

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

Poultry and Products Semi-annual

Poultry Sector on The Trend to A Full Recovery From AI

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Report Highlights:

Production and consumption of broiler meat are forecast at record levels on recovering of the sector despite the potential for avian influenza. Low feed costs and continued implementation of biosecurity measures has contributed to a full recovery. At a slower pace, turkey production is also on trend to a full recovery. Egg production is fully restored, and imports of table eggs are expected to be marginally down but imports of egg products for industrial purposes are to be stable. Broiler consumption is forecast to be the sixth-consecutive year of record consumption.

Commodities:

Poultry, Meat, Broiler

Production:**Record Production Forecast Due to Relatively Low Feed Costs and Continued Recovery from AI**

Commercial production is forecast at a record 3.3 million tons in 2016, as relatively low and stable feed prices have enticed producers to spur production. Never the less, feed prices continue representing a significant portion of cost of production. Recent data from the National Poultry Union (Union Nacional Avicola - UNA) indicates that the poultry sector, comprising broiler, turkey, and eggs, grew 4.1 percent during 2015.

The sector is still concerned about the threat from Highly Pathogenic Avian Influenza (HPAI) and the potential appearance of new Avian Influenza (AI) virus strains. The most recent Low Pathogenic Avian Influenza (LPAI) H5N2 outbreak occurred in the northern state of Sinaloa and Mexican zoo-sanitary authorities quarantined egg layer farms and culled around 430,000 birds. Since late 2015, no other outbreaks have been reported. Costs associated with biosecurity requirements are increasing.

Consumption:

Consumption is forecast at a record 4.08 million tons as increased production and affordable prices solidify broiler meat's position as consumers' preferred protein. The 2016 forecast represents the sixth-consecutive year of record consumption. Although prices will not be as low as in the past, broiler meat will continue to be the most affordable source of animal protein, especially for low-medium income consumers. Demand for chicken leg quarters (CLQs) and mechanically separated/deboned poultry meat will remain strong. However, increased consumption will be primarily supported by expanding domestic production.

Trade:

Imports are forecast slightly higher at 790,000 tons on strong demand for mechanically separated/deboned meat by Mexican processors and chicken leg quarters (CLQs) by various channels.

A significant portion of imported product is destined for further processing and demand for these products remains resilient.

Virtually all of Mexico's chicken and turkey meat imports originate from the United States. However, Chile and Brazil continue gaining market share. Given the recent amendment to the term of length to import poultry meat duty-free and according to private sources, Argentina is likely to become a competitor in the Mexican market during 2016.

Exports are forecast to increase at 7,000 tons as Mexico continues to reopen those markets that closed after the 2012 case of HPAI.

Policy:

In 2013, the Government of Mexico (GOM), through the Secretariat of Economy (SE) published the amount of poultry meat —300,000 MT—to be imported duty-free under a tariff rate quota (TRQ) scheme. Later, this agreement was modified to extend the term length. (See MX6003, MX4016).

Production, Supply and Demand Data Statistics:

Table 1. PSD, Poultry, Meat, Broiler

Poultry, Meat, Broiler Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	3025	3025	3100	3196	3160	3300
Total Imports	722	722	760	790	770	790
Total Supply	3747	3747	3860	3986	3930	4090
Total Exports	9	9	7	5	8	7
Human Consumption	3738	3738	3853	3981	3922	4083
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	3738	3738	3853	3981	3922	4083
Total Use	3747	3747	3860	3986	3930	4090
Ending Stocks	0	0	0	0	0	0
Total Distribution	3747	3747	3860	3986	3930	4090

(MIL HEAD) ,(1000 MT)

Not Official USDA Data

Commodities:

Poultry, Meat, Turkey

Production:

Even though the current AI situation in the United States should entice industry to expand, Mexican production is expected to remain flat at 11,000 tons in 2016. UNA has reported that the turkey sector is close to full recovery, following the AI outbreak in Mexico in 2012.

