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Mexico

Poultry and Products Annual

Continued Demand Drives Higher Poultry Production and Imports

Approved By:

Melinda Sallyards

Prepared By:

Gustavo Lara and Karisha Kuypers

Report Highlights:

High demand for poultry meat and eggs continue to drive continued growth in Mexican domestic poultry production. Imports from the United States supply the majority of Mexico's additional needs for chicken and turkey meat for further processing, although Brazil is gaining market share by supplying frozen product under Mexico's tariff rate quota for third countries. In May 2019, Mexico increased the volume of the quota by 55,000 metric tons (MT) in, bringing the quota total to 355,000 MT.

Commodities:

- Poultry, Meat, Broiler
- Poultry, Meat, Turkey
- Poultry, Eggs

Poultry, Meat, Chicken

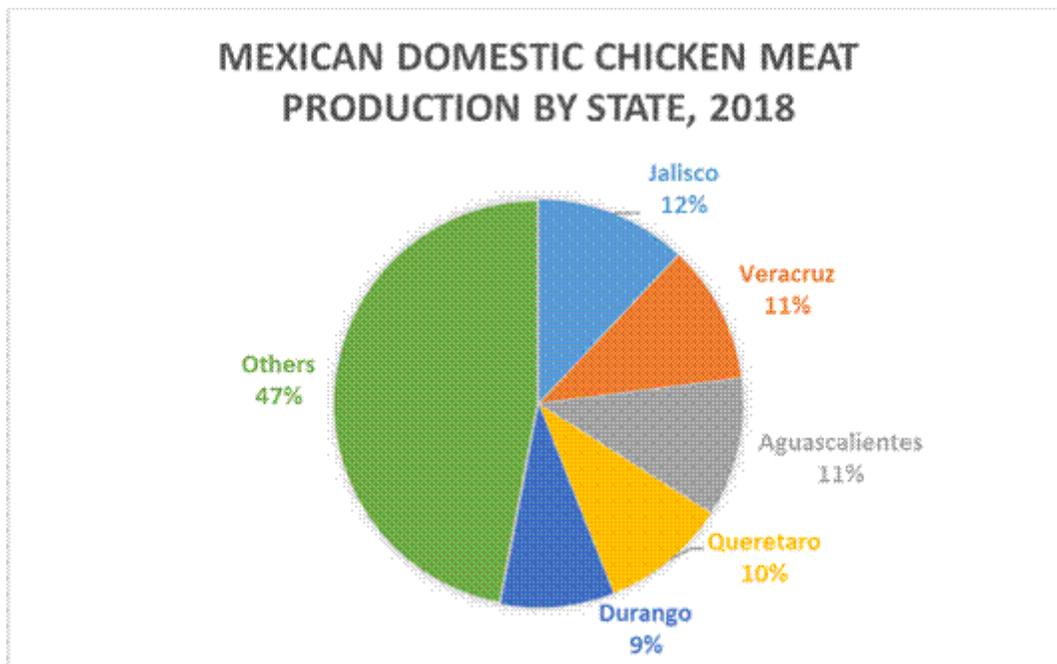
Production

The forecast for chicken meat production in 2019 is 3.6 million metric tons (MT) and the forecast for 2020 is 3.7 million MT.

According to Mexico’s National Union of Poultry Producers (UNA), the poultry industry is set to grow at three percent through the rest of 2019 and into 2020. Vertical integration of farms, improvement in the production chain, investments in biosecurity, and increased efficiency will continue to help the domestic poultry industry expand its production in the next year.

Mexico depends heavily on imports, mainly from the United States, for genetics. Even though there are efforts to develop a strong and reliable genetic line domestically in Mexico, imports will remain to be the main source of genetics for the next few years.

Chicken meat production is concentrated into five States, which represent 53 percent of the total chicken meat production share.



Chicken meat dominates domestic protein production in Mexico with a 38 percent of total production in 2018. The domestic poultry industry expects this share to be maintained throughout the next two years.

