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Report Highlights:

Milk, cheese, and butter production in 2024 are forecast to increase due to relatively lower input and dairy ingredient prices and strong domestic demand. Mexico is forecast to remain a net importer of skim milk powder due to competitive international pricing and no significant increases to installed milk drying capacity. Whole milk powder production remains flat, while imports are forecast to increase. As inflation in Mexico moderates, consumption of dairy products is forecast to increase in 2024.

Executive Summary

Fluid Milk. The production forecast for 2024 is 13.8 million metric tons (MMT), a growth of two percent compared to 2023. Production for 2023 is estimated at 13.6 MMT, a three percent increase compared to 2022. The consumption forecast for 2024 is 13.8 MMT, a two percent increase compared to 2023. Consumption for 2023 is estimated at 13.6 MMT, a three percent increase compared to 2022. Nearly 52 percent of domestic milk production is destined to be processed into dairy products such as cheese, while the remainder is consumed as fluid milk.

Cheese. The production forecast for 2024 is 474,000 metric tons (MT), a two percent increase compared to 2023. The production estimate for 2023 is 465,000 MT, a two percent increase compared to 2022. Domestic cheese production continues to grow due to increased domestic and export market demand. Domestic demand is led by the hotel, restaurant, and institutions (HRI) sector, followed closely by the comfort and food delivery sectors. The imports forecast for 2024 is 185,000 MT, a five percent increase compared to 2023. The import estimates for 2023 is 177,000 MT, a 13 percent increase compared to 2022.

Butter. The production forecast for 2024 is 250,000 MT, a two percent increase compared to 2023. The production estimate for 2023 is 245,000 MT, a four percent increase compared to 2022. The consumption forecast for 2024 is 264,000 MT, a three percent increase compared to 2023. The consumption estimate for 2023 is 257,000 MT, a five percent increase compared to 2022. Growing demand from the HRI sector continues to drive up butter consumption. Mexico is ranked the fifth largest butter consumer globally.

Skimmed Milk Powder (SMP). The import forecast for 2024 is 450,000 MT, a 13 percent increase compared to 2023. The import estimate for 2023 is 400,000 MT, a 20 percent increase compared to 2022. A strong peso and low international prices boost SMP imports.

Whole Milk Powder (WMP). The import forecast for 2024 is 4,000 MT, a 33 percent increase compared to 2023. The import estimate for 2023 is 3,000 MT, a 25 percent decrease compared to 2022. Mexico's strong peso relative to the dollar strengthens imports of dairy ingredients, however WMP is still imported relatively less compared to SMP.

Fluid Milk

Table 1. Milk- Production, Supply and Distribution

Dairy, Milk, Fluid Market Year Begins Mexico	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	6,650	6,650	6,700	6,700	0	6,750
Cows Milk Production (1000 MT)	12,980	12,980	13,250	13,400	0	13,650
Other Milk Production (1000 MT)	172	172	170	170	0	172
Total Production (1000 MT)	13,152	13,152	13,420	13,570	0	13,822
Other Imports (1000 MT)	15	15	5	9	0	10
Total Imports (1000 MT)	15	15	5	9	0	10
Total Supply (1000 MT)	13,167	13,167	13,425	13,579	0	13,832
Other Exports (1000 MT)	15	15	15	12	0	12
Total Exports (1000 MT)	15	15	15	12	0	12
Fluid Use Dom. Consum. (1000 MT)	4,166	4,166	4,185	4,185	0	4,260
Factory Use Consum. (1000 MT)	8,986	8,986	9,225	9,382	0	9,560
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	13,152	13,152	13,410	13,567	0	13,820
Total Distribution (1000 MT)	13,167	13,167	13,425	13,579	0	13,832
(1000 HEAD), (1000 MT)						

