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## **Mexico**

### **Poultry and Products Semi-annual**

#### **Mexican Poultry Sector Continues its Steady Growth**

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**Report Highlights:**

Mexico's poultry and egg sectors continue their steady growth in production, bolstered by recent expansion, low cost feed, and strong demand. The United States remains the main source of imported chicken and turkey meat, with Mexican processors relying on U.S. chicken and turkey for their value-added products. While Brazil gained market share by exporting frozen product under Mexico's zero-duty tariff rate quota for chicken meat, Mexico has yet to announce whether it will extend the quota in the future.

**Commodities:**

Poultry, Meat, Chicken

Poultry, Meat, Turkey

Poultry, Eggs

**Poultry, Meat, Chicken****Production**

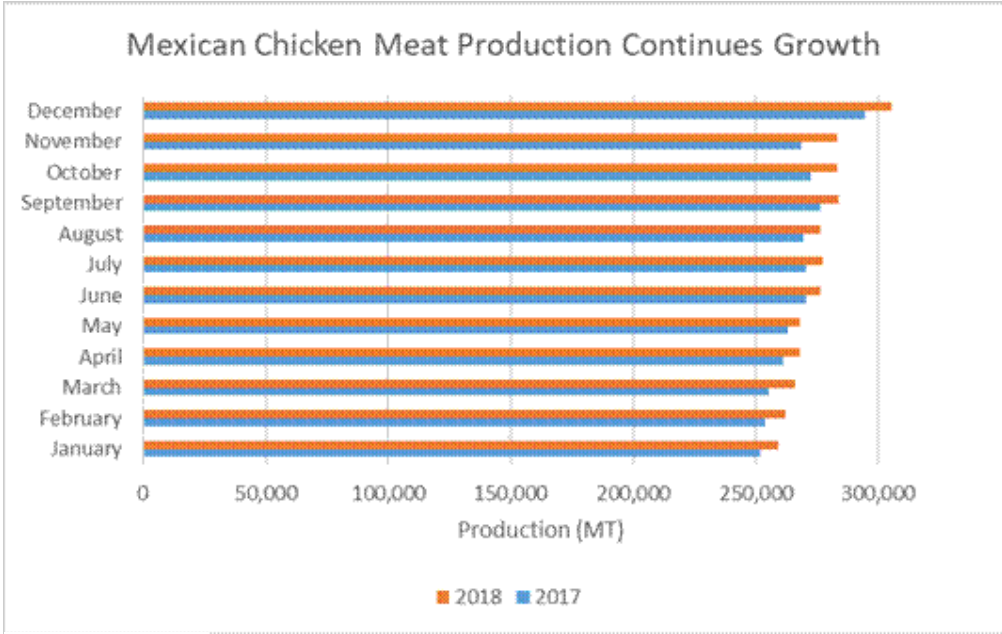
The forecast for chicken meat production in 2019 remains at 3.6 million (MT). According to Mexico's National Union of Poultry Producers (UNA), the poultry industry is set to continue its steady increase in production, estimating a 3 percent growth in 2019. Modernization of farms, improved biosecurity measures, and new technologies will continue to help the industry expand its production. Production numbers for 2018 were revised down slightly based on end of year UNA data.

Chicken meat continues to dominate domestic protein production in Mexico, accounting for more than one-third (38 percent) of total production in 2018. The top producing states remain Veracruz, Aguascalientes Queretaro, and Jalisco.

