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Report Highlights:

Calendar year 2020 has been an atypical year in Mexico for all dairy commodities. Production is growing at a steady pace, pushing milk producers to use their oversupply to produce more cheese and dairy products. Imports are suffering, as the adverse macroeconomic situation continues due to low oil revenues, pandemic measures, and a weak currency. In March and April, Mexico saw a steep decline in its dairy imports, as households' shopping behavior was most constrained. In April and subsequent months, e-commerce substantially grew and some in-person retail economic activity returned, helping dairy imports rebound in June and July. Calendar year 2021 is expected to benefit all dairy products, as Mexico's hotel, restaurant, and institutional (HRI) sector reopens and home delivery, take-away, and other retail solutions grow.

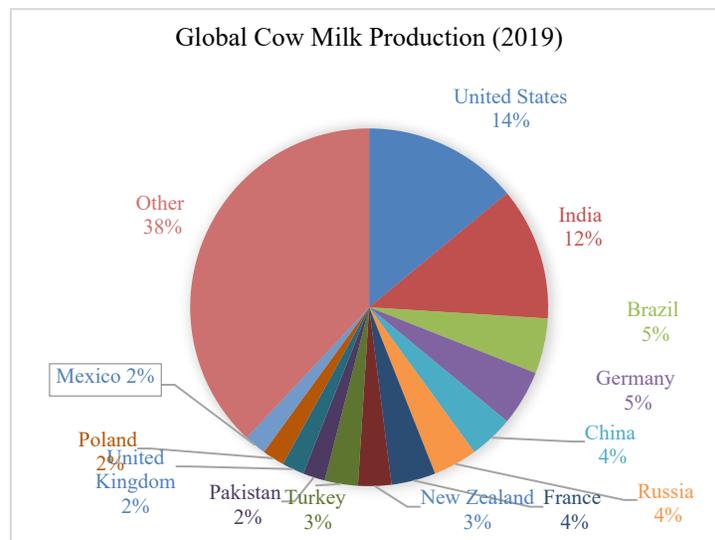
COMMODITIES:

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

DAIRY, MILK, FLUID

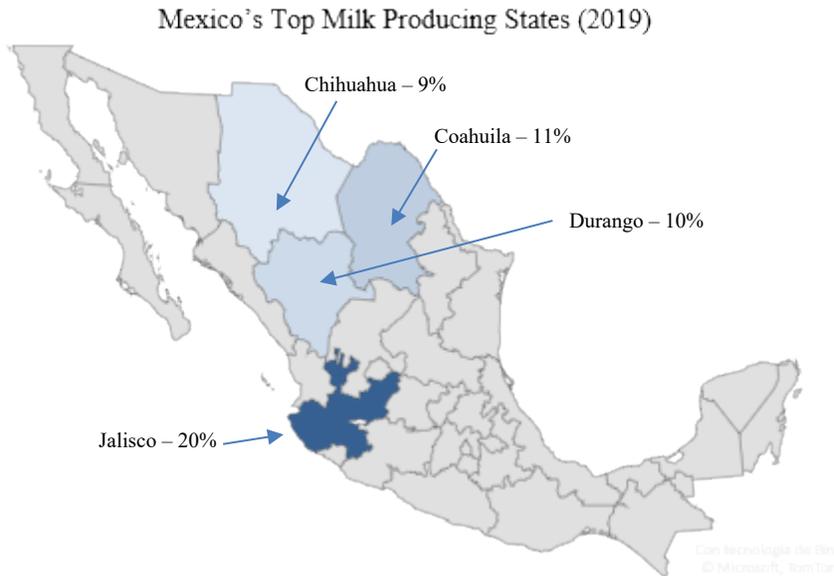
Production

For 2020, Post maintains its estimate for Mexico’s milk production forecast at 12.75 million MT, showing slight growth in the sector over the previous year. For 2021, Post forecasts Mexico’s milk production at 12.9 million MT, on industry growth due to better herd genetics and improved technology despite adverse domestic economic conditions. Mexico’s Agricultural Secretariat (SADER) ranks Mexico as number 13 producer of cow milk in the world, with 2 percent of global production.



Source: Agricultural Statistics Service (SIAP)

Mexico’s milk production is concentrated in four states, according to 2019 official data. Jalisco is the main milk producer, with over 20 percent of national production. Coahuila produced 11 percent. Durango produced 10 percent. Chihuahua produced over 9 percent. These states represent 50 percent of total national milk production, while the remaining 50 percent is scattered in the other 27 states and federal district.