Consumption:

From the domestic production, the consumption of significant amounts of whole or smoked turkey remains largely seasonal with very low, steady consumption of remnants, either from processors or households, throughout the year. Imported U.S. mechanically deboned turkey had historically come to complement the demand from processors for the preparation of value-added products. The consumption of value-added products, such as prepared deli meats and related products is on the upswing. According to UNA, per capita consumption is relatively low at 1.5 kilograms.

Trade:

Imports in 2016 are forecast to rebound slightly to 140,000 tons. The United States consistently provides more than 90 percent of Mexico’s imports. Due to the AI situation in the United States, imports were significantly down in 2015, and are not expected to fully recover in 2016. This downturn was due to restrictions that Mexican authorities implemented on all poultry meat from quarantined U.S. states. In response to tightening U.S. supplies, Mexico’s imports from Chile grew significantly in 2015, accounting for almost 7 percent of imports.

Poultry Meat, Turkey Post Estimates	2014	2015	2016
Production	9	11	11
Imports	158	130	140
Exports	1	1	1
Consumption	166	140	150
(1000 MT)			

Source: UNA, GTA.

Policy:

On December 22, 2015, SE announced the amendment to the term length under which Mexico can import poultry meat under a TRQ scheme until December 31, 2017. Previously, on May 15, 2013, SE announced in the Mexican Federal Register (*Diario Oficial*) a duty-free import quota of 300,000 MT fresh, chilled or frozen broiler meat under HTS codes: 0207.11.01, 0207.12.01, 0207.13.03, 0207.13.99, 0207.14.04, and 0207.14.99. The official schedule started on May 16, 2013 and was valid until December 31, 2014. By February 2015, SE announced the extension of the quota that will be in force until December 31, 2015.

Commodities:

Poultry, Eggs

Production:

Post's 2016 Mexican table egg production forecast is 2.65 MMT as the production of eggs is fully restored from 2012 outbreaks and has returned to normal levels despite the occurrence of small AI outbreaks in certain producing areas. The poultry sector continues diversifying production beyond the two leading producer states, Jalisco and Puebla, to other states that offer natural biosecurity conditions such as less concentration and a larger distance between farms. UNA stated that Mexico continues vigilant any AI threat knowing that is still at risk for contamination.

UNA's revised estimate for 2015 egg production is two percent greater than the 2014 final production figure.

Mexico's Egg production by year (MT)	
2012	2,386,576
2013	2,509,350
2014	2,559,537
2015	2,629,350 ^①
2016	2,650,000 ^②

Source: UNA's Compendio de Indicadores Económicos del Sector Avícola, 2015. ^① Preliminary figure. ^② Forecast

Consumption:

UNA revised estimate for 2016, indicates that per capita consumption will increase marginally from the preliminary 22.2 kilograms expected for 2015. According to UNA, Mexico is the 6th largest egg producing country and has the largest per capita consumption in the world.

Trade:

The import forecast for table eggs is lowered on last year's AI outbreak in the United States, increased production, and the falling exchange rate making imported eggs more expensive for households.

Despite a strong U.S. dollar and growing production, egg products imports for industrial purposes should remain stable. As of December 2015, data shows Mexico’s imports of both table eggs and egg products 35 percent lower than the same period last year at 55,615 MT of which 17,268 MT are table eggs. Currently, exports comprise breaking eggs that are pathogen-free or have received a thermal process. Mexico is eligible to export breaking eggs to the United States and the current AI outbreak offers a potential export opportunity for table eggs. However, the lack of understanding of administrative procedures to export is a significant obstacle for most producers/exporters.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX6003	Poultry Import TRQ Extension Announced Through December 2017	01/12/16
MX5036	Poultry Annual	09/03/15
MX5035	Livestock Annual	09/02/15
MX5022	Dairy Semi-Annual	05/29/15
MX5008	Poultry and Products Semi Annual	02/17/15
MX5005	Meat and Livestock Semi Annual	03/03/15
MX5004	CA HPAI restrictions	01/29/15

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

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