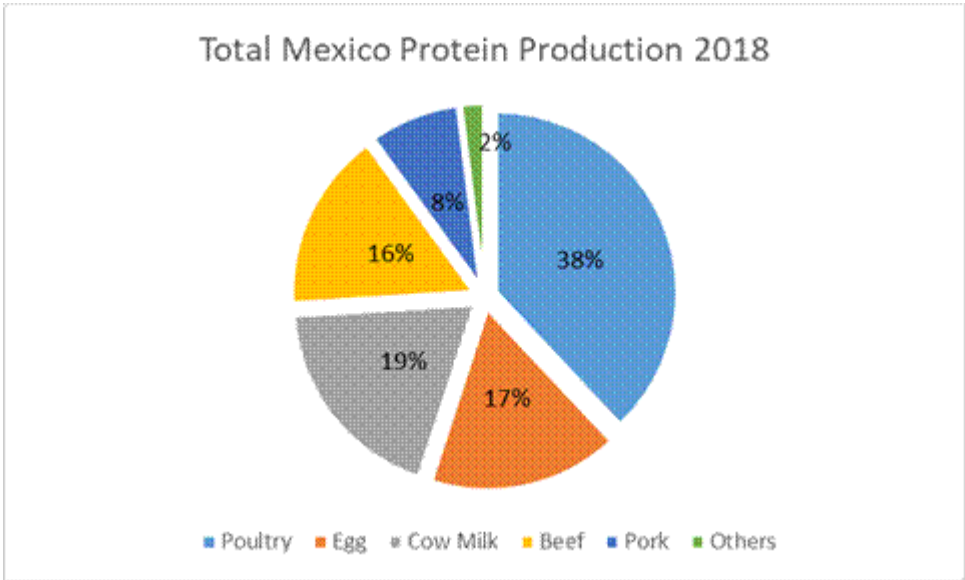
The industry reports that detections of New Castle disease in February 2019 in the States of Jalisco, Chiapas and Guanajuato will have no effect on commercial production, as the outbreaks were limited to backyard animals and no commercial animals were culled.

The poultry sector is still the primary consumer of feed grain in Mexico, with more than half of animal feed going to poultry and layer hens. The animal feed industry estimates that, of the total 21.4 million MT of feed produced in 2018 by integrated feed mills, 55 percent was used by the poultry industry.

However, domestic grain production is not sufficient to cover animal feed needs, so the poultry sector depends heavily in grain imports, primarily from the United States. UNA estimates that feed represents 63 percent of the cost of chicken production.



Source: SIAP Data



Source: National Poultry Association (UNA)

**Consumption**

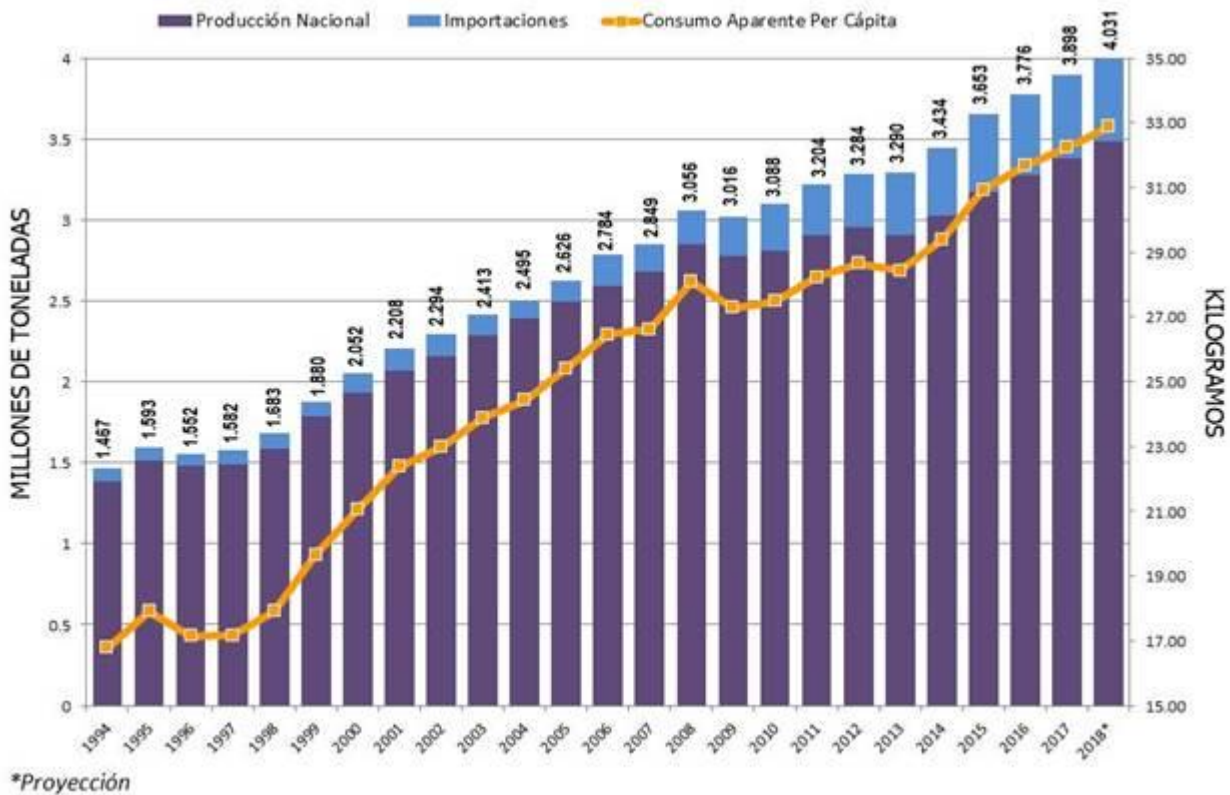
The forecast for chicken meat consumption in 2019 is 4.4 million MT based on continued strong demand from consumers and the processing industry. Consumption for 2018 was reduced slightly due to lower than expected imports.

