

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 7/13/2012

**GAIN Report Number:** MX2049

## **Mexico**

### **Poultry and Products Annual**

#### **Production Increases Marginally as Demand Growth Flattens**

**Approved By:**

Daniel K. Berman

**Prepared By:**

Gabriel Hernandez and Adam Branson

**Report Highlights:**

Post forecasts marginal increases in Mexican broiler meat production for 2013 to 2.97 million metric tons (MMT). Consumption is forecast to stabilize after years of per capita consumption growth increases. Policy developments related to the antidumping (AD) investigation of chicken leg quarters (CLQs) and animal disease concerns following the high pathogenic avian influenza (HPAI) outbreak in Jalisco will shape the production, supply, and demand situation for the remainder of 2012 and 2013.

**Commodities:**

Poultry, Meat, Broiler

Poultry, Meat, Turkey

Poultry, Eggs

**Production:****Broiler meat**

The Post forecast of Mexican commercial broiler meat production for 2013 is 2.97 MMT, 1 percent greater than the revised 2012 Post estimate. Strong international grain demand with elevated grain prices and the severe national drought adversely affected the poultry sector during the first half of 2012.

Unlike in recent years, in 2013, production growth should outpace demand and lead to a slight reduction in imports. Private sources indicate that the sector has shown steady growth at 3 percent per year since 1997, but this will slow to 1 percent from 2012 to 2013. This is due to the above challenges as well as uncertainty in the European economy, which affected the dollar and peso exchange rate and subsequently the Mexican economy. Post's 2012 production estimate is revised upwards to 2.95 MMT. Post's 2011 estimate was revised, slightly upwards, to reflect latest data from Mexico's poultry industry organization (UNA).

**Poultry Feed Prices Drive Production Costs Higher**

Even though the poultry sector sourced ample volumes of yellow corn and oilseed meal from international and domestic markets, demand for these same products from the domestic swine and cattle sectors has led to increased competition and higher feed costs. According to information from the Trust Funds for Rural Development ([FIRA](#)) and from the National Poultry Association (UNA), it is estimated that feed represents between 70-80 percent of the total cost of broiler production.

In 2011 the nationwide average cost of broiler production ranged between 13 to 18.2 pesos per kilogram (U.S. \$0.47 to 0.66 per pound [1]). During the first half of 2012, the cost of broiler production increased to 24 pesos per kilogram (U.S. \$1.76 per pound [2]). The poultry sector is the main industry that transforms vegetable protein into animal protein. During 2011, out of the 14.6 MMT of animal feed consumed, 9.2 MMT consisted of corn, sorghum and wheat; 2.9 MMT was of oilseeds meal, and the remaining 2.5 MMT was other ingredients.

Mexico's average broiler grow-out period and market weights depend on where and how the birds will be marketed as well as the bird's gender. Grow-out varies between 40 to 56 days and between weights of 1.8 to 3.0 kilograms. Live birds and whole chickens (New York dressed) that are commonly sold in wet markets average between 49 and 56 days for grow-out and are sold at around 2.9 to 3.0 kilograms. Industry sources report that several of the largest broiler producers are expanding their sales of live birds as the industry remains highly profitable and possibly more so than processed birds. Birds for the ready-to-cook broiler market have an average grow-out period of between 40 and 44 days and are commonly raised to 2.4 kilograms. Birds for sale in modern retail markets (both ready to cook, chicken cuts, and rotisserie) are grown-out in 40 to 49 days and are marketed at much lighter weights, 2.1, 2.2 and 1.8 kilograms; respectively.

## Market Integration and Consolidation Change the Mexican Poultry Sector

In 2013, the poultry sector is expected to continue trending towards industrial and commercial integration to satisfy domestic market and consumer-led demand for affordable and better products. As an example, producers in northern states are embarking on new ventures through an ambitious project to modernize poultry production farms located in the area. This is projected to be complemented by the production of added-value products in processing plants and the marketing of new products. Currently, some poultry manufacturers are supplying marinated and ready-to-cook products that are sold in their own distribution centers.