Production

2024

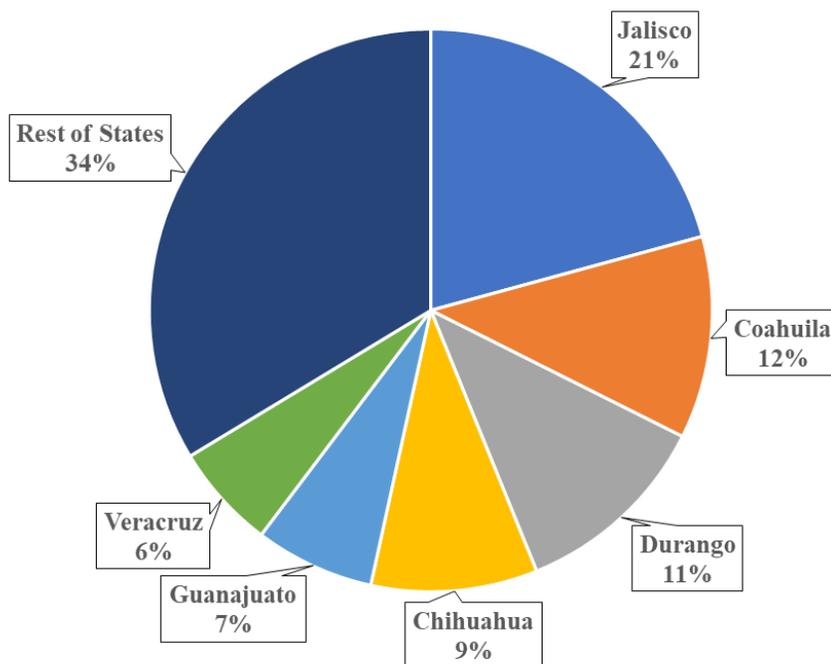
The production forecast for 2024 is 13.8 MMT, a growth of two percent compared to 2023. Increased consolidated dairy operations, relatively easing prices of inputs such as feed, and increased domestic demand are forecast to drive up milk production.

2023

Production for 2023 is estimated at 13.6 MMT, a three percent increase compared to 2022. Appreciation of Mexico's peso since late 2022 is estimated to slightly lower producer input costs, and result in higher production outcomes. Additionally, generally favorable weather conditions in major milk producing states and advanced dairy herd management in large-scale dairy operations bolster continued milk production growth.

Official data through September shows over half of Mexico's fluid milk is produced in four states which include, Jalisco (21 percent), Coahuila (12 percent), Durango (11 percent), and Chihuahua (9 percent). The La Laguna district of Northern Mexico, which includes areas in Coahuila and Durango is particularly strong in dairy production. In the highly productive milk producing states, good dairy housing, feed, and highly automated milking facilities enable production growth. Additionally, the integration of smaller production sites into a bigger cooperatives or larger companies such as LaLa or Alpura leads to more efficiency and economies of scale.

Figure 1. Mexico's Leading Milk Production States, January-September 2023



Source: Servicio de Información Agroalimentaria y Pesquera (SIAP)

According to the Secretariat of Agriculture (SADER), by September 2023, production had reached nearly 75 percent of the projected total production for the year. Mexico's agricultural statistics agency Servicio de Información Agroalimentaria y Pesquera (SIAP), estimated top states for milk production through the end of 2023 and production through September are as follows:

Table 2. 2023 Mexico Top 10 Milk Producing States and Official Estimate (MT)

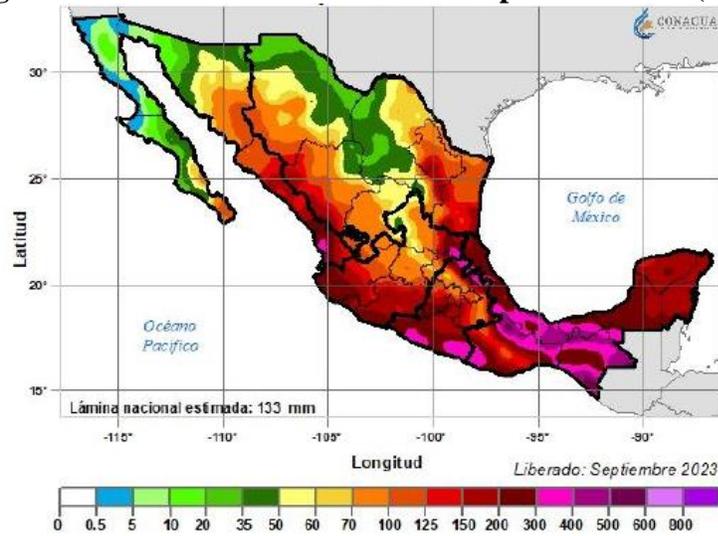
Rank	State	Production January-September	CY Estimate	Percent Complete
1	Jalisco	2,061,714	2,803,593	74
2	Coahuila	1,155,161	1,535,498	75
3	Durango	1,138,709	1,513,789	75
4	Chihuahua	949,425	1,267,446	75
5	Guanajuato	682,278	910,545	75
6	Veracruz	599,305	808,447	74
7	Chiapas	337,200	464,700	73
8	Puebla	345,222	462,173	75
9	Aguascalientes	328,978	441,301	75
10	México	317,788	432,769	73
Rest of States		2,013,506	2,699,674	75
Total		9,929,287	13,339,936	74

Source: Servicio de Información Agroalimentaria y Pesquera (SIAP)