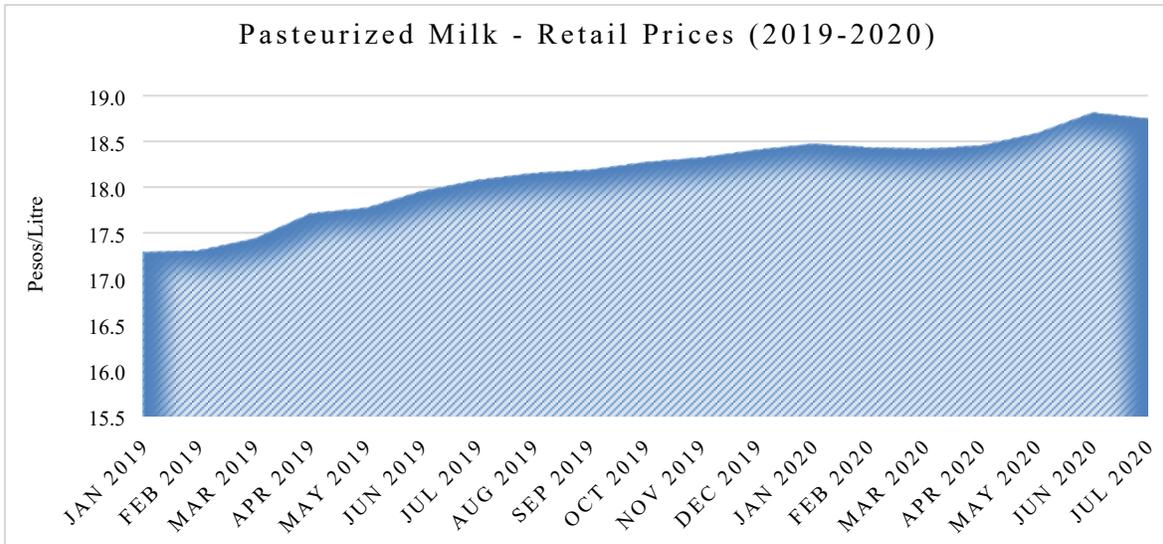


In 2020, Mexico has seen declining gross domestic product (GDP) growth compared to 2019, according to the World Bank, with added shrinkage to foreign investment. Absent major improvements in Mexico's economic and fiscal strategies, Mexico's agricultural economy will be challenged to show significant growth in the near future. One bright spot lies in Mexico's growth in animal feed production, which saw a 4.1-percent year-over-year increase to end at 36.5 million MT in 2019. The National Association of Feed Producers reports Mexico's dairy industry consumes about 16 percent of Mexico's total feed production, which in 2020 should total 38 million MT. Despite Mexico's adverse economic situation and the world's pandemic measures, grains and oilseeds imports intended for feed production or animal consumption have not decreased, allowing the animal protein production sector to grow (see [FAS Grain and Feed Update – GAIN M2020-0047](#)).