Consolidation and vertical integration appear to be offsetting the severity of high grain prices that were caused by an exceptional [Mexican drought](#) and the instability of international grain prices during the last half of 2011. (See GAIN Report MX2005 *Intense Drought Lowers Corn, Sorghum, and Wheat Forecasts*). According to an industry contract, the industry continues witnessing continued consolidation. In 2011, the industry consisted of approximately 30 firms whereas in 1993, there were around 70 firms. The consolidation and integration has enabled the more successful firms to continue improving operations that allow for greater yield efficiencies, decreased mortality, higher-live weights, and other production improvements. Some sources believe the leading three poultry manufacturers in the country are responsible for close to 65 percent of total broiler production.

### Turkey meat

Turkey meat production for 2013 is expected to maintain similar levels from 2012. Producers find the production system extremely challenging and lack incentive to expand as turkey breeding, growing, slaughtering and processing. Also, the turkey sector has been exposed to the same grain price situation and increased production costs and incentive to expand production has been similarly dampened.

In Mexico, the growing period for gobblers and hens is 15 and 13 weeks, respectively. During the first 5 weeks, jakes and jennies are kept in temperature and light controlled houses. After this period the turkeys are taken to outside pens until desired weights are reached. Gobblers are slaughtered at an average weight of 12 kilograms while hens are slaughtered at an average weight of 9 kilograms.

Turkey production is centered in the states of Yucatan (27%), Chihuahua (14%), Mexico (12%), Puebla (12%), Tabasco (7%), Guerrero (6%), Hidalgo (5%), and Veracruz (5%). Other states comprise 12% of production.

Out of the total turkey produced, 64 percent is sold raw for processing, 14 percent cut in pieces and 22 percent is smoked.

Type of Bird	Heads
Laying Hens in production*	145,702,478
Pullets in grow out	43,710,743
Light Breeding Hens in production	1,039,654
Light Breeding Hens in grow out	489,233

Heavy Breeder Hens in production	9,284,296
Heavy Breeder Hens in grow out	6,012,033
Light Progenitor Hens in production	9,000
Light Progenitor Hens in grow out	9,000
Heavy Progenitor Hens in production	187,663
Heavy Progenitor Hens in grow out	187,663
Broilers (Per cycle)**	270,174,580
Turkeys (Per cycle)	818,927
Total Poultry Flock	477,557,660
* It is estimated that there are 35 millions of laying hens of 2nd cycle	
** 5.4 cycles per year	

<sup>[1]</sup> 2011 Average exchange rate: MX \$12.57 pesos per USD \$1.00. Source: Banco de Mexico.

<sup>[2]</sup> June 28, 2012 exchange rate: MX \$13.66 pesos per USD \$1.00. Source: Banco de Mexico.

## **Consumption:**

### **Broiler meat**

The Post 2013 total consumption forecast is slightly higher than 2012, but consumption growth is slowing and per capita consumption levels are relatively flat. As previously reported, broiler meat, specifically “dark meat” (e.g. chicken leg quarters – CLQs) is preferred and consumed in higher volumes among low-income households while other high-value cuts and added-value products are consumed by middle and upper income households.

Private sources indicate that poultry and poultry product consumption patterns in Mexico suggest growth is slowing. These sources indicate per capita consumption is expected to maintain similar levels as in years past unless the development of new added-value products supports increased consumption. However, if consumers develop misconceptions about the safety of poultry products after the recent HPAI outbreak, consumption patterns could decline even further in the short term. Weeks into this event, however, the Mexican government has continued stressing that the HPAI disease bears no impact on the safety of broiler meat and the public seems to be responding, accordingly.

### **Prices:**

Historically, the demand for broiler meat has been income elastic and has been one of the most affordable animal protein sources (behind eggs) for low-income consumers. Over the past several years, domestic broiler meat prices ranged between 19.92 and 26.84 pesos per kilogram (U.S. \$1.46-1.97 per lb.). During the first half of 2012 (January to June), whole fresh chickens averaged 24.26 pesos per kilogram (U.S. \$0.80 per lb.).

