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# GAIN Report

Global Agricultural Information Network

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## **Mexico**

### **Poultry and Products Semi-annual**

#### **Continued Growth in the Poultry Sector of Mexico**

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**Report Highlights:**

Strong growth is expected in the poultry and egg sectors for 2018, building on recent expansion and vertical integration. Producers monitor the NAFTA negotiations, while Mexico seeks to diversify import and export destinations through other Free Trade Agreements and economic agreements. The majority of imports in all poultry sectors continue to originate from the United States, while exports by Mexico are limited.

**Commodities:**

Poultry, Meat, Broiler

Poultry, Meat, Turkey

Poultry, Eggs

**Poultry, Meat, Broiler****Production****Growth and vertical integration continues**

The forecast for 2018 poultry production remains unchanged at 3.5 million tons as recent growth and vertical integration is expected to continue (growth at around 3-4 percent). Factors which play into this continued growth include improved genetics, increased biosecurity, along with ample and relatively well priced feed. As previously reported, the top poultry meat producing states are Jalisco (leading the pack), Veracruz, Queretaro, and Aguascalientes.

Significant amounts of production also take place for on-farm consumption, particularly in small communities. There is also often dual usage of hens for eggs, and then as meat (spent hens) or broth.

**Mexico keeps an eye on avian influenza**

As previously reported, industry in Mexico remains concerned about possible new outbreaks of highly pathogenic avian influenza (HPAI). Use of biosecurity measures continues in order to decrease risk of horizontal contamination, including strategies to decrease the density of production in certain areas, and vaccines.

As previously reported, the *Servicio de Información Estadística Agrícola y Pecuaria* (SIAP) indicates that poultry and eggs accounts for more than 60 percent of the livestock production across Mexico.

**Which came first? The chick or the egg?**

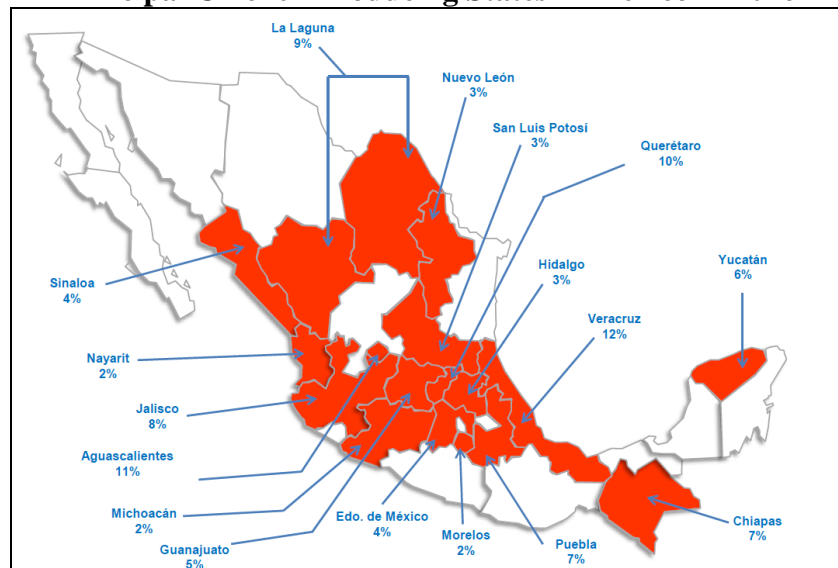
Mexico depends heavily on the import of hatching eggs to supplement genetics and their poultry flock. In particular, between January and November of 2017, Mexico imported USD \$139 million in fertilized eggs (HS Code: 040711). Of that total, 93 percent came from the United States, 6 percent from Brazil, and less than 1 percent from Canada, France, and Spain.

**Feeding all those chickens**

The National Union of Poultry Farmers (UNA) recently stated that the intensive growth of the poultry sector has outpaced feed grain production. As previously reported, the poultry sector is the primary consumer of oilseed meals and forage grains for feed in Mexico. The principal inputs into the feed include imported yellow corn, oilseed meals, sorghum, other meals and

inputs (DDGs, etc.). The majority of imports come from the United States. Feed represents 65 percent of the total cost of production for broiler meat.