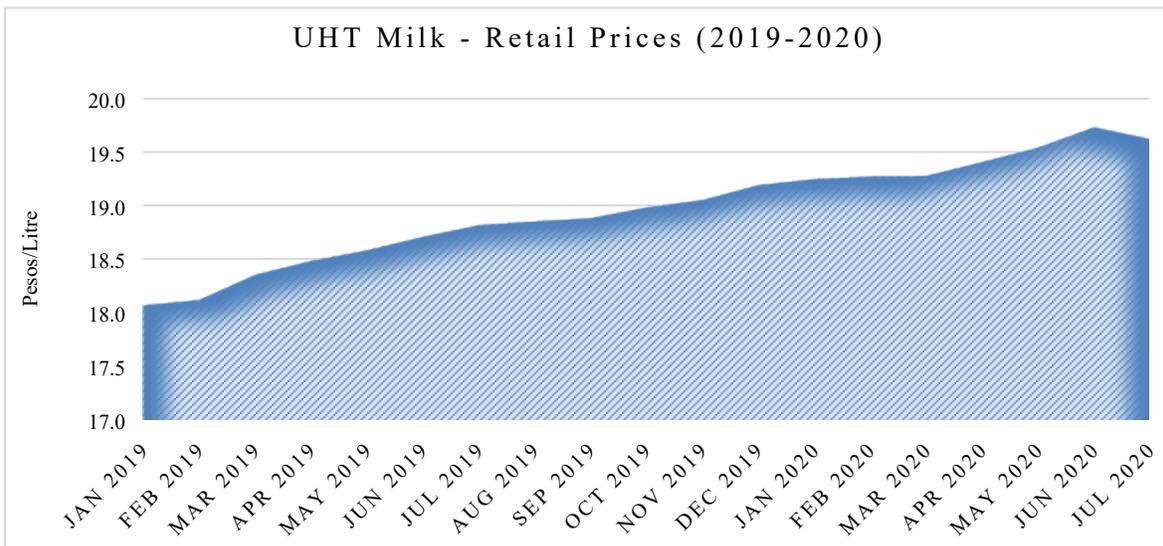
Consumption

For 2020, Post estimates Mexico's milk consumption forecast at 4.2 million MT. In 2021, Post forecasts Mexico's milk consumption at 4.18 million MT, on muted household fluid milk consumption growth compared to the previous two years. Industrial consumption of fluid milk should keep its positive upward trend, albeit at a lower pace. In 2020, Post revises Mexico's industrial milk consumption down to 8.756 million MT from its previous estimate of 8.8 million MT. In 2021, Post forecasts Mexico's industrial milk consumption at 8.760 million MT.

In 2020, Mexico's 12.7 million MT of milk production is expected to be utilized as 50–52 percent for pasteurization; 28–30 percent for cheese production; 10 percent for yogurt and other fermented products; 2 percent for butter, cream, and by-products; and 8 percent consumed by households. The increase in milk prices for the final retail consumer combined with economic stagnation and decreased household incomes should limit consumption of pasteurized milk and ultra-heat treatment (UHT) processed milk.



Source: National Market Price Database (SNIIM)



Source: SNIIM

By the end of 2020, Post estimates the price of UHT milk in Mexico could reach over 20 pesos/liter (3.52 dollars/gallon) and the price of pasteurized milk could reach over 19 pesos/liter (3.34 dollars/gallon). Considering the Mexican federal minimum wage published in the Federal Gazette is 122.23 pesos/8-hour shift (5.68 dollars/8-hour shift), UHT and pasteurized milk is becoming a less unaffordable commodity in an economy stagnating since January 2019.

Industrial consumption continues to grow despite the slowdown in the HRI sector. However, food e-commerce has spiked almost 400 percent since the pandemic measures were established in March 2020, according to Euromonitor. Consumption of comfort foods with dairy-based ingredients, bakery items, and confectionery products is helping keep industrial consumption on an upward trend.

Trade

Imports

For 2020, Post estimates Mexico's milk import forecast at 41,000 MT, as Mexico's agricultural imports declined throughout the first half (1H) of 2020. In 2021, Post forecasts Mexico's milk imports at 43,000 MT. Although Mexico depends heavily on imports to satisfy its dairy needs, imports have declined due to the adverse domestic economic crisis and pandemic measures. Extra domestically produced supplies of fluid milk, which are not purchased by the HRI sector, are being used to easily fill in gaps left by diminished imports. In 2021, the Mexican economy and milk imports are expected to see some recovery. Official trade data during the first half of 2020 show the United States was the main supplier of fluid milk to Mexico at 98-percent market share, followed by small amounts from France and New Zealand.

Exports

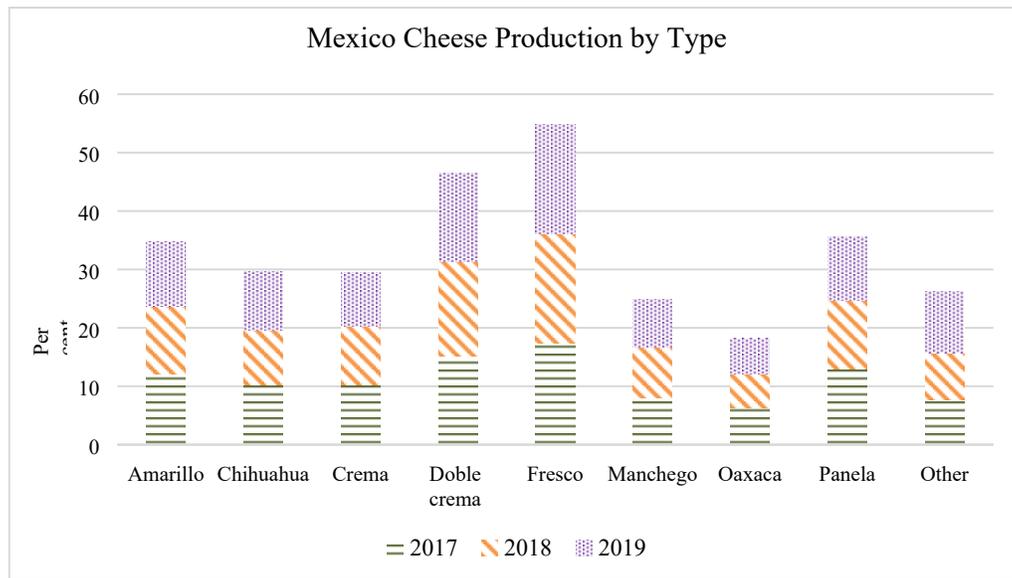
For 2020, Post estimates Mexico's fluid milk export forecast at 6,000 MT. In 2021, Post forecasts Mexico's milk exports at 8,000 MT. As Mexico continues to use its milk production to satisfy domestic demand and import numbers remain low, exports will be affected. Guatemala is the main destination for Mexican fluid milk exports, followed by Belize. The United States bounced back as the third most important export destination for Mexico's fluid milk after a record low in 2019, with less than 899 MT followed by a slow first quarter in 2020. As of July 2020, exports to the United States are 1,198 MT.

