

Required Report: Required - Public Distribution

Date: August 15, 2020

Report Number: MX2020-0042

Report Name: Poultry and Products Annual

Country: Mexico

Post: Mexico City

Report Category: Poultry and Products

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Report Highlights:

Mexico's chicken meat and egg production have been affected by both the pandemic health emergency measures and domestic economic fallout, with lower than expected growth through the first half of 2020. However, the resilience of the poultry industry has allowed for a slight positive trend in 2020, expected to slightly improve in 2021 with a growth rate of up to 3 percent. The United States expanded its market share as Mexico's main supplier for chicken meat and eggs, re-gaining market share lost by Brazil when Mexico's third country tariff-rate quota (TRQ) for poultry expired. Through 2020 and 2021, domestic consumption of chicken meat will continue to grow due to increased household demand for a more affordable animal protein source.

Executive Summary:

In 2020, Mexico's chicken meat production has been negatively affected by Mexico's economic recession starting in 2019, the coronavirus pandemic, and the uncertainty surrounding Mexico renewing its third country TRQ for poultry. These factors partially inhibited domestic investment in technology and facilities. During January–June 2020, a depreciated peso and an estimated drop of more than 10 percent of Mexico's gross domestic product (GDP) negatively affected Mexico's poultry imports. However, Mexico will continue to heavily depend on poultry imports, which will serve to satisfy domestic demand with the re-opening of businesses.

In 2021, Mexico's chicken meat production is expected to increase by almost 3 percent from the year prior. Consumption of chicken meat in Mexico has grown due to household demand for a more affordable source of animal protein while cash-strapped households shift from more expensive animal proteins, such as beef and pork. The 30-percent decrease in demand from Mexico's hotel, restaurant, and institutional (HRI) sector due to the coronavirus pandemic has had some negative effects on Mexico's chicken meat consumption.

In 2020, Mexico's egg production was not as robust as expected. Producers held off on investing in better facilities and better genetics as they awaited a final decision on a renewal of Mexico's third country TRQ for poultry and the entry into force of the United States–Mexico–Canada Agreement (USMCA). In 2021, Mexico's egg production is expected to improve, with approximately 2.5-percent growth in domestic egg production compared to the prior year.

COMMODITIES:

Poultry, Meat, Chicken
Poultry, Meat, Turkey
Poultry, Eggs

POULTRY, MEAT, CHICKEN

Production

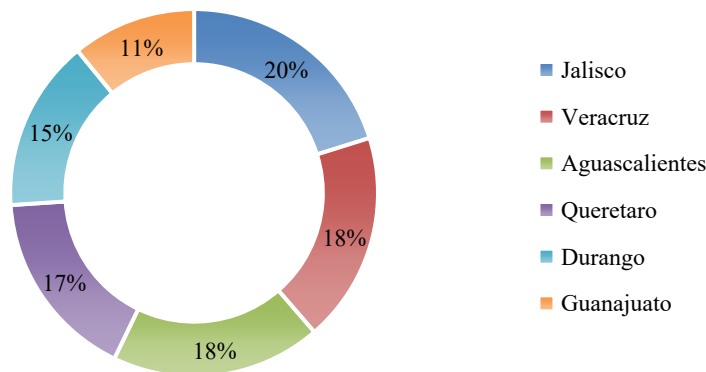
In marketing year (MY) 2020, Post revises Mexico’s chicken meat production forecast down to 3.675 million metric tons (MT). In MY 2021, Post forecasts Mexico’s chicken meat production at almost 3.775 million MT.

In 2020, Mexico’s chicken meat production has been negatively affected by Mexico’s economic recession started in 2019, the coronavirus pandemic, and the uncertainty surrounding Mexico renewing its third country TRQ for poultry. These factors partially inhibited domestic investment in technology and facilities. However, Mexico is still on track to see 1.5– to 2– percent production growth by the end of 2020 thanks to its zoo-sanitary status as free of avian diseases and growing domestic demand due to Mexican retail consumer preferences shifting from pork and beef to more affordable animal and plant proteins.

In 2021, year-over-year production growth is estimated at 2.5 to 3 percent, as producers’ confidence increase that Mexico will not renew its third country TRQ for poultry. Vertically integrated producers are expected to invest more in progenitors (genetics), breeders, incubators, and better biosecurity measures on farms, reducing deaths, increasing efficiency in production, and improving carcass yields.