Poultry remains the most affordable animal protein for the low and mid-income population, accounting for 60 percent of animal protein consumption. The industry reports that per capita consumption of chicken continues to grow, increasing 2 percent in 2018 alone. The industry expects the steady increase

in demand to continue. However, a surplus of pork in the market at competitive prices may shift consumer preference and reduce the demand for poultry meat.

Domestic production is unable to keep up with demand from both consumers and the processing industry, even with an average annual growth rate of approximately 3 percent since 2003. Although imports have also been increasing in order to satisfy the demand, imports as a percentage of consumption have remained flat (approximately 19 percent) since 2013. Mexico’s processing industry continues to have a high demand for chicken meat. In particular, imports of mechanically deboned meat (MDM) are used by the domestic industry to make processed meat products.

**Mexican Chicken Production and Consumption in 2018 (MT)**



Source: *UNA’s Economic Indicators of the Poultry Sector, 2018*

## Trade

### Imports

The forecast for 2019 is adjusted downward to 840,000 MT from previous predictions. The domestic industry predicts that a continued increase in production, along with a desire by retailers to keep poultry prices stable, will result in fewer imports in 2019. Total imports in 2018 were lowered to 820,000 MT based on official trade data.

The United States continues to be the main source of chicken meat, supplying 86 percent of Mexico's total chicken imports. Mexico relies on the United States for its imports of fresh chicken products, particularly leg quarters, wings and the majority of its imports of MDM.

However, Brazil continues to gain market share, with Brazilian imports increasing by 6.9 percent in 2018 over the previous year (see Policy section). Brazil exports frozen products, mainly frozen breast meat and some MDM. Although Mexican processors prefer fresh products, they are working to adjust their processes to use or mix the frozen product.

## **Exports**

The export forecast for 2019 remains unchanged at 6,000 MT. Mexico's exports in 2018 were lower than expected and the 2018 value has been revised downward slightly. The United States is still Mexico's main destination for chicken products, with 61 percent of total Mexican exports bound for the United States. Because of U.S. sanitary requirements, Mexican exports to the United States are comprised almost entirely of processed chicken products such as hams, sausages and ready to eat products.

## **Policy**

### **Extension of Mexico's Poultry TRQ Remains Uncertain**

The increase in Brazil's exports to Mexico is a direct result of the Mexican tariff rate quota (TRQ) for poultry from 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. However, the TRQ remained almost unutilized until 2018 when Mexico's food safety agency SENASICA certified 46 Brazilian poultry establishments as eligible for export. Brazil was then able to export in bulk and began fully using the quota. The TRQ expires on December 31, 2019. As of January 2019, the quota was 95 percent utilized.

Although Mexican poultry processors are encouraging the Secretariat of Economy (Economia) to renew the TRQ on a yearly basis, Mexican poultry producers are lobbying Economia to eliminate the TRQ in order to bolster national production.