Live chicken is sold at an average of 23.8 pesos/kg in June 2019, representing a 9.4 percent decrease in price for the same period as last year (2018). Chicken carcasses are sold at an average of 33.8 pesos/kg, which represents a three percent decrease in price for the same period as last year. This stability in prices reflects both the steadiness of Mexican poultry production as well as the relative stability in feed prices.

According to the Mexican feed industry, 40 million MT of feed was produced in 2018, 55 percent of which was used by the poultry industry. For each MT of chicken meat produced, 72.5 percent of the cost involved is from feed. Domestic grain production is not sufficient to cover Mexico's animal feed needs, so the poultry sector depends heavily on grain imports, primarily from the United States.

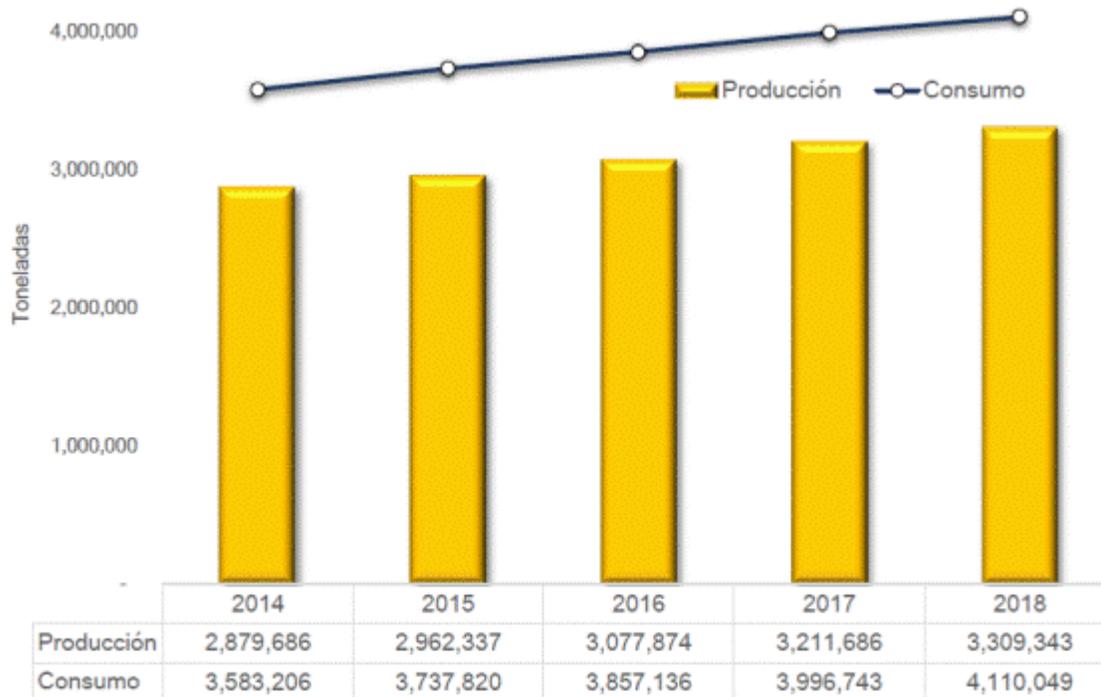
Consumption

The forecast for chicken meat consumption in 2019 is 4.4 million MT and the forecast for 2020 is almost 4.6 million MT, as strong demand from consumers and the processing industry continues.

Poultry remains to be the preferred animal protein for the Mexican consumer, as it is the most affordable protein for the low and middle economic classes. Poultry represents 60 percent of consumers' animal protein consumption in Mexico. According to the UNA, consumption will increase by 3.3 percent in 2019. However, by 2020 the domestic poultry industry expects the consumption to decrease somewhat and stabilize at three percent. Consumers continue to view poultry as a healthy source of protein. Consumers often make choices between poultry or pork based on cost, but the preference for poultry meat consumption has recently increased because of concerns related to African Swine Fever (ASF) in pork.

