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GAIN Report

Global Agricultural Information Network

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Mexico

Dairy and Products Annual

MY2012 Forecast Flat

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Report Highlights:

The expected recovery of Mexico's dairy sector in marketing year (MY) 2012 will not take place as previously forecast as production levels across the range of dairy products are forecast at levels similar to MY2011. Price imbalances are upsetting the MY2011 dairy sector, but the Mexican Government (GOM) and Congress will continue supporting the industry as dairy products are a basic component of the Mexican diet. Domestic production does not meet demand and Mexico will continue importing dairy products, principally from the United States.

Commodities:

Dairy, Milk, Fluid

Production:

The Post/New MY2012 (January to December) fluid milk production forecast is that production will be similar to MY2011 levels. The increased price paid to producers by LICONSA¹ coupled with financial support through specific government subsidy programs for small and medium-sized producers will drive the sector and keep producers in business in spite of increased production costs owing to higher feed prices and a stable number of milk cows. The government subsidy programs provide credit and access to credit for the purpose of infrastructure investments such as investments in genetics and better herd management practices. The Post/New fluid milk production estimate for MY2011 is revised downward from the USDA/Official estimate to reflect official data from Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA). This decrease is due to increased production costs and adverse weather conditions. Milk production costs increased due to high feed and energy prices. Also, the lack of moisture across almost all of Mexico through MY2011 caused a reduction in forage supplies thereby constraining production among small and medium-sized producers. The Post/New fluid milk production estimate for MY2010 remains unchanged from the USDA/Official estimate.

The number of milk cows for MY2012 is forecast to remain at the same level as MY2011 based on industry estimates. The MY2011 number of milk cows was revised slightly lower from USDA/Official estimates due to the increased costs for animal feed and slow economic recovery that has pushed producers to decrease herd size.

LICONSA's price paid to dairy producers is used as a domestic reference price as many small and medium producers supply milk to LICONSA. According to industry sources, selling milk to LICONSA has provided producers with an opportunity to maintain their business during the past several years.

LICONSA's average weighted price for 2009 was 4.46 pesos (U.S. \$0.33) per liter. This consisted of a base price equal to 4.20 pesos (U.S. \$0.31) plus a quality bonus. In 2010, the average weighted price was 4.60 pesos (U.S. \$0.34) pesos per liter. Owing to significant producer and Congressional lobbying, LICONSA announced recently that, effective October 9, 2011, the average weighted price it would pay producers would be 5.60 pesos (U.S. \$0.42) per liter.

Industry sources report the import of competitively-priced milk and economic troubles are forcing many small-scale milk producers out of business. The current cost of producing a liter of milk is between 4.60-5.20 pesos (U.S. \$0.34-\$0.39) per liter; however, private sector buyers are offering only around 3.70 pesos (U.S. \$0.28) per liter. As a result, many small-scale producers have been halting production.

¹ LICONSA is a trading company under the Secretariat of Social Development (SEDESOL) responsible for distributing milk to low-income households.

Reportedly, 68 percent of the milk production cost is linked to animal feed. Industry sources report that in 2010, total feed production for the dairy sector was around 4.5 million metric tons (MMT) with a large portion of feed production originating from vertically integrated enterprises.

Table 1. Mexico: Production of Feed and Feed Ingredients (000 Metric Tons)

Calendar Year:	2006	2007	2008	2009	Forecast 2010
Compound Feed Capacity	32,900	33,500	34,000	34,000	34,000
Total Compound Feed Produced	25,600	26,100	26,600	27,000	27,300
---- by integrated producers	16,158	16,435	16,751	16,997	17,200
---- by commercial producers	9,442	9,665	9,849	10,003	10,100
Marketing Year: (000 Metric Tons) Feed Production by type of animal	2006	2007	2008	2009	Forecast 2010
Poultry	13,400	13,500	13,728	14,039	14,200
Pork	3,866	4,000	4,030	4,035	4,050
Beef Cattle	2,395	2,500	2,550	2,600	2,652
Dairy Cattle	4,322	4,400	4,503	4,504	4,543
Aquaculture	205	220	240	250	268

Source: National Council of feed producers and animal nutrition.(Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutricion Animal, A.C.)