Pasture and Weather Conditions

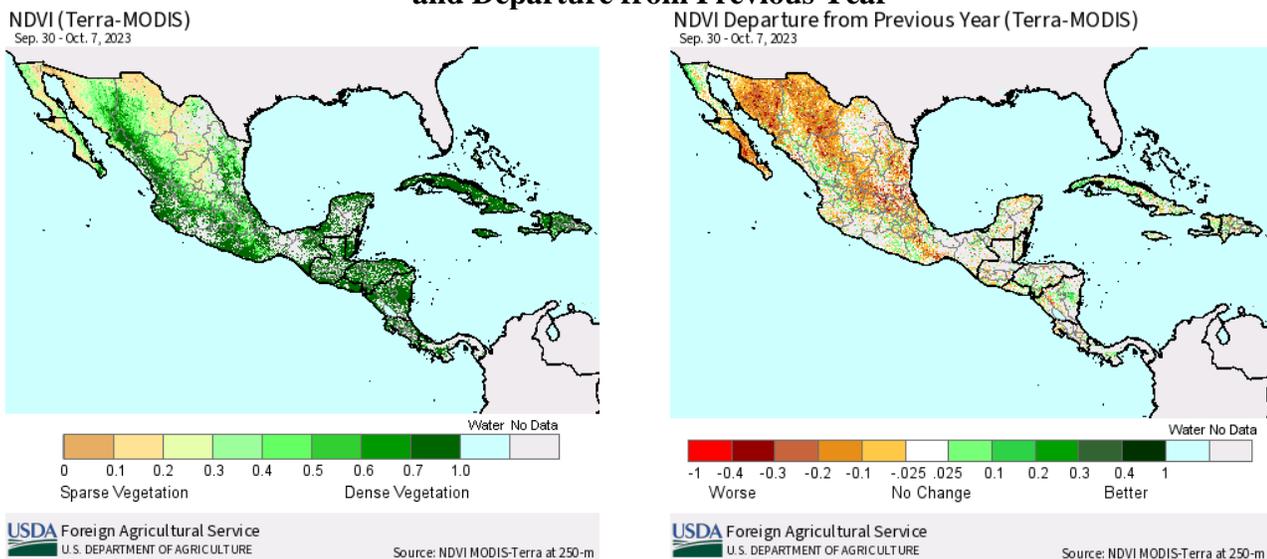
Despite persistent dry conditions in the first half of 2023, it was expected that by September the overall rainfall in Mexico would reach above 500 millimeters (mm) on average. This means the year’s rainfall accumulation could be 100 percent normal, except for the Baja California Peninsula, which is forecast to reach about 63 percent normal rainfall. While pasture conditions are drier than the same period last year, grazing conditions in dairy production regions remain stable. Additionally, more advanced producers in leading dairy production states secure water supplies through dams to protect against seasonal changes along the year. The forecast rain comes as a relief to producers for surplus in water reservoirs.

Figure 2. Mexico - Rain Forecast for September 2023 (mm)



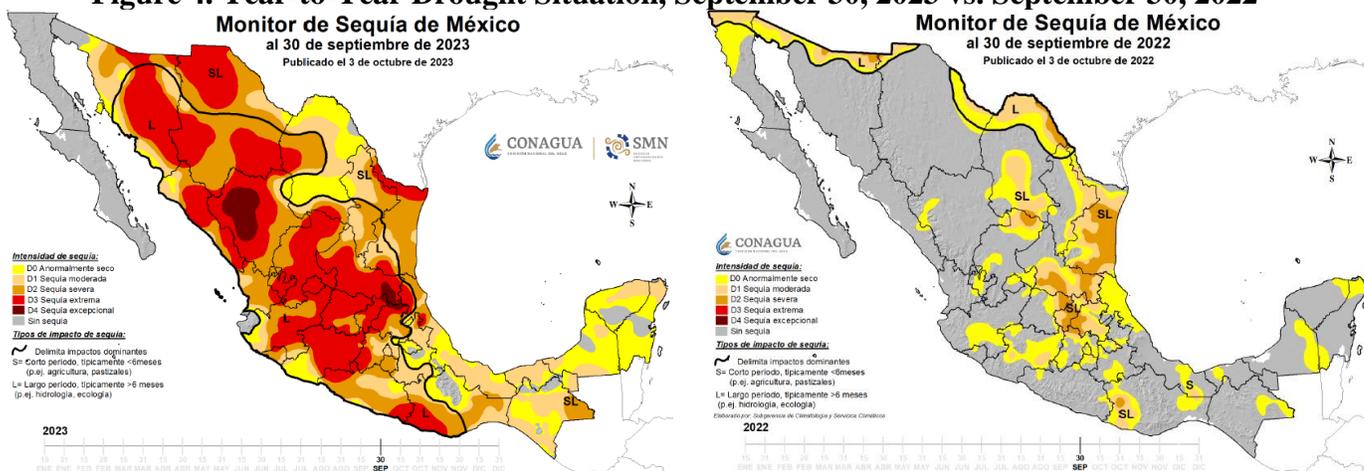
Source: Servicio de Información Agroalimentaria y Pesquera (SIAP)

