Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 5/15/1999

GAIN Report #MX9053

Mexico

Dairy, Livestock and Poultry

Mexico's Milk Production Up in 1999

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Report Highlights:
Mexico's fluid milk production will be up in 1999. Nonetheless, imports of milk powder will remain stable in the near-term for both the government and the private sector. With the closing of CONASUPO, the government's food program agency, LICONSA, will directly conduct its own milk powder imports for its social programs. All other milk powder imports will likely be allocated to traditional private sector users through a permit auction system. These procedures are still in the fine-tuning stage, but are expected to be officially published in the Diario Oficial (Federal Register) sometime during May, 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Mexico [MX1], MX

SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook : Mexico’s consumer boom during the first 10 months of 1998 slacked-off considerably in November as higher interest rates, a weakening currency and a domestic fuel price increase reduced the population’s disposable income. The volatility of international financial markets dampened the Mexican economy. Interest rates increased and the peso weakened after Russia defaulted on some of its debt in August 1998, causing a reduction in consumer confidence.

Last year’s reduced oil revenues forced three government budget cuts totaling more than US$3.3 billion, and the projections of 1999 oil revenues were revised down to US$9.25 per barrel from US$11.50. Mexico’s 1999 budget includes 1 percent monthly increases in gasoline prices. These will amount to a yearly increase of 12.7 percent for calendar year 1999. If, however, November 1998's 15 percent increase is included, gasoline prices will have increased 29.6 percent for the 13½ months period (November 1998 - December 1999). This, along with the elimination of subsidies to corn tortillas, will make the Mexican government’s goal of 13 percent inflation for 1999 a major challenge.

Nonetheless, recently higher petroleum prices and the current strength of the Mexican peso against the dollar would tend to indicate that the economy is improving. For Mexico, the fallout from January’s collapse of the Brazilian real has proved less severe than expected, and the domestic market appears to be on the mend. The real, which slumped to a low of 2.20 against the dollar, has now recovered to 1.66 and Brazil has returned successfully to the international bond market. This swift recovery is obviously encouraging, as is the fact that other Latin American economies have not been affected.

As a result, most local economists view the 1999 economic outlook more favorably than before. These same pundits expect that, once the official figures for the first quarter are released, the second quarter will pause as international investors wait to see if the currently strong peso will translate into higher retail sales over the course of the year.

Dairy Situation and Outlook: The forecast for Mexican production of fluid milk in 1999 is revised upward, despite the fact that production costs are increasing at a more rapid pace than producer prices. The use of state of the art technology and improved herd management by large dairies have resulted in higher milk production per cow. This increased production is offsetting lower output from medium and small sized dairy farms which continue to face financial problems due to current economic uncertainties. Fluid milk production from tropical areas continues to be affected by weather conditions. Estimated NFDM imports for 1998 are revised downward due to reduced demand by private processors, but the 1999 forecast remains at 130,000 MT. The Government of Mexico, through LICONSA, will continue to supply subsidized rehydrated milk to low income classes, as in past years. The cheese import estimates are also revised downward for both 1998 and 1999 due to improved domestic production. Butter fat imports sharply increased in 1997 and 1998, and are expected to continue this trend in 1999 because of the inability of domestic production to meet demand. Yoghurt imports declined in 1998 and are not expected to recover in 1999 since domestic processors are successfully meeting product demand previously met by imports.

SECTION II. STATISTICAL TABLES

PS&D Dairy, Milk, Fluid

(1000 Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Dairy, Milk, Fluid**					
	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1997**		**01/1998**		**01/1999**	
Cows In Milk	6500	6500	6600	6600	6700	6700
Cows Milk Production	7850	7850	8000	8366	8050	8500
Other Milk Production	150	150	150	150	150	150
TOTAL Production	8000	8000	8150	8516	8200	8650
Intra EC Imports	0	0	0	0	0	0
Other Imports	52	52	50	29	50	20
TOTAL Imports	52	52	50	29	50	20
TOTAL SUPPLY	8052	8052	8200	8545	8250	8670
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	3552	3552	3600	3745	3600	3800
Factory Use Consum.	4500	4500	4600	4800	4650	4870
Feed Use Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	8052	8052	8200	8545	8250	8670
TOTAL DISTRIBUTION	8052	8052	8200	8545	8250	8670

PS&D Dairy, Cheese

(1000 Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Dairy, Cheese**					
	1997		**1998**		**1999**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1997**		**01/1998**		**01/1999**	
Beginning Stocks	0	0	0	0	0	0
Production	112	112	115	127	117	130
Intra EC Imports	0	0	0	0	0	0
Other Imports	25	25	30	28	28	25
TOTAL Imports	25	25	30	28	28	25
TOTAL SUPPLY	137	137	145	155	145	155
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	137	137	145	155	145	155
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	137	137	145	155	145	155
TOTAL Use	137	137	145	155	145	155
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	137	137	145	155	145	155

