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**Report Highlights:**

Post forecasts Mexico's chicken production in 2022 at 3.9 million metric tons (MT) Ready-to-Cook Equivalent (RTC), up 4 percent from 2021 due to greater domestic demand. Domestic consumer demand for chicken meat, eggs, and turkey continues an upward trajectory despite all-time high prices, deteriorating consumer purchasing power, and a nascent economic recovery. Although average meat expenditures as a share of total household food expenditures are reportedly lower, Post forecasts that total consumption is higher as rising demand from high- and middle-income consumers more than offsets falling demand among lower-income consumers. As legacy tariff rate quotas for poultry expire, Mexico's chicken producers and processors will gain pricing power in the domestic market. In May and June 2021, retail poultry prices reached the highest price levels in more than 20 years.

## Executive Summary

The outlook for chicken production in 2022 calls for another record production year. The main drivers supporting Post forecasts include Mexico's current disease-free sanitary status for avian influenza paired with strong domestic demand across all marketing channels including household retail consumption as well as expanding demand hotel, restaurant, and industrial (HRI) channels.

Mexico's poultry sector remains resilient in the face of COVID-19 pandemic-related challenges, higher feed prices, and falling purchasing power among most Mexican consumers. Poultry producers in Mexico continue to consolidate, integrate vertically, expand production, and develop new lines of business. Prospects for another year of high profit margins also support an optimistic outlook. Post projects that poultry production and consumption will surpass Mexico's population growth of 1 percent in 2022.

*Chicken Meat:* Post forecasts higher chicken meat production, consumption, and imports in 2022 as Mexico's economy recovers and chicken meat for processing and the HRI channel grows. Since 2008, Mexico expanded domestic poultry production and imports, lowering relative retail prices, and boosting consumption. As household food expenditures rise, processed chicken meat products remain the most affordable and versatile source of animal protein for Mexican consumers. Chicken meat accounts for nearly 60 percent of total muscle meat demand in Mexico. The United States remains Mexico's leading provider of chicken due in part to the expiration of third-country tariff-rate quotas benefiting Brazil and Chile in 2019.

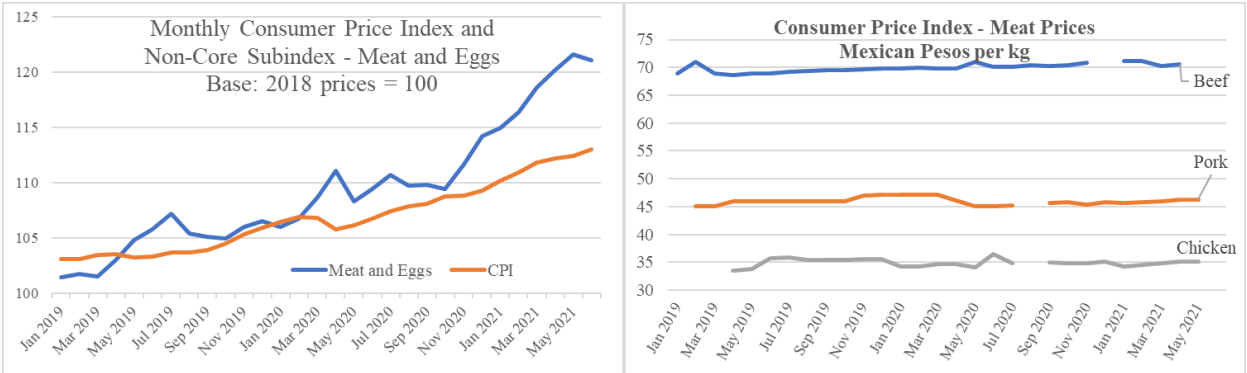
*Eggs and Egg Products:* Post forecasts rising egg production, consumption, and imports in 2022. Eggs and egg products offer the greatest value, versatility, and nutrition among all other sources of animal protein. Household consumer demand for eggs rose at the onset of the COVID-19 pandemic due to higher demand for table eggs and egg products for baking and cooking. Mexico remains the world's largest consumer of eggs and egg products.

*Turkey:* Post forecasts rising turkey consumption and imports in 2022 as demand rises for further processed turkey meat products. In an inflationary market environment, processed poultry products containing turkey offer excellent value, versatility, and nutrition compared to beef and pork. However, producer returns for turkey production are relatively less competitive than chicken production. Post forecasts lower domestic production and exports in 2022 as high feed prices incentivize producers to prioritize chicken meat production.