Figure 3. Normalized Difference Vegetation Index (NDVI) September 30-October 7, 2023 and Departure from Previous Year



Source: NDVI Moderate Resolution Imaging Spectroradiometer (MODIS)

Figure 4. Year-to-Year Drought Situation, September 30, 2023 vs. September 30, 2022



Source: Comisión Nacional del Agua (CONAGUA) and Servicio Meteorológico Nacional (SMN)

Meanwhile, the second half of the year may be warmer than expected. September marks the beginning of cold fronts. However, the next quarter of 2023 (October-December) is expected to be on average 11 percent warmer than the same period of 2022. Milk producers remain confident this temperature increase will not negatively impact cow milking yields throughout 2023.

Mexico’s National Organization of Feed Producers and Animal Nutrition (CONAFAB) reports that between 2018 and 2022, dairy cattle feed production experienced steady growth and further growth is estimated for 2023.

Table 3. Mexico - Evolution of Dairy Cattle Feed Production (2018-2022)

Year	Dairy Cattle Feed (1000 Metric Tons)
2022	6,238
2021	6,099
2020	5,928
2019	5,769
2018	5,524

Source: National Organization of Feed Producers and Animal Nutrition (CONAFAB)

Balanced feed production for dairy cattle in 2022 is estimated at 6.2 MMT, an almost two percent increase from 2021. Less elevated feed prices compared to recent years, and sufficient availability of silage, grain, and meal by-products are expected to support milk production in 2023 and 2024.

The leading production challenges noted by dairy farmers include a lack of farm income, financing for productivity, public investment, qualified labor, and generational succession. Profitability decreases are attributed to overall higher expenses, low herd productivity, and low margins. Producers seek a long-term vision from the government for public policies and incentives for better technology, genetics, and work force training.

Mexico’s larger milk companies are shifting some operations to more sustainable practices with a focus on animal welfare and health. These measures are to comply with both global trends and international regulations to allow access to new dairy markets. Producers are learning that investments into sustainability and animal welfare and health are not a cost, but rather an investment that reflects in better yields and more productive cycles per cow.

Consumption

The consumption forecast for 2024 is 13.8 MMT, a two percent increase compared to 2023. Consumption for 2023 is estimated at 13.6 MMT, a three percent increase compared to 2022. Nearly 52 percent of domestic milk production is destined to be processed into dairy products such as cheese, while the remainder is consumed as fluid milk.

Fluid milk consumption in Mexico is impacted by diverse factors including price, health trends, and the influence of social media on consumption patterns. Among some sectors of Mexico’s population, consumer demand for processed dairy products is growing, over fluid milk consumption. Fluid milk consumption for industrial use is forecast to continue growing as consumer demand for grab-and-go protein sources and export demand for processed products such as cheese continues to grow.

According to SADER, as of August 2023, fluid milk prices are eight percent higher in retail and nine percent higher in bulk, compared to August 2022. While input costs are relatively lower than previous years, they remain high, and are transferred through the production chain to the final consumer.

Table 4. Mexico – Food Inflation (Peso/Kilogram)

Product	July 2022	July 2023	Yearly Variation (%)
Condensed milk	73.3	80.2	9.4
Pasteurized milk	21.3	23.2	8.9
Milk Powder	134.6	139.9	3.9

Source: Grupo Consultor de Mercados Agrícolas (GCMA)

There is a large gap in access to fluid milk between higher and lower income consumers. A little more than 11 percent of Mexico’s domestic milk production is destined to social programs. The federally subsidized Liconsa program continues to distribute fluid milk to low-income families, despite an ongoing federal corruption investigation of the umbrella agency Seguridad Alimentaria Mexicana (SEGALMEX). By the end of 2023, Liconsa is projected to expand its distribution network, reaching 15 percent more families compared to 2022. Liconsa also purchases raw milk at a guaranteed price of up to 10.6 pesos per liter from producers with 30 cows or less.

Trade

Imports

The imports forecast for 2024 is 10,000 MT, a growth of 11 percent compared to 2023. Imports for 2023 is estimated at 9,000 MT, a 40 percent decrease compared to 2022. The United States is the fluid pasteurized milk trading partner of choice for Mexico due to a shared border and logistical advantages.

Fluid milk imports are forecast to grow in 2024 to meet demand from the retail sector in northern Mexico, after falling imports in 2023. Mexico's favorable exchange rate in the first half of 2023 incentivized more dairy ingredient imports compared to fluid milk. With expectations of a continued strong peso throughout the year, 2023 imports are forecast lower than 2022.

