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**Post:** Mexico City

**Report Category:** Poultry and Products

**Prepared By:** Gustavo Lara

**Approved By:** Andre Bradley

**Report Highlights:**

Strong domestic demand and technological improvements are projected to support continued growth in domestic poultry production, with calendar year (CY) 2023 chicken meat production forecast higher at 4 million metric tons (MMT). Consumption is forecast at 4.94 MMT in CY 2023, up from the previous year due to consumers favoring the least expensive animal protein in the face of rising inflation and weakened purchasing power. Imports are forecast up slightly to 950,000 MT to meet domestic demand.

## Chicken Meat

### Production

Post forecasts CY 2023 chicken meat production at 4.0 million metric tons (MMT). Vertical integration, consolidation, increased biosecurity, increased use of high-quality genetics, and strong domestic demand will keep Mexico's poultry industry on track for continued to year-to-year growth of 2.6 percent.

Despite the ongoing COVID-19 pandemic and continued pandemic-induced pressure on both demand and supply, demand for Mexican chicken meat remains solid. Post estimates production will remain at 3.9 MMT in 2022.

Federally Inspected (TIF) establishments account for almost 50 percent of Mexico's chicken meat production, as Graph 2 shows. The increase of slaughter in TIF establishments reflects the year-to-year growth.

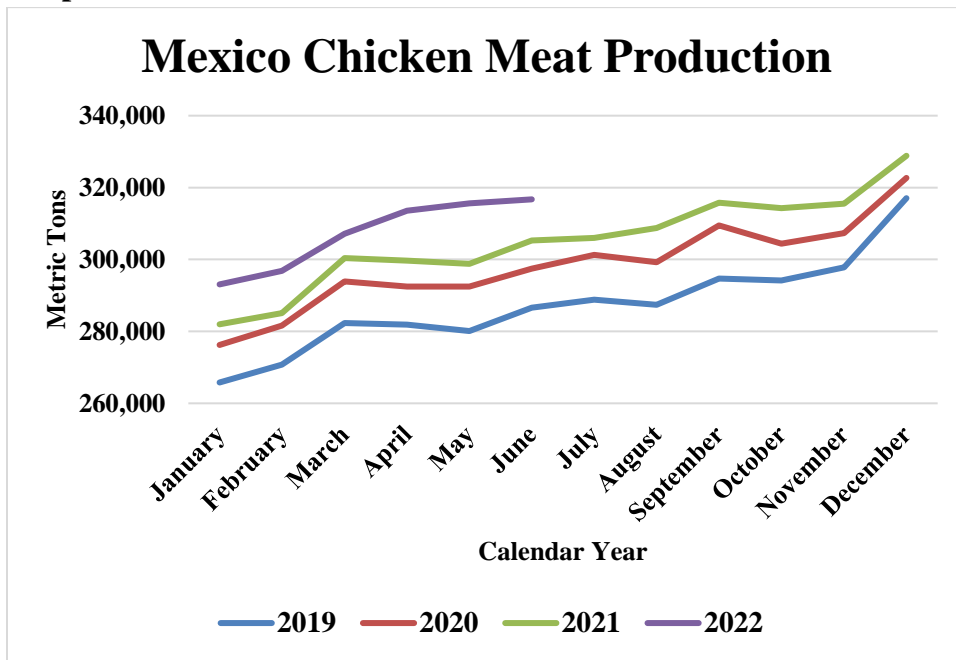
**Table 1. Chicken – Production, Supply, and Distribution**

Meat, Chicken Market Year Begins	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
<b>Beginning Stocks</b> (1000 MT)	0	0	0	0	0	0
<b>Production</b> (1000 MT)	3,815	3,815	3,900	3,900	0	4,000
<b>Total Imports</b> (1000 MT)	917	917	930	930	0	950
<b>Total Supply</b> (1000 MT)	4,732	4,732	4,830	4,830	0	4,950
<b>Total Exports</b> (1000 MT)	7	7	7	7	0	8
<b>Human Consumption</b> (1000 MT)	4,725	4,725	4,823	4,823	0	4,942
<b>Other Use, Losses</b> (1000 MT)	0	0	0	0	0	0
<b>Total Dom. Consumption</b> (1000 MT)	4,725	4,725	4,823	4,823	0	4,942
<b>Total Use</b> (1000 MT)	4,732	4,732	4,830	4,830	0	4,950
<b>Ending Stocks</b> (1000 MT)	0	0	0	0	0	0
<b>Total Distribution</b> (1000 MT)	4,732	4,732	4,830	4,830	0	4,950
(1000 MT)						

Note: Not official USDA data.