Dairy, Milk, Fluid Market Year Begins Mexico	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1,000 HEAD)	6,500	6,500	6,500	6,550	0	6,600
Cows Milk Production (1,000 MT)	12,650	12,650	12,750	12,750	0	12,900
Other Milk Production (1,000 MT)	170	170	171	171	0	0
Total Production (1,000 MT)	12,820	12,820	12,921	12,921	0	12,900
Other Imports (1,000 MT)	39	39	35	41	0	43
Total Imports (1,000 MT)	39	39	35	41	0	43
Total Supply (1,000 MT)	12,859	12,859	12,956	12,962	0	12,943
Other Exports (1,000 MT)	8	8	9	6	0	8
Total Exports (1,000 MT)	8	8	9	6	0	8
Fluid Use Dom. Consum. (1,000 MT)	4,190	4,190	4,145	4,200	0	4,175
Factory Use Consum. (1,000 MT)	8,661	8,661	8,802	8,756	0	8,760
Feed Use Dom. Consum. (1,000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1,000 MT)	12,851	12,851	12,947	12,956	0	12,935
Total Distribution (1,000 MT)	12,859	12,859	12,956	12,962	0	12,943
(1,000 HEAD), (1,000 MT)						

DAIRY, CHEESE

Production

For 2020, Post estimates Mexico's cheese production forecast at 445,000 MT. For 2021, Post forecasts Mexico's cheese production at 450,000 MT. Domestic production has grown thanks to an abundance of fluid milk. As exports decline and household fluid milk consumption decreases, producers are processing fluid milk oversupply into cheese. The main type of cheeses produced in Mexico are considered soft/fresh cheeses, such as *fresco*, *doble crema*, *panela*, *amarillo*, *crema*, *chihuahua*, *manchego*, and *Oaxaca*.



Source: National Association of Industrial Dairy Producers (CANILEC)

Artisan producers have benefited from cheese production growth, as e-commerce has presented an expanded opportunity to market their products. According to Euromonitor, e-commerce for comfort food has grown close to 400 percent and e-commerce for retail products has grown over 300 percent. It is in these sales niches that Mexican cheese has found a way of increasing market share.