Mexico’s chicken meat production is largely distributed into the following six states: Jalisco with 12 percent of production, Veracruz with 11 percent, Aguascalientes with 11 percent, Querétaro with 10 percent, Durango with 9 percent, and Guanajuato with 6.5 percent. The remaining 59.5 percent is scattered among the other 26 states, mainly with small and backyard farms.

Mexico’s Chicken Meat Production



Source: Agricultural and Fisheries Statistical Service (SIAP)

Mexico's Chicken Meat Production



Source: SIAP

In 2020, Mexico's animal feed production is estimated at close to 38 million MT, of which broilers should consume close to 10.7 million MT and layers should consume 7.4 million MT. Together, poultry feed consumption represents 47.7 percent of Mexico's total feed production. The sustained growth of the Mexican chicken meat industry and the animal feed industry demonstrate the strength and importance of these sectors.

Industry expects the effects of the coronavirus pandemic will not be as drastically negative on the poultry industry as with Mexico's other industrial activities. Mexico's poultry industry was classified as an essential industrial activity by the government of Mexico. Thus, activities were not interrupted and this supply chain is safeguarded by sanitary protocols developed and established by the industry for itself.

Consumption

In MY 2020, Post revises Mexico's chicken meat consumption forecast down to 4.55 million MT. In MY 2021, Post forecasts Mexico's chicken meat consumption at 4.66 million MT.

Due to pandemic emergency measures, Mexico's HRI sector has suffered a reduction of more than 30 percent in demand. However, household demand for chicken meat has grown due to chicken meat's higher affordability over pork and beef. In 2021, if Mexico's economic crisis and unemployment continues its detrimental effects on middle class households, consumption of chicken meat and chicken meat-based products will continue their favorable growth trend. Additionally, chicken meat enjoys the following positive attributes in Mexican consumers' minds: being healthier than pork or beef, leaner, and easier to digest.

Since March 2020, Mexican households that have remained under stay-at-home orders have increased homemade cooking and chicken is a widely versatile ingredient in Mexican cuisine, comprising approximately 60 percent of household consumer’s meat preference. Mexico’s National Institute of Statistics estimates 46,700 points of sale for chicken meat, with sales valued at close to \$1.3 billion (27.8 billion Mexican pesos). The growing demand for chicken meat also driven prices up. However, because other animal proteins have seen greater price increases, chicken meat remains the most affordable option. A comparison of June 2019 to June 2020 prices show the following increases:

	June 2019 versus June 2020
Beef	+ 3.1 percent
Pork	+ 2.6 percent
Chicken	+ 2.3 percent
Egg	+ 14.3 percent

Source: SIAP

Mexico’s Chicken Meat Consumption by Category in 2019

Live animals	38 percent
Rotisserie*	32 percent
Public market (whole bird) **	12 percent
Public market (pieces)	8 percent
Retail store **	6 percent
Added value	4 percent

Source: National Poultry Producers Union (UNA)

*Chicken 35 days old, weight between 3.97 and 4.85 pounds (lbs.)

**Chicken 49 days old, weight between 6.17 and 6.61 lbs.

Trade

Imports

In MY 2020, Post revises Mexico’s chicken meat import forecast down to 880,000 MT. In MY 2021, Post forecasts Mexico’s chicken meat imports at 885,000 MT. As previously reported (FAS GAIN MX2020-0007), Mexican consumers’ purchasing power reinforces chicken meat as their animal protein of choice. However, decreased demand for chicken meat in the HRI sector caused Post to revise down the favorable trend of imports. An unfavorable exchange rate for the Mexican peso and an estimated decline of 10 percent in Mexico’s GDP also affected imports in the first half of 2020. As Mexico loosens sanitary restrictions and the HRI sector reopens, imports again will increase to satisfy HRI demand.

In MY 2020, the Economy Secretariat (*Economía*) did not authorize a third country TRQ for poultry. In MY 2021, *Economía* is not expected to authorize a third country TRQ for poultry. The United States is the main provider for chicken meat to Mexico, with an estimated 87 percent market share 2019. Without the third country TRQ for poultry, Brazil’s 12 percent market share is conceded to the United States, which should enjoy a 99 percent market share in 2020. Mexico’s retailers and meat processors heavily depend on chicken meat imports to satisfy demand, especially mechanically deboned meat and breasts for further processing.