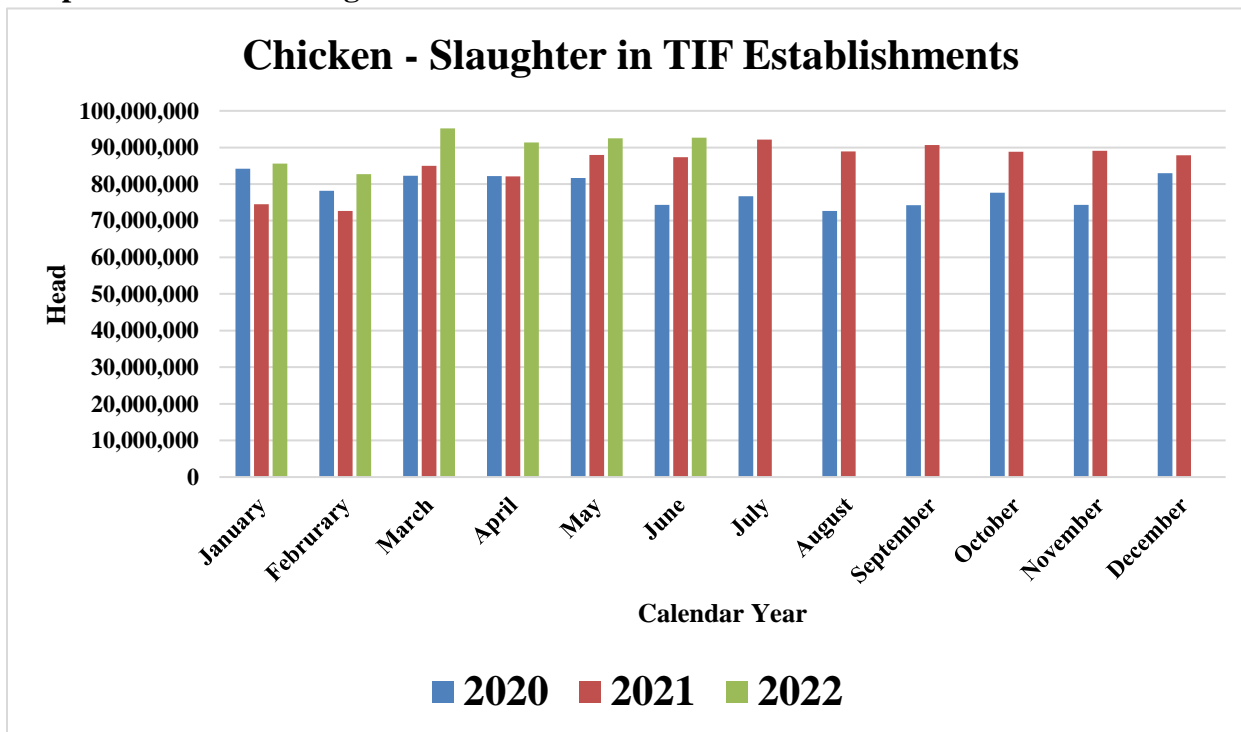
Sources: Trade Data Monitor (TDM), Inc., National Poultry Producers (UNA), Mexican Meat Association (COMECARNE), Mexico's Agricultural Statistics Service (SIAP), and FAS Mexico City

**Graph 1. Mexico Chicken Meat Production**



Source: SIAP-SADER

**Graph 2. Chicken – Slaughter in TIF Establishments**



Source: DGIAAP – SENASICA

According to the Mexican Poultry Producers Association (UNA) Mexico’s flock for chicken meat production is as follows:

**Table 2. Chicken Flock Composition**

Zootechnical Function	Numbers
Broilers per cycle	310,421,660
Parent Broiler Hen in Production	10,145,708
Parent Broiler Growing Pullet	9,063,499
Parent Heavy Broiler Hen in Production	245,581
Parent Heavy Growing Broiler Hen	169,865
<b>Total</b>	<b>330,046,313</b>

Source: UNA

Regional Variations in Mexico

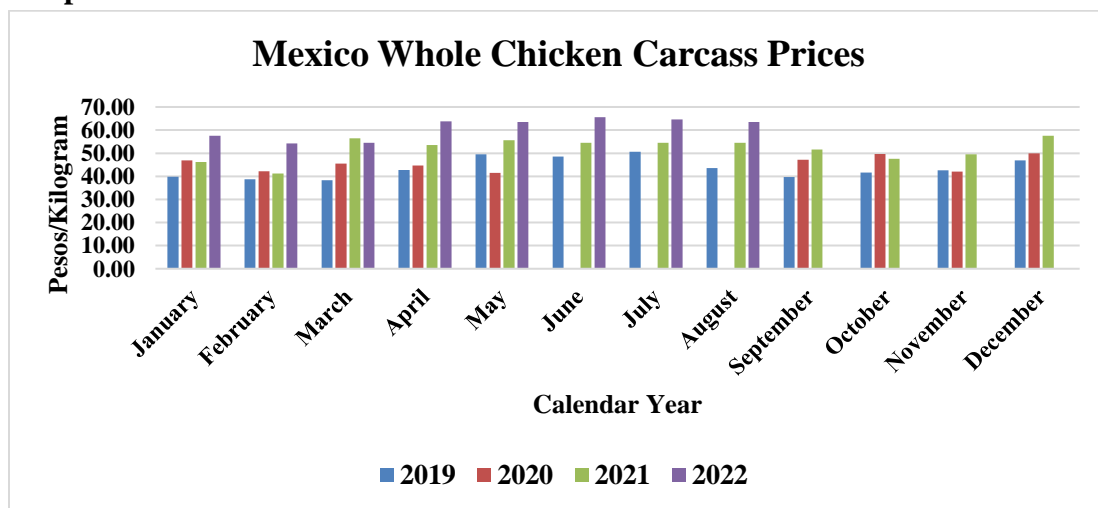
Mexican poultry farming varies from state to state in terms of production, technology, availability of raw materials, availability of genetic resources, logistics and infrastructure, and export potential. Chicken farming in Mexico faces similar challenges to those globally, including adjusting to increasing demand for animal welfare (e.g., cage-free, free-range) and sustainability. Some Mexican chicken producers increasingly struggle with efficiency and profitability in the face of these changing consumer dynamics.

Veracruz leads Mexican chicken meat production and accounts for 20.5 percent of domestic production, followed by Jalisco with 15.6 percent, Aguascalientes with 9.5 percent, Yucatan with 6.4 percent, Puebla with 6.4 percent, and the rest of the country with 41.6 percent.