### Mexico’s Economic Recovery and Inflation Concerns

The Bank of Mexico projects economic growth to reach a modest 3.5 percent in 2022, following a partial 6.5-percent recovery in 2021 and a decline of more than 8 percent at the onset of the COVID-19 pandemic in 2020. All things being equal, early 2022 is expected to bring relatively slower economic growth and will heavily depend on progress to mitigate public health risks from the global COVID-19 pandemic and continued government support measures.

Based on data from the first half of 2021, the Bank of Mexico forecasts national GDP to grow to 6.0 percent and annual inflation to reach 5.9 percent. The Organization for Economic Cooperation and Development projects Mexico’s unemployment rate to gradually rise due to a fragmented outlook and a recovery to pre-COVID-19 pandemic levels in 2022. Mexico’s economic recovery depends on a return to business as usual at manufacturing centers in northern Mexico and tourism and hospitality hotspots in Baja California and along the Gulf of Mexico. The COVID-19 pandemic impacts caused widespread closures of restaurants and food service outlets, schools, and reduction of tourism and travel.



Source: INEGI/SIAP

Mexican consumers remain price sensitive due to an uneven recovery and rising inflation in 2021. In 2020, as household finances experienced hardship, consumer demand moved to less expensive options and shifted incrementally away from beef to more affordable animal proteins, such as chicken, or eggs—and even beans, lentils, and other plant-based proteins—due to the negative economic effects of the COVID-19 pandemic. Recent public and private economic data from Mexico illustrate that consumer purchasing power is faltering as high food price inflation takes a toll on household expenditures.

Although overall household expenditures on food products are rising, the share of household expenditures on animal protein is falling. As of August 2021, Mexico’s national consumer price index rose to 5.81 percent year-to-year, moderating slightly for the third consecutive month, yet still nearly double the Bank of Mexico’s 3-percent target. In response, the Central Bank of Mexico raised interest rates for the first time since 2013 in June 2021 and again in August 2021 to 4.5 percent. Accelerating prices for the basic consumer basket also moderated rising to 4.5 percent in August, slightly lower than the 5 percent increase in July. As Mexico faces rising

prices, chicken meat, as well as eggs and egg products, will remain the most popular and affordable animal protein choice for consumers.

On July 28, the Government of Mexico's, National Institute of Statistics and Geography (INEGI) reported that estimated household income fell about 5.3 percent from 2018 to 2020. At the same time, total household expenditures on food, beverages, and tobacco fell by 5.9 percent, and accounted for 38 percent of total discretionary spending. The sharp decline in Mexican income in 2020 broadly affected Mexican protein consumption. Retail spending on meats rose 5.2 percent, accounting for nearly 23 percent of all food expenditures. Retail spending on eggs rose 11 percent, accounting for 3.8 percent of total food expenditures.

One challenge created by the pandemic was the decline in tourism to Mexico, which led to a drop in the demand for meat by the HRI sector. INEGI reports that from 2018 to 2020, "At Home" food expenditures rose 5.8 percent, whereas "Away from Home" food expenditures fell nearly 45 percent. The Bank of Mexico estimates that spending on tourism and foodservices dropped 80 to 90 percent from March 2019 to April 2020. The National Chamber of Restaurants and Seasoned Food Industry (CANIRAC) forecasts that the national restaurant sector will rebound 5.5 percent in 2021, marking a relatively nascent recovery.

The Agricultural Markets Consulting Group (GCMA) reported estimates confirming that although household food expenditures rose 16.5 percent from 2018 to 2020, the share of spending on animal protein fell to 38.7 percent in 2020 from 39.5 percent in 2018, reflecting a downward slide in consumer purchasing power. GCMA estimates that in 2020 Mexican households spent about \$1.4 billion (28.02 billion Mexican pesos) on poultry, up 13.4 percent largely due to higher unit values. However, as a share of total of household food expenditures, poultry fell to 20.9 percent in 2020 from 21.1 percent in 2018.

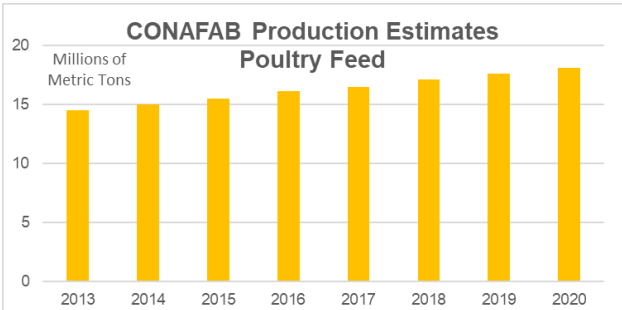
### **Historic Inflation Pressures Raise Poultry Production Costs**

Global demand for corn and soybeans is projected to continue into 2022 as global livestock production continues to expand. However, as global supply and demand shocks equilibrate in Mexico and abroad, surging compound feed prices for Mexico's chicken industry are expected to stabilize in 2022. Mexico's National Association of Balanced Animal Feed (CONAFAB) forecasts livestock feed demand growth to reach 5 percent in 2022, up a percentage point from 2021 on continuing long-term growth trends in the animal protein sector.