PS&D Dairy, Butter

(1000 Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Dairy, Butter**					
	1997		**1998**		**1999**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1997**		**01/1998**		**01/1999**	
Beginning Stocks	0	0	0	0	0	5
Production	13	45	15	55	15	60
Intra EC Imports	0	0	0	0	0	0
Other Imports	11	25	15	25	15	20
TOTAL Imports	11	25	15	25	15	20
TOTAL SUPPLY	24	70	30	80	30	85
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	2	0	1	0	2
TOTAL Exports	0	2	0	1	0	2
Domestic Consumption	24	68	30	74	30	75
TOTAL Use	24	70	30	75	30	77
Ending Stocks	0	0	0	5	0	8
TOTAL DISTRIBUTION	24	70	30	80	30	85

PS&D Dairy, Milk, Nonfat Dry

(1000 Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Dairy, Milk, Nonfat Dry**					
	1997		**1998**		**1999**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1997**		**01/1998**		**01/1999**	
Beginning Stocks	55	55	55	55	55	15
Production	127	127	130	118	130	120
Intra EC Imports	0	0	0	0	0	0
Other Imports	133	133	130	102	130	130
TOTAL Imports	133	133	130	102	130	130
TOTAL SUPPLY	315	315	315	275	315	265
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	260	260	260	260	260	265
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	260	260	260	260	260	265
TOTAL Use	260	260	260	260	260	265
Ending Stocks	55	55	55	15	55	0
TOTAL DISTRIBUTION	315	315	315	275	315	265

PS&D Dairy, Dry Whole Milk Powder

(1000 Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Dairy, Dry Whole Milk Powder**					
	1997		**1998**		**1999**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1997**		**01/1998**		**01/1999**	
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	41	41	40	46	42	45
TOTAL Imports	41	41	40	46	42	45
TOTAL SUPPLY	41	41	40	46	42	45
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	41	41	40	46	42	45
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	41	41	40	46	42	45
TOTAL Use	41	41	40	46	42	45
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	41	41	40	46	42	45

PS&D Dairy, Dried Whey

(1000 Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Dairy, Dried Whey**					
	1997		**1998**		**1999**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1997**		**01/1998**		**01/1999**	
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	55	0	67	0	60
TOTAL Imports	0	55	0	67	0	60
TOTAL SUPPLY	0	55	0	67	0	60
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	0	55	0	67	0	60
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	0	55	0	67	0	60
TOTAL Use	0	55	0	67	0	60
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	55	0	67	0	60

Table I
MEXICO: PRODUCTION OF FLUID MILK
BY SELECTED STATES 1997 - 1998
(000 LITERS)

STATES	1997	1998	%Change
AGUASCALIENTES	348,013	372,822	7.1
BAJA CALIFORNIA	185,061	196,878	6.4
BAJA CALIFORNIA SUR	25,509	27,758	8.8
CAMPECHE	18,730	18,982	1.3
COAHUILA	723,711	789,904	9.1
COLIMA	36,701	37,240	1.5
CHIAPAS	192,046	275,760	4.4
CHIHUAHUA	630,103	698,310	10.8
MEXICO CITY	11,352	17,283	5.2
DURANGO	743,440	817,256	9.9
GUANAJUATO	586,475	605,364	3.2
GUERRERO	58,714	69,472	1.8
HIDALGO	335,273	345,998	3.2
JALISCO	1,231,283	1,251,504	1.6
MEXICO	416,608	423,085	1.6
MICHOACAN	279,543	283,995	1.6
MORELOS	12,866	12,869	0
NAYARIT	51,067	42,625	(19.8)
NUEVO LEON	31,766	36,573	15.1
OAXACA	132,254	143,463	8.5
PUEBLA	283,292	355,812	2.6
QUERETARO	158,853	172,803	8.8
QUINTANA ROO	3,567	3,965	1.1
SAN LUIS POTOSI	264,229	269,694	2.1
SINALOA	55,091	82,690	50.1
SONORA	87,751	102,101	16.4
TABASCO	85,800	83,978	9.8
TAMAULIPAS	23,895	22,591	(5.8)
TLAXCALA	89,988	91,774	2.0
VERACRUZ	596,024	566,187	(5.3)
YUCATAN	13,752	12,505	(10.0)
ZACATECAS	135,348	134,584	(0.6)
TOTAL	7,848,105	8,365,825	9.4

SOURCE: Agriculture Secretariat (SAGAR)

Table II
MEXICO’S MONTHLY FLUID MILK PRODUCTION (000 LITERS)