Prices Continue to Rise

The May 2022 average domestic price for live chicken was \$1.29 (25.88 pesos) per kg, up 1.2 percent over the previous month and 5.4 percent higher than May 2021. The whole-bird carcass price was \$1.82 (36.33 pesos) per kg, up 0.7 percent over April, but 5.1 percent lower than during the same period in 2021. May wholesale prices were \$3.2 (63.6 pesos) per kg, a 2.5 percent increase over April, and 14.6 percent higher over 2021. Retail prices were \$3.35 (67.03 pesos) per kg, a 1.8 percent increase over April 2022 and a 10.8 percent increase over April 2021.

**Graph 3. Mexico Whole Chicken Carcass Prices**



Source: SIAP-SADER

### HPAI Remains Under Control

The outbreak of highly pathogenic avian influenza AH7N3 (HPAI) in the La Laguna region, has been contained by local and federal authorities. The Mexican Animal Health and Food Safety Agency (SENASICA) and local authorities in the neighboring state of Sinaloa are coordinating on traceability efforts and maintaining Sinaloa as free of HPAI, it is expected other states will join the effort.

### Feed Use by the Poultry Sector

Currently, Mexico's poultry sector consumes 17.7 MMT of balanced feed, 63 percent of which consists mainly of corn and sorghum, equivalent to 10.7 MMT. The balance is made up of oilseeds, oilseeds meals and other inputs. Poultry feed is the most important input for chicken and egg production and accounts for 62 and 63 percent, respectively, of total input costs. The conversion ratio of agricultural inputs to final product is 2.3 kg of inputs for 1 kg of chicken meat and 1.8 for eggs.

### **Consumption**

Post forecasts CY 2023 chicken meat consumption at 4.94 MMT and CY 2022 consumption at 4.82 MMT. With rising inflation and household purchasing power increasingly negatively affected, chicken meat remains the most affordable animal protein. Its versatility and its reputation as a healthy product also spur consumption. However, as inflationary pressure pushes chicken meat prices upward, some consumers will likely begin to substitute less expensive animal proteins (e.g., eggs for chicken meat) or simply reduce their intake of animal-based proteins.

### Channels and Products

In Mexico, chicken meat and eggs represent 50 percent of animal protein consumption. A little over 36 million chickens are consumed on weekly basis. Mexican consumers' purchases of chicken meat are divided as follows: 37 percent are sold live, 36 percent in Mexican rotisseries (where whole birds are skewered and roasted and then sold to the public), 15 percent in other value-added products in retail, 9 percent are purchased in public markets (wet and farmers markets) as whole bird carcasses or cuts, and 3 percent in retail (supermarkets) as whole bird carcasses or cuts.

### **Photo 1. Mexican Rotisserie**



Source: Google

Consumption is dominated by bone-in chicken leg quarters, cut breast portions, and whole carcasses, which are prepared in homes, as well as by the hotel, restaurant, and institutional (HRI) sectors.

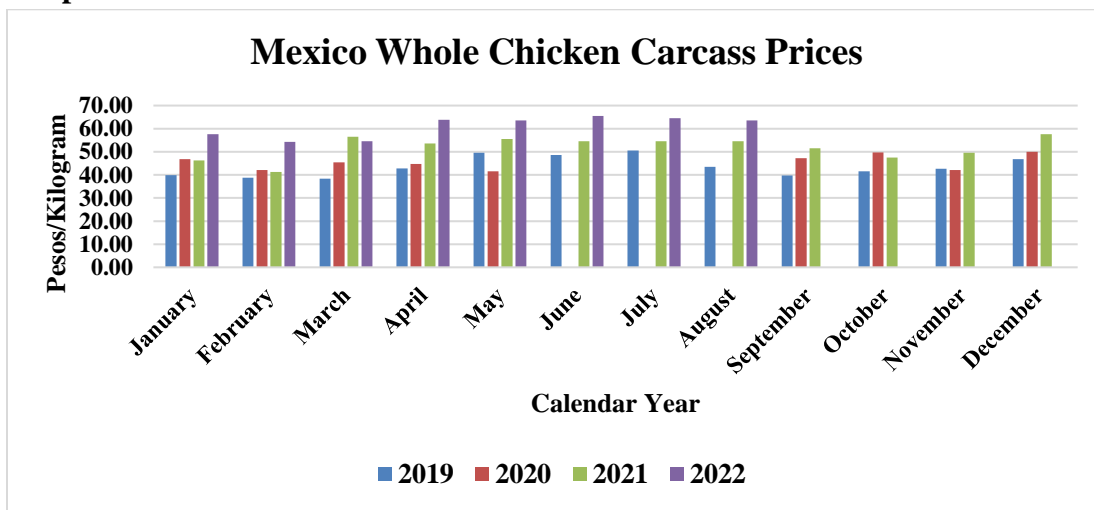
However, the ready-to-eat (RTE) and ready-to-cook (RTC) segments continue to grow, driven by middle- and higher-income consumers.

**Regional Differences**

Mexican chicken meat consumption is concentrated in central Mexico, particularly in the cities of Mexico City, Veracruz, Jalisco, and Puebla. This is explained in part by income levels, population concentration, and proximity to production sites. Northern states like Sonora, Chihuahua, Durango, and Coahuila spend tend to consume less chicken meat and prefer beef as their primary source of animal protein, due partially to the higher income of the region.