Domestic production is unable to keep up with demand from both consumers and the processing industry. Even though domestic production is satisfying an average of 80 percent of the demand, imports of chicken meat are still necessary to cover demand, particularly in the processing sector.

Chicken Meat Production and Consumption in Mexico (MT), 2014-2018



Fuente: SIAP. Producción de carne en canal

Source: *Comecarne Statistical Compendium 2018*

Mexico’s processing industry continues to have a large demand for chicken meat. Leg quarters, breasts and mechanically deboned meat (MDM) are the most used products to make processed meat products. These processed products may range from enhanced or seasoned chicken meat to Ready to Eat (RTE) products.

Chicken meat is still purchased locally at public markets and sold “fresh” over crushed ice. Frozen or refrigerated chicken meat is believed to be not as nutritious as “fresh” meat, a belief that continues to have a strong cultural bond. Food safety is often of secondary concern to affordability of animal protein for many classes of the economy.

According to UNA, chicken meat in Mexico is commercialized in five different ways: live animals (37 percent), public markets (9 percent), large retailers (3 percent), rotisserie (37 percent,) and added value products (14 percent). These numbers tend to shift according to supply and demand’s effect on the cost of chicken meat.

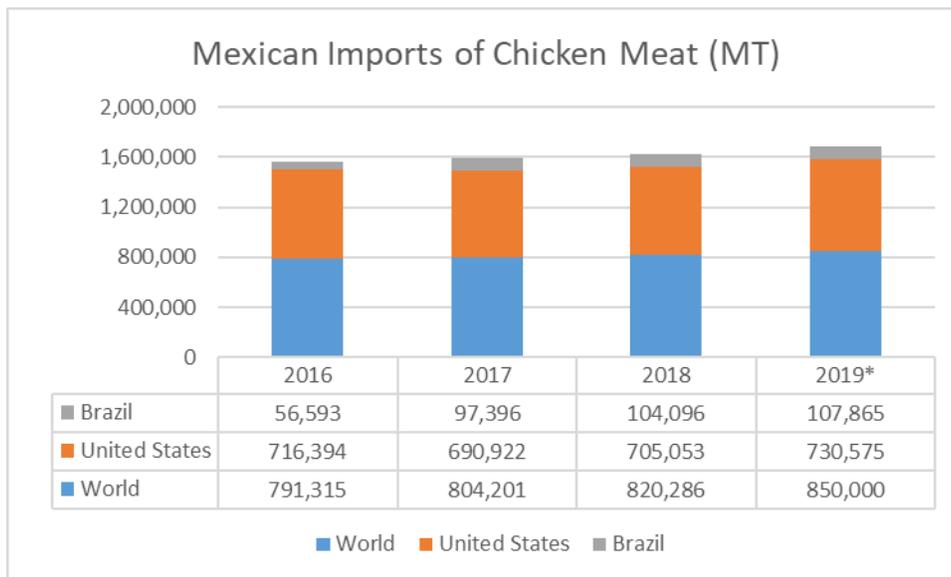
Trade

Imports

The forecast for 2019 is 850,000 MT, and the forecast for 2020 is 870,000 MT.

Imports are a way to satisfy a growing demand for poultry products that the domestic production is unable to meet. The United States continues to be the main exporter of chicken meat to Mexico with 86 percent of market share. The main imports from the United States are chicken leg quarters and Mechanically Deboned Meat (MDM).

Brazil has become the second most important source of chicken meat for Mexico, providing mainly frozen breasts (boneless and in-bone) and wings. Even though Brazil’s share of the market is still small at 12.7 percent, its share has grown 77 percent since 2016. Although Mexican processors prefer fresh products, they are adjusting their industrial processes to use or mix frozen product. However, even though the United States’ share is down from 90 percent of total imports in 2016, it continues to comprise around 86 percent of Mexico’s imports in the last two years.



Source: Global Trade Atlas * 2019 values are Post’s forecast.

Exports

The export forecast for 2019 is 6,000 MT and for 2020 is 7,000 MT.