For the remainder of 2021, volatile commodity prices and foreign exchange markets are expected to have limited impact on profit margins for Mexico's poultry sector due to the strong financial position of most industry players, their active participation in commodity and currency futures markets to hedge risk, cumulative gains in production efficiency, and a transfer of higher costs to downstream consumers. From May to June 2021, Mexican poultry producers adapted to ongoing

market conditions by raising prices for Ready-to-Cook broiler carcasses by 140 percent from 2020, more than offsetting higher costs of production. Overall, most poultry processors reported second quarter margins in 2021 that were greater than 10 percent.

Mexico is not a self-sufficient producer of yellow corn or soybeans for feed use. As a result, its poultry sector to heavily relies on imports to produce compound feed. During the first six months of 2021, INEGI reported that Producer Prices for animal husbandry and meat production rose 10.6 percent compared to 2020, largely due to higher feed costs. Surging costs for feed ingredients set off unprecedented volatility throughout the global animal production supply chain. International corn prices rose 48 percent to their highest level since the first half of 2013. Soy-paste prices rose 12.8 percent.



Source: CONAFAB

Producer Inputs	Share of Wholesale Price
Feed	61%
Pullet/Chick	16%
Marketing expenses	8%
Electricity, water, gas	6%
Labor	6%
Medicines	2%
Management	2%

Source: Private Industry, National Union of Poultry Producers (UNA)

## Chicken Meat

### Production

Post projects chicken production to expand to 875,000 MT RTC, up 1.7 percent from 2021. This projected increase is due to the following reasons:

- Growing domestic demand as the Mexican economy is likely to recover by 3.5 percent in 2022, after a downturn of around 6 percent estimated in 2021;
- Greater domestic pricing power as long-standing tariff-rate-quota allocations lapse;
- Relatively less volatile feed costs. International feed grain prices are projected higher in 2022, raising feed input costs in 2022;
- Poultry processors will continue to pass higher prices to Mexico’s current downstream consumers, which include medium- and high-income consumers.

### Production, Supply, and Distribution

Meat, Chicken Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	3725	3725	3800	3800	0	3900
Total Imports (1000 MT)	842	842	860	860	0	875
Total Supply (1000 MT)	4567	4567	4660	4660	0	4775
Total Exports (1000 MT)	7	7	7	7	0	8
Human Consumption (1000 MT)	4560	4560	4653	4653	0	4767
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	4560	4560	4653	4653	0	4767
Total Use (1000 MT)	4567	4567	4660	4660	0	4775
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	4567	4567	4660	4660	0	4775
(1000 MT)						

Note: Not Official USDA Data.

Following the resolution of a Highly Pathogenic Avian Influenza (virus subtype H7N3) outbreak in 2012, Mexico’s chicken sector implemented widespread biosafety protocols, including preventative measures such as inoculation programs, Good Husbandry Practices, Personal Protective Equipment use and training, and widespread testing of migratory flocks. Mexico’s highly integrated poultry processors are also keen to adopt enhanced biosecurity and food safety practices to facilitate future export-oriented production and processing. Mexico’s largest poultry producers are also establishing “split system” production lines to accommodate specific husbandry and processing practices.

With a solid foundation in animal health management, additional efficiency gains in Mexico remain in further investments into animal genetics. In the past, Mexico primarily imported genetics from the United States. Although this remains true today, there are incremental efforts

to develop proprietary genetics, integrating one of the last remaining parts of their production systems. Mexico’s poultry sector produces a variety of broiler-type chickens for meat production, including smaller broilers for rotisserie restaurants; chicken for processing into poultry parts and processed meat or Ready-to-Cook products; and whole chickens. The production cycles for each type varies between 8 to 12 weeks depending on market weight.