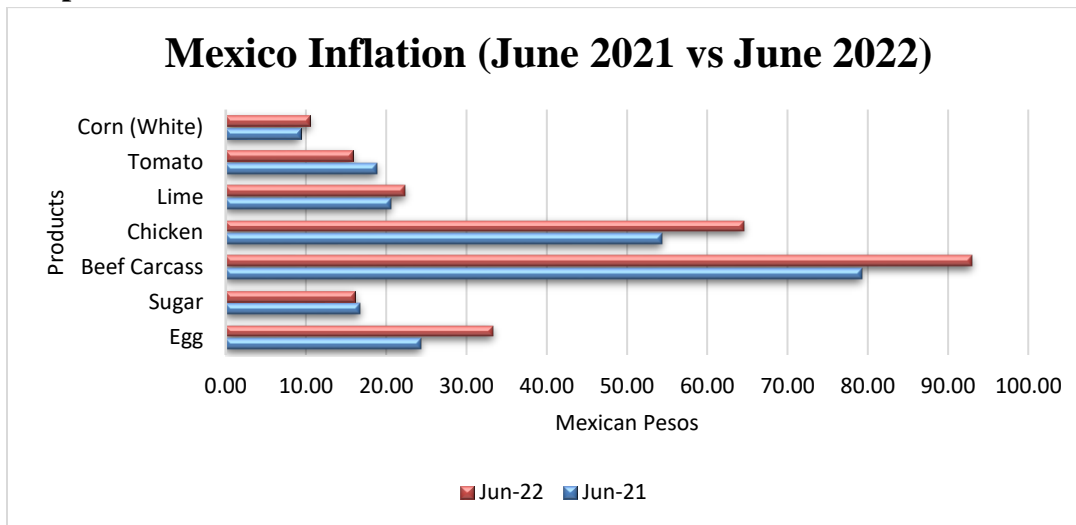
According to private sector sources, Mexico’s poultry sector changed dramatically over the last two years and consumer preference continue to evolve. Although Mexican and global consumption is rebounding following the outbreak of COVID-19, Mexico’s poultry sector faces challenges in terms of generating profit-generating products. Some companies are struggling to secure the raw materials needed to manufacture products, also trying keep prices affordable. Prices and product portfolios are the main drivers for consuming trends. Although in-person purchases are recovering, e-commerce continues to remain popular, as many consumers became accustomed to the convenience of e-commerce during lock down.

**Graph 4. Mexico Whole Chicken Carcass Prices**



Source: SIAP-SADER

## Graph 5. Mexico Inflation



Source: Profeco

## Trade

### Imports

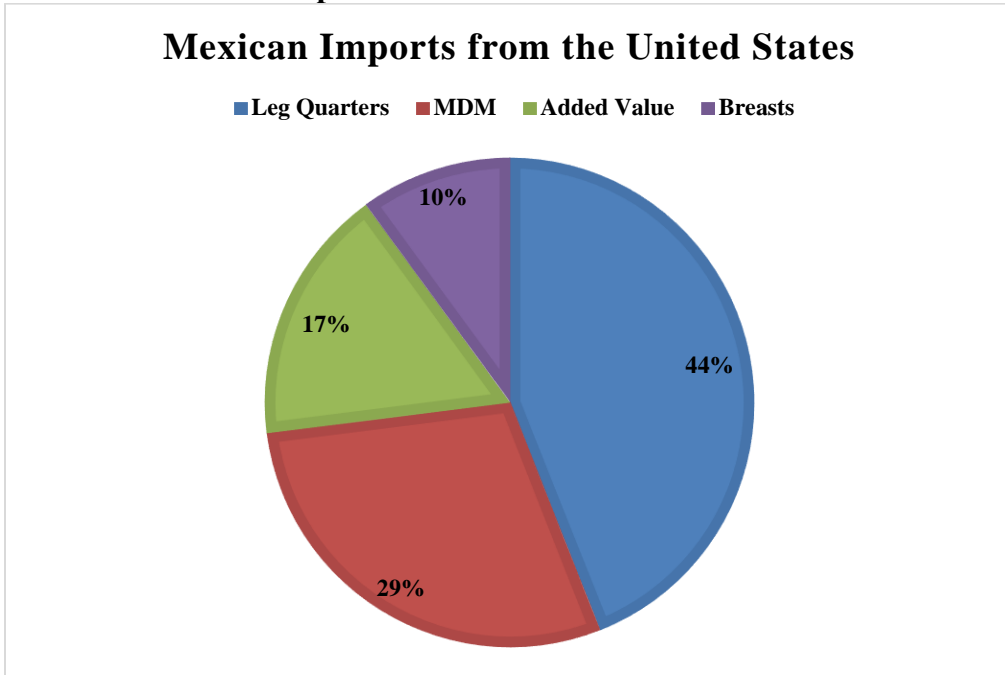
Post forecasts CY 2023 imports at 950,000 MT as Mexico's domestic demand grows and supply is satisfied through imports. Imports are forecast to account for 19 percent of consumption, comparable to recent years.

The United States is the primary supplier to Mexico with a 78 percent share during January to May 2022. However, the United States share will likely decline in the second half of 2022 as President Lopez Obrador's May 16, 2022, decree moves to reduce tariffs to zero. This action will likely stimulate imports from third countries with no free trade agreements with Mexico. Consequently, Brazil will most likely be the biggest benefactor with regards to chicken meat. In the past Brazil has benefited from Mexican issued Tariff Rate Quotas as processors increased purchases from Brazil at a lower price. Currently, there are 66 Brazilian establishments authorized to export poultry to Mexico, 1,633 U.S. establishments, and 11 Chilean establishments. The latter mainly exports turkey (whole birds) to Mexico during the last quarter of the calendar year.