### Principal Chicken Producing States in Mexico in 2016



Source: UNA's Compendio de Indicadores Económicos del Sector Avícola, 2017.

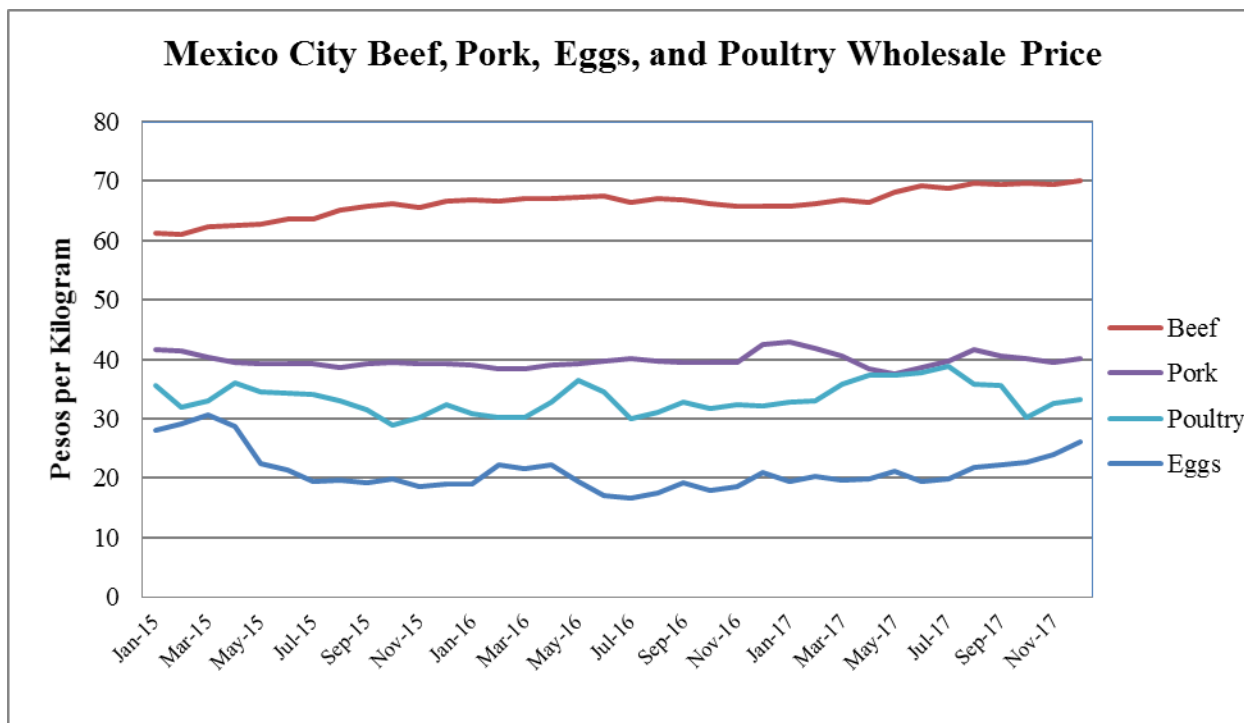
## Consumption

### Poultry meat ever the popular source of protein

The consumption forecast is 4.3 million tons for 2018. Poultry meat, along with eggs, will continue to be the preferred and most affordable animal protein in Mexico for the low and mid-income population, and industry expects the per capita consumption to grow. Processed products such as nuggets and wings will be consumed mainly in the Hotel and Restaurant Industry (HRI) sector and a small portion at households. Imports as a percent of consumption (19 percent), remains flat.

### What color is your chicken?

The Mexican consumer prefers fresh raw poultry meat with a yellow tint. This is achieved domestically through feed and even dye.



Source: Secretaria de Economía, National System of Information and Market Integration (SNIIM).<sup>1</sup> Based on carcass weight.