Fluid pasteurized milk imports are primarily destined to supply the retail sector in Mexico's northern states. Both logistics and price provide importers an incentive to supply from the United States rather than transport pasteurized fluid milk from the center of Mexico. The trade of fluid milk is relatively limited due to high water content (about 85 percent) and short product shelf life. Worldwide, only seven percent of milk production is traded internationally (Food and Agriculture Organization (FAO)).

Exports

The exports forecast for 2024 is flat compared to 2023 at 12,000 MT. Exports for 2023 are estimated at 12,000 MT, a 20 percent decrease compared to 2022.

In 2024, exports are forecast to remain flat to meet domestic demand for fresh milk for dairy processing. In 2023, exports are estimated lower than in 2022 due to the exchange rate which made Mexico's exports more expensive, and therefore milk export sales shifted to domestic industrial processing.

Stocks

Current milk and dairy product stocks held by major dairy companies are considered operating stocks to meet short-term demand. There are no government-held stocks of milk or milk products in Mexico.

Cheese

Table 5. Cheese – Production, Supply and Distribution

Dairy, Cheese	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
Market Year Begins						
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	455	455	465	465	0	474
Other Imports (1000 MT)	156	156	175	177	0	180
Total Imports (1000 MT)	156	156	175	177	0	180
Total Supply (1000 MT)	611	611	640	642	0	659
Other Exports (1000 MT)	14	14	15	12	0	14
Total Exports (1000 MT)	14	14	15	12	0	14
Human Dom. Consumption (1000 MT)	597	597	625	630	0	645
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	597	597	625	630	0	645
Total Use (1000 MT)	611	611	640	642	0	659
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	611	611	640	642	0	659
(1000 MT)						

Production

The production forecast for 2024 is 474,000 MT, a two percent increase compared to 2023. The production estimate for 2023 is 465,000 MT, a two percent increase compared to 2022.

Domestic cheese production is forecast growth in 2024 and 2023 as demand from both domestic and export markets grows. The demand is driven by the HRI sector, followed closely by the comfort and food delivery sectors. Strong demand for cheese observed in these sectors and demand from domestic industrial consumption drives production growth.

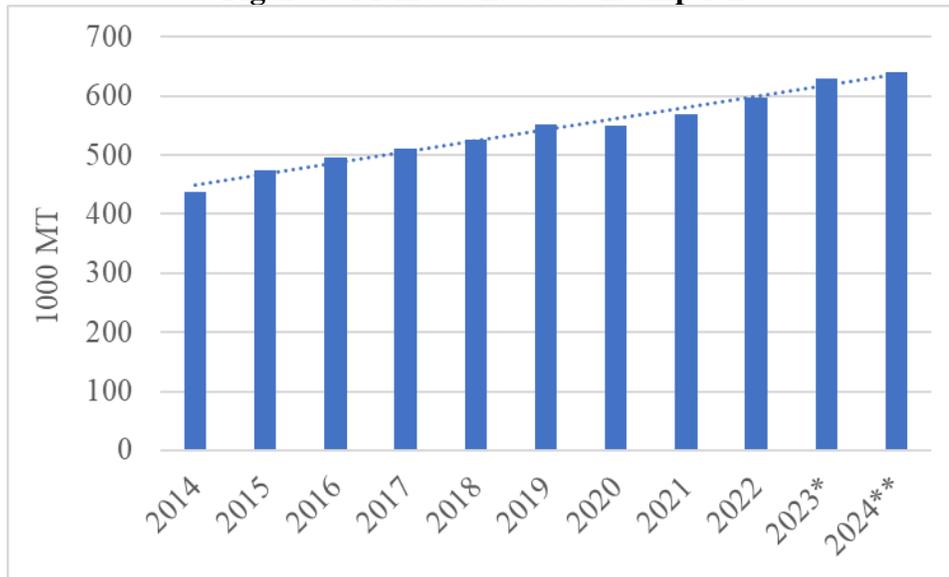
An estimated 20 to 25 percent of domestic milk production is processed into cheese. According to industry data, Mexico produces about 40 different varieties of cheese. Cheese production is concentrated in the dairy regions of Jalisco, Guanajuato, Chihuahua, and Chiapas and divided into seven regions: mountain, center, south, coast, bajio, north, and independent. Mexico has three cheese production systems: industrial, semi-industrial and artisanal. Queso Fresco (*Translation: fresh cheese*) is the most common cheese produced. Mexico's best known soft cheeses continue to be *Fresco*, *Doble Crema*, *Chihuahua*, *Amarillo* (American) and *Panela*.

Consumption

The consumption forecast for 2024 is 645,000 MT, a two percent increase compared to 2023. The consumption estimates for 2023 is 630,000 MT, a five percent increase compared to 2022.