MONTH	1997	1998	% Change
JANUARY	561,012	603,999	7.7

FEBRUARY	584,212	610,067	4.4
MARCH	584,784	646,919	10.6
APRIL	588,481	641,839	9.1
MAY	628,289	654,625	4.2
JUNE	648,357	696,561	7.4
JULY	722,114	760,278	5.3
AUGUST	771,387	808,973	4.9
SEPTEMBER	778,025	801,317	3.0
OCTOBER	712,391	772,962	8.5
NOVEMBER	651,227	695,155	6.7
DECEMBER	617,826	673,130	8.9
TOTAL	7,848,105	8,365,825	6.6

SOURCE: Agriculture Secretariat (SAGAR)

Table III
AVERAGE MILK PRICE PAID TO PRODUCERS IN MEXICO
(PESOS PER LITER)

Month	1997	1998	Var.%
January	2.02	2.27	12.4
February	2.03	2.30	13.3
March	2.04	2.23	9.3
April	2.08	2.30	10.6
May	2.09	2.27	8.6
June	2.07	2.26	9.2
July	2.08	2.26	8.7
August	2.08	2.34	12.5
September	2.09	2.33	11.5
October	2.10	2.34	11.4
November	2.11	2.41	14.2
December	2.12	2.45	15.6
NATIONAL AVERAGE	2.08	2.31	11.4

SOURCE: Agriculture Secretariat (SAGAR)
Current exchange rate (May 10, 1999) U.S. $1 = 9.55 pesos.

Table IV
MEXICAN REQUIREMENTS FOR DAIRY PRODUCT IMPORTS 1999

PRODUCT	Tariff No.	Duty % U.S. Only	Duty % Others

Milk & cream not exceeding 1% fat in hermetically sealed containers	0401.10.01	4	10
Other milk and cream not exceeding 1% fat	0401.10.99	4	10
Milk and cream from 1 to 6% fat in hermetically sealed containers	0401.20.01	4	10
Other milk and cream between 1 and 6% fat	0401.20.99	4	10
Milk and cream exceeding 6% fat in hermetically sealed containers	0401.30.01	4	10
Other milk and cream exceeding 6% fat	0401.30.99	4	10
Milk powder not exceeding 1.5% fat	0402.10.01	105.6	128
Other milk powder not exceeding 1.5% fat	0402.10.99	4	10
Milk powder exceeding 1.5% fat	0402.21.01	105.6	128
Other milk powder exceeding 1.5% fat	0402.21.99	4	10
Other milk powder	0402.29.99	8	20
Evaporated milk	0402.91.01	8	45
Other evaporated milk	0402.91.99	8	20
Condensed milk	0402.99.01	6	20
Other condensed milk	0402.99.99	8	20
Fresh cheese	0406.10.01	16	125
Powdered grated cheese	0406.20.01	8	20
Processed cheese	0406.30.01	8	125
Other processed cheese	0406.30.99	8	125
Blue cheese	0406.40.01	8	20
Sardo cheese	0406.90.01	8	20
Reggiano cheese	0406.90.02	8	20
Colonia cheese	0406.90.03	8	125
Various hard and semi-hard cheese	0406.90.04	8	20
Petit suisse, 68-70% moisture, fat 30-32%	0406.90.05	8	125
Egmont, maximum moisture 40%, fat 45%	0406.90.06	8	45
Other cheese	0406.90.99	8	125
Butter in packages less than 1 kg.	0405.10.01	8	20
Other butter	0405.10.99	8	20
Dairy spreads	0405.20.01	8	20
Butter fat, dehydrated	0405.90.01	8	0
Yoghurt	0403.10.01	8	20
Milk whey, other	0403.90.99	8	20
Whey, sweetened or not, nor concentrated	0404.10.01	4	10
Whey, others	0404.10.99	4	10
Ice cream and similar products	2105.00.01	8	20

Table V
MEXICO'S DAIRY PRODUCT IMPORTS

Tariff No.	1997		1998*	
Commodity & Country of Origin	***Value***	***Volume***	***Value***	***Volume***
0401.10.01 Milk & cream not exceeding 1% fat in hermetically sealed containers(Lts.)				
U.S.	167,167	278,683	359,462	631,512
Others	0	0	0	0
Total	167,167	278,683	359,462	631,512
0401.10.99 Other milk and cream not Exceeding 1% (Lts.)				
U.S.	4,876	12,738	564	906
Others	0	0	0	0
Total	4,876	12,738	564	906
0401.20.01 Milk & cream from 1 to 6% Fat in hermetically sealed Containers (Lts.)				
U.S.	7,049,891	13,485,783	5,483,622	10,994,105
Others	3,190	6,419	0	0
Total	7,053,081	13,492,202	5,483,622	10,994,105
0401.20.99 Other milk & cream between 1 and 6% fat (Lts.)				
U.S.	9,504,393	29,844,395	3,465,552	8,881,413
Others	0	0	0	0
Total	9,504,393	29,844,395	3,465,552	8,881,413
0401.30.01 Milk & cream exceeding 6% fat in hermetically sealed containers (Lts.)				
U.S.	1,833,367	3,307,047	2,919,010	5,864,353
Others	16	50	73,003	41,279
Total	1,833,383	3,307,097	2,992,013	5,905,632
0401.30.99 Other milk & cream exceeding 6% (Lts.)				
U.S.	3,202,390	2,980,305	393,963	218,303
Others	1,085,439	452,648	728	65
Total	4,287,829	3,432,953	394,691	218,368
0402.10.01 Milk powder not exceeding 1.5% fat (Kgs.)				
U.S.	15,527,299	6,607,266	56,838,849	36,583,164
Others	279,699,363	120,083,667	80,722,620	48,059,828
Total	295,226,662	126,690,933	137,561,469	84,642,992
0402.10.99 Other milk powder not exceeding 1.5% fat (Kgs.)				

