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Mexico

Poultry and Products Annual

Mexico Improves Biosecurity to Address AI Outbreaks

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Report Highlights:

The sector, once deeply concerned about the threat from Highly Pathogenic Avian Influenza (HPAI) and the potential appearance of new Avian Influenza (AI) virus strains, now is more proactive on implementing biosecurity measures. This would contribute to boost broiler meat consumption; however turkey and eggs consumption is expected to be flat. Mexico will continue sourcing chicken leg quarters (CLQs) and Mechanically Deboned Turkey (MDM) from the United States.

Commodities:

Poultry, Meat, Broiler

Production:**Domestic flock recovered after AI outbreaks**

Commercial production is forecast at a record 3.3 million metric tons (MMT) in 2017, as the National Poultry Union (*Union Nacional Avicola - UNA*) recently reported that the domestic flock has been completely repopulated. Moreover, recent data from UNA indicates that the poultry sector, comprising broiler, turkey, and eggs, accounts for 63.3 percent of total domestic livestock production. Meanwhile, six out of ten Mexicans source animal protein from poultry products. This fact, along with relatively low and stable feed prices, has helped entice producers to increase production. Currently, Mexico imports nearly 70 percent of the corn and all of the soy meal demanded by the poultry sector, the vast majority from the United States. Despite the fact that feed prices accounts for a significant portion of production cost given the peso-dollar exchange rate, that trend is not expected to change.

The sector, once deeply concerned about the threat from Highly Pathogenic Avian Influenza (HPAI) and the potential appearance of new Avian Influenza (AI) virus strains, now is more proactive on implementing biosecurity measures, despite the increasing costs associated with such requirements. The sector has learned how to deal with persistent disease, affecting mainly egg layer farms, with isolated outbreaks occurring recently in production areas.

Consumption:**Broiler meat consumption on the upswing!**

Consumption is forecast at a record 4.18 million tons as increased production and affordable prices solidify broiler meat's position as consumers' preferred protein. The 2017 forecast represents the seventh consecutive year of record consumption. As previously reported, although prices will not be as low as in the past, broiler meat will continue to be the most affordable source of animal protein, especially for low/medium income consumers. Demand for chicken leg quarters (CLQs) and mechanically separated/deboned poultry meat will remain strong. Expanded domestic production is expected to contribute to increased consumption during 2017.

Recently, the livestock sector created the Animal Protein National Commission (CONAPO by its Spanish acronym), whose mission is to promote the consumption of animal protein overall, regardless of the species of origin. At this time, only beef, pork and dairy sectors have joined this commission. Once the poultry sector clarifies its position and resolves concerns among its membership, it may also join as a CONAPO member.

Trade:

Growing competition from Brazil on the horizon

Imports during 2017 are forecast 3.8 percent higher than 2016, at 850,000 tons, due to continued strong demand for mechanically separated/deboned meat by Mexican processors and high demand for CLQs. The 2016 figures were revised up due to these same factors.

Virtually all of Mexico's chicken and turkey meat imports originate from the United States. The UNA has stated that imports of chicken leg quarters from the United States have doubled due to alleged unfair historical practices (see Policy section). However, Chile and Brazil continue gaining market share.

Given the recent extension of the period in which poultry meat may enter Mexico duty-free under a tariff rate quota (TRQ), and according to private sources, Brazil is likely to become a competitor in the Mexican market during the remainder of 2016 and in 2017, which is a major concern for the Mexican sector.

Exports are forecast to increase to 7,000 tons as Mexico reopens the markets that closed after the 2012 outbreak of HPAI. The 2016 figures were revised downward due to decreased export activity, down approximately 38 percent from 2015, reflecting the struggle to reopen markets due to continued outbreaks.

Policy:

In 2013, the Government of Mexico (GOM), through the Secretariat of Economy (SE) published the amount of poultry meat —300,000 MT—to be imported duty-free under a TRQ scheme. Later, this TRQ was extended through 2017. UNA claims that SE did not conduct the appropriate technical analysis and justification (see MX6003 and MX4016). More recently, UNA has declared that unfair trade practices (dumping) have generated increased CLQs imports from the United States, representing 76 percent of total broiler meat imports. However, trade data indicates that CLQs imports from the United States represent nearly half of total broiler meat imports.