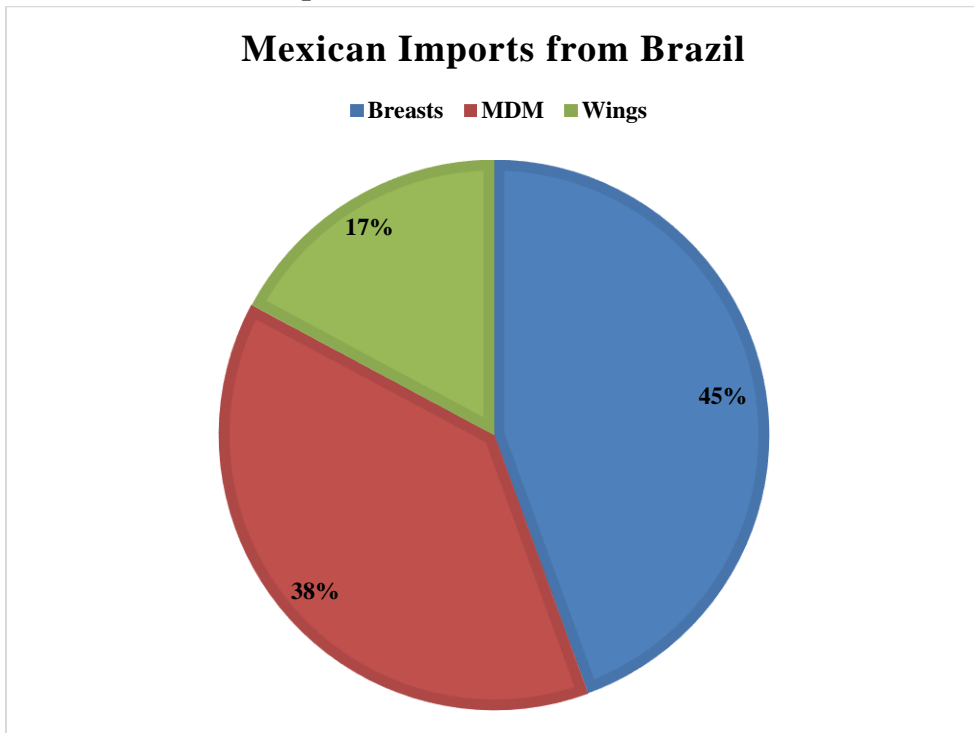
Post estimates imports for CY 2022 remain at 930,000 MT. The outlook for global poultry trade in this second half of 2022 remains positive, despite significant cost pressures and other operational challenges.

Imports from the United States are mainly leg quarters, which account for 44 percent of the United States share, followed by mechanically deboned meat (MDM) at 29 percent, 17 percent are added-value products, and breasts with 10 percent of the share. From Brazil, almost 44 percent of imports are breasts, 38 percent mechanically deboned meat, and 17 percent wings.

**Graph 6. Mexico Chicken Meat Imports from the United States**

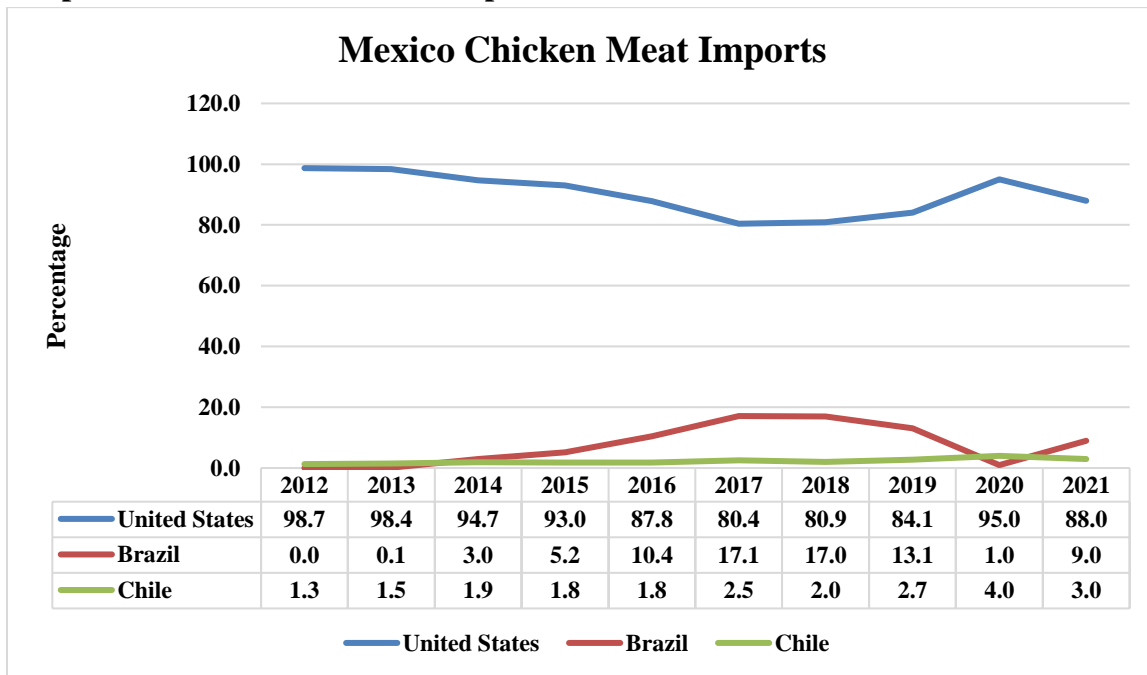


**Graph 7. Mexico Chicken Meat Imports from Brazil**





**Graph 8. Mexico Chicken Meat Imports**



Source: UNA

### Exports

Post forecasts exports for CY 2023 at 8,000 MT as Mexico continues to gain market access to Central America with RTE and RTC products. The U.S. market remains limited to heat-treated products due to animal health concerns. Post estimates exports for CY 2022 to remain at 7,000 MT as domestic demand grew, especially in the HRI sector, and stocks were used to satisfy demand and reducing exportable supplies.