Table 2. Mexico: Total fluid milk production by State, calendar year 2006-2010 and January-August 2011, in thousand liters.

STATE	2006	2007	2008	2009	2010*	2011**
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AGUASCALIENTES	383,658	375,401	370,399	367,171	369,253	383,000
BAJA CALIFORNIA	166,868	207,915	193,422	179,795	174,027	167,635
BAJA CALIFORNIA SUR	44,634	43,150	46,451	46,104	44,323	40,716
CAMPECHE	34,241	35,517	35,029	36,271	36,146	37,594
COAHUILA	1,247,356	1,286,281	1,363,762	1,282,618	1,243,058	1,275,810
COLIMA	39,039	36,146	36,525	32,349	34,883	36,624
CHIAPAS	327,138	353,085	372,249	366,393	385,455	379,854
CHIHUAHUA	808,641	817,919	926,222	923,053	934,928	1,018,920
DISTRITO FEDERAL	13,138	10,058	12,322	13,652	13,643	13,905
DURANGO	1,014,535	1,019,227	1,036,581	959,716	1,001,137	1,013,790
GUANAJUATO	673,007	674,660	684,202	761,759	775,108	786,735
GUERRERO	81,868	82,001	81,552	84,157	86,892	83,672
HIDALGO	445,465	460,773	452,977	439,361	419,273	406,980
JALISCO	1,697,486	1,793,579	1,855,362	1,900,343	1,960,999	1,984,872
MEXICO	476,231	478,211	464,573	464,704	478,261	483,092
MICHOACAN	328,404	328,185	329,079	331,909	331,038	341,007
MORELOS	18,551	21,105	18,809	20,901	21,784	21,973
NAYARIT	64,506	64,536	61,974	60,130	60,742	63,460
NUEVO LEON	39,473	41,432	39,909	40,586	40,397	37,526
OAXACA	140,720	142,795	145,213	146,406	147,080	147,767
PUEBLA	367,963	384,707	384,285	395,211	403,100	412,601
QUERETARO	198,488	200,835	195,791	192,435	192,422	193,359
QUINTANA ROO	5,250	5,642	5,623	5,829	5,921	6,373
SAN LUIS POTOSI	147,591	140,630	141,828	132,285	130,899	131,326
SINALOA	82,067	88,633	93,779	95,943	102,081	104,588
SONORA	142,052	137,780	134,921	126,496	129,355	129,688
TABASCO	115,617	110,603	110,694	111,533	111,416	112,500
TAMAULIPAS	31,520	29,224	30,209	32,326	30,242	29,550
TLAXCALA	99,158	110,258	110,924	120,356	115,223	117,876
VERACRUZ	681,809	692,754	697,288	708,230	722,465	732,227
YUCATAN	6,769	5,557	5,608	4,366	3,441	2,791
ZACATECAS	165,309	167,383	163,293	166,655	171,703	180,024
NACIONAL	10,088,551	10,345,982	10,498,994	10,549,038	10,676,693	10,877,835
Lagunera Area /1	2,122,092	2,205,498	2,255,272	2,090,707	2,092,807	2,133,158

Source: SIAP-SAGARPA: The Agro-food and Fishery Information Service, Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA)

*SAGARPA's definitive figures for 2010

**SAGARPA'S preliminar figures for 2011

1/ Durango and Coahuila region

Highlighted states/area are the top fluid milk producers

Consumption:

The Post/New MY2012, total fluid milk consumption forecast (domestic and factory use) is forecast at the same levels as MY2011. The Post/New MY2011 total fluid milk consumption is revised downward 1.6 percent from the USDA/Official estimate. The MY2010 total fluid milk consumption estimate remains unchanged from USDA/Official estimates.