Cheese consumption in Mexico experienced steady overall growth over the last decade and is expected to continue to grow as economic inflation eases and household purchasing power increases. Additionally, growth in cheese consumption is also attributed to population growth. Mexico's rich and diverse cuisine varies by regions and climate in the country, however, a common ingredient in many dishes is cheese.

Figure 5. Mexico Cheese Consumption



Note: *Estimate **Forecast

Source: USDA FAS Production, Supply, and Distribution (PS&D)

Mexico’s consumers prefer to purchase traditional cheeses such as Queso Fresco. Cheese quality and safety are main factors which drive cheese purchases, in addition to use versatility and flavor. While the typical consumer purchases traditional cheeses, a small, but growing group of market share are buyers who seek to try new flavors, products, and varied types of cheeses. Demand from this growing segment of the market poses new challenges and opportunities for artisan cheese producers.

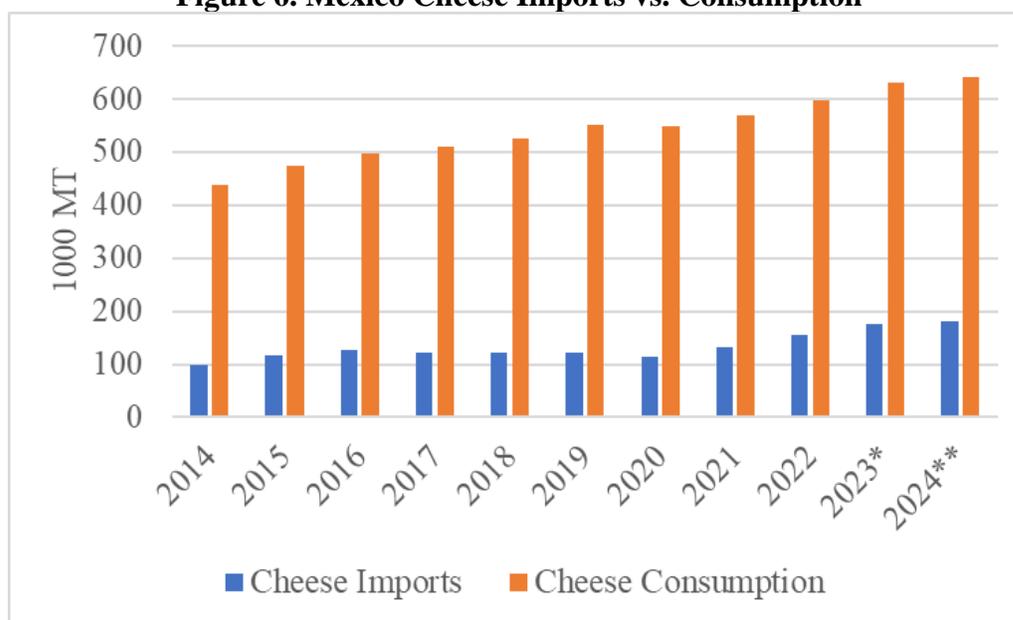
Trade

Imports

The import forecast for 2024 is 185,000 MT, a five percent increase compared to 2023. The import estimate for 2023 is 177,000 MT, a 13 percent increase compared to 2022.

Over the last decade, domestic production has met on average over 75 percent of Mexico’s cheese consumption. Imports traditionally fulfill around 25 percent of total cheese consumption. In 2024, increased demand for cheese and forecast higher gross domestic product (GDP) is expected to drive-up imports. Increased import growth in 2023 is driven by the relatively strong peso compared to the dollar and strong demand for cheese from the HRI sector.

Figure 6. Mexico Cheese Imports vs. Consumption



Note: *Estimate **Forecast

Source: USDA FAS Production, Supply, and Distribution (PS&D)

The HRI sector leads demand for processed and shredded cheese. The United States is Mexico's top trading partner for cheese, holding around 80 percent market share, and meets a particular demand for processed cheese for industrial use.

Exports

The export forecast for 2024 is 14,000 MT, a 17 percent increase compared to 2023. The export estimates for 2023 is 12,000 MT, a 14 percent decrease compared to 2022.

Cheese exports in 2024 are forecast to rebound from poor performance in 2023. The 'super peso' trend which started in late 2022 created less competitive cheese export prices in 2023. The less favorable exchange rate for exports is forecast to start easing in 2024. Additionally, increased domestic demand for local cheese reduced 2023 exports. However, as prices for Mexico's cheese become competitive again due to a more favorable exchange rate, exports are forecast to rebound to previous levels.

The United States is Mexico's top market for cheese exports. Large domestic companies, such as Sigma Foods, continue to seek export markets for Mexico's cheese to grow a presence in the United States, Canada, Central America, and South America. According to the Secretariat of Economy (Economia) total cheese trade reached a record high in 2022 at USD \$322 million dollars.