In volume terms, from January to May 2022, the United States accounted for 57 percent of Mexico’s chicken meat exports, while Central America with 30 percent, the EU with 8 percent, and Asia with 4 percent. Export share is divided into 69 percent sausages and cold cuts, 13 percent chicken meat, 6 percent added-value products, 4 percent paws, and 8 percent other products. Mexico continues to work closely with U.S. authorities to obtain recognition of regionalization for HPAI, with Sinaloa being the most advanced state in the matter. Other states recognized by Mexican authorities as free of HPAI are Sonora, Yucatan, Campeche, and Quintana Roo.

### Eggs

**Table 3. Eggs Post PS&D**

<b>Eggs</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022*</b>	<b>2023*</b>
Production**	2,987,782	3,026,360	3,100,000	3,148,000	3,243,000
Imports**	72,157	93,711	64,650	62,000	60,000
Exports**	806	234	90	900	850
Consumption*	23.20	23.60	24.50	25.23	25.98

\*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

Post forecasts CY 2023 egg production to expand to 3.29 MMT, up 3 percent over CY 2022. Domestic production continues to grow as the sector has invested in improved layer hen genetics and biosecurity. There is a continual investment into egg production technology and management practices to raise efficiency. Mexico's top producers are Jalisco with 55 percent of the share, Puebla with 13 percent, Sonora with 8 percent, La Laguna with 5 percent, Yucatan with 5 percent and the rest of the states with 14 percent.

According to the industry, feed accounts for 63 percent of egg production costs, followed by 13 percent for replacement of layers that are no longer productive, and 7 percent for packaging. The conversion ratio is 1.8 kg feed / 1 kg egg. Layer feed for CY 2023 is forecasted at 8.02 MMT, for CY 2022 the estimate is 7.78 MMT and CY 2021 was 7.56 MMT.

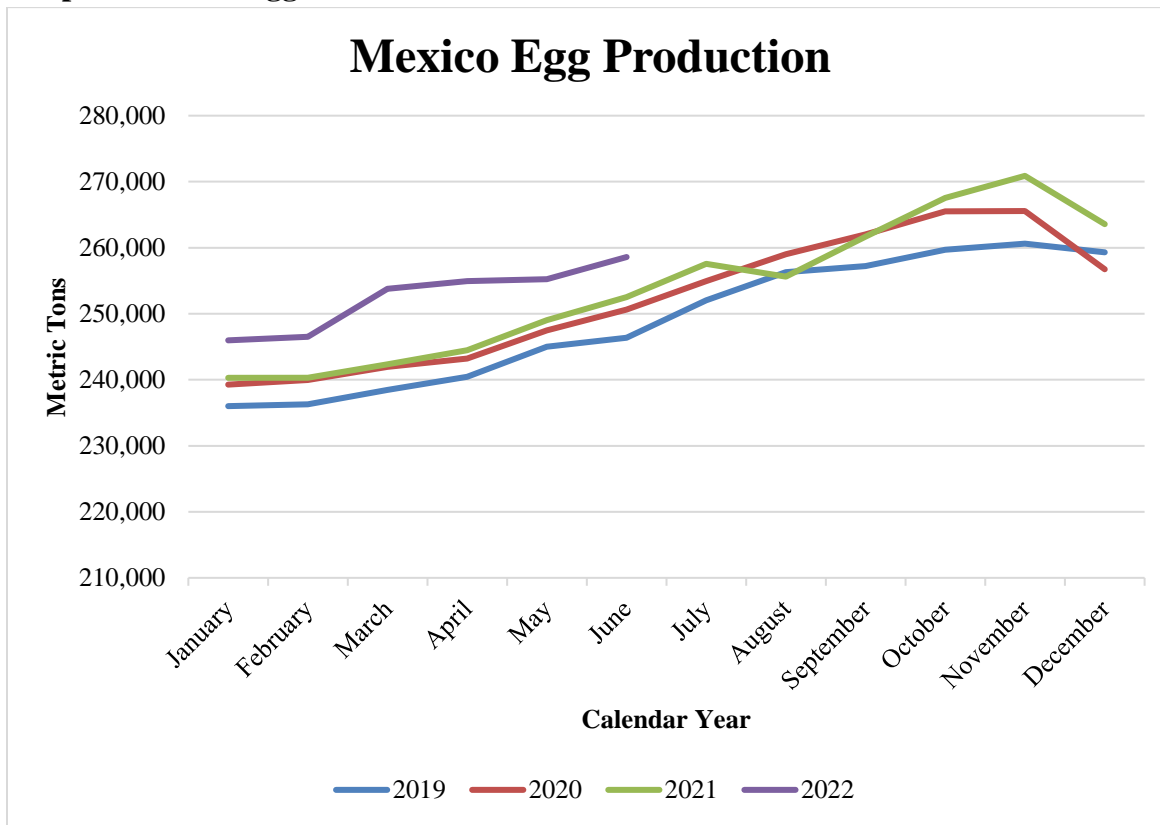
During CY 2022, the domestic poultry flock is estimated by UNA to grow by 4 percent compared to CY 2021. Layers genetic lines for white eggs are Bovans with 65 percent, Hy Line with 19 percent, and Lohman with 15 percent. It is important to highlight that 98 percent of production is white eggs, and the remaining 2 percent is red eggs. In 2021, 112 million pullets were sold, and Post estimates 117 million pullets for 2022.