Market Niche	Bird weight RTC (approximate grams)	Market Segment
Game Hens	800g	Quick service and limited service restaurants
Retail	1200-1400g	Wet markets and supermarkets
Further Processing	1800-2000g	Industrial Processors
Rotisserie-type	1600-2800g	Supermarkets and Quick Service Restaurants

According to INEGI/SIAP, chicken production is distributed across 16 of Mexico’s 31 territories. Veracruz is the top chicken producing state, benefiting from its proximity to imported feed ingredients arriving at ports along the Gulf of Mexico. The La Laguna region, located in the northern states of Coahuila and Durango, is Mexico’s third major production region, supplying layer hens which are processed into chicken meat. The landlocked states of Aguascalientes and Queretaro are also major production centers due to their central location to major markets. However, they also face higher freight costs. Campeche is Mexico’s largest producer of breeding stock due to its relative isolation.



Source: SIAP

According to UNA, the Mexican poultry industry is projected to continue growth trends in 2021, slowing to about 1 percent per year from 3 percent in 2020. Mexico’s largest producers include Industrias Bachoco, Pilgrim’s Pride (which acquired Tysons Foods Mexico operations in 2015), Grupo San Antonio, and Buenaventura Grupo Pecuario. Mexico’s ten largest broiler producers represent 75 to 80 percent of total market share.

International and domestic animal processors value Mexico’s poultry market and are competing to expand their presence in Mexico in terms of overall volume, distribution at Points-of-Sale, and

broad coverage of product offerings. In 2009, JBS gained a majority stake in Pilgrim's Pride, Mexico's second-largest poultry processor. In 2015, Pilgrim's Pride acquired Tyson Foods' business operations in Mexico. In 2021, JBS offered to extend its stake from 80 percent to full ownership of Pilgrim's Pride. In 2021, Pilgrim's Pride also announced that it will launch a research and development complex in southern Mexico to further develop value-added product lines for prepared foods targeting retail and HRI distribution channels. Separately, Cargill and Continental Grain recently announced the acquisition of Sanderson Farms, a U.S. poultry producer which generated about 4 percent of its net sales to U.S. distributors who exported Sanderson Farms' products to Mexico.

Among domestic Mexican producers, Industrias Bachoco, the market leader, is expanding its portfolio beyond poultry and into pork and value-added sectors such as pet food. In 2020, Bachoco completed acquisition of Sonora Agropecuaria SA (SASA), a major hog producer and processor. Shortly after, 2021, Bachoco announced its acquisition of La Perla, a major Mexican pet food producer. Meanwhile, Grupo Viz (SuKarne), a leading Mexican beef processor, is expanding its sales of prepared and Ready-to-Cook poultry products.

### **Consumption**

Post forecasts chicken consumption to reach 4,767 million MT RTC in 2022, up about 2 percent from 2021. Post assumes this forecast based on the following reasons:

- Chicken offers value to families facing high inflation and an uncertain economic outlook.
- Increase in domestic demand as the Mexican economy is likely to recover by 3.5 percent in 2022, after a downturn of around 6 percent estimated in 2021;
- Retail grocery demand remains strong even after stay-at-home orders lapsed;
- Continued growth among Quick Service Restaurants (QSR) offering chicken menu items;
- Chicken meat for processing into processed meat such as cold cuts, ready-to-eat frozen foods, and convenience products is growing;
- Food service demand is improving as the economy slowly reopens; boneless breast prices have moved higher in response to strong QSR demand.

The "at-home" Mexican retail meat market includes supermarkets stocking pre-packaged presentations, live chickens and whole birds cut-to-order in wet markets, small-volume butchers and neighborhood markets selling fresh, frozen, and partly prepared poultry cuts, as well as e-commerce retailers in each category. Household consumption strongly drives Mexico's national chicken meat consumption as the HRI sector remains partly closed due to recent COVID-19 outbreaks in major tourism sites and resorts. Due to its affordability, chicken meat is the most consumed meat in Mexico, representing nearly 60 percent of total meat consumption. Over the past decade, stagnant economic growth and several minimum wage increases have failed to keep pace with inflation. As a result, many Mexican households remain price sensitive and prefer chicken for its versatility and value.

During the height of COVID-19 pandemic restrictions, many poultry wholesalers switched from marketing exclusively to HRI distribution channels to establishing direct-to-consumer sales formats online. As families stayed home and public health restrictions persisted, unemployment rates rose, and cumulative take-away expenses exceeded household budgets. Many consumers embraced more family-style meals, switching their purchases from higher-priced beef and pork