For the first half of 2012, broiler prices have shown greater variability than last year. This is attributed, largely, to high grain prices. Additionally, as a result of the recent HPAI outbreak in Jalisco, poultry prices in major consumer markets like Mexico City have been increasing as speculative middle-men appear to be seeking short-term profits from the situation even though there has been minimal impact on domestic broiler availability.

During the first half of 2012, prices for pork and beef have been increasing and, as such, demand for poultry meat has not been replaced by other animal protein. Pork prices averaged 34.33 pesos per

kilogram (U.S. \$1.14 per lb.) and beef prices averaged 43.79 pesos per kilogram (non-fine cuts at U.S. \$1.45 per lb.) [3].

Table 2. Mexico: Mexico City Broiler* Wet Market Monthly Prices, 2011-2012 Pesos/kilogram			
Month	2011	2012	% Change 11/12
January	23.18	25.68	10.79
February	23.47	26.84	14.36
March	20.69	24.95	20.59
April	20.56	19.92	-3.11
May	22.18	22.77	2.66
June	23.89	24.51	2.60
July	24.61	N/A	N/A
August	22.55	N/A	N/A
September	20.38	N/A	N/A
October	19.75	N/A	N/A
November	20.72	N/A	N/A
December	24.01	N/A	N/A
Annual Avg.	<b>22.16</b>	N/A	N/A
* New York dressed (whole chicken including offal)			
Source: National Poultry Union (UNA)			

Table 3. Mexico: Mexico City Chicken Leg Quarter Wholesale Monthly Prices, 2011-2012 Pesos/kilogram			
Month	2011	2012	% Change 11/12
January	25.40	30.59	20.43
February	24.45	31.05	26.99
March	22.28	26.17	17.46

<b>April</b>	22.09	21.84	-1.13
<b>May</b>	24.32	25.07	3.08
<b>June</b>	27.44	25.21	-8.13
<b>July</b>	30.07	N/A	N/A
<b>August</b>	29.02	N/A	N/A
<b>September</b>	21.70	N/A	N/A
<b>October</b>	23.00	N/A	N/A
<b>November</b>	23.45	N/A	N/A
<b>December</b>	27.88	N/A	N/A
<b>Annual Avg.</b>	<b>25.09</b>	N/A	N/A
<b>Source: National Poultry Union (UNA)</b>			

### **Turkey meat**

The Post 2013 turkey meat consumption forecast is slightly higher than the revised 2012 estimate due to sustained consumer demand. According to UNA, the consumption of whole turkey represents 80 percent of domestic consumption while the remaining 20 percent is consumed in by-products. The consumption of added-value products is gaining market share as consumers are continually searching for healthier and more affordable meat products. Currently, the market offers a limited variety of products, some of them added-value products, such as turkey patties for hamburgers, breaded steaks (*milanesa*) and ground turkey meat.

Mexican industry sources claim that Mexico is the world's fourth largest turkey consumer with per capita consumption around 1.8 kilograms; of which 95 percent is consumed during the winter holiday season. The 2012 consumption estimate is unchanged. The 2011 consumption figure was revised downward due to higher turkey prices.

<sup>[3]</sup> Exchange rate at MX \$13.65 per USD \$1.00

### **Trade:**

In 2013, the United States will remain the main supplier of poultry exports to Mexico. During the first quarter of 2012 approximately 98 percent of Mexico's chicken and turkey imports came from the United States. The remainder came from Chile and Canada. The same pattern was observed during 2011.

Although imports of poultry products are increasingly diversified, the top two products imported by Mexico are fresh or chilled mechanically deboned chicken meat and CLQs (both chilled and frozen). The first product is imported principally by domestic sausage and cold-cut industries and the second is imported to be sold in supermarkets.

### **Broiler meat**

The Post 2013 import forecast is 620,000 MT which is lower than the 2012 Post and USDA estimates of 630,000 MT. Although no duties are currently imposed on U.S. CLQs, uncertainty in the marketplace is delaying some buying and contracting decisions. This uncertainty coupled with stable per capita consumption and slightly higher production increased production reinforces the prospects for slightly lower imports.