Mexican exports are still very limited, due to its sanitary status for both Avian Influenza and Newcastle Disease. Mexico can export only processed poultry products that have undergone heat treatment. Even with these restrictions, 61 percent of total Mexican exports are bound for the United States. Currently, Mexico recognizes the three states of the Yucatan Peninsula (Yucatan, Campeche and Quintana Roo), as well as Sonora and Sinaloa (northern states), as free of avian diseases.

The Mexican government has eliminated subsidies to Federally-inspected slaughter (TIF) facilities eligible for export since December 2018, which has slowed both private investment in new facilities as well as the number of requests from facilities to obtain new TIF certifications and approvals for export. Without these government subsidies, the domestic industry believes that fewer facilities will request TIF certification in the next few years, further reducing the likelihood of growth in the poultry export sector.

Policy

Mexico Increases Poultry Quota for Third Countries

Brazil has been able to grow its share of Mexico's poultry market by utilizing Mexico's tariff quota (TRQ) for third countries. Mexico created the zero duty TRQ in 2013 for 300,000 MT of chicken meat as a way to develop new poultry providers in other countries. Although this quota was almost unused until 2017, Mexico's approval of 46 Brazilian plants for export allowed Brazil to be able to use the quota. The TRQ expires on December 31, 2019 but was completely utilized by March 2019. On May 24, 2019, Mexico's Secretary of the Economy announced that it would increase the TRQ by an additional 55,000 MT, bringing the total TRQ amount to 355,000 MT. Although the domestic processing industry needs the product for its own growing needs, Mexico's poultry industry has protested the extension of the TRQ to the Mexican Economy Secretariat, arguing that poultry imports represent an unfair competition for the Mexican producer.

Brazil now utilizes 80 percent of the tariff quota, with the remaining 20 percent used by Chile, Argentina and Canada. Mexican poultry processors use imported frozen chicken breasts, wings, and MDM from Brazil. Argentina exports small amounts of whole carcasses while Canada exports small amounts of turkey.

PS&D, Poultry, Meat, Chicken

Meat, Chicken	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	3485	3485	3600	3600	0	3710
Total Imports	820	820	840	850	0	870
Total Supply	4305	4305	4440	4450	0	4580
Total Exports	4	4	6	6	0	7
Human Consumption	4301	4301	4434	4444	0	4573
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	4301	4301	4434	4444	0	4573
Total Use	4305	4305	4440	4450	0	4580
Ending Stocks	0	0	0	0	0	0
Total Distribution	4305	4305	4440	4450	0	4580

(1000 MT)

Poultry, Meat, Turkey

Production

The forecast for turkey meat production in 2019 is 18,000 MT and 18,300 MT for 2020. The turkey production sector expects a modest grow of only two percent from 2019 to 2020. Fewer producers choose to raise turkey and instead produce chicken because of the lower costs and shorter amount of time involved to raise chicken.

Turkey production takes place in just a few regions in Mexico. Yucatan is the main producer with 23

percent of the share, followed by Puebla (15 percent), Mexico State (4 percent) and Veracruz (8 percent). These states account for 60 percent of the production and the remaining 40 percent is divided between 14 other states.

Consumption

Consumption in 2019 is forecast at 182,000 MT and the forecast for 2020 is 184,000 MT. The steady growth in consumption is a result of consumers’ perception that turkey is a healthy meat that is low in fat and cholesterol. Turkey meat consumption is popular in southeastern states of Mexico, where it is a common ingredient and a source of animal protein in everyday dishes. Turkey is typically consumed in processed and high value products, while whole carcasses continue to have a seasonable consumption pattern during the holidays in the last quarter of the year. Mexico’s Poultry Producers National Union plans to launch a promotional campaign for 2019-2020 that highlights the consumption of turkey meat as part of a complete and healthy diet.