Consumption

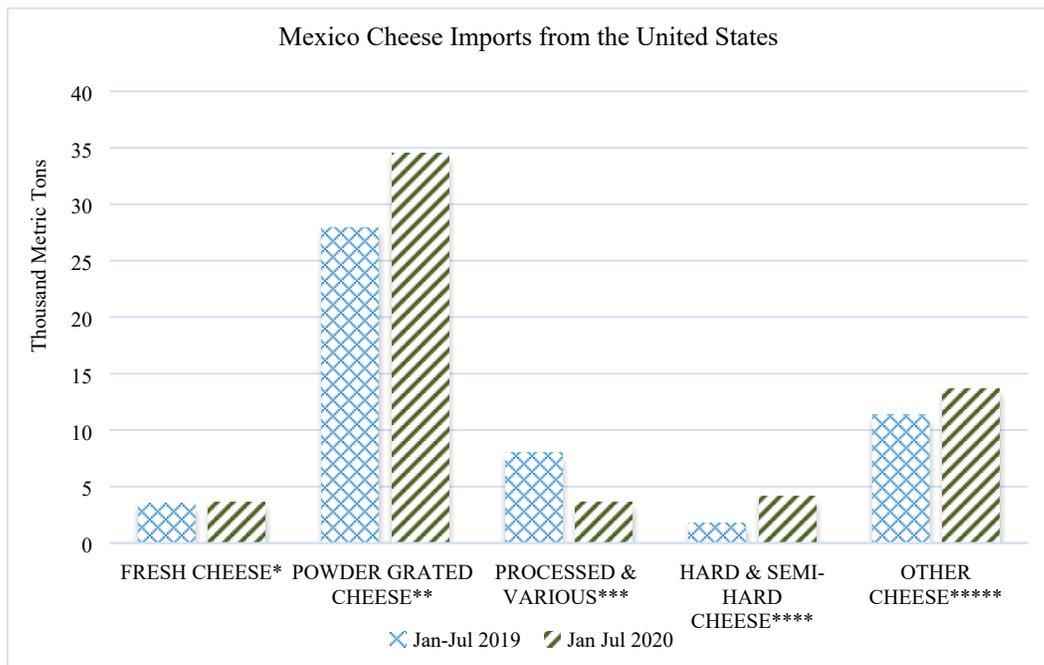
For 2020, Post estimates Mexico's cheese consumption forecast at 564,000 MT, up 14,000 MT from the previous estimate. In 2021, Post forecasts Mexico's cheese consumption at 572,000 MT. Although March and April 2020 saw dramatic decreases in Mexico's cheese consumption due to ongoing macroeconomic hiccups and pandemic-related shuttering of the HRI sector, consumption has begun to recuperate through the summer and fall as consumers eat at home more. Household cooking and ordering food delivery is driving growing demand for grocery food products, such as cheese.

Cheese is a popular ingredient in Mexican cuisine. With more than twenty varieties of local cheeses, cheese is an important source of protein for Mexican consumers. The National Institute for Statistics (INEGI) reports the average Mexican consumer eats almost 6 kilograms (13.2 pounds) of cheese per year. The typical Mexican consumer prefers soft, mildly flavored cheeses, which have the added benefit of being more affordable than strong flavor cheeses. In Mexico, an average household allocates 29.4 percent of its spending on food, beverages, and tobacco; of that total, 9.52 percent corresponds to the purchase of dairy products, of which 24 percent is destined to the consumption of cheeses, according to INEGI.

Trade

Imports

For 2020, Post estimates Mexico’s cheese import forecast at 129,000 MT, an increase of 3,000 MT from the previous estimate. For 2021, Post forecasts Mexico’s cheese imports at 132,000 MT. In 2020, Mexico’s economic and pandemic woes negatively affected its cheese imports, but not as deeply or negatively as expected. In a given year, approximately 60 percent of Mexico’s cheese imports go to foodservice and 40 percent to retail. In March and April, during the full closure of the HRI sector, cheese imports did plummet. However, in May 2020, cheese imports began to grow as e-commerce and food delivery help service a rising retail demand for cheese and cheese-based products. Unexpectedly, cheese imports from the United States spiked to 13,000 MT in June 2020 compared to 7,500 MT in June 2019. As of July 2020, the dairy industry reports a 13-percent increase in U.S. cheese imports compared to the same period in 2019. The United States is the dominant supplier of cheese exports to Mexico, with 78-percent market share, followed by the Netherlands at 9 percent.



*Fresh cheese includes mozzarella, cream cheese, cottage cheese, and mascarpone.
 **Powder and grated cheese includes mozzarella, parmesan, and all other types shredded and grated.
 ***Processed and various includes processed cheese, fondue cheese, blue cheese, gouda, colonia cheese, reggiano, and egmont.
 ****Hard and semi hard includes gouda, edam, emmental, and cheddar.
 *****Other cheese includes monterey jack, cheddar, gouda, swiss cheese, provolone, muenster, colby, marble jack, pepper jack, brie, camembert, asiago and other assorted cheese types not listed above.
 Source: Economy Secretariat

Exports

For 2020, Post estimates Mexico’s cheese export forecast at 10,000 MT. For 2021, Post forecasts Mexico’s milk exports at 10,000 MT, remaining flat as Mexico is forecast to experience one of its greatest economic growth declines in decades. The United States maintains the top spot as Mexico’s cheese export destination, followed by Chile at 10 percent, Guatemala at 7 percent, and Peru at 3 percent. In March and April 2020, when the pandemic was first adversely affecting U.S. industry, Mexico was able to increase cheese exports northbound until U.S. plants reopened. This, along with a cheaper Mexican peso, provided a small export boost to Mexico’s dairy industry during an unfavorable domestic economic situation.