Imports account for approximately 17 to 18 percent of total broiler meat supplies in Mexico. (Note: This is broiler meat only, not all poultry meat). The United States is the largest source of imported broiler meat and will remain the principal supplier of imported products to Mexico.

The Post 2013 export forecast is 12,000 MT as Mexico's export destinations for poultry meat are considered by industry sources as being developed markets with little prospect for expanded trade of broiler meat to those locations. Nevertheless, the Mexican poultry sector plans to aggressively target other markets located in Asia and Central America as areas to market product; including high-value processed products and other lower-value cuts of broiler meat. The Post revised 2011 and 2012 export estimates have been revised upward from USDA estimates to reflect official figures. It should be noted that these estimates still vary from official Mexican figures as Post eliminated trade from certain markets (e.g., Vietnam, Hong Kong, and other Asian markets) as industry sources report these markets often buy chicken parts (i.e., paws) that are not considered broiler meat.

### **Turkey meat**

The Post 2013 import forecast is 164,000 MT, which is similar to the official USDA figure for 2012. This is due to sustained demand from domestic processors and what should be increased availability from the United States. Import estimates for 2012 were adjusted 2.4 percent lower than the official USDA estimate due to increased domestic production. For 2011, import figures were revised downward as consumer purchasing power was negatively affected.

Post estimates that Mexico's import trend will maintain present patterns. Mechanically deboned meat (MSC), either chilled (69 percent) or frozen (19 percent) comprises 88 percent of the total imports. Whole turkey imports represent 11 percent of import volumes 1 percent of import volume is imported as smoked turkeys. As previously stated, the domestic consumption of whole or smoked turkey is seasonal. Cold meats and hams that are prepared with MSC are gaining prevalence among consumers who prefer products with lower fat content.

The Post new 2013 export forecast is 1,000 MT. During 2011, the export of 813 MT of Mexican turkey meat was to the United States (99 percent) and a small portion was exported to Guatemala (1 percent). These exports were made into further processed meat products under harmonized tariff system (HTS) code 1602.31. A similar trend has been observed during the first quarter of 2012 and is expected to be consistent with historical levels. Export estimates for 2011 and 2012 were kept unchanged to reflect official figures.

### **Policy:**

#### **AD Investigation into Imports of U.S. CLQs**

The final resolution of the CLQ AD case will become a significant factor into how production and trade patterns change. On January 19, 2012, the Secretariat of Economy (SE) announced in the *Diario Oficial* (Mexico's Federal Register) its [preliminary determination](#) on the antidumping investigation of U.S. fresh, chilled or frozen CLQs. As of July 13, 2012, SE has not imposed any compensatory duties on these products exported to Mexico. (See GAIN Report [MX2004 Mexico Publishes Preliminary Determination on U.S. CLQs](#)). Sources suggest that SE should publish its final determination before August 8, 2012.

As mentioned previously, imports account for approximately 17-18 percent of total broiler meat supplies in Mexico. (Note: This is broiler meat only, not all poultry meat). Of Mexican broiler meat imports from the United States, half are under the scope of the AD investigation. Thus only 8-9 percent of total Mexican broiler meat supplies could be impacted by any AD final determination.

### **Mexico Disease Status**

#### **HPAI Outbreak in Jalisco**

On [June 21](#), the National Service of Health, Food Safety, and Food Quality (SENASICA) informed the World Organization for Animal Health (OIE) that zoosanitary measures are being implemented due to the detection, on June 13, 2012, of AI in three commercial layer farms devoted to table egg production.

As of July 4, the AI outbreak had spread to 24 farms; including, layer, breeder, and broiler operations. The affected farms are located in the State of Jalisco. On June 26, SENASICA informed the OIE that the avian influenza was HPAI subtype [H7N3](#) and that additional epidemiological investigation results were pending. (See MX2040, MX2043, MX2044, and MX2046)

#### **Exotic Newcastle Disease (END)**

As of July 13, the United States has not classified areas where Mexico is considered to be free of or at low-risk of END. The U.S. Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) recognition of Mexican states as eligible to export poultry products is an activity that remains under discussion. If the United States recognizes Mexico or parts of Mexico as END-free, it could open a window for Mexican poultry exports to the United States when market signals function.