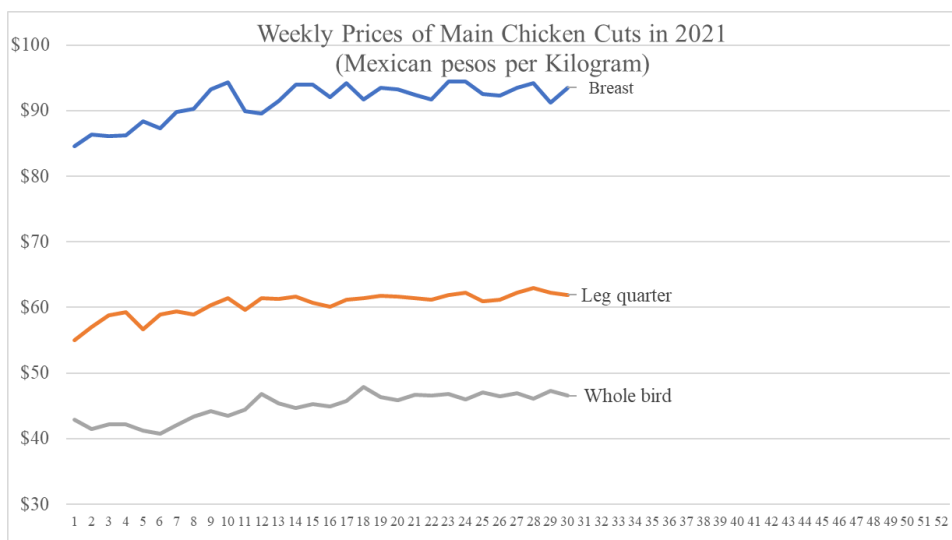


to chicken. Among lower-income consumers, demand for whole birds, chicken parts, and processed meats containing poultry is projected to expand.

Although the average Mexican consumer is consuming less animal protein, among higher- and middle-income consumers, including tourists, overall consumer demand is growing. Poultry products and “away from home” options offer convenience and versatility. Hotels, restaurants, institutions (HRI), take-away, and food delivery services account for the “away-from-home” retail channel. Because of public health restrictions during the COVID-19 pandemic, to-go and food deliveries emerged as the most popular “away-from-home” dining choice for many consumers. According to UNA, rotisserie chickens account for about 37 percent of total consumption. Despite several mitigating factors hampering Mexico’s economic recovery in 2021, several international and domestic QSR chains are expanding operations in Mexico.

More than 90 percent of Mexico’s restaurant sector is comprised of microbusinesses and small businesses which were unprepared to shift from in-person dining to online service. Chain restaurants and limited service restaurants offering fast food were well-equipped to respond to public health restrictions and benefited the most from the COVID-19 pandemic. Mexico’s QSR sector typically offers pizza, hamburgers, and fried or rotisserie chickens. Additionally, QSR players quickly adapted to expand sales by embracing online food delivery platforms, including Uber Eats, DiDi Mexico, and Rappi among others.

## Price Outlook



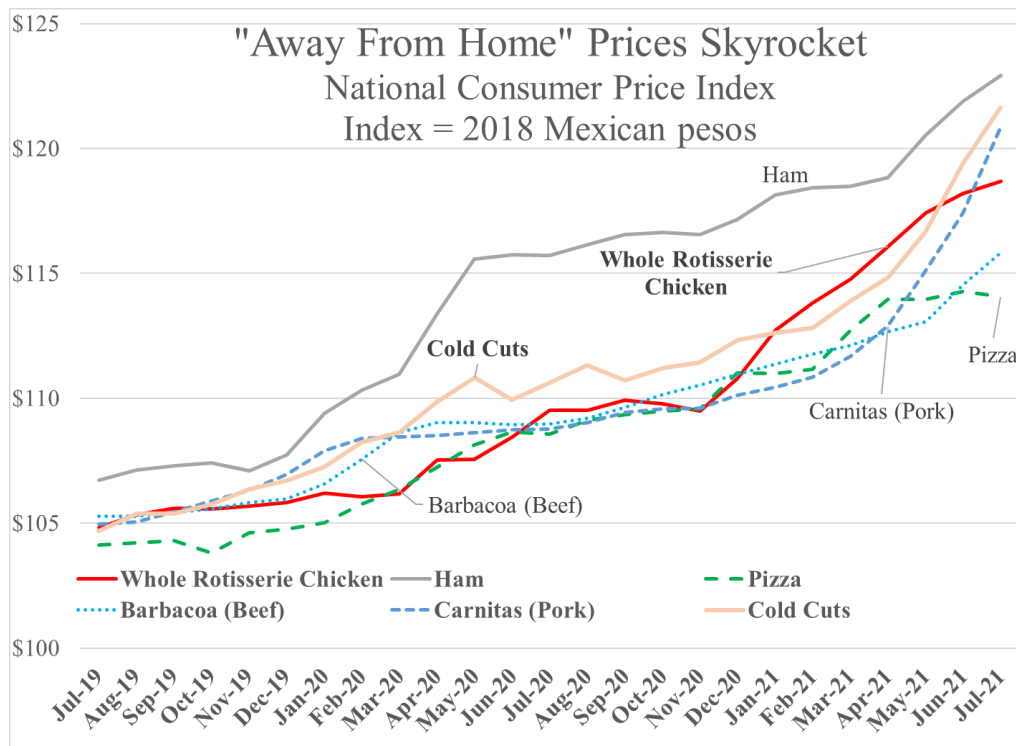
Source: Mexican Meat Council (COMECARNE)