SADER is in the process of establishing a certification system for alternative poultry operations, including organic and cage-free. Currently, only an estimated 0.22 percent of egg production is cage-free (approximately 350,000 hens) and 0.17 percent of chicken meat production is organic. Demand for alternative poultry products is limited by price inflation, with retail prices for traditional (non-alternative) eggs having reached an annualized inflation rate of 37 percent thus far in CY 2022, and prices for non-alternative eggs always higher. The price for white eggs in July 2022 was 37.50 pesos/kilogram (\$1.87USD) compared to 26.02 pesos/kilogram (\$1.3USD) in July 2021.

Mexico continues to position itself as the number one consumer of eggs in the world, surpassing Japan. Post forecast consumption for CY 2023 is 25.98 kilograms per capita per year. Eggs continue to be the most affordable source of animal protein, and combined with its diversity, it plays a very important role in the Mexican consumer diets. Approximately 77 percent of eggs in Mexico are sold through the traditional and central markets, while 15 percent are sold in closed packages, mainly through modern retail channels. About 8 percent of Mexican eggs are destined for the processing sector.

Although poultry farms in Mexico are among the most intensive in the world, one of the biggest challenges for the Mexican poultry industry is increasing the flock. Increasing the flock reflects in high volumes of eggs, better yields, and increased profitability. This is a challenge for domestic producers amid rising costs for inputs and feed, and the threat of an outbreak of avian influenza.

**Graph 9. Mexico Egg Production**



Source: SIAP – SADER

**Turkey**

**Table 4. Turkey Post PS&D**

	2017	2018	2019	2020	2021	2022*	2023*
Production	17	17	18	17	16	15	15
Imports	165	159	155	161	162	155	160
Exports	1.5	1.4	1.3	1.6	1.5	1.3	1.4
Consumption	181	181	182	179	181	181	181

Expressed in 1,000 MT

Note: \* Forecast

Post forecasts CY 2023 production at 15,000 MT and Post estimates production for CY 2022 at 15,000. 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.

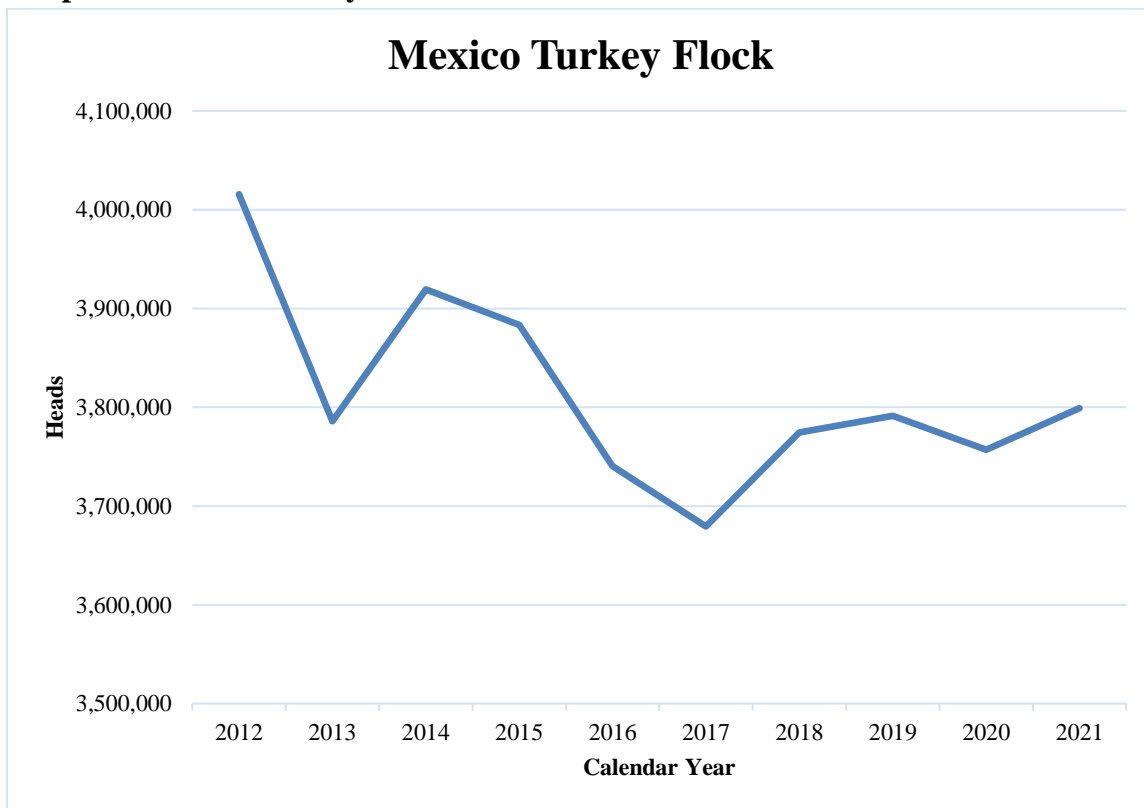
The top five state producers are Yucatan with 27.1 percent of the share, followed by Puebla with 14.5 percent, State of Mexico with 12 percent, Veracruz with 7.5 percent, Tabasco with 6.4 percent, and the rest of the country with 32.45 percent. In commercial turkey flocks, the Nicolas 700 line prevails. However, there is turkey production with creole or mixed genetic lines in backyards. According to UNA, there are 525,390 birds in production per cycle and 1,500 parent turkeys in Mexico. However, the domestic turkey flock is estimated in 3.8 million birds.