Nevertheless, according to Mexico's animal health authorities, as of February 2012, almost the totality of the Mexican territory was allegedly free of END. It is expected that the Government of Mexico (GOM) will publish the cancellation of Mexican Official Norm NOM-013-ZOO-1994 "National Campaign against the velogenic strain of END" in the near future.

### **Marketing:**

#### **Broiler and Turkey Meat**

Per capita consumption of broiler meat is expected to be virtually unchanged in 2013, but industry members argue that consumer preferences and shopping practices are pulling demand for healthy and processed products and not only choosing poultry meat for its affordability.

UNA supported the development of the 3 administrative bodies to support poultry sector competitiveness. These include:

- An organism in charge of poultry product certification;
- The National Avian Institute (INA), which is in charge of distributing scientific based information related to eggs, poultry and turkey as well as for promoting the safety of these products; and,
- An organism supporting members of the poultry sector to promote the export of Mexican products in international markets (CEAM).

The U.S.A. Poultry and Egg Export Council (USAPEEC) is supporting the marketing and promotion of U.S.-origin poultry products. In addition, USAPEEC has collaborated with UNA to promote poultry products as a protein source that competes with high-carbohydrate and fatty foods.



Poultry companies are among the most highly integrated in the meat sector. Several of the leading brands are marketing their own products while several still consider poultry a commodity. While larger companies are investing more in producing value added-products under their own brands, medium and smaller companies are investing more in distribution channels to remain competitive in certain segments of the domestic market.

## **Eggs:**

### **General information:**

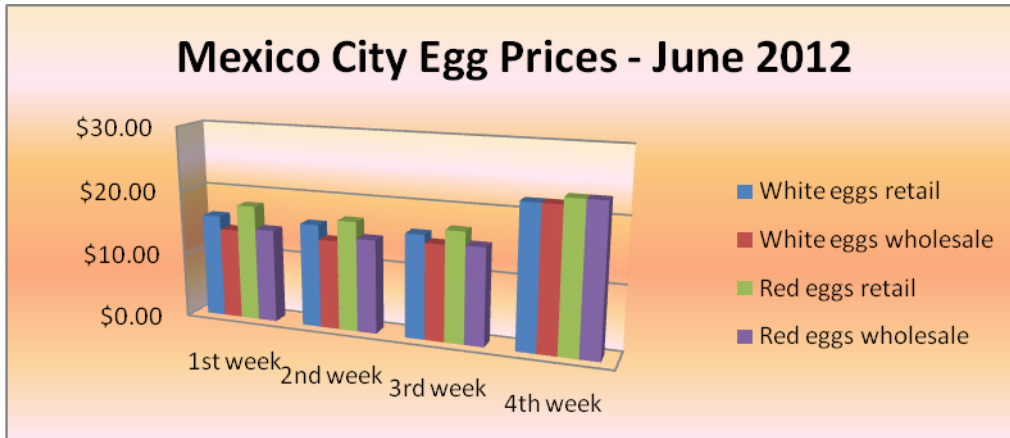
The Post 2013 Mexican table egg production forecast is 10.5 percent lower (2.3 MMT) than the 2012 level due to the HPAI outbreak in the state of Jalisco. Despite the confirmed presence of HPAI, UNA's 2012 production estimate remains unchanged. UNA indicates that once the real magnitude of the outbreak has been measured, accurate and effective responses for biosecurity and depopulation will be implemented. SENASICA has indicated that the State of Jalisco accounts an inventory of nearly 90 million birds (layers, breeders, and broilers). Mexican official figures for 2011 rank Jalisco as the largest producer of poultry meat and table eggs in the country, representing 11.5 and 50.3 percent of domestic production, respectively. The per capita consumption of eggs in Mexico is among the highest in the world at around 22.5 kilograms (approximately 330 eggs) per person.