From January to July 2021, farm gate prices for live chickens increased by 14 percent, primarily driven by higher feed costs. Industry sources report that feed accounts for about 60 to 65 percent of the total cost of production of broiler meat. According to the Secretariat of Agriculture and Rural Development (SADER), Mexican whole chicken prices rose 58 percent over the first half of 2021 compared to the same period of 2020, driven in part by high grain and feed prices and greater substitution with competing animal proteins.

<b>August 2021 Chicken Prices by Metropolitan Area</b> (Mexican Pesos per kilogram)				
	Mexico City	Monterrey	Aguascalientes	Leon
Breast	\$62-138	\$62-154	\$72-144	\$69-162
Leg	\$58-67	\$39-77	\$52-65	\$58-72
Whole Bird	\$39-47	\$39-45	\$42-63	\$37-70

Source: Federal Consumer Protection Agency (Profeco)

Chicken prices rose 68 percent over the same period, reflecting the largest increase in prices since the devaluation of the Mexican peso in 1997. Among all other animal proteins, chicken meat experienced the greatest gains in sales volumes and prices in 2021 and nearly matching prices for certain pork cuts. Throughout 2021 prices of the main cuts of chicken meat rose on average 2.5 percent on a month-to-month basis and remain elevated today.



Source: INEGI, Note: \$1 U.S. dollar: \$19.17 Mexican pesos

INEGI's National Consumer Price Index (INPC) data highlight how COVID-19-related supply and demand shocks to Mexico's economy drove Mexican consumers to purchase relatively inexpensive prepared meats, raising prices for rotisserie chickens, cold cuts, and ham. A second wave of COVID-19 infections in October 2020 compounded demand for these products causing prices to soar. When Mexico's COVID-19 case count subsided, and the Government of Mexico lifted public health restrictions, in May 2021, demand and prices for whole rotisserie chickens moderated. Yet, demand and prices for ham, carnitas, and cold cuts continued to grow. From

July 2019 to July 2021, INEGI/INPC prices for whole rotisserie chickens rose 13.2 percent, trailing price hikes for ham, carnitas, and cold cuts.

## Trade

**Imports:** Post forecasts chicken imports in 2022 to reach 875,000 MT, up nearly 2 percent from 2021, due to rising demand for chicken meat for further processing into processed meat. All things being equal, the overall outlook for chicken imports remains strong due to the relative price competitiveness of further processed chicken meat compared to pork and beef. As Mexico's economy recovers and the Mexican peso strengthens relative to the U.S. dollar, import demand for poultry will also rebound.

Imports account for about 18 percent of total domestic chicken meat consumption. Firms that further processed poultry for use in products such as sausages, hams, and cold cuts are a major source of import demand. Imported poultry accounts for a large share of inputs for these products. Chilled leg quarters and mechanically deboned chicken from the United States accounts for nearly half of all imports. Mexico also imports frozen breasts, wings, and leg quarters from Brazil; however, most chicken meat processors are not equipped to process frozen chicken parts.

On June 23, 2021 Mexico's Secretariat of Economy (SE) authorized a small 30,000 MT tariff-rate-quota ([TRQ](#)) for duty-free access of poultry meat imports from third-country trading partners until December 31, 2021. The relatively small TRQ issued on June 28 is not expected to significantly affect market prices in Mexico. The Government of Mexico has stated this action as necessary because of food inflation and the resulting public concern. The United States remains Mexico's main supplier despite granting third-country TRQs for chicken meat on June 2021.

In relative terms, the June 28 TRQ will not offset the market impact of a previously reported (FAS GAIN [MX2021-0008](#) and [MX2020-0042](#)) 355,000 MT third-country TRQ, which Mexico administered from 2013 to 2019. As Mexican poultry demand recovers, and import demand returns, Post projects that Mexico's chicken producers and processors will gain pricing power in the domestic market and raise prices further.