Poultry Meat, Turkey	2017	2018	2019	2020
Production	17	17	18	18
Imports	165	159	165	167
Exports	1	1	1	1
Consumption (1000 MT)	181	175	182	184

Not official USDA Data, Post Estimates

Imports

The 2019 turkey import forecast is 165,000 MT and for 2020 is 167,000 MT.

The United States continues to be the main supplier of turkey meat for Mexico, with 93 percent of the share followed by Brazil and Chile with five percent and 1.7 percent respectively. Turkey meat is used by processors throughout the year, while whole carcasses (HS code 020725) are imported to satisfy the seasonal holiday demand from September to December.

Although the United States had a 100 percent share for whole birds in 2018, the domestic industry expects that Mexico will start to import whole carcasses from Canada under Mexico’s tariff quota for third countries. However, the amount of whole birds imported from Canada is unlikely to displace a significant amount of U.S. trade, as Mexican importers are likely to remain with established U.S. providers.

Mexico exports only small amounts of turkey processed products, as production is insufficient to meet demand. Exports in 2020 are expected to remain flat.

Poultry, Eggs

Production

Egg production is forecast at 3.1 million MT for 2020, as Mexico's industry continues a steady growth trend. Investment in technology and improved biosecurity measures have contributed to the growth of the egg production sector, which the industry predicts will remain at three percent through 2020.

Jalisco continues to dominate domestic production with 54 percent share of total production, followed by Puebla (17 percent), Sonora (5 percent), San Luis Potosi (3 percent) and La Comarca Lagunera (3 percent). According to UNDA, 98 percent of Mexican production is made up of white eggs while 2 percent is red eggs.

Mexican Egg Production (MT)	
2016	2,720,742
2017	2,828,056
2018	2,931,593
2019*	3,000,000
2020*	3,090,000

**Post forecast*

Source: Official SIAP data

Consumption

Egg consumption in 2019 and 2020 is forecast to grow at 1.4 percent, reaching an expected per capita consumption of 23.6 kg per person in 2020. UNA estimates that this growth will keep Mexico as the number one consumer of eggs in the world.

Eggs continue to be an affordable source of animal protein for all Mexican consumers. Consumers have increasingly incorporated eggs into their daily diets and egg consumption now represents 17 percent of the animal protein intake in Mexico.

As reported in the chicken meat production section, animal feed is the key component in the production of eggs, with a 63 percent share of the cost of eggs.

In Mexico, commercialization of eggs is done through traditional or public markets as well as in central supply markets. About 77 percent of eggs are sold by bulk and only 15 percent are sold packaged in retail stores. The remaining 8 percent is sold for industrial purposes in the bakery sector or for use in high value products.

Imports

Imports of eggs and egg products are forecast to grow no more than one percent in 2020, as domestic production of eggs is able to supply most of the demand. Imported egg are generally used for processing and industrial purposes, especially breaking eggs for bakery, confectionary, and other value-added sectors.

Although the Mexican poultry industry depend on imports to supply needed genetics, the number of fertile eggs imported for this purpose remains small as producers prefer to import day-old chicks.

The United States remain to be the number one supplier for Mexico's imports with 92 percent of the share. Brazil's share of the egg import market increased to 7 percent during 2018.

Exports

Exports are expected to remain flat in 2020, continuing the recent declines in export volumes. In 2018, overall egg exports from Mexico declined by 25 percent from the previous year. Production is mainly focused on satisfying the domestic market, making it unlikely that Mexico will expand exports in the next few years.

Japan is the main destination for Mexican egg exports with a 54 percent of the share, followed by Cuba (32 percent).

Policy

Egg Standard Modification Still Pending Final Publication

As previously reported, proposed language to modify the official standard on eggs (NOM-159-SSA1-2016) has been going through the regulatory approval process since October 2018. The modified language amends clause 6.1.7 to allow eggs to be washed and kept in refrigerated conditions. In July, Mexico's Commission for Better Regulations (CONAMER) published the likely [final draft](#) of the egg NOM that takes into account public comments. This final version should enter into force in late August 2019. Currently, the original language of NOM-159-SSA1-2016 as published in January 2018 is in force.