## Trade

### Imports follow demand from processors

For 2018, the import forecast is raised to 825,000 tons. Even though domestic production is expected to increase, it will not be able to cover demand, specifically from processors of value-added products. As such, imports like mechanically deboned meat from the United States will remain a top import by processors to serve as inputs for value added products. Imports for 2017 were adjusted slightly up reflecting a strong year end.

### A growing market share for Brazil

Official figures from Mexico’s National Institute of Statistics and Geography (INEGI) through Global Trade Atlas, shows that as of November 2017, 86 percent of Mexican imports of broiler meat originated in the United States (down from 90 percent in 2016 and 94 percent in 2015 from the same period). Brazil has shown increased competitiveness and in the same time period represented 12 percent of imports (up from 7 percent for the same time frame in 2016, and 4 percent in 2015). Although imports from Brazil faced constraints in early 2017 following a meat scandal, it does not appear to have affected imports. Imports from Brazil picked up in the second half of 2017, with monthly imports doubling from monthly imports earlier in the year. Chile has maintained their 2 percent market share during the same period over the last three years, with

<sup>1</sup> <http://www.economia-sniim.gob.mx/nuevo/>

negligible amounts also coming from Canada, Argentina, the Cayman Islands, Denmark, and Spain.

### **Exports expected flat**

Exports are minimal compared with production and imports, but Mexico continues to seek to open new markets and struggles with reopening traditional ones (such as Russia). Exports are forecast flat at 6,000 metric tons in 2018.

The primary destination for exports is the United States (42 percent between January and November of 2017), followed at a distance by Hong Kong, then Vietnam, Congo, Brazil, Gabon, Benin, China, Angola, El Salvador, Ghana, the Democratic Republic of Congo, Liberia, and Guatemala. The spread of exports indicates that Mexico is looking expand its trade horizons, and is expected to working to re-open and expand traditional Asian markets which were closed due to the 2012 HPAI outbreak in Mexico.

### **Policy**

#### **HPAI put to bed**

As previously reported, Mexico lifted trade restrictions for live poultry, products, and eggs originating from Lincoln County, Tennessee, which were put in place in response to a HPAI outbreak (see [MX7059](#)).

#### **A heavy agenda for Free Trade Agreements**

As NAFTA is being re-negotiated, Mexico is also engaged on several fronts from the European Union on modernizing their FTA (expected to conclude in February 2018), to the Trans-Pacific Partnership, and Brazil regarding the Agreement for Economic Cooperation (ACE), among others. In the NAFTA context, the Mexican poultry industry are interested in a continuation (in part because of the demand for poultry designated for further processing and demand for U.S. grains as feed) as well as seeking to expand their access for poultry and egg products to the United States. In terms of Brazil, the Mexican industry is not interested in including poultry in the discussions.<sup>2</sup>

#### **Anti-Dumping NAFTA Panel and sunset review**

*Preface: It is important to note, that the anti-dumping duties claimed by Mexico in 2012 have not been enforced as Mexico suffered from a HPAI outbreak, and imported products were needed to meet domestic demand.*

Over the summer of 2017, Mexico initiated the sunset review of the compensatory duties imposed on imports of chicken leg quarters (CLQs) originating from the United States. A resolution is still pending.

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<sup>2</sup> <https://www.avicultura.mx/destacado/Nuevos-tiempos-se-avecinan-para-la-industria-avicola-mexicana%2C-sobre-todo-con-miras-al-2018>

As previously reported, in May of 2017 the “Final Decision of the [NAFTA] Panel regarding the revision to the final resolution to the antidumping investigation on imports of CLQs, merchandise classified in tariff codes 0207.13.03 and 0207.14.04 originating from the United States of America, independent of their country of origin,” was published. In legal processes subsequent to the May 2017 publication, the Panel has supported cost methodology based on weight and dumping margin consistent with the methodology of production costs by Economía’s Unit of International Trade Practices (UCPI). Please see previous reports for further details on the history of the anti-dumping case.