Dairy, Cheese Market Year Begins Mexico	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	437	437	438	445	0	450
Other Imports (1,000 MT)	126	124	120	129	0	132
Total Imports (1,000 MT)	126	124	120	129	0	132
Total Supply (1,000 MT)	563	561	558	574	0	582
Other Exports (1,000 MT)	7	9	9	10	0	10
Total Exports (1,000 MT)	7	9	9	10	0	10
Human Dom. Consumption (1,000 MT)	556	552	549	564	0	572
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1,000 MT)	556	552	549	564	0	572
Total Use (1,000 MT)	563	561	558	574	0	582
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	563	561	558	574	0	582
(1,000 MT)						

DAIRY, BUTTER

Production

For 2020, Post estimates Mexico’s butter production at 234,000 MT. For 2021, Post forecasts Mexico’s butter production at 235,000 MT. This dairy commodity is also being affected by the adverse economic conditions in Mexico, as well as sanitary pandemic measures. The HRI sector has been most affected by this situation, with the bakery and confectionary sector keeping demand and use slightly positive.

Consumption

For 2020, Post estimates Mexico’s butter consumption forecast at 272,000 MT. For 2021, Post forecasts Mexico’s butter consumption at 275,000 MT. Household consumption should grow, albeit at a very slow pace as butter overcomes competition from plant-based substitutes (margarine) that are perceived as healthier and linked to a more fit lifestyle. Industrial processors (e.g., bakery and confectionary sectors), however, will consume the bulk of Mexico’s butter production and imports.

Trade

Imports

For 2020, Post estimates Mexico’s butter import forecast at 48,000 MT. For 2021, Post forecasts Mexico’s butter imports at 50,000 MT. March and April 2020 saw dramatic butter import declines, but June and July imports eventually compensated for that dip. As the e-commerce and comfort food sales grew during the pandemic shutdown period, industrial processors have required a steady supply of butter imports to complement domestic butter production. Overall, however, the demand gap left by the closure of the HRI sector will keep import numbers lower in 2020 compared to 2019. In 2019, Mexico sourced 77 percent of its butter imports from New Zealand, followed by the United States at 16 percent. As of July 2020, New Zealand remains Mexico’s top butter provider, with the United States ranked second, and the Netherlands growing its market share. Regarding Mexico’s butter (not butterfat, as previously mentioned) imports, the United States leads with 41-percent market share, followed by New Zealand with 38-percent market share, and France with 14-percent market share.

Exports

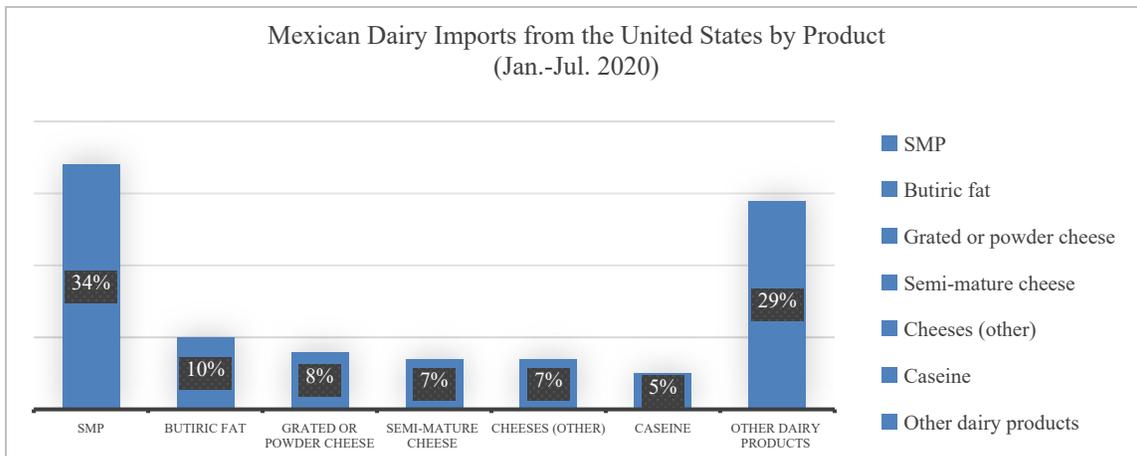
For 2020, Post estimates Mexico’s butter export forecast at 10,000 MT. For 2021, Post forecasts Mexico’s butter exports at 10,000 MT, as adverse economic conditions have diminished domestic export activities for this commodity. The United States is the top export destination for Mexican butter with 97-percent market share followed, by Cuba and Italy.