**Exports:** Post projects chicken exports in 2022 to expand by nearly 17 percent to 8,000 MT RTC on strong U.S. demand for heat-treated ready-to-eat (RTE) and ready-to-cook (RTC) products. Despite limited market access, Mexican processors are slowly expanding exports of RTE and RTC products.

In most cases, Mexico's chicken exports to the United States are restricted to [heat-treated poultry products](#). Currently, Mexico recognizes the three states of the Yucatán Peninsula (Yucatán, Campeche, and Quintana Roo), as well as two states in the north (Sonora and Sinaloa), as free of avian diseases. Negotiations with USDA's Animal and Plant Health Inspection Service (APHIS) and Food Safety and Sanitary Inspection Service (FSIS) continue as Mexico's National Sanitary, Agri-Food Inspection, and Quality Service (SENASICA) and the Mexican poultry industry work together to establish disease-free recognition, as well as inspection system equivalence recognition for chicken, to expand Mexico's market access to the United States.

Mexican animal health authorities expect to resume negotiations with China to gain recognition of Avian Influenza disease-free zones in 2022, seeking new market access to China. Below is a list of current market access protocols in place for Mexican exports of poultry worldwide. Note: In many cases, bilateral protocols do not result in actual commercial trade. SENASICA must register and authorize individual export facilities under their Federal Inspection Type (TIF) program before full commercial market access is granted.

<b>Country</b>	<b>Product Eligibility</b>
USA	Only heat-treated products made with imported raw materials
Canada	Only heat-treated products made with imported raw materials
Central America	Intact, non-intact, and heat-treated products
Cuba	Intact, non-intact, and heat-treated products
Dominican Republic	Intact, non-intact, and heat-treated products
Chile	Intact, non-intact, and heat-treated products
Argentina	Cartilages for pharmaceutical use
Egypt	Intact, non-intact, and heat-treated products (with TIF certificate)
United Arab Emirates	Intact, non-intact, and heat-treated products
Saudi Arabia	Intact, non-intact, and heat-treated products
Kuwait	Intact, non-intact, and heat-treated products
Oman	Intact, non-intact, and heat-treated products
Taiwan	Offal
Hong Kong	Offal and frozen whole hens

Source: SENASICA

## Turkey

### Production

Post forecasts 2022 turkey production to fall to 17,000 MT RTC, down about 5.5 percent from 2021 as producers substitute turkey production for higher-margin chicken production.

**Turkey Meat Production, Supply, and Demand (1,000 MT)**

	2017	2018	2019	2020	2021*	2022*
Production	17	17	18	17	18	17
Imports	165	159	155	151	152	155
Exports	1.5	1.4	1.3	1.6	1.5	1.3
Consumption	181	181	182	179	181	181

Note: \*Forecast

High input costs and limited government incentives continue to drive turkey producers to switch to chicken production as chickens more efficiently convert feed into animal protein and have shorter production cycles than turkeys. Turkeys typically take 90 to 130 days to reach market weights, nearly double or triple the time required to raise chickens. For similar reasons, rural backyard production for household consumption also declined.

### Consumption

Post forecasts 2022 turkey meat consumption to remain unchanged at 181,000 MT RTC from 2021, largely limited to turkey meat for further processing into processed meat products. Turkey meat is commonly further processed in addition to other proteins such as chicken meat or pork into processed products. Processors continue to develop new products combining different sources of animal proteins to satisfy and incentivize household consumption demand.

Most Mexican consumers favor chicken and pork to turkey. However, as more Mexicans take interest in U.S. traditions, roast turkey is also a popular seasonal dish to celebrate the Christmas or New Year's holidays. Demand for whole birds typically rises at the end of each year due to seasonal festivities, incentivizing higher production in the second half of the year. Although seasonal HRI demand is expected to return in 2021 and 2022, Mexico's uncertain economic recovery and falling consumer incomes continue to lower demand for turkey meat.

### Trade

**Imports:** Post forecasts 2022 turkey imports to reach 155,000 MT, up nearly 2 percent from 2021 as HRI demand recovers. Mexico depends heavily on imports to satisfy domestic demand. Imports are expected to recover to 2019 levels by 2022 but will lag 2020 and 2021 levels.

**Exports:** Post forecasts that turkey exports will fall to 1,300 MT in 2022, down 13 percent from 2021 due to strong domestic demand and fewer exportable supplies. Due to the lack of recognition of Avian Influenza-free zones, Mexico is limited to exports of heat-treated or Ready-to-Eat turkey products to the United States. APHIS and FSIS continue market access discussions with SENASICA and the Mexican poultry industry. The United States and Mexico aim to

establish disease-free recognition and inspection systems equivalence to expand U.S. poultry market access beyond heat-treated products.