U.S.	2,181	315	0	0
Others	4,338,132	1,210,510	3,731,948	1,209,095
Total	4,340,313	1,210,825	3,731,948	1,209,095
0402.21.01 Milk powder exceeding 1.5% fat (Kgs.)				
U.S.	735	184	0	0
Others	69,446,899	29,715,252	81,112,033	41,743,656
Total	69,447,634	29,715,436	81,112,033	41,743,656
0402.21.99 Other milk powder exceeding 1.5% fat (Kgs.)				
U.S.	16,079	5,463	16,671	3,639
Others	0	0	31,915	7,255
Total	16,079	5,463	48,586	10,894
0402.29.99 Other milk powder (Kgs.)				
U.S.	43,391	8,929	97,301	19,972
Others	0	0	0	0
Total	43,391	8,929	97,301	19,972
0402.91.01 Evaporated milk (Kgs.)				
U.S.	446,376	348,756	373,597	281,592
Others	0	0	0	0
Total	446,376	348,756	373,597	281,592
0402.91.99 Other evaporated milk (Kgs.)				
U.S.	26,636	23,688	19,030	17,584
Others	243	20	0	0
Total	26,879	23,708	19,030	17,584
0402.99.01 Other evaporated milk (kgs.)				
U.S.	26	6	2,975	666
Others	48,190	36,934	54,521	46,740
Total	48,216	36,940	57,496	47,406
0402.99.99 Other condensed milk (Kgs.)				
U.S.	40,675	58,738	56,491	66,213
Others	0	0	25	14
Total	40,675	58,738	56,516	66,227
0406.10.01 Fresh Cheese (Kgs.)				
U.S.	1,819,253	734,670	1,855,983	789,602
Others	4,361	1,665	26,125	11,862
Total	1,823,614	736,335	1,882,108	801,464
0406.20.01 Powdered grated cheese (Kgs.)				

U.S.	7,474,835	2,003,999	7,018,402	1,637,612
Others	2,534,362	912,254	6,238,805	2,282,695
Total	10,009,197	2,916,253	13,257,207	3,920,307
0406.30.01 Processed cheese (Kgs.)				
U.S.	128,373	62,514	99,696	40,237
Others	142,321	25,599	200,417	46,755
Total	270,694	88,113	300,113	86,992
0406.30.99 Other processed cheese (Kgs.)				
U.S.	574,373	181,827	373,796	122,070
Others	633,208	169,231	1,367,072	366,662
Total	1,207,581	351,058	1,740,868	488,732
0406.40.01 Blue cheese (Kgs.)				
U.S.	42,545	6,678	92,947	15,211
Others	745,928	144,011	645,201	135,564
Total	788,473	150,689	738,148	150,775
0406.90.01 Sardo cheese (Kgs.)				
U.S.	4,506	1,048	0	0
Others	84	3	0	0
Total	4,590	1,051	0	0
0406.90.02 Reggiano cheese (Kgs.)				
U.S.	16,063	2,216	29,085	4,245
Others	1,024,483	193,787	1,355,087	266,594
Total	1,040,546	196,003	1,384,172	270,839
0406.90.03 Colonia cheese (Kgs.)				
U.S.	560,875	180,956	197,580	57,515
Others	2,224,693	734,637	728,419	222,217
Total	2,785,568	915,593	925,999	279,732
0406.90.04 Various hard & semi-hard cheeses (Kgs.)				
U.S.	1,718,872	544,533	2,455,085	806,612
Others	30,774,044	11,453,379	33,456,538	13,259,852
Total	32,492,916	11,997,912	35,911,623	14,066,464
0406.90.05 Petit suisse, 68-70% moisture, fat 30-32% minimum, protein 6% (Kgs).				
U.S.	303	197	0	0
Others	248	15	0	0
Total	551	212	0	0