Dairy, Butter Market Year Begins Mexico	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	231	231	232	234	0	235
Other Imports (1,000 MT)	59	58	40	48	0	50
Total Imports (1,000 MT)	59	58	40	48	0	50
Total Supply (1,000 MT)	290	289	272	282	0	285
Other Exports (1,000 MT)	13	13	13	10	0	10
Total Exports (1,000 MT)	13	13	13	10	0	10
Domestic Consumption (1,000 MT)	277	276	259	272	0	275
Total Use (1,000 MT)	290	289	272	282	0	285
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	290	289	272	282	0	285
(1,000 MT)						

In order to have a clearer view of U.S. dairy trade with Mexico, the two graphics below show other dairy products imported by Mexico from the United States.

Mexican Imports of U.S. Dairy Product	Jan.-Jul. 2019	Jan.-Jul. 2020
	(MT)	(MT)
Fresh Milk and Cream	23,583	18,768
Evaporated Milk	0	0
Condensed Milk	300	255
Yogurt	2,259	1,592
Lactose	30,101	21,412
Dairy Blends	35	1,678
Whey Products	48,898	33,641
Ice Cream	17,350	15,860
Infant Food - Dairy Based	11,807	9,409
Beverages Cont. Milk	2,847	1,288
Casein / Caseinates	57	29

Source: Economy Secretariat and CANILEC



Source: Economy Secretariat and CANILEC

DAIRY, MILK, NONFAT DRY

Production

For 2020, Post estimates Mexico's nonfat dry milk, or skim milk powder (SMP) production at 43,000 MT. For 2021, Post forecasts Mexico's SMP production at 44,000 MT. In 2020, SMP production is expected to be lower than 2019, even though fluid milk production grew in 2020. Many producers are processing milk into cheese but not dehydrating it to SMP or whole milk powder as Mexico has only a handful of dehydrating facilities and they are working at a very low capacity. As stated in previous reports, Mexico's milk producers prefer to market fluid milk rather than invest in dehydration facilities. Federal social programs, such as Guaranteed Prices and LICONSA milk distribution, promote this trend, as the federal government purchases fluid milk and there are no government incentives for milk powder production.

Consumption

For 2020, Post estimates Mexico's SMP consumption forecast at 362,000 MT. In 2021, Post forecasts Mexico's SMP consumption at 359,000 MT. As pandemic measures were rolled out in Mexico, both household and industrial SMP consumption spiked through e-commerce and an increase in comfort foods. For extra income, some households even resorted to baking and selling homemade products, increasing household use of SMP. In 2020, household SMP use is expected to be unusually high. In 2021, if public activities resume, Mexicans return to their physical workplaces, or even find new jobs, national SMP consumption is expected to stabilize. As sport activities and gyms open up, consumers could return to seeking healthier diets and may consume less comfort foods and bakery products. However, industrial SMP demand will continue for products such as baby formulas, dietary supplements, and others.

Trade

Imports

For 2020, Post estimates Mexico's SMP import forecast at 355,000 MT. In 2021, Post forecasts Mexico's SMP imports at 360,000 MT. Mexico continues to heavily depend on SMP imports in order to supply national demand, but as adverse domestic economic conditions continue and Mexico's milk powder exports are also stifled, there is enough SMP availability in Mexico and less need for SMP imports. As discussed, March and April saw a steep decrease in all dairy imports, including SMP; however, those SMP import figures recovered by late May, June, and July. The United States continues to be the main SMP supplier to Mexico at 99-percent market share.

Exports

For 2020, Post estimates Mexico's SMP export at 36,000 MT. In 2021, Post forecasts Mexico's SMP exports at 45,000 MT. Central American countries remain the main destinations for Mexico's SMP exports. Those export markets are price sensitive and individual country demand can change depending on currency fluctuations. In 2020, as Mexico's GDP growth dropped below negative 10 percent, SMP exports greatly suffered. In 2021, even with some Mexican economic recovery, SMP exports are expected to resume at a slow pace.

Dairy, Milk, Nonfat Dry Market Year Begins Mexico	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	44	44	45	43	0	44
Other Imports (1,000 MT)	361	360	350	355	0	360
Total Imports (1,000 MT)	361	360	350	355	0	360
Total Supply (1,000 MT)	405	404	395	398	0	404
Other Exports (1,000 MT)	0	65	0	36	0	45
Total Exports (1,000 MT)	0	65	0	36	0	45
Human Dom. Consumption (1,000 MT)	405	339	395	362	0	359
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1,000 MT)	405	339	395	362	0	359
Total Use (1,000 MT)	405	404	395	398	0	404
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	405	404	395	398	0	404
(1,000 MT)						

DAIRY, DRY WHOLE MILK POWDER (WMP)

Production

For 2020, Post estimates WMP production forecast at 121,000 MT. For 2021, Post forecasts WMP production at 122,000 MT. Domestic production remains almost flat due to the lack of dehydrating facilities and the persistent trend of Mexican producers to market fluid milk. These marketing actions are motivated by existing social programs, like LICONSA, that incentivize marketing fluid milk.