Consumption of Ultra High Temperature (UHT) and pasteurized milk accounts for 80 percent of total fluid milk consumption. Since 2006 LICONSA has been purchasing domestic fluid milk as a form of import substitution for non-fat dry milk (NFDM) and it is highly likely that these practices will continue through 2012. Middle and high-income consumers have been substituting fluid milk consumption with more expensive and value-added products as sources of dairy protein in their diets. Low-income consumers are switching from fluid milk consumption to lower priced products like dairy formulas. Industry sources report that per capita consumption of dairy products (milk, cheese, yogurt, etc.) is estimated now at 140 kilograms (63.5 pounds).

Consumption levels are correlated with the continued recovery of consumer purchasing power as well as changing demographics (e.g., aging of the population). The consumption trend is for increasing consumption of added value dairy products such as yoghurts, cheeses as well as of (UHT) milk.

Prices:

During the first quarter of 2011, LICONSA paid the congressionally mandated minimum price of 4.40 pesos per liter (U.S. \$0.37) to producers plus an additional 0.30 peso per liter premium for quality. However, due to continued pressure from producers and the Mexican Congress, LICONSA started paying 4.70 pesos (U.S. \$0.35) per liter plus an additional 0.30 pesos (U.S. \$0.02) per liter quality premium. Then, on October 9, 2011, LICONSA announced a 0.60 pesos (U.S. \$0.04) per liter increase to the price paid to producers in order to benefit small and medium-sized producers for a final price of 5.60 pesos (USD \$0.42) per liter.

On the consumer price side, LICONSA announced that during 2011 the price of milk distributed to low-income households will remain at the same price of 4.00 pesos per liter (U.S. \$0.30) in spite of the increase in producer price payments.

Although milk production costs are increasing due to higher grain prices, these costs are not likely to be passed onto consumers as milk processors understand that consumption patterns begin changing when prices increase by greater than 3 percent.

Trade:

Mexico is a milk production deficit nation and will continue to be an attractive market for U.S. dairy and dairy product exporters. As such, the United States will continue to be the primary supplier of fluid milk to Mexico.

The Post new fluid milk import forecast for MY2012 is that volumes will be similar to revised MY2011 levels. The Post/New MY2011 fluid milk import estimate is revised downward from the USDA/Official estimate due to higher prices resulting from currency devaluation and the increase in consumption of other processed dairy products. The Post/New MY2010 fluid milk import estimate remains unchanged from the USDA/Official estimate.

Most fluid milk imports are intended for cities along the northern Mexican border since opportunities for sales beyond those areas are limited by transportation costs and cold chain infrastructure constraints.

The Post/New MY2012 fluid milk export estimate remains the same as MY2011 at 10,000 MT. This is due to the relatively high price of Mexican fluid milk and the cumbersome registration process for new companies to be certified as eligible to export.

Stocks:

No stocks are held due to the lack of refrigeration storage space among producers and end-users. As such, end-users utilize just-in-time delivery for those products which enter value-added processes.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Fluid Mexico	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	6,480	6,480	6,585	6,500		6,500
Cows Milk Production	11,033	11,033	11,060	10,878		10,878
Other Milk Production	168	168	168	165		165
Total Production	11,201	11,201	11,228	11,043		11,043
Other Imports	41	41	43	39		39
Total Imports	41	41	43	39		39
Total Supply	11,242	11,242	11,271	11,082		11,082
Other Exports	9	9	10	10		10
Total Exports	9	9	10	10		10
Fluid Use Dom. Consum.	5,167	5,167	5,100	4,072		4,072
Factory Use Consum.	6,066	6,066	6,161	7,000		7,000
Feed Use Dom. Consum.	0	0	0	0		0
Total Dom. Consumption	11,233	11,233	11,261	11,072		11,072
Total Distribution	11,242	11,242	11,271	11,082		11,082
1000 HEAD, 1000 MT						

Commodities:

Dairy, Cheese

Production:

As a result of improved purchasing power and the availability of domestic fluid milk, the Post/New total cheese production forecast for MY2012 (January-December) is forecast to increase by 1.2 percent over MY2011 levels. The Post/New estimate for MY2011 remains the same as USDA/Official estimate and is 1.1 percent higher than MY2010 levels. This is due to the increased availability of imported and domestic raw materials for cheese production and a better-than-expected recovery of consumer purchasing power. The same factors that influenced MY2011 production and consumption are expected to prevail in MY2012. Specifically, the continued consumer preference for inexpensive yellow, Panela

and fresh cheeses as well as increased consumption of aged-cheese products is likely to continue. During MY2011, Mexican aged-cheese production was supported by the recovery of consumers' incomes who demanded greater volumes of cheeses as imported cheeses (principally U.S. cheeses) were more costly due to the retaliatory duties imposed on imported U.S. aged cheeses (see policy section labeled "retaliatory duties on U.S. cheese exports" of this report). In addition, increased demand within the restaurant sector will encourage greater commercial cheese processors and push increased production. The Post/New estimate for MY2010 cheese production remains unchanged at 264,000 MT from the USDA/Official estimate.

Some cheese manufacturers are beginning to adopt new production practices to promote whey production as a by-product obtained from fresh cheese production (principally Panela and Oaxaca). This presents an opportunity for cheese manufacturers to capture profit and reduce environmental waste as whey is traditionally discarded.

Consumption:

The Post/New MY2012 total cheese consumption forecast shows marginal increases due to greater demand from low and lower-middle income consumers of fresh cheese. Additionally, the consumption of aged cheese among high-middle and high-income consumers is expected to be greater than MY2011. The Post/New MY2011 consumption estimate is unchanged from the USDA/Official estimate.

Approximately 75 percent of cheese consumption over the past several years has been from domestic cheese processors. Consumption trends show positive growth, however, as more cheese varieties are in greater demand due to lifestyle changes that include prepared foods for breakfast and lunch with some cheese component.

Trade:

On October 21, 2011, Mexico lifted retaliatory duties applied to four HTS codes for cheese (see *MX1076 Mexico Eliminates Trucking Retaliation Tariffs*). The Post/New MY2012 forecast is for imports to increase by 5.5 percent relative to MY2011 levels. Although the retaliatory tariff duties imposed by the GOM made cheeses from the four HTS codes more expensive, middle and high-income consumers continued demanding them during MY2011. Consumers continue demonstrating a preference for imported cheeses. This preference is spurred, also, by Mexico's economic recovery. The Post/New import estimate for MY2010 remains unchanged from the USDA/Official estimate.

Cheese exports forecast for MY2012 are expected to maintain existing levels from MY2011. Medium-sized cheese processors are exporting to South America. The Post/New export estimate for MY2010 remains unchanged from the USDA/Official estimate.

Production, Supply and Demand Data Statistics:

Dairy, Cheese Mexico	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	264	264	267	267		270
Other Imports	80	80	90	90		95
Total Imports	80	80	90	90		95
Total Supply	344	344	357	357		365

Other Exports	6	6	7	7		7
Total Exports	6	6	7	7		7
Human Dom. Consumption	338	338	350	350		358
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	338	338	350	350		358
Total Use	344	344	357	357		365
Ending Stocks	0	0	0	0		0
Total Distribution	344	344	357	357		365
1000 MT						

Commodities:

Dairy, Butter

Production:

Statistics for butter and butterfat production are combined in the PS&D table.

The Post/New MY2012 butter (and butterfat) production forecast is 185,000 MT. This is slightly lower than the Post/New and USDA/Official MY2011 estimate. The Post/New MY2011 estimate for butter production stems from the availability of fluid milk as well as improved processor profits resulting from higher international butterfat prices. Production for MY2010 remains unchanged from USDA/Official estimates.

Consumption:

The Post/New MY2012 butter and butterfat consumption forecast is a 3.1 percent decrease from the MY2011 estimate and reflects a contraction in imports. During MY2011, the baking, confectionary and food processing industries suffered due to price increases for imported raw materials. Also, these industry players have been affected by the peso devaluation making imports more expensive along with higher prices attributed to low worldwide inventories. The Post/New estimate for MY2010 remains unchanged from the USDA/Official estimates.