0406.90.06 Egmont, maximum moisture 40%, fat 45% minimum, salt 3.9% (Kgs.)				`
U.S.	0	0	0	0
Others	2,060,591	868,449	2,675,946	1,100,176
Total	2,060,591	868,449	2,675,946	1,100,176
0406.90.99 Other cheeses (Kgs.)				
U.S.	7,138,987	2,068,871	9,255,125	2,803,591
Others	694,686	190,925	3,580,847	1,129,407
Total	7,833,673	2,259,796	12,835,972	3,932,998
0405.10.01 Butter in packages less than 1 kg. (Kgs.)				
U.S.	408,588	117,855	550,875	110,418
Others	632,987	256,265	680,608	247,128
Total	1,041,575	374,120	1,231,483	357,546
0405.10.99 Other butter (Kgs.)				
U.S.	106,971	39,214	160,385	35,338
Others	824,852	361,407	969,582	463,708
Total	931,823	400,621	1,129,967	499,046
0405.20.01 Dairy Spreads (Kgs.)				
U.S.	1,715	766	1,731	769
Others	0	0	3,101	2000
Total	1,715	766	4,832	2,769
0405.90.01 Butter Fat, Dehydrated (Kgs.)				
U.S.	9,608,278	3,459,565	3,386,840	1,645,922
Others	34,306,404	14,224,105	39,430,529	18,814,636
Total	43,914,682	17,683,670	42,817,369	20,460,558
0405.90.99 Butter fat, dehydrated (Kgs.)				
U.S.	49,782	9,664	116,407	18,040
Others	0	0	125,835	141,000
Total	49,782	9,664	242,242	159,040
0403.10.01 Yoghurt (Kgs.)				
U.S.	955,132	697,730	915,334	586,587
Others	487,858	32,991	605,232	97,495
Total	1,442,990	730,721	1,520,566	684,082
0403.90.99 Other milk whey (Kgs.)				
U.S.	1,723,254	1,055,922	1,781,179	738,606
Others	2,874,880	1,524,682	11,599,895	7,023,194

Total	4,598,134	2,580,604	13,381,074	7,761,800
0404.10.01 Whey, sweetened or not, nor concentrated (Kgs.)				
U.S.	20,967,598	41,618,607	19,299,735	33,925,886
Others	1,231,226	836,244	4,199,283	4,567,950
Total	22,198,824	42,454,851	23,499,018	38,493,836
0404.10.99 Whey, Others				
U.S.	6,892,691	5,705,877	11,243,465	10,845,968
Others	24,461	8,028	188,311	95,650
Total	6,917,152	5,713,905	11,431,776	10,941,618
0404.90.99 Other wheys (Kgs.)				
U.S.	664,102	503,270	356,376	263,650
Others	372,002	75,025	1,107,678	384,211
Total	1,036,104	578,295	1,464,054	647,861
2105.00.01 Ice cream and similar products (Kgs.)				
U.S.	10,895,574	7,793,273	12,847,052	8,591,046
Others	673,974	100,368	10,833,705	4,323,911
Total	11,569,548	7,893,641	23,680,757	12,914,957

SOURCE: Bank of Mexico and Commerce Secretariat (SECOFI)
*Data is for Jan-Nov 1998

NOTE: Value is in U.S. dollars and volume is in liters or kilograms as indicated following each product description.

Table VI
MEXICO'S DAIRY PRODUCT EXPORTS

Tariff No.	1997		1998*	
Commodity & Country of Origin	***Value***	***Volume***	***Value***	***Volume***
0401.20.01 Milk & cream from 1 to 6% Fat in hermetically sealed Containers (Lts.)				
U.S.	902	2,036	911	715
Others	247,481	503,200	203,615	423,862
Total	248,383	505,236	204,526	424,577
0401.30.01 Milk & cream exceeding 6% fat in hermetically sealed container Lts.				
U.S.	62,198	22,025	57,088	29,905
Others	45,332	22,030	340,149	592,324
Total	107,530	106,342	397,237	622,229
0402.10.01 Milk powder less than 1.5% fat (Kgs.)				