Production, Supply and Demand Data Statistics:

| Poultry, Meat, Broiler Market Begin Year Mexico | 2015 | | 2016 | | 2017 | |
|--|------------------|-------------|------------------|-------------|------------------|-------------|
| | Jan 2015 | | Jan 2016 | | Jan 2017 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| 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 | 3196 | 3175 | 3300 | 3270 | 0 | 3335 |
| Total Imports | 790 | 790 | 800 | 820 | 0 | 850 |
| Total Supply | 3986 | 3965 | 4100 | 4090 | 0 | 4185 |
| Total Exports | 5 | 5 | 5 | 3 | 0 | 7 |
| Human Consumption | 3981 | 3960 | 4095 | 4087 | 0 | 4178 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 3981 | 3960 | 4095 | 4087 | 0 | 4178 |
| Total Use | 3986 | 3965 | 4100 | 4090 | 0 | 4185 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 3986 | 3965 | 4100 | 4090 | 0 | 4185 |
| | | | | | | |
| (MIL HEAD) ,(1000 MT) | | | | | | |

Not Official USDA Data

Commodities:

Poultry, Meat, Turkey

Production:

Mexican production is forecast to increase slightly to 13,500 tons in 2017, as Mexican producers are acquiring more of their breeding stock domestically rather than relying on higher-cost imports. This savings has enabled farmers to implement better biosecurity and handling measures. For 2016, the AI situation in the United States enticed industry to expand production. UNA has reported that the turkey sector is fully recovered from the AI outbreak in Mexico in 2012.

Consumption:

The consumption of significant amounts of whole or smoked domestic turkey remains largely seasonal in most parts of the country; however, steady consumption is maintained throughout the year in Southern states by processors, households, or restaurants, given that turkey is a basic source of animal protein for regional dishes. Imported U.S. mechanically deboned turkey has benefited from demand

from processors for the preparation of value-added products. The consumption of value-added products, such as prepared deli meats and related products is on the upswing. According to UNA, per capita consumption is relatively low at 1.5 kilograms.

Trade:

Imports in 2017 are forecast to rebound slightly to 150,000 tons. The United States consistently continues providing more than 90 percent of Mexico’s imports. Due to the AI situation in the United States, imports were significantly down in 2015, and a full recovery to historical levels is not expected until 2017 at the earliest. This downturn was due to restrictions that Mexican authorities implemented on all poultry meat from quarantined U.S. states. Mexico’s imports from Chile showed a slight increase in 2016 compared to 2015, and accounted for almost 7 percent of imports as a response to the short U.S. supply. Exports for 2017 are expected to be flat despite increased production. Historically, Mexico has not been a strong exporter.

| Poultry Meat, Turkey Post Estimates | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|
| Production | 12 | 13 | 13.5 |
| Imports | 130 | 140 | 150 |
| Exports | 1 | 1 | 1 |
| Consumption | 141 | 152 | 162.5 |
| (1000 MT) | | | |

Not Official USDA Data

Commodities:

Poultry, Eggs

Production:

Steady growth as the poultry sector leaves AI behind

Post’s 2017 Mexican table egg production forecast is 2.79 MMT, as the production of eggs has fully recovered from the 2012 AI outbreaks and has returned to normal levels, despite the occurrence of small AI outbreaks in certain production areas. The poultry sector continues diversifying production to other areas beyond the historical producer states, Jalisco and Puebla. These states continue to offer natural biosecurity conditions, such as lower concentration and a larger distance between farms. UNA has confirmed that Mexico continues to be vigilant against any AI threat, recognizing that there is still a risk of contamination. Control measures are constantly being updated through professional technical support.

UNA’s revised estimate for 2017 egg production is three percent greater than the 2016 preliminary production figure.

| Mexican Egg Production by Year (MT) | |
|--|-----------|
| 2012 | 2,386,576 |
| 2013 | 2,509,350 |
| 2014 | 2,571,270 |
| 2015 | 2,637,581 |
| 2016 | 2,716,708 |
| 2017 | 2,798,209 |

Source: UNA's Compendio de Indicadores Económicos del Sector Avícola, 2016. Preliminary figure.

Consumption:

Mexico has world's highest per capita consumption

According to UNA, Mexico is the 6th largest egg producing country after China, the United States, India, Japan, and Russia, and has the largest per capita consumption in the world. UNA's revised per capita consumption estimate for 2017 (22.9 per kilograms per person) indicates a marginal increase from the preliminary 2016 figure of 22.8 kilograms per person.

Trade:

In 2017, despite a strong U.S. dollar and growing domestic production, egg product imports for industrial purposes should remain stable given the demand from processors in the bakery and pastry industry. As of May 2016, Mexico's trade data for both table eggs and egg products shows imports 25 percent lower than the same period last year at 22,748 MT, of which 6,724 MT are table eggs.

Currently, Mexico exports breaking eggs that are pathogen-free or have received a thermal process.

Mexico is eligible to export breaking eggs to the United States. However, the lack of understanding of administrative procedures to export is a significant obstacle for most producers/exporters.

Author Defined:

FAS/Mexico Web Site:

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Useful Mexican Web Sites:

Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at 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.