Trade:

The Post/New MY2012 import forecast is a decrease by 5,000 MT from the USDA/Official MY2011 estimate of 35,000 MT. The Post/New import estimate for MY2011 remains the same as the USDA/Official estimate. Imports for MY2011 were revised downward from MY2010 due to ample domestic production and reduced butterfat import needs for the baking and confectionary sector as these sectors substituted for other raw materials. The Post/New total import estimate for MY2010 remains unchanged from the USDA/Official estimate.

New Zealand will continue to be the principal supplier of butterfat to Mexico for MY2012 and MY2011. New Zealand will be followed by the United States, Uruguay, and Australia.

Production, Supply and Demand Data Statistics:

Dairy, Butter Mexico	2010	2011	2012
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	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	182	182	187	187		185
Other Imports	49	49	35	35		30
Total Imports	49	49	35	35		30
Total Supply	231	231	222	222		215
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Domestic Consumption	231	231	222	222		215
Total Use	231	231	222	222		215
Ending Stocks	0	0	0	0		0
Total Distribution	231	231	222	222		215
1000 MT						

Commodities:

Dairy, Milk, Nonfat Dry

Production:

The Post/New MY2012 production forecast for NFDM is expected to remain at MY2011 levels due to the stable production of fluid milk and the stable demand from the dairy industry for production of other dairy products. As previously reported, the production of NFDM is more expensive than whole milk powder (WMP) and it is produced only when there is seasonal overproduction of fluid milk. Industry sources report only seven companies have facilities to manufacture NFDM and this is a limitation on production expansion. The Post/New production estimate for MY2011 is similar to the MY2010 level (13,000 MT) due to reduced availability of fluid milk that year.

Sources report that Mexico's milk powder production may be able to increase marginally once a new plant in the state of Jalisco is fully operational and capable of managing seasonal surpluses that occur during rainy seasons. (See Dry Whole Milk Powder Production for additional information).

Consumption:

The Post/New NFDM consumption forecast for MY2012 calls for a slight increase in comparison to the MY2011 estimate due to sustained demand from the industry for production of added-value products. The Post/New consumption estimates for MY2011 and MY2010 are unchanged from USDA/official estimates.

Sources report that the principal consumers of NFDM are dairy processors who reconstitute the material and sell it as pasteurized or UHT milk. Some, as well, sell NFDM into the confectionary industry.

Trade:

Mexico's imports of NFDM are forecast to grow slightly in MY2012 as domestic production is not sufficient for domestic demand. The Post/New import estimates for MY2011 and MY2010 are unchanged from the USDA/Official estimate.

As previously reported, during December 2010, the Secretariat of Economy (SE) announced TRQs for milk powder (and dairy blends) for 2011. (See 2010 GAIN [MX0095](#) & [MX0096](#)). It is expected that 70 percent of NFDM imports will be rehydrated into fluid milk, UHT milk, and other added-value products such as chesses, yogurts, and ice cream formulations. The remaining 30 percent is used by the bakery sector. Sources report that these industries prefer NFDM as it is more easily used in the preparation of a number of products.

Stocks:

LICONSA used to be the largest owner of milk powder stocks. Due to industry pressure, however, LICONSA has switched to purchasing domestic fluid milk and is reducing its consumption of NFDM and its need to maintain stocks. This shift towards fluid milk also led LICONSA to abandon keeping stocks of NFDM since it was no longer the principal ingredient in its products.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry Mexico	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	13	13	13	13		13
Other Imports	155	155	155	155		157
Total Imports	155	155	155	155		157
Total Supply	168	168	168	168		170
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	168	168	168	168		170
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	168	168	168	168		170
Total Use	168	168	168	168		170
Ending Stocks	0	0	0	0		0
Total Distribution	168	168	168	168		170
1000 MT						

Commodities:

Dairy, Dry Whole Milk Powder

Production:

The Post/New MY2012 powdered dry whole milk powder (WMP) production forecast is that levels will be the same as MY2011. This is a result of the sustained availability of fluid milk and because of the reduction in imports from LICONSA. The Post/New estimate for MY2011 total dry WMP production decreased marginally from USDA/Official estimates because of increased LICONSA purchasing of domestic fluid milk that has, in turn, lowered dry WMP production. As previously stated, the production of WMP depends on the availability of fluid milk, especially, the seasonal over supply of fluid milk.