Exports

In MY 2020, Post revises Mexico's chicken meat export forecast down to 5,000 MT. In MY 2021, Post forecasts Mexico's chicken meat exports to remain flat at 5,000 MT. In 2020, Mexico is not able to export volumes it expected due to detrimental domestic economic factors and pandemic emergency measures in the first half of 2020.

The United States is the main destination for Mexico's chicken meat exports, but these are limited to heat treated, processed products. Mexico's federal and state authorities are jointly working to obtain U.S. recognition of free of avian diseases to be eligible to export to the United States from Mexico's federally inspected (TIF) establishments. The states most likely to accomplish the desired sanitary recognition of their TIF plants are Sonora, Sinaloa, and Yucatán. These states are working to prove they have the sanitary controls from farm to plate to guarantee the sanitary and food safety levels required for raw chicken meat exports from Mexico to the United States.

Meat, Chicken Market Begin Year Mexico	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	3,600	3,600	3,685	3,675	0	3,775
Total Imports	875	875	875	880	0	885
Total Supply	4,475	4,475	4,560	4,555	0	4,660
Total Exports	5	5	6	5	0	5
Human Consumption	4,470	4,470	4,554	4,550	0	4,655
Other Use, Losses	0	0	0	0	0	0
Total Domestic Consumption	4,470	4,470	4,554	4,550	0	4,655
Total Use	4,475	4,475	4,560	4,555	0	4,660
Ending Stocks	0	0	0	0	0	0
Total Distribution	4,475	4,475	4,560	4,555	0	4,660

(1,000 MT)

POULTRY, MEAT, TURKEY

Production

In MY 2020, Post keeps Mexico's turkey meat production forecast at 18,300 MT. In MY 2021, Post forecasts Mexico's turkey meat production at 18,500 MT. Mexico's turkey production is not expected to grow by much more than 1 percent from MY 2020 to MY 2021, as producers continue to switch from turkey to chicken for a quicker and higher profit. Turkey production in Mexico is becoming more for self-consumption and has become even more regionalized.

Turkey production in Mexico is dictated more by regional custom and for backyard production, serves as an extra source of income for the families living in remote areas. However, the costs of producing turkeys is rising because of Mexico's macroeconomic problems. In 2020, backyard turkeys now cost an average of \$28.00 per animal, compared to a backyard chicken that costs an average of \$6.50 per animal. As in other animal and meat categories, affordability is slowly displacing regional customs in Mexico.

Mexican turkey production is found mostly in the states of Yucatán, with 23 percent of national production, Puebla with 15 percent, Veracruz with 8 percent, Chihuahua with 7 percent, and Mexico State with 4 percent. The remaining 43 percent of turkey production is scattered along the rest of Mexico, mainly in backyard production intended for self-consumption.



Source: SIAP

Consumption

In MY 2020, Post keeps Mexico’s turkey meat consumption forecast at 184,000 MT. In MY 2021, Post forecasts Mexico’s turkey meat consumption at 186,000 MT.

In 2019, domestic annual per capita consumption of turkey meat in Mexico was 3.2 pounds (1.43 kilograms). Even though this per capita consumption seems small, it has kept a positive growth trend because consumers perceive turkey meat as a healthy, lean meat. However, turkey meat in Mexico is mostly consumed in processed products, such as cooked hams and sausages, as a combination of turkey meat with chicken meat.

Consumption of whole turkeys continues to be a seasonable pattern in most of Mexico. Mexico’s southeastern states consume turkey more steadily throughout the year. Since 2017, however, retail stores have been promoting consumption of turkey cuts – broiled and ready-to-serve –to appeal to a middle-class sector looking for individual servings and more convenient grab-and-go meals.

Trade

Imports

In MY 2020, Post keeps Mexico’s turkey meat import forecast at 167,000 MT. In MY 2021, Post forecasts Mexico’s turkey meat imports at 170,000 MT. The United States continues to be

the main supplier for turkey meat to Mexico. Without the third country TRQ, U.S. market share increased from 93 percent in 2019 to 98 percent as of July 2020. These conditions will prevail through 2021.

Exports

In MY 2020, Post keeps Mexico’s turkey meat export forecast at 1 MT. In MY 2021, Post forecasts Mexico’s turkey meat exports at 1 MT. Mexico exports very small amounts of turkey meat as processed heat-treated products. Exports are not expected to grow, as domestic turkey meat production is almost fully used to satisfy domestic demand with turkey meat imports complementing domestic supply.