## PS&D, Poultry, Meat, Chicken

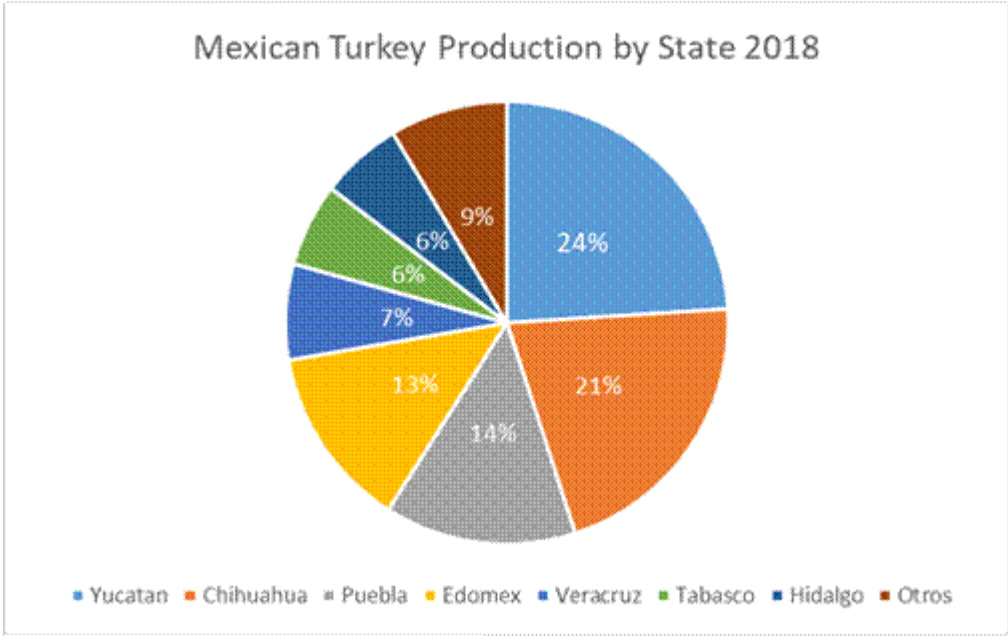
<b>Meat, Chicken</b>	<b>2017</b>		<b>2018</b>		<b>2019</b>	
<b>Market Begin Year</b>	<b>Jan 2017</b>		<b>Jan 2018</b>		<b>Jan 2019</b>	
<b>Mexico</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	3400	3400	3500	3485	3600	3600
<b>Total Imports</b>	804	804	845	820	860	840
<b>Total Supply</b>	4204	4204	4345	4310	4460	4440
<b>Total Exports</b>	6	6	6	4	6	6
<b>Human Consumption</b>	4198	4198	4339	4301	4454	4434
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	4198	4198	4339	4306	4454	4434
<b>Total Use</b>	4204	4204	4345	4310	4460	4440
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	4204	4204	4345	4310	4460	4440
(1000 MT)						

## Poultry, Meat, Turkey

### Production

The forecast for turkey meat production in 2019 remains at 18,000 MT, as there are fewer turkey producers and the sector is not able to expand significantly. Although the industry predicts that the sector will continue to grow in the next year, this scenario seems unlikely, as most producers prefer producing chicken rather than turkey. The 2018 value of production is revised down to 17,000 MT based on official SIAP data.

In comparison to poultry, turkey is produced in only a few Mexican states. Yucatan is the prime producer with 24 percent of production, followed by Chihuahua (21 percent) and Puebla (13 percent).



Source: National Poultry Association (UNA)

**Consumption**

Consumption in 2019 is decreased from previous estimates because of smaller than expected production and fewer imports in 2018.

While the demand for whole birds continues to be seasonal, the demand for MDM turkey for processing remains more steady throughout the year. In particular, turkey meat mixed with other proteins such as pork or chicken in the form of deli meats, hams, sausages, and other products continue to be popular in retail markets. In the northern states, some companies are making efforts to provide the market with new innovative products such as an “arrachera” of turkey – a thin flat piece of meat suitable for grilling – which tries to capitalize on turkey’s reputation as a healthy alternative to other meats. Many retail shops also offer whole turkey legs, which are usually from whole turkeys left over from the holiday season.