U.S.	83,453	17,228	472,523	113,829
Others	3,167,873	1,560,207	259,932	129,515
Total	3,251,326	1,577,435	732,455	243,344
0402.21.01 Milk powder exceeding 1.5% fat (Kgs.)				
U.S.	360,132	136,630	373,675	85,209
Others	35,482	12,090	18,688	3,550
Total	395,614	148,720	392,363	88,759
0402.29.99 Other milk powder (Kgs.)				
U.S.	203,014	84,909	290,492	140,981
Others	19,691	6,923	544,009	164,305
Total	222,705	91,832	834,501	305,286
0402.91.01 Evaporated milk (Kgs.)				
U.S.	3,889	2,022	3,881	1,567
Others	8,216	6,862	6,633	4,960
Total	12,105	8,884	10,514	6,527
0402.99.01 Condensed milk (Kgs.)				
U.S.	1,489,171	1,083,483	406,803	484,296
Others	829,238	532,637	825,538	276,150
Total	2,318,409	1,616,120	1,232,341	760,446
0406.10.01 Fresh cheese (Kgs.)				
U.S.	2,513	1,728	814,398	242,972
Others	92	10	319	35
Total	2,605	1,738	814,717	243,007
0406.20.01 Powdered grated cheese (Kgs.)				
U.S.	12	3	158,593	40,782
Others	23,039	8,017	21,672	8,600
Total	23,051	8,020	180,265	49,382
0406.30.01 Processed cheese (Kgs.)				
U.S.	169,297	52,477	0	0
Others	26,616	4,751	612,338	196,506
Total	195,913	57,228	612,338	196,506
0406.90.99 Other cheeses (Kgs.)				
U.S.	14,106	4,083	306,599	103,183
Others	262,062	80,468	680,260	239,303
Total	276,168	84,551	986,859	342,486
0405.10.01 Butter in packages less than 1 kg. (Kgs.)				
U.S.	4,504	1,479	345	153

Others	35,666	9,354	22,773	8,611
Total	40,170	10,833	23,118	8,764
0405.20.01 Dairy Spreads (Kgs.)				
U.S.	0	0	620,995	158,115
Others	1,081	3,802	1,150	1,000
Total	1,081	3,802	622,145	159,115
0405.90.99 Butter fat, dehydrated (Kgs.)				
U.S.	5,492,516	1,965,196	122,419	60,761
Others	13,701	5,335	37,296	16,800
Total	5,506,217	1,970,531	159,715	77,561
0403.10.01 Yoghurt (Kgs.)				
U.S.	1,387	866	46	56
Others	53,053	37,959	344705	197,795
Total	54,440	38,825	344,751	197,851
0403.90.99 Other milk whey (Kgs.)				
U.S.	141,775	59,664	482,934	241,489
Others	8,721	7,319	14,807	8,303
Total	150,496	66,983	497,741	249,797
0404.90.99 Whey, Others				
U.S.	154	75	0	0
Others	260	109	8,384	636
Total	414	184	8,384	636
2105.00.01 Ice cream and similar products (Kgs.)				
U.S.	319,692	315,006	759,143	505,986
Others	1,264,757	1,258,305	2,189,367	1,372,436
Total	1,584,449	1,573,311	2,948,510	1,878,422

SOURCE: Bank of Mexico and Commerce Secretariat (SECOFI)
*Data is for Jan-Nov 1998
NOTE: Value is in U.S. dollars and volume is in liters or kilograms as indicated following each product description.

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

FLUID MILK

Production

The 1999 (Jan-Dec) forecast for Mexico's fluid milk production and the estimate for 1998 are revised upward due to technological improvements and better herd management practices during the hot summer months. Dairy cow numbers continue to increase on a yearly basis by approximately 1.6 percent. Small and medium sized dairies are facing financial problems as a result of increased costs and low productivity levels. Most producers are currently experiencing lower returns, but not economic losses. Fluid milk production from dual-purpose cattle in the tropics continues to fluctuate depending on the weather. Production in tropical areas still remains underdeveloped. The lack of marketing facilities and basic infrastructure in these areas prevent any substantial increase in milk production. With possibly the exception of Mexico's largest dairies, the lack of affordable financing is discouraging any increased investments in many dairy farms.

Increases in producer prices reflect rising production costs, particularly for imported feed. For vertically integrated dairy farms, basically those organized in cooperatives, producer prices have increased in line with recent retail price increases. Non-vertically integrated producers, however, claim that they are receiving relatively lower prices from dairy processors.

Consumption

The fluid milk consumption forecast for 1999 is revised upward, as demand is increasing due to general population growth, the currently improving economic situation, and the stronger peso fueling consumer purchases. Consumption in 1998 is revised upward from our previous estimate based on more recent information from industry sources.

Trade

The fluid milk import forecast for 1999 is revised downward due to the expected increase in domestic production. Most of the imports will go to the border cities of northern Mexico as in previous years. The import estimate for 1998 is revised downward due to increased domestic supplies which met increased demand.

With the exception of Mexico's large vertically integrated dairies, small dairy farms are finding it unprofitable to import heifers due to high domestic interest rates and the risks of accruing long term dollar debt with an unstable peso. Domestic heifer production is only sufficient to keep herd numbers stable.

Policy

The government no longer maintains minimum support prices for producers' raw fluid milk. For 1998, producer prices ranged from 2.23 pesos per liter to 2.45 pesos per liter. The government's main objective is to encourage producers to improve efficiency and productivity levels. The reduction in imports of fluid milk and dairy products from previous years, particularly into northern Mexico, is much the result of increased domestic milk production. Shipments to Mexican border states have also been affected by local governments' response to pressure from Mexico's domestic producers to discourage imports of U.S. retail-pack milk. These efforts have been aided by stricter enforcement by Mexican authorities of the labeling regulation, NOM-051-SCFI-1994, together with quality standards and food safety regulations, which have discouraged some U.S. exporters due the red tape and hassle.