As an effort to promote the well being of the milk sector, investors and producers constructed a milk dehydration plant in the state of Jalisco. The plant uses milk surpluses from the market in order to avoid price declines and will increase the supply of dehydrated milk in the domestic market. The facility should dehydrate whey, lactose, and other milk byproducts in the facility, as well. Additionally, the plant will improve the environment as it will be a recollection and processing center for whey obtained from the cheese production process.

Consumption:

Dry WMP consumption for MY2012 is forecast to decrease slightly from MY2011 levels as consumer purchasing power recovery allows middle and high-income consumers to buy processed and added-values dairy products instead of WPM. Low-income consumers are the traditional market covered by LICONSA and rehydrated milk made from WMP. The Post/new MY2010 consumption estimate remains unchanged from USDA/Official estimate.

Trade:

MY2012 imports are forecast at 20,000 MT. Although LICONSA has been switching to fluid milk purchases during MY2011, the dairy demand from low-income consumers has led to slightly higher imports for dry WMP and resulted in a slight increase in the Post/New MY2011 estimate from the USDA/Official estimate.

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder Mexico	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	173	173	170	168		168
Other Imports	15	15	20	22		20
Total Imports	15	15	20	22		20
Total Supply	188	188	190	190		188
Other Exports	7	7	7	7		7
Total Exports	7	7	7	7		7
Human Dom. Consumption	181	181	183	183		181
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	181	181	183	183		181
Total Use	188	188	190	190		188
Ending Stocks	0	0	0	0		0
Total Distribution	188	188	190	190		188

1000 MT						

Commodities:

- Dairy, Butter
- Dairy, Cheese
- Dairy, Dry Whole Milk Powder
- Dairy, Milk, Fluid
- Dairy, Milk, Nonfat Dry

Policy:

General Tariffs

Currently, all U.S. dairy product exports enter Mexico duty-free. In addition, in an effort to meet the demand for dairy products, the GOM opened a TRQ for importing powdered milk at zero duty. (See GAIN reports [MX0096](#) and [MX0095](#).)

Retaliatory duties on U.S cheese exports

On October 21, 2011, the Secretariat of Economy (SE) published in Mexico’s Federal Register (*Diario Oficial*) an announcement lifting the retaliatory duties, previously imposed on the following HTS codes:

- 0406.10.01 Fresh (Unripened or Uncured) Cheese, Including Whey and Curd;
- 0406.30.99 Processed cheese not grated or powdered;
- 0406.90.04 Cheese and curd. Other cheese. Hard or semi-hard, containing by weight of fat exceeding 40%: only Parmegiano-Reggiano or Grana, containing by weight of water in non-fatty matter exceeding 47%; only Danbo Edam, Fontal, Fontina, Fynbo, Gouda, Havarti, Maribo, Samsoe, Esrom, Italic, Kernhem, Saint-Nectaire, Saint-Paulin and Taleggio, with a weight of water content in non-fatty matter exceeding 47 % but not exceeding 72%, and;
- 2106.90.08 Food preparations with a dairy solids content above of 10% in weight.

NOM-155

SAGARPA’s Livestock General Coordinator announced that, as a result of the meetings between SAGARPA and SE, the Mexican Official Norm NOM-155-SCFI (that regulates the quality of milk and dairy products), was modified and delivered, on May 6, 2011, to interested parties within the dairy sector for comment. After the completion of its appraisal, the draft must then be prepared for final publication in Mexico’s Federal Register.

LICONSA

Authorities from LICONSA and from the Mexican trust, Financiera Rural (FIRA), signed a memorandum of cooperation for the implementation of a program that will allow dairy producers, who currently sell product to LICONSA, to access credit for the purpose of infrastructure improvements.

The result of this measure will be a better quality of milk produced and eventually a reduction in the costs of production.

Mexican Potential for Exports to the United States

Mexico seeks market access for Grade “A” fluid milk to the United States. The information contained in the following links provides helpful information to potential Mexican exporters so as to understand the permitting process for exporting.