### **The Tariff Rate Quota (TRQ) set to continue for the foreseeable future**

As previously reported, Mexico established a TRQ for 300,000 tons of poultry meat to be imported duty free from third countries without a FTA with Mexico. The TRQ has been extended several times, most recently in January 2018, with an extension through the end of 2019. UNA has expressed publicly its disagreement with the TRQ. For more information see [MX8000](#).

### **PS&D, Poultry, Meat, Broiler**

Poultry, Meat, Broiler Market Begin Year	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	3275	3275	3400	3400	3500	3500
Total Imports	791	791	750	810	775	825
Total Supply	4066	4066	4150	4210	4275	4325
Total Exports	5	5	6	6	6	6
Human Consumption	4061	4061	4144	4204	4269	4319
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	4061	4061	4144	4204	4269	4319
Total Use	4066	4066	4150	4210	4275	4325
Ending Stocks	0	0	0	0	0	0
Total Distribution	4066	4066	4150	4210	4275	4325

(MIL HEAD) ,(1000 MT)

## **Poultry, Meat, Turkey**

### **Production**

#### **Obstacles to expanding the turkey sector**

The 2018 forecast for turkey production is raised to 18,000 metric tons. According to UNA, despite the current programs devoted to rebuilding turkey production, the sector continues to face constraints. The principal constraint is competition with an established import sector, along with a small number of producers, and lack of economic incentives (for example production is likely more expensive than that of chickens). Despite these impediments, some growth is expected. Estimates for 2017 and 2016 were revised up based on data from SIAP.

#### **Still a southern dish**

As reported in previous issue, the state of Chihuahua is the leader of turkey production in Mexico as per UNA data. However, 75 percent of turkey production takes place in southern states from Yucatan to the State of Mexico. A great deal of production takes place at the small-scale, on-farm consumption level.

In commercial production, the dominant genetic line is Nicolas 700. Currently, Mexican brands covering the market are Parson, Viridiana, Mezquital Del Oro and Pavos Rey.

### **Consumption**

#### **Turkey producers trying to replicate the Yucatan effect**

Consumption is raised to 185,000 tons for 2018. While whole turkey consumption remains seasonal around traditional holidays, daily consumption of deli meats which include turkey inputs (turkey breast, turkey-ham, sausages, hot-dogs, etc.) are on the rise. This is in part due to perceived health benefits, as well as convenience and cost.

However, consumption in the Yucatan peninsula is uniform across the year as turkey is a key ingredient in traditional recipes such as *pavo relleno negro*, *pipian de pavo*, *salbutes*, *panuchos de pavo*, or *caldo de pavo*.

Consumption of imported turkey meat is principally by processors who produce the above mentioned processed products.

#### **Promoting the use of turkey to replace other meats in traditional dishes**

There has been a recent effort to prepare various traditional dishes with turkey instead of other animal protein. The same stands true for added-value products such as hamburgers, ground meat, and *arrachera*, all historically made with beef.

Per capita consumption in Mexico is significantly lower than in the United States and Canada. As previously reported, there appears to be ample opportunity to increase consumption.

## Trade

### A traditional importer

The 2018 turkey import forecast has been revised slightly down to 168,000 tons, still showing an increase over 2017. As domestic production is not sufficient to cover demand, particularly for the processing sector, Mexico will continue relying on imports. Of particular popularity to import is mechanically separated meat (fresh/chilled). Based on official data the forecast for 2017 was maintained unchanged at 165,000 tons.

### Brazil is the country to watch

While Mexico is a traditional importer of turkey meat from the United States (94 percent in 2016) and Chile (4 percent), Brazil entered the scene in 2016. In 2017 Brazil displaced Chile as the second largest supplier of turkey to Mexico (albeit at a great distance behind the United States). Between January to November of 2017, Brazil provided 2 percent of imported turkey, compared with 1 percent in 2016. Similarly, through November of 2017, the United States rose to 97 percent, and Chile fell to 1 percent.

### Exports low and flat

Mexican exports during 2018 are expected to be flat as production is not enough sufficient to meet domestic demand. As previously reported, the United States is the main destination for Mexican exports. As of November 2017, limited quantities (negligible) were exported to Japan and Guatemala.