Stocks

There are no government-held stocks of cheese in Mexico.

Butter

Table 6. Butter - Production, Supply and Distribution

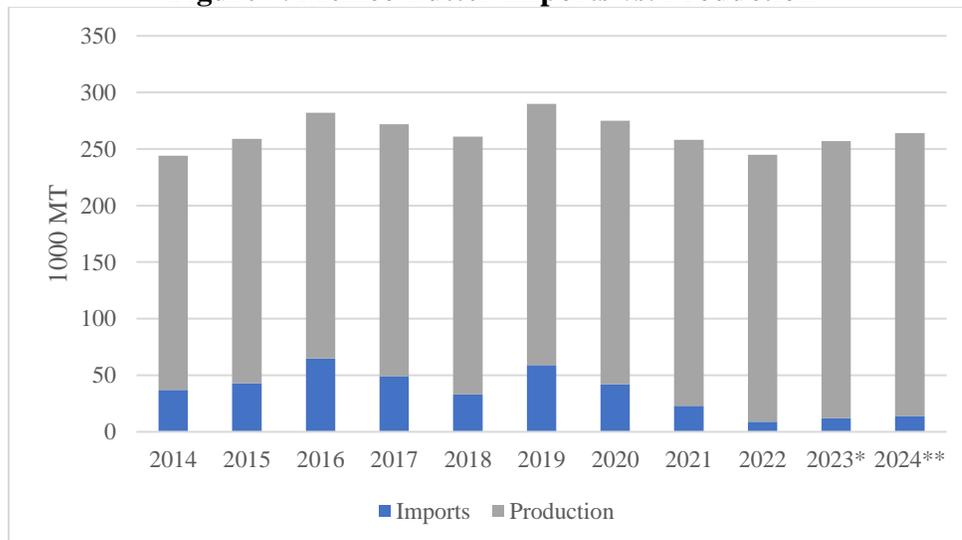
Dairy, Butter Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	236	236	245	245	0	250
Other Imports (1000 MT)	9	9	12	12	0	14
Total Imports (1000 MT)	9	9	12	12	0	14
Total Supply (1000 MT)	245	245	257	257	0	264
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Domestic Consumption (1000 MT)	245	245	257	257	0	264
Total Use (1000 MT)	245	245	257	257	0	264
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	245	245	257	257	0	264
(1000 MT)						

Production

The production forecast for 2024 is 250,000 MT, a two percent increase compared to 2023. Production is forecast to increase due to population growth and increased demand from the HRI sector. The production estimate for 2023 is 245,000 MT, a four percent increase compared to 2022. The production increase is attributed to demand from the HRI sector and favorable prices for dairy ingredient imports due to the strong peso.

Mexico continues to rank as the 43rd butter producer in the world. Throughout the last decade, domestic production holds a significant share of consumption.

Figure 7. Mexico Butter Imports vs. Production



Note: *Estimate **Forecast

Source: USDA FAS Production, Supply, and Distribution (PS&D)

The La Laguna region accounts for 22 percent of domestic butter production, followed by Chihuahua with over ten percent of the production share. Mexico's butter is characterized by a strong bright yellow color, due to the number of carotenes in the cows' diet through grazing native pastures. The yellow hue in fat content may vary throughout the year based on grazing conditions, so producers keep a steady stock of fat and butter to provide consumers with reliable product quality. Sheep and goat butters are characterized by having a lighter color and a higher fat content. These items are mostly artisanal, and production recently gained popularity in Mexico to meet demand in niche markets.

Consumption

The consumption forecast for 2024 is 264,000 MT, a three percent increase compared to 2023. The consumption estimate for 2023 is 257,000 MT, a five percent increase compared to 2022. Growing demand from the HRI sector is expected to continue to drive up butter consumption in 2023 and 2024. Mexico is the fifth largest butter consumer globally.

Food inflation impacts dairy purchases, and while general food purchases are 17 percent higher, dairy purchases have decreased by 10 percent overall. Butter, cream, and fluid milk are the most impacted dairy items and therefore the dairy industry in Mexico faces the challenge of consumers with limited budgets.

Trade

Imports

The import forecast for 2024 is 14,000 MT, a 17 percent increase compared to 2023. In 2024, relatively eased inflation and increased demand from the HRI sector are forecast to drive up imports. The import estimate for 2023 is 12,000 MT, a 33 percent increase compared to 2022. In 2023, a strong peso, and growth in the HRI and tourism sectors increased demand for dairy products and thus imports.

Exports

The 2024 and 2023 exports are forecast to remain flat at zero. Mexico's butter exports are historically traded with Central America; however, the increased domestic demand leaves no room for surplus to be exported. Additionally, Mexico's exports are price driven, and a strong peso and exchange rate favorable to the peso deters exports.

