Consumption	368	356	369	359	373	370
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	368	356	369	359	373	370
Total Use	373	361	374	363	379	375
Ending Stocks	0	0	0	0	0	0
Total Distribution	373	361	374	363	379	375

1000 MT

**Commodities:**

Dairy, Butter

**Production:**

The new Post MY2015 butter and butterfat production estimate is unchanged at 195,000 MT, based on the availability of fluid milk and sustained demand from consumers for specialized products. The Post MY2014 figure was revised marginally up given the fairly strong demand from the industry that requires this product for the elaboration of specialized products. MY2013 estimates were kept unchanged based on industry data.

**Consumption:**

The new Post butter and butterfat consumption estimate for MY2015 is unchanged from the USDA official figure as the demand from the industry is expected to be fairly stable for domestic and imported product by the bakery and confectionary sectors. Despite slightly higher production, the new Post consumption estimate for MY2014 was revised marginally lower than the USDA official figure as increased international prices limited imports. MY2013 figures were adjusted to reflect data from the industry.

**Trade:**

The available year to date data does not suggest stronger import volumes over the pace of the preceding year. The new Post MY2015 import estimate for butter (HTS 040510) and butterfat (HTS 040590) is 40,000 MT, in line with the official USDA estimate. The Post MY2014 was revised down given increased international prices, more specifically from New Zealand butterfat, that limited the imported amount. MY2013 import estimates were revised downward to reflect official figures.

Mexican butter and butterfat exports are beginning to emerge in trade data, albeit from a small base. In line with the official USDA estimate, the new Post MY2015 forecast is slightly higher compared to the new Post MY2014 estimate. MY2014 exports were reduced mainly due to tighter overall supply. MY2013 export estimate was revised downward to reflect official figures.

The United States continues gaining market share in the Mexican market.

**Production, Supply and Demand Data Statistics:**

Dairy, Butter Market Begin Year Mexico	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	0	0	0	0	0	0
Production	190	190	190	192	195	195
Other Imports	50	40	35	30	40	40
Total Imports	50	40	35	30	40	40
Total Supply	240	230	225	222	235	235
Other Exports	6	5	8	6	8	8
Total Exports	6	5	8	6	8	8
Domestic Consumption	234	225	217	216	227	227
Total Use	240	230	225	222	235	235
Ending Stocks	0	0	0	0	0	0
Total Distribution	240	230	225	222	235	235

1000 MT

**Commodities:**

Dairy, Milk, Nonfat Dry

**Production:**The new Post MY2015 production estimate for Non-fat Dry Milk (NFDM) is 55,000 MT, the same as the USDA official figure. As previously reported, NFDM is manufactured in substantial volumes only when production of fluid milk allows it. Also, the sustained demand by other dairy subsectors limits NFDM production growth. Post’s MY2014 and MY2013 NFDM production estimates are unchanged and based on official information from SAGARPA.

**Consumption:**

The Post NFDM MY2015 consumption forecast is set at 265,000 MT, in line with the USDA official number, given the sustained demand from the processing industry for the preparation of added-value products. The Post consumption estimate for MY2014 was revised up slightly from the USDA official figure given marginally increased imports. MY2013 figures were kept unchanged.

**Trade:**

The new Post MY2015 import estimate for NFDM is kept unchanged at 210,000 MT, as domestic production is flat (as noted above) with imports filling the gap. The MY2014 figure is marginally higher than the USDA official data due to the sustained demand of NFDM from the processing sector. MY2013 import estimate is unchanged.

No exports are forecast for MY2015. Also, no exports were recorded in MY2014 or MY2013.