Poultry Meat, Turkey	2016	2017	2018
Production	16	17	<b>18</b>
Imports	160	165	<b>168</b>
Exports	1	1	<b>1</b>
Consumption	175	181	<b>185</b>
(1000 MT)			

*Not official USDA Data, Post Estimates*



## Poultry, Eggs

### Production

#### Production faces similar constraints to poultry meat, more concentrated

Mexico is one of the top egg producing countries globally. Commercial production forecast of eggs for 2018 is kept unchanged based on estimates from UNA at 2.9 million tons, representing a 3 percent growth over 2017 driven by ample supplies (and a relatively low price) of feed grains and oilseed meal. Commercial egg production is much more concentrated than poultry meat production, with 55 percent taking place in Jalisco, according to UNA.

As with poultry and turkey meat production, avian influenza concerns producers, who continue to implement biosecurity measures on current ranches, as well as working to improve genetics, and expanding production to areas with natural barriers (as horizontal contamination remains a principal means of spreading the disease).

#### Five main breeds

In terms of genetics, many Mexican table egg farms use the Bovans white breed for production. Four other predominant genetic lines (Hy Line, Lohman, Hy Sex Brown, and Isa Brown) are also commonly used.

#### Vacuating up feed

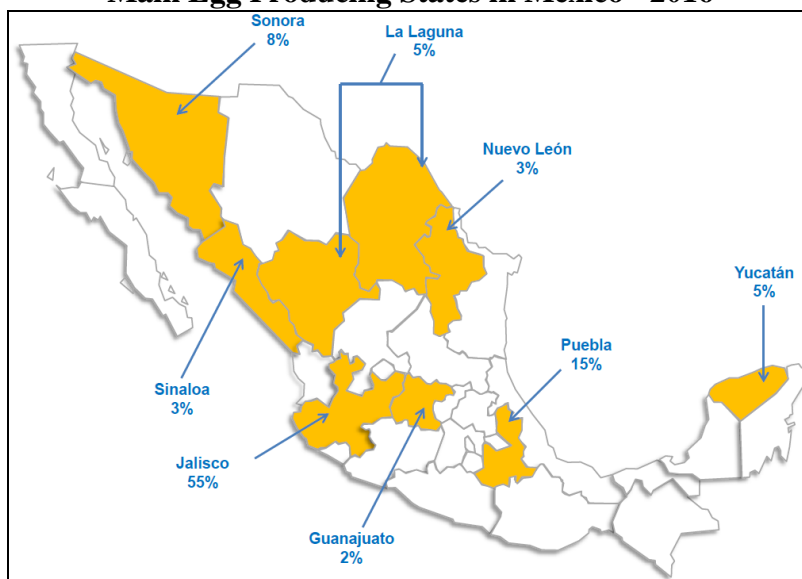
The poultry sector, by far, is currently Mexico's main consumer of oilseed and grains as feed. As previously reported, latest UNA data indicates that feed represents 63.4 percent of the cost of production of eggs. This is not expected to change dramatically during 2018.

Mexican Egg Production (MT)	
2012	2,386,576
2013	2,509,350
2014	2,571,270
2015	2,637,581
2016	2,765,422
2017	2,798,209*
2018	2,882,156*

*\*forecast*

*Source: Compendio de Indicadores Económicos del Sector Avícola, UNA, 2017.*

## Main Egg Producing States in Mexico - 2016



Source: UNA's Compendium of Economic Indicators of the Poultry Sector, 2017.

## Consumption

### Huevos Rancheros, Chilequiles, Omlettes, Hard Boiled Eggs, and More

The scenario for 2018 is expected to see further growth in consumption. UNA estimates that in 2018 the per capita consumption will rise to 23.6 kilograms. Poultry meat and eggs will continue to be the most affordable sources of animal protein for the middle- and low-income population. Eggs are sold in traditional wet markets, and grocery stores, generally unrefrigerated. They are used in a variety of dishes, from *chilaquiles* and *huevos a la Mexicana* to omletes and pre-prepared snack foods such as hard boiled eggs. As previously reported, the primary consumers of processed eggs and products are the baking sector and other food processors (mayonnaise, egg whites for consumer purchase, etc.).