Stocks

There are no government-held stocks of butter in Mexico.

Skim Milk Powder (SMP)

Table 7. Dairy, Milk, Nonfat Dry - Production, Supply and Distribution

Dairy, Milk, Nonfat Dry Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	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)	46	46	48	48	0	49
Other Imports (1000 MT)	333	333	400	400	0	450
Total Imports (1000 MT)	333	333	400	400	0	450
Total Supply (1000 MT)	379	379	448	448	0	499
Other Exports (1000 MT)	1	1	1	1	0	1
Total Exports (1000 MT)	1	1	1	1	0	1
Human Dom. Consumption (1000 MT)	378	378	447	447	0	498
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	378	378	447	447	0	498
Total Use (1000 MT)	379	379	448	448	0	499
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	379	379	448	448	0	499
(1000 MT)						

Production

The production forecast for 2024 is 49,000 MT, a two percent increase compared to 2023. The forecast increase in 2024 is attributed to increased fluid milk production and more use of installed capacity in milk drying facilities. The production estimate for 2023 is 48,000 MT, a four percent increase compared to 2022. Production increased in 2023 to meet demand from industrial processors and slight increase in installed capacity.

Demand from industrial processors of dairy products is the main driver for SMP production. Mexico's SMP production potential is hampered by limited milk drying infrastructure. Legal uncertainty and high public insecurity are cited as reasons which prevent the dairy sector from investing significantly in improved or added installed capacity in processing facilities. Additionally, Mexico's public policies classify milk powder as a non-healthy dairy product, in favor of consumption of fluid milk, and thus disincentivize investments in milk drying infrastructure.

Consumption

The consumption forecast for 2024 is 498,000 MT, an 11 percent increase compared to 2023. The consumption estimate for 2023 is 447,000 MT, an 18 percent increase compared to 2022.

Mexico is the number two consumer of milk powder in Latin America, after Brazil. Increased SMP consumption in 2024 and 2023 is driven by the HRI sector. Additionally, dairy processors offer innovative and value-added products which increase consumption demand. As fluid milk usage by households loses some market share, consumption through dairy products compensates. Some processors provide new packaging formats and offer products through new marketing channels which results in more consumption. According to industry, a third of dairy food products are wasted every

year. Innovative packaging and processing methods offer extended shelf life for companies to store and distribute products throughout Mexico’s different regions and climates.

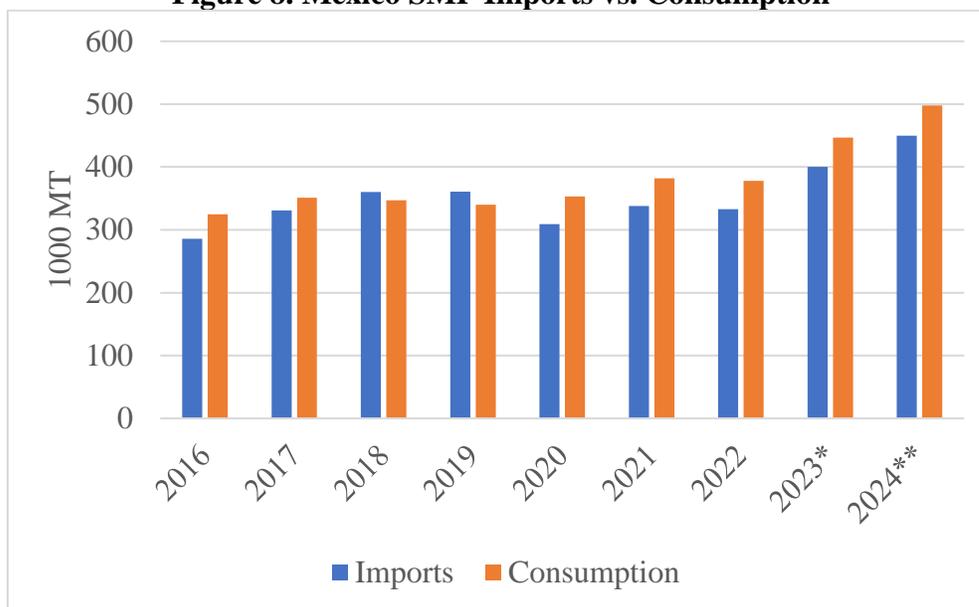
By 2030, the main drivers for dairy consumption in countries with social programs such as Liconsa in Mexico are expected to be population growth and household budgets. Despite continued food inflation on dairy products in Mexico, consumers find ways to save money and increase consumption, such as through a change from brand loyalty to discount store purchases.

Trade

Imports

The import forecast for 2024 is 450,000 MT, a 13 percent increase compared to 2023. The forecast increase is driven by strong domestic demand and competitive international prices. The import estimate for 2023 is 400,000