[Register with FDA](#)

[Milk Safety Information](#)

[Milk Inspections](#)

[Interstate Milk Shippers List](#)

Free Trade Agreements (FTA)

The Mexican Agreement for the Commercial Integration with Peru is in the last stages of negotiations and awaits final approval from the Mexican Congress. Some dairy products may be included in the Peru FTA, but all details are subject to negotiation until the agreement is published in the Mexican Federal Register.

Marketing:

In 2010, the total dairy products (UHT and pasteurized fluid milk, cheese, yoghurt, cream, chilled dairy snacks, and condensed/evaporated milk) market size was estimated at U.S. \$9.65 billion. The industry is considered highly fragmented with a large number of small-scale artisan producers that distribute products locally and regionally. Fluid milk processing, however, is dominated by two brands, Lala and Alpura.

Based on information from 2009, the following represents the market share held by various companies for a subset of dairy product categories.

Milk (pasteurized and UHT)

Company shares, by retail value, 2009

Company	Market Share
Grupo Industrial Lala SA de CV	44.80%
Ganaderos Productores de Leche Pura SA de CV	24.20%
Others	31.00%
Total	100%

Cheeses

Company shares, by retail value, 2009

Company	Market Share
Sigma Alimentos SA de CV	17.10%
Grupo Industrial Lala SA de CV	12.30%
Derivados de Leche La Esmeralda SA de CV	9.70%
Ganaderos Productores de Leche Pura SA de CV	6.00%
Chilchota Alimentos SA de CV	4.30%

Nestlé SA	4.10%
Others	46.50%
Total	100%

Yoghurt and Sour Milk Drinks

Company shares, by retail value, 2009

Company	Market Share
Groupe Danone	24.20%
Yakult Honsha Co. Ltd.	23.80%
Sodiaal SA	14.20%
Grupo Industrial Lala SA de CV	12.10%
Nestlé SA	10.40%
Others	15.30%
Total	100%

The U.S. Dairy Export Council (USDEC) is active in promoting the U.S. dairy industry in Mexico. In addition, the Foreign Agricultural Service (FAS) Agricultural Trade Offices (ATOs) promote U.S. dairy exports, as well. The ATOs and USDEC develop promotion and sales opportunities for U.S. dairy products in the Mexican market. USDEC, as well, organizes buying missions for potential Mexican importers/distributors to visit U.S. suppliers.

For further information, direct marketing questions to:

U.S. Dairy Export Council (USDEC)
 Circuito Médicos No. 55 Interior 302
 Ciudad Satélite, Naucalpan,
 Estado de México, 53100 México
<http://www.usdec.org>

Agricultural Trade Office, Mexico City
 Liverpool 31, Col. Juárez
 C.P. 06600 México, D.F.
 Phone: (011-52-55) 5140-2600
atomexico@fas.usda.gov
<http://www.mexico-usda.com>

Agricultural Trade Office, Monterrey
 Blvd. Diaz Ordaz No. 140, Torre 2, Piso 7
 Col. Santa Maria
 C.P. 64650 Monterrey, Nuevo Leon
 (011-52-81) 8333-5289
atomonterrey@fas.usda.gov
<http://www.mexico-usda.com>

Author Defined:**For More Information**

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work

<http://www.youtube.com/user/ATOMexicoCity>

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX1076	Mexico Eliminates Trucking Retaliation Tariffs Against Ag. Products	10/21/2011
MX1042	Market Concentration in Selected Agricultural and Food Subsectors	5/25/2011
MX1019	Mexico Consolidates Labeling Requirements for Milk and Hams	3/16/2011
MX0096	Mexico Announces 2011 Import TRQ for Dairy Preparations	12/20/2010
MX0095	Mexico Announces 2011 TRQ for Milk Powder Imports from WTO Members	12/20/2010
MX0084	Guidelines to Harmonize Import Inspection of Agricultural Products	11/15/2010
MX0076	New Mexican Regulation for Milk and Milk Products	10/18/2010

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and 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.