**Production, Supply and Demand Data Statistics:**

Dairy, Milk, Nonfat Dry Market Begin Year Mexico	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	0	0	0	0	0	0
Production	55	55	55	55	55	55
Other Imports	198	198	200	203	210	210
Total Imports	198	198	200	203	210	210
Total Supply	253	253	255	258	265	265
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	253	253	255	258	265	265
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	253	253	255	258	265	265
Total Use	253	253	255	258	265	265
Ending Stocks	0	0	0	0	0	0
Total Distribution	253	253	255	258	265	265

1000 MT

**Commodities:**

Dairy, Dry Whole Milk Powder

**Production:**

The new Post MY2015 dry WMP production estimate is maintained unchanged at 153,000 MT, same as the USDA official data. Although increased fluid milk production could allow a production increase, the dry WMP subsector will need to keep competing for this supply with others in the processing industry to produce added-value products. In addition, demand is expected to remain relatively stable (see below). The MY2014 and MY2013 estimates are unchanged.

**Consumption:**

The dry WMP consumption forecast for MY2015 is set at 154,000 MT. This is up slightly from USDA's current estimate, due to the continuation of the Government of Mexico (GOM) project to enlarge LICONSA's coverage under its social supply of milk program. Historically, LICONSA

purchased NFDM and WMP to be reconstituted and distributed under its social program. Despite LICONSA's intensifying purchases of domestic fluid milk rather than imported dry WMP, like MY2015, the new Post MY2014 was revised slightly up from the USDA official to 151,000 MT. These bumps are due to the continued demand for WMP from the processing industry for preparation of added-value products. The Post MY2013 estimate is kept unchanged.

**Trade:**

Available year to date data does not suggest stronger import volumes over the pace of the preceding year. However, the Post MY2015 import forecast is set at 6,000 MT, marginally up from the USDA official estimate. Even though LICONSA continues purchasing domestic milk rather than importing dry WMP, added-value processors continue to demand it for reconstitution into sweetened fluid milk. Post MY2014 import estimate is slightly up given the same factors from above. MY2013 import estimates were unchanged.

Post's MY2015 export estimate of WMP is stable at 5,000 MT, in line with the USDA official figure, as year to date data does not suggest stronger volumes over the pace of the preceding year. MY2014 and MY2013 export estimates are unchanged.

**Production, Supply and Demand Data Statistics:**

Dairy, Dry Whole Milk Powder Market Begin Year Mexico	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	0	0	0	0	0	0
Production	150	150	150	150	153	153
Other Imports	11	11	6	7	5	6
Total Imports	11	11	6	7	5	6
Total Supply	161	161	156	157	158	159
Other Exports	5	5	6	6	5	5
Total Exports	5	5	6	6	5	5
Human Dom. Consumption	156	156	150	151	153	154
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	156	156	150	151	153	154
Total Use	161	161	156	157	158	159
Ending Stocks	0	0	0	0	0	0
Total Distribution	161	161	156	157	158	159

1000 MT

**Author Defined:**

For more information

Report Number	Subject	Date Submitted
MX4072	Dairy Annual	10/16/14
MX4040	Dairy Semi-annual	5/15/14
MX4005	Mexico Announces the 2014 TRQ for Milk Powder Imports from WTO Member Countries	1/15/2014
MX4004	Mexico Announces the 2014 TRQ for Dairy Blends Imports from WTO Member Countries	1/15/2014
MX3076	Dairy Annual – Another Billion Plus Year for U.S. Dairy among Domestic Stability	10/28/2013

MX3042	Dairy Semi-Annual: Production and Consumption Growing with Record Trade	5/24/2013
MX3025	Mexico and U.S. Ag Trade Relationship Broad and Deep	3/21/2013
MX3005	Mexico Pushes Crusade Against Hunger Campaign	1/29/2013
MX2097	Milk Powder TRQ Announced – Little Effect on U.S. Forecast	12/21/2012
MX2096	Dairy Blends TRQ Announced – Little Effect on U.S. Forecast	12/21/2012
MX2074	Dairy and Products Annual – High Input Prices Continue to Pressure Domestic Production	10/26/2012
MX2031	New NOMS for Dairy Products May Shift Import Patterns	5/16/2012
MX2028	Dairy and Products Semi-Annual	5/14/2012
MX1106	Dairy Blends TRQ Announced	12/30/2011
MX1105	Milk Powder TRQ Announced	12/30/2011
MX1083	Dairy and Products Annual	11/14/2011