## Eggs

### Production

Post forecasts egg production to expand to 3.19 million MT, up 3 percent from 2021. This projected increase is due to the following reasons:

- Steady domestic demand growth;
- Improved layer hen genetics;
- Continual investment into egg production technology and management practices to raise efficiency.

Eggs	2016	2017	2018	2019	2020	2021*	2022*
Production**	2,720,742	2,828,056	2,931,593	2,987,782	3,026,360	3,100,000	3,193,000
Imports**	69,029	63,107	50,798	72,157	93,711	94,650	95,500
Exports**	669	1,069	806	806	234	90	120
Consumption***	23.48	22.70	22.98	23.20	23.60	24.50	25.23

\*Forecast; \*\*Measured in MT, including egg and egg products; \*\*\*Measured in kilograms per capita

Sources: Mexico's Agricultural Statistics Service (SIAP), Trade Data Monitor, and UNA

Mexico's egg production is largely concentrated in the states of Jalisco and Puebla, which account for nearly 70 percent of national production. Sonora and the La Laguna region in the states of Coahuila and Durango are Mexico's next largest table egg producing region. The egg industry is comprised of highly integrated producers including Proteina Animal de Mexico (ProAn), Industrias Bachoco, Empresas Guadalupe, Productos Avícolas El Calvario, and San Juan. Within the egg sector, Mexico's egg producers are transitioning their marketing strategies from a majority share of sales in the bulk market to sales of packaged eggs in supermarkets supported by brand development and product differentiation to generate higher margins.

### Consumption

Post forecasts 2022 egg consumption to reach 25.23 kilograms per capita, up 3 percent from 2021 based on strong demand for affordable protein. This projected increase is due to the following reasons:

- Eggs and egg products continue to offer the best value among all animal proteins for working families facing high inflation and an uncertain economic outlook;
- Household demand for eggs and egg products will continue to expand due to Mexico's economic recovery and population growth;
- For consumers with the means, egg products such as baked goods offer affordable indulgences during a time of economic hardship.

Mexico remains the world's leading consumer of eggs and egg products. Household consumer demand for table eggs and egg products for baking and cooking expanded at the onset of the COVID-19 pandemic. As meat prices continue rising, demand for eggs and egg products will also grow as consumer respond to high prices. Eggs and egg products offer the greatest value, versatility, and nutrition among all other animal protein.

According to UNA, about 77 percent of Mexico's shell eggs are sold to the wholesale channel in traditional and central wholesale markets. Another 15 percent of shell eggs are sold to retail channel in closed containers to supermarkets and convenience stores. Lastly, the remaining 8 percent is destined for further processing into egg products in the industrial channel.

### **Price Outlook**

Feed production capacity for layers is highly concentrated with about 72 percent dedicated to vertically integrated producers, and another 28 percent dedicated to commercial feed mills.

According to UNA, as of June 2021, the average farmgate price of eggs per kilogram is 3 percent lower than that of the same period in 2020. Overall, year-to-year retail egg prices fell on average about 9 percent from 2020. In August 2021, INEGI reported that month-to-month egg prices fell 2.61 percent in July 2021 compared to July 2020, reflecting a slight moderation in egg and egg product prices, which remain the most competitively priced animal protein.

Mexico's egg industry associations continue to promote eggs and egg products through trade servicing activities at the retail level including, cooking demonstrations and recipe distribution, and promotional campaigns emphasizing the health and nutrition benefits of eggs.

### **Trade**

**Imports:** Post forecasts 2022 egg imports to grow less than 1 percent to 95,500 MT compared to 2021 as domestic production partly substitutes imports. U.S. egg and egg product imports primarily supply Mexico's northern border states; however, imported egg and egg products may be found in most parts of Mexico. It is estimated that 5 percent of the total egg consumption is used for further processing in Mexico, opening a market opportunity for imported egg products from the United States.

**Exports:** Post forecasts that exports of eggs and egg products will recover to 120 MT in 2022, up 50 percent from 2021, but still significantly lower compared to pre-COVID-19 pandemic levels. As consumer and retailer stockpiling continues, domestic demand continues to absorb exportable supplies.

Mexico currently maintains export protocols for egg products to the European Union and Japan. USDA's APHIS and Food Safety and Sanitary Inspection Service (FSIS) continue discussions with Mexico's SENASICA and the Mexican poultry industry to establish disease-free recognition, as well as inspection system equivalence recognition for eggs and egg products.

### **Attachments:**

No Attachments