Consumption

For 2020, Post estimates Mexico's WMP consumption at 111,000 MT. In 2021, Post forecasts Mexico's WMP consumption at 113,000 MT. The bakery and confectionary sectors lead WMP consumption in Mexico. However, other sectors growing their WMP consumption include those manufacturing fortified milks, novelty dairy based drinks, and even milk substitutes.

Trade

Imports

For 2020, Post estimates Mexico's WMP imports at 4,000 MT. For 2021, Post forecasts Mexico's WMP imports at 6,000 MT. Even though Mexico depends heavily on skim milk imports to supply national demand, Mexico's decrease in milk powder exports allows more WMP to remain in the national supply, lowering some of the need for imports. In the first half of 2020, Mexico imported approximately 15-percent less WMP from the United States than in the first six months of 2019. Mexico's adverse domestic economic situation, unfavorable fluctuating currency exchange rates, and increased domestic availability resulted in less WMP imports. The United States is the main supplier of WMP to Mexico, followed by New Zealand and Uruguay

Exports

In 2020, Post estimates Mexico's WMP export at 14,000 MT. In 2021, Post forecasts Mexico's WMP exports at 15,000 MT. In 2021, Mexico's WMP exports will continue to struggle, even though the Mexican economy is expected to begin to improve, and domestic consumption will utilize existing WMP supplies. The United States remains Mexico's main WMP export destination with 52-percent market share, followed by Colombia, Cuba, Venezuela, Belize, and Guatemala. WMP exports to the Americas are mostly driven by price opportunities.

Dairy, Dry Whole Milk Powder Market Year Begins Mexico	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	121	120	122	121	0	122
Other Imports (1,000 MT)	3	4	7	4	0	6
Total Imports (1,000 MT)	3	4	7	4	0	6
Total Supply (1,000 MT)	124	124	129	125	0	128
Other Exports (1,000 MT)	17	16	17	14	0	15
Total Exports (1,000 MT)	17	16	17	14	0	15
Human Dom. Consumption (1,000 MT)	107	108	112	111	0	113
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1,000 MT)	107	108	112	111	0	113
Total Use (1,000 MT)	124	124	129	125	0	128
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	124	124	129	125	0	128
(1,000 MT)						

POLICY

New Food Labeling Regulation

In March 2020, Mexico's final rule for Front of Pack Labeling (FOPL), [NOM-051-SCFI/SSA1-2010](#), was published, establishing October 2020 as the deadline for all food products, including dairy, to include nutritional warning signs on their products' FOPL. An extension was issued from October 1 to November 30, in order for products complying and not complying to be displayed for retail, in an attempt to help big producers with ending stocks. However, most retail stores and officials at points of entry are already asking that food products comply with the regulation. For more details, consult [FAS GAIN MX2020-0056](#).

Mexico's Regulations for Dairy Products

As previously reported in FAS GAIN MX9019, FAS GAIN MX2019-0026 and FAS GAIN MX2020-0024, Mexico published three new official regulatory norms (*Norma Oficial Mexicana*, or NOMs) for cheese, milk powder, and yoghurt in Mexico's Federal Gazette (*Diario Oficial de la Federación* or *DOF*) – hyperlinks follow. [NOM-181](#), [NOM-222](#), and [NOM-223](#) aim to modernize standards to improve quality, curb adulteration, and provide standardization in the dairy sector. In 2020, these NOMs regulating standards and conformity assessment procedures for those products are in effect.

Guaranteed Prices and Social Programming

After coming into office, the López Obrador presidential administration launched its Guaranteed Prices Program (*Programa de Precios de Garantía*), which provides Mexico's small- and medium-sized milk producers with the certainty of having base prices and a market to sell their milk. However, many producers have stated that the programs have not been sufficient to increase production from small and medium producers. Other financial supports initially extended to small producers have been eliminated or dramatically decreased for livestock and dairy producers. One such program, the Livestock Credit Program (*Credito Ganadero a la Palabra*) is being completely eliminated.

Attachments:

No Attachments