Poultry Meat, Turkey	2017	2018	2019
Production	17	17	<b>18</b>
Imports	165	159	<b>165</b>
Exports	1	1	<b>1</b>
Consumption	181	175	<b>182</b>
(1000 MT)			

Not official USDA Data, Post Estimates

**Imports**

The 2019 turkey import forecast is revised downward to 165,000 MT. Large meat processing companies continue to need more product than domestic production can supply, so imports make up the vast majority of the demand. Turkey imports for 2018 are revised downward sharply based on official

trade data.

The United States is by far the main supplier of turkey meat for Mexico, with over 93 percent of total imports. Although overall turkey imports decreased in 2018, imports of whole birds (HS code 020725) increased significantly (42 percent) over the previous year.

Mexico exports only small amounts of turkey products, as production is insufficient to meet demand. Exports in 2019 are expected to remain flat, as exports in 2018 of frozen product (HS code 020727) to Brazil and Japan dropped off significantly. Processed turkey to the United States (the vast majority of Mexican exports) increased slightly.

## **Poultry, Eggs**

### **Production**

Egg production in Mexico is forecast to continue its steady growth in 2019. Although the forecast for 2019 is revised downward to 3 million MT, this still reflects a 2-3 percent growth in egg production. The egg sector has benefited from vertical integration, modernization, and improved biosecurity measures, although avian influenza and other animal diseases, such as the recent detections of Newcastle disease, continue to a concern for producers. The 2018 production number was revised to reflect official data.

Egg production is concentrated in Jalisco, which produces 54 percent of total eggs in Mexico. Puebla (13 percent), Sonora (8 percent), La Comarca Lagunera (5 percent), and Yucatan (5 percent) are the other main producers of eggs.

<b>Mexican Egg Production (MT)</b>	
2015	2,652,292
2016	2,720,742
2017	2,828,056
2018	2,931,593
2019*	3,000,000