Marketing

Logistically, Mexico is the logical market for U.S. fluid milk. Seasonal shortages in domestic production along the border and high transportation costs from the south and middle regions of Mexico make U.S. milk at the retail level competitive in price along Mexico's border with the United States. U.S. milk sales along the border will continue to fluctuate due to factors such as increased seasonal domestic production, consumer purchasing power showing moderate signs of recovery and an improvement of distribution systems and refrigerated warehouse facilities. Consumers, particularly in the north, are familiar with U.S. product and packaging. U.S. exporters of fluid milk should consider Mexican supermarket chains along the border as their first stop for getting established in the Mexican market.

CHEESE

Production

The 1999 cheese production forecast is revised upward based on increased consumer demand. The 1998 estimate for cheese production is also revised upward based on more recent available data from trade sources. Substantial production of home-made cheeses in rural Mexico continues, and production by commercial cheese processors, particularly those using imported non-fat dry milk, is also on the rise to meet higher demand.

Consumption

The 1999 cheese consumption forecast is revised upward as a result of population growth, the currently improving economic situation, and the stronger peso fueling consumer purchases. Also, the cheese consumption estimate for 1998 is revised upward from our previous estimate to reflect more recent data from trade sources. Mexico's current economic problems are expected to continue improving, thus allowing consumer spending on dairy products to increase in the short term.

Trade

The cheese import forecast for 1999 is revised downward due to increased output of lower-priced domestic cheese milk and because of their high prices as compared to domestically produced cheese. The 1998 import estimate is also revised downward from our previous figure to reflect more recent data from trade sources. Domestic producers have been more successful at increasing production to fill the demand previously met with imported products.

Policy

No changes from our previous report MX8128 dated 10/23/1998. The regularly scheduled NAFTA tariff reductions for cheeses went into effect January 1, 1999. The tariff on fresh cheese (HTS 0406.10) was reduced to 16 percent from 24 percent, and all other cheeses will be assessed a 8 percent tariff, down from 10 percent.

Marketing

With adequate promotion, U.S. semi-hard cheeses could gain market share at the expense of hard cheeses imported from the European Union. Some domestic cheese manufacturers are interested in distributing U.S. cheeses in Mexico, taking advantage of their distribution channels and knowledge of the market. Some U.S. producers are reportedly now making Mexican variety cheeses for export to Mexico.

BUTTER

Production

Major changes have been made to the PS&D figures for 1997, 1998 and 1999 based on a new data source for anhydrous butter fat (AMF) which is now being published regularly by the Mexican National Statistics Institute (INEGI). In the past, only data for consumer-ready butter was available. With the availability of new data, the butter production estimates for 1997 and 1998, and the forecast for 1999, have been revised sharply upward to reflect both official statistics and improved consumer demand.

Consumption

The Mexican market for consumer-pack butter is not promising in the short term. In the longer term, however, differences in trade barriers should help the U.S. relative to other exporters. For butter oil and anhydrous butter fat, the import and consumption figures for 1997, 1998, and 1999 have been raised as a result of the new statistics. The larger portion of AMF is used by LICONSA for supplying reconstituted milk to low income families.

Stocks

Stocks for 1998 and 1999 are minimal as most of the product is processed by LICONSA for reconstituting milk powder, which is then sold at subsidized prices under the government's social program to primary schools and the poor through special sales outlets located in cities throughout the country.

Policy

The regularly scheduled NAFTA tariff reductions for butter and AMF went into effect January 1, 1999. The tariff on AMF (HTS 0405.10) was reduced to 8 percent from 10 percent; also all other butters will be assessed a 8 percent tariff, down from 10 percent.

Marketing

No changes from our previous report MX8128 dated 10/23/98.

NON-FAT DRY MILK (NFDM)
Production

Mexican NFDM producers, due to limited processing facilities, are not expected to be able to increase production in the short term. Therefore, the output forecast for 1999 is revised downward from our previous estimate. The NFDM production estimate for 1998 is also revised downward to reflect updated information from both industry and government.

Consumption

Consumption of NFDM by the private industry is expected to slightly increase in 1999 due to growth of the general population. LICONSA is projected to continue as the main NFDM user to supply reconstituted milk to low income families.

Stocks

The majority of product imported and produced domestically was used for further processing and very small stocks were left over from 1998. Stock building will have to be a priority for LICONSA in coming years, whether it be from imported NFDM or domestically production.