Turkey consumption will continue to remain flat as its consumption is seasonal and regional. Due to its limited production, high prices, and low availability, turkey is not a popular animal protein source. In Mexico’s southeastern region, production is typically backyard production for self-consumption. Demand for whole birds rises at the fourth quarter during the holidays, especially in big urban centers. Turkey is mostly consumed in RTE products in combination with other animal-based proteins, like cooked hams, chicken meat, or pork lard. It is important to highlight that Mexico’s uncertain economic recovery and falling consumer incomes continue to lower demand for turkey meat, however processors demand is steady for added value and RTE products, maintaining consumption estimate flat.

U.S. HPAI outbreaks negatively affected Mexico’s CY 2022 turkey imports, as Mexico sources 95 percent of its imported turkey meat from the United States. Whole birds are also imported from Canada and Chile. Chilean turkey imports have gained momentum in recent years due to the smaller sizes Chilean birds, which many Mexican consumers prefer. The structure of turkey imports may be roughly divided into 66 percent chilled cuts, 19 percent frozen cuts, 14 percent whole birds, and 2 percent smoked turkey.

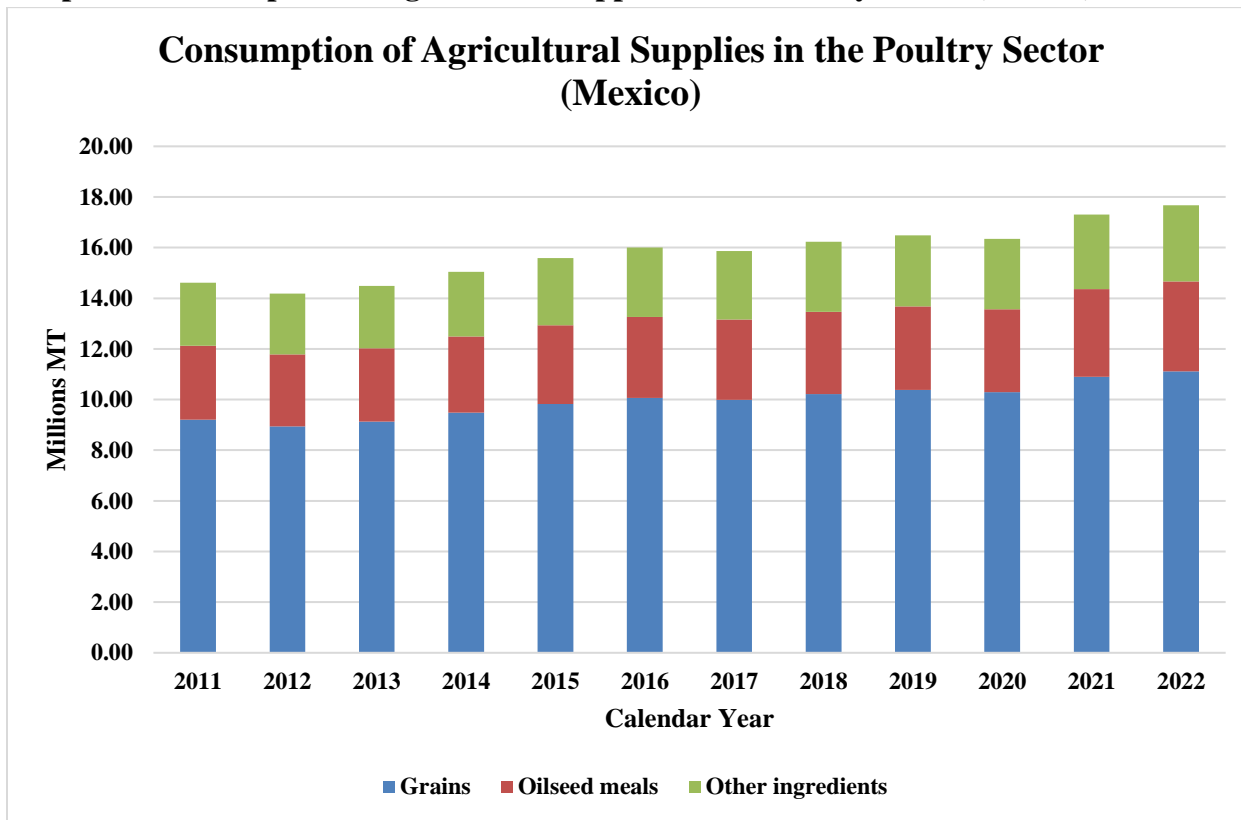
As previously reported, due to the lack of recognition of HPAI-free zones (regionalization), Mexico is limited to export heat-treated turkey products to the United States. Mexico aims to obtain disease-free recognition and systems equivalence from the United States and hopes to expand exports beyond heat-treated products.

**Graph 10. Mexico Turkey Flock**



Source: SADER

**Graph 11. Consumption of Agricultural Supplies in the Poultry Sector (Mexico)**



Source: UNA

**Attachments:**

No Attachments