Meat, Turkey	2017	2018	2019	2020*	2021*
Production	17	17	18	18.3	18.5
Imports	165	159	165	167	170
Exports	1	1	1	1	1
Consumption	181	181	182	184	186
(1,000 MT)					

Note: Not official USDA data. Post estimates.

*Forecast

POULTRY, EGGS

Production

In MY 2020, Post revises its forecast for Mexico’s egg production to 3 million MT. In MY 2021, Post forecasts Mexico’s egg production at 3.1 million MT.

In MY 2020, Mexico’s egg production was not as robust as expected due to investment uncertainty in light of a potential third country TRQ renewal, pending the implementation of the USMCA, and pandemic emergency efforts. Producers did not commit resources into expanding facilities, acquiring better layer genetics, and vertically integrating their operations. In MY 2021, this investment situation is expected to change, with 2.5–percent, year-over-year growth in domestic egg production. Mexico’s vertical integration in egg production is a little more decentralized than in chicken production. There are breeders who produce the next generation of layers and there are egg producers who buy the chicks and take the chicks through to their productive cycles.

Mexico’s egg production is concentrated mainly into three companies, with 49 percent of production, making it easier to control production, sanitary measures, food safety, transportation, and distribution among these three companies. Nationally, Jalisco State is the main domestic egg producer with 54 percent, followed by Puebla with 17 percent, Sonora with 5 percent, San Luis Potosí with 3 percent, and the Comarca Lagunera region with 3 percent. Backyard egg production both for self-consumption and commercial purposes is scattered throughout the country.

Mexico's Egg Production



Source: SIAP

Consumption

In MY 2020, Post keeps Mexico's egg consumption forecast at 52 pounds (23.6 kilograms) per person. In MY 2021, Post forecasts Mexico's egg consumption at 54 pounds (24.5 kilograms). In MY 2020, Mexico's egg consumption increased year-over-year and is expected to grow further in 2021, driven by Mexico's economic recession. Eggs are an extremely affordable animal protein, easy to cook, and wrapped by nature, making eggs a versatile ingredient for all sectors of the population, both urban and rural. In 2020, Mexico is the world's number one egg consumer, surpassing even Japan.

Mexico's growing demand for eggs is reflected rising retail prices during the economic recession and the pandemic. As of July 2020, eggs are 21 percent more expensive than in July 2019. Supply is not an issue in the domestic market, but some retail consumers report limited supplies on store shelves because of quick product rotation. Household demand for eggs has grown as a great part of Mexico's population stays at home due to the pandemic emergency measures, increasing home cooking and the use of eggs. The federal government and producers have reassured the public that egg demand will be met through the pandemic and the supply chain will not be broken.

Trade

Imports

In MY 2020, Post keeps Mexico's egg import forecast at 69,000 MT. In MY 2021, Post forecasts Mexico's egg imports at 70,400 MT. Even though domestic production almost fully satisfies domestic demand, shell eggs imports are critical to satisfy demand in northern Mexico along the border with the United States. Mexico depends on imports of fertile eggs and one-day chicks for its genetic pool and breeders' flock, keeping the United States as the top supplier with 99-percent market share. Without the third country TRQ, Brazil lost its market share which was immediately covered by the United States.

Exports

In MY 2020, Post keeps Mexico's egg export forecast at 740 MT. In MY 2021, Post forecasts Mexico's egg exports at 740 MT, as domestic demand continues to grow and domestic production stays within Mexico. Mexico continues to work on improving its status as free of avian diseases to open new export markets for both its chicken meat and egg exports, but this may not happen in MY 2021. Mexico's egg exports are limited to Japan, receiving 56 percent of Mexico's egg exports, followed by Cuba at 32 percent. The remaining 12 percent of Mexico's egg exports are sent throughout the rest of the Americas based on price.

Poultry, Eggs	2016	2017	2018	2019	2020*	2021*
Production	2,720,742	2,828,056	2,931,593	2,987,782	3,000,000	3,100,000
Imports**	69,029	63,107	50,798	66,934	69,000	70,400
Exports	669	1,069	806	742	740	740
Consumption ***	23.48	22.70	22.98	23.20	23.60	24.50

*Forecast; **Measured in metric tons, including both egg and egg products.

***Measured in kilograms per capita

Note: Not Official USDA data. Post estimates.

Sources: SIAP, Trade Data Monitor, and UNA's *Compendio de Indicadores Económicos*.

Attachments:

No Attachments