Trade

Mexico continues to be far from reaching self-sufficiency in NFDM production because of limited domestic processing capacity. It is expected that LICONSA will maintain current distribution levels of subsidized rehydrated milk to social programs for the lower income classes. For 1998, the NFDM import estimate has been lowered due to increased production of fluid milk. However, Mexico still needs to supplement domestic production with external supplies as domestic production of powdered milk is very small.

Policy

With the recent closing of CONASUPO, the federal agency LICONSA will reportedly take on the role of importing NFDM and WMP requirements for the government's social programs. At this time, it is still unofficial that the GOM will approve private processors to import, under quota, 80 percent of their historical consumption of NFDM. The milk powder import procedures for private industry are still in the fine tuning stage by Mexican authorities, but are expected to be officially published in the Diario Oficial (Federal Register) sometime during May, 1999.

Marketing

Although the CONASUPO organization was closed on March 31, 1999, LICONSA is still officially managing the importation of milk powder for social programs. The GOM will still regulate the importation of skim milk powder and assign import quotas to the private sector. This is an unprecedented opportunity for the U.S. industry. LICONSA officials and the private sector must be educated about the DEIP bonus system. With the exception of some multinationals, end-users in Mexico have never had the opportunity to meet or deal with U.S. suppliers because the purchase of milk powder was strictly controlled by CONASUPO. U.S. suppliers have the opportunity to promote the U.S. skim milk powder industry as the closest, most reliable and consistent supplier to Mexico.

WHOLE MILK POWDER (WMP)

Production

Statistical data for WMP production is not available, as official sources combine production figures of NFDM and WMP. Selected processors, including dairy cooperatives, are attempting to increase WMP production to absorb seasonal oversupplies of fluid milk.

Consumption

The consumption estimates for 1998 and 1999 are slightly increased from our previous estimates due to general population growth. Domestically produced fluid milk, including WMP, however, is still well below the amount needed to meet year round domestic demand. According to LICONSA, over 60 percent of the WMP and NFDM is consumed by the lower income population. LICONSA expects to continue opening new milk stores in proportion to population growth, as long as the government budget permits. LICONSA is currently distributing close to 5 million liters of reconstituted milk per day. LICONSA's subsidized milk prices are currently at 2.50 pesos per liter (US$0.26/lt).

Stocks

Trade sources estimate LICONSA to have a stock of approximately 35,000 metric tons of WMP left over from last year's imports and domestic production, and that it is currently trying to sell its excess to private industry. However, since production statistics for WMP are unavailable, these stocks are not reflected in the PS&D table for WMP.

Trade

Mexico continues to be far from reaching self-sufficiency in WMP production because of limited domestic processing capacity. It is expected that LICONSA will continue with the government social program distributing subsidized rehydrated milk to the lower income classes. WMP imports have been increased because Mexico still needs to supplement domestic production with external supplies as domestic production of WMP is very small. Therefore, imports for 1998 and 1999 have been revised slightly upward.

Policy

See policy issue for NFDM page 23 of this report.

Marketing

No changes from our previous report MX8128 dated 10/23/98.

DRIED WHEY

Production

Production figures for dried whey are not available.

Consumption

Although the market share for milk substitutes made from whey is still low, imports of whey from the USA are up sharply. Sales of milk substitutes focus on the lower income population of Mexico as it tends to replace higher priced milk which a large percentage of the population cannot afford.

Trade

The dried whey import data for 1997 and 1998 are included in this report for the first time, as dried whey reporting was not previously required. The forecast for 1999 is based on historical data and due to increased domestic usage for processing low-cost milk type drinks sold to the lower income population.

Policy

Domestic milk producers are in an uproar because apparently the Mexican government has turned a deaf ear to their request that processors of whey into fluid milk substitutes label their product as a "milk type drink" and not as milk. According to industry sources, the government tolerates the sale of milk substitutes, labeled as milk, as it helps compliment the government's social milk program to the poor and needy with low cost "milk" in areas not reached by LICONSA.

Marketing

Mexico's domestic whey production is insufficient to meet market demand. For 1999, Mexico will continue to be one of the United States' major whey customers. The primary types of whey produced in Mexico are mainly acid and sweet varieties. Sweet whey is the largest volume imported from the United States, followed by de-mineralized whey and lactose. "Dairy Beverages" is the name of a new dairy drink category which is extended with whey proteins and vegetable fat. This segment of Mexico's whey market has been growing significantly. Heat-stable whey is the most demanded whey product for these ultra high temperature (UHT) pasteurized drinks. In 1998, imports of de-mineralized whey from France and Canada captured some of the U.S. market share, as supplies of this product was not available from the United States. Also, the processors of animal feed products continue to be important consumers of whey products. A large percentage of the feed-grade whey users buy this product from brokers. U.S. whey exporters are encouraged to participate in promotional events for feed products held in Mexico such as the annual AFIA-Agro show.