Eggs produced in Mexico are not typically washed, and therefore do not require refrigeration. Processed egg products such as egg whites or yolks, are typically kept refrigerated.

### Niche markets fuel specialty production

Demand from Millennials and younger generations continues to encourage “cage free” or “free range” production. Additional, there have been efforts to start a pilot program with “furnished cages.” Food safety, poultry diseases, and cost are important constraints to the growth of these niche markets. Other niche markets exist for brown/red eggs, which garner a premium due to the perception of consumers that they are of higher quality, as well as small eggs from other avian species such as quails.

## Trade

The forecast for the import of table eggs is slightly lowered to 62,000 tons. Demand from processors in the bakery and confectionary industries is a principal driver for imports. However, imported eggs are only a small portion of eggs consumed in Mexico. Imported eggs generally end up in the processing sector due to two factors: 1) Mexican consumers prefer an orange yoke (obtained in Mexico through a variety of feed); and 2) washed U.S. eggs need to be kept refrigerated, and principal points of sale as well as low-income households often do not have the infrastructure available.

### U.S. eggs continue to dominate the market

Despite the demand from processors for eggs and egg products, as of November 2017, import figures were down from 2016.

Mexico Import Statistics								
Commodity: Eggs & Products								
Year To Date: January - November								
Partner Country	Unit	Quantity			% Share			% Change
		2015	2016	2017	2015	2016	2017	2017/2016
World	T	59,482	63,350	59,021	100.00	100.00	100.00	- 6.83
United States	T	58,123	62,761	56,996	97.72	99.07	96.57	- 9.19
Brazil	T	725	287	1,890	1.22	0.45	3.20	557.81
Argentina	T	322	140	60	0.54	0.22	0.10	- 56.90
Canada	T	24	7	44	0.04	0.01	0.07	493.51
France	T	0	0	16	0.00	0.00	0.03	4537.14
Spain	T	102	8	15	0.17	0.01	0.03	79.73
Other	T	187	146	0	0.31	0.24	0.00	-100.00

Source: INEGI through Global Trade Atlas

### Exports minimal but re-growing

Mexico continues making efforts to open those markets that closed after the HPAI outbreaks to retake the export level from past years (pre-2012). Exports are expected to continue increasing. In 2018, it Mexico will continue expanding export activity to Cuba (SPF or thermal process). As of November 2017, official data reveals that exports to the U.S. are insignificant while exports to South American and European countries appear to be flat from previous years. Japan was the number one export destination in both 2016 and 2017 after exports fell to zero in 2015.

### Policy

#### New standards for eggs

On January 16, 2018, the Secretariat of Health published the Official Norm, NOM-159-SSA1-2016, in Mexico's Federal Register. This long-expected norm establishes regulations and

sanitary specifications, as well as the testing methods for eggs and egg products to be marketed in Mexico. It replaces NOM-159-SSA1-1996, which was published on December 2, 1999.

**Author Defined:****FAS/Mexico Web Site:**

We are available at [www.fas.usda.gov/regions/mexico](http://www.fas.usda.gov/regions/mexico) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx) and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://www.salud.gob.mx). These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

**Other Relevant Reports Submitted by FAS Mexico:**

<b>Report Number</b>	<b>Subject</b>
<a href="#">MX8000</a>	Mexico Modifies TRQs for Rice, Beef, Lemons, Onions, and Poultry Meat
<a href="#">MX8001</a>	Mexico Publishes New Regulations for Eggs and Egg Products
<a href="#">MX7059</a>	Mexico Lifts Trade Restrictions Due to HPAI on Lincoln County
<a href="#">MX7034</a>	Poultry and Eggs are Pillars of Production
<a href="#">MX7008</a>	Mexico Reacts to an HPAI outbreak in the United States
<a href="#">MX7002</a>	Vertical Integration Bolsters the Mexican Poultry Industry