The GOM is analyzing the possibility of importing eggs in order to cover the domestic market and maintain stable prices. Post forecasts that, if necessary, Mexican firms will import table eggs from the United States to supply domestic demand, but also, fulfill contracts for exported egg products. SE announced a tariff rate quota for eggs from several countries although there is considerable industry doubt as to whether it is commercially feasible. The TRQ, however, does not apply to the United States as NAFTA allows for egg trade between the countries.

The lack of cold storage infrastructure in Mexico could curb import volumes as U.S. eggs must be kept refrigerated due to requirements in both United States and Mexican law. One alternative could be to increase U.S. powdered egg imports for eventual use in the food processing industry.

During 2011, Mexico exported around 11 percent of its domestic egg production and this trend could be jeopardized during the remainder of 2012 as exports could be restricted due to supply.

After one week from the HPAI outbreak being made public, egg prices skyrocketed 30 percent compared to the week prior to the outbreak. By the end of the third week of June, the average domestic wholesale price of white eggs was 17.75 pesos per kilogram representing a 28 percent increase. In Mexico City, egg prices (retail and wholesale) showed a significant increase during the last week of June as shown in the graph.



**Production, Supply and Demand Data Statistics:**  
**Production, Supply and Demand Data Statistics:**

Poultry, Meat, Broiler Mexico	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	2,900	2,906	2,925	2,945		2,974
Total Imports	578	578	630	630		620
Total Supply	3,478	3,484	3,555	3,575		3,594
Total Exports	8	11	9	11		12
Human Consumption	3,470	3,473	3,546	3,564		3,582
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	3,470	3,473	3,546	3,564		3,582
Total Use	3,478	3,484	3,555	3,575		3,594
Ending Stocks	0	0	0	0		0
Total Distribution	3,478	3,484	3,555	3,575		3,594

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Not Official USDA Data

Poultry, Meat, Turkey Mexico	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Inventory (Reference)</b>	0	0	0	0		0
<b>Slaughter (Reference)</b>	0	0	0	0		0
<b>Beginning Stocks</b>	0	0	0	0		0
<b>Production</b>	10	13	10	14		14
<b>Total Imports</b>	160	152	164	160		164
<b>Total Supply</b>	170	165	174	174		178
<b>Total Exports</b>	1	1	1	1		1
<b>Human Consumption</b>	169	164	173	173		177
<b>Other Use, Losses</b>	0	0	0	0		0
<b>Total Dom. Consumption</b>	169	164	173	173		177
<b>Total Use</b>	170	165	174	174		178
<b>Ending Stocks</b>	0	0	0	0		0
<b>Total Distribution</b>	170	165	174	174		178

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Not Official USDA Data

**Author Defined:**

**For More Information**

FAS/Mexico Web Site: We are available at [www.mexico-usda.com](http://www.mexico-usda.com) 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.

**FAS/Mexico YouTube Channel:** Catch the latest videos of FAS Mexico at work

<http://www.youtube.com/user/ATOMexicoCity>

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

Report Number	Subject	Date Submitted
<a href="#">MX2046</a>	Economia Opens 221K Metric Ton Egg Quota Due to Market Speculation	7/10/2012
<a href="#">MX2044</a>	Avian Influenza Hits More Farms in Jalisco	7/5/2012
<a href="#">MX2043</a>	Emergency Management System Activated to Combat Avian Influenza	7/2/2012
<a href="#">MX2040</a>	High Path Avian Influenza Outbreak in Jalisco	6/26/2012
<a href="#">MX2503</a>	Exporting to Mexico – Managing Border Entry Issues	3/22/2012
<a href="#">MX2016</a>	2012 Livestock and Products Semi-Annual	3/21/2012
<a href="#">MX2012</a>	2012 Poultry and Poultry Products Semi-Annual	3/20/2012
<a href="#">MX2004</a>	Mexico Publishes Preliminary Determination on U.S. CLQs	1/20/2012
<a href="#">MX1092</a>	New Meat and Poultry Letterhead Certificates Required	12/6/2011

**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.