*\*Post forecast*

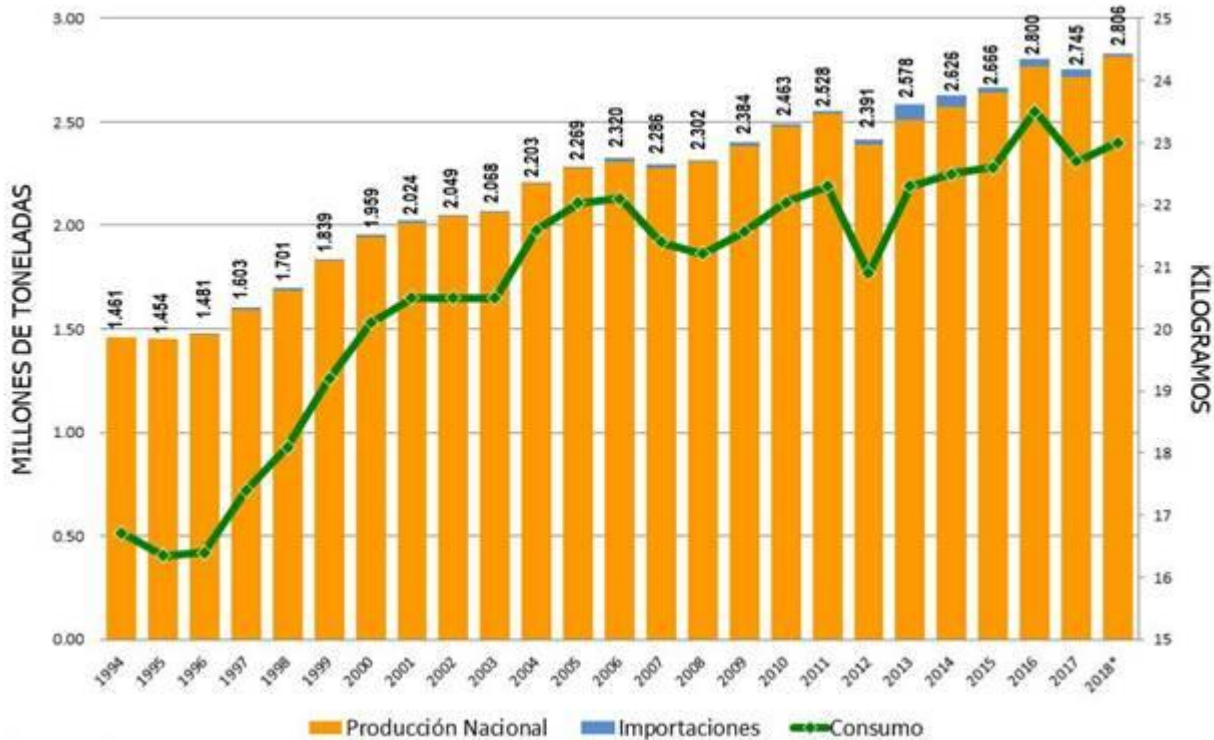
*Source: Official SIAP data*

### **Consumption**

Egg consumption in 2019 is forecast to see additional growth. UNA estimates that consumption will increase to almost 24 kg per capita, reinforcing Mexico's position as the number one consumer of eggs in the world. Eggs are a major source of affordable animal protein, comprising 17 percent of the animal protein intake in Mexico.



**Table Eggs Production, Imports, and Consumption, 2018**



Source: UNA's Economic Indicators of the Poultry Sector, 2018

### Imports

Imports of eggs and egg products are expected to remain flat in 2019, as imports have continued to decline since 2016. Imported eggs make up only a small percentage of eggs consumed in Mexico and are mostly used for processing in the bakery, confectionary, and other value-added sectors. There is also demand by poultry producers for eggs for genetics.

The United States is still the main supplier of eggs to Mexico although Brazil's market share has been increasing. In 2018, Brazil captured almost 7 percent of the egg import market with exports of hatching eggs (HS code 040711), doubling its share of the market from the previous year.

Mexico Import Statistics								
Commodity: Eggs & Products, (2017)								
Year To Date: January - December								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
World	T	69,029	63,107	50,798	100.00	100.00	100.00	- 19.51
United States	T	68,411	60,870	46,800	99.10	96.46	92.13	- 23.11
Brazil	T	316	2099	3468	0.46	3.33	6.83	65.22
Denmark	T	0	0	233	0.00	0.00	0.46	∞
Argentina	T	140	60	186	0.20	0.10	0.37	208.30
Canada	T	7	46	43	0.01	0.07	0.08	- 7.64
New Zealand	T	77	0	38	0.11	0.00	0.08	∞

Netherlands	T	0	0	21	0.00	0.00	0.04	0.00
Spain	T	8	15	9	0.01	0.02	0.02	- 42.87
Other	T	69	16	0	0.10	0.00	0.00	0.00

Source: INEGI through Global Trade Atlas

Exports are again expected to remain flat in 2019, as exports were down in 2018. Japan continued to be the main destination for Mexican egg products in 2018, although exports there decreased by 40 percent from the previous year.

## Policy

### Modification of Egg Standard Further Delayed

As previously reported, the Secretariat of Health published the Official Norm, NOM-159-SSA1-2016, in Mexico's Federal Register on January 16, 2018. The NOM had potential trade impacts because of clause 6.1.7, which stated that eggs for consumption should be washed. A proposed modification of the NOM was published on October 23, 2018, which amended clause 6.1.7 to allow eggs to be washed and kept in refrigerated conditions. Although this modified language was supposed to go into effect on January 16, 2019, an additional modification was published on January 15, delaying enforcement of the clause until August 19, 2019 (580 days after publication of the original NOM). Currently, the original language of NOM-159-SSA1-2016 as published in January 2018 is in force.

FAS/Mexico Web Site:

We are available at [www.fas.usda.gov/regions/mexico](http://www.fas.usda.gov/regions/mexico) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://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 (SADER, formerly SAGARPA) can be found at <https://www.gob.mx/sader>, equivalent to the U.S. Department of Commerce (SE) can be found at <https://www.gob.mx/se/> and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at <https://www.gob.mx/salud>. 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.

**Other Relevant Reports Submitted by FAS Mexico:**

<b>Report Number</b>	<b>Title of Report</b>
<a href="#">MX8000</a>	Mexico Modifies TRQs for Rice, Beef, Lemons, Onions, and Poultry Meat
<a href="#">MX8007</a>	Mexico Poultry Semi-Annual
<a href="#">MX8034</a>	The Phasing In Of Mexican Retaliatory Tariffs
<a href="#">MX8035</a>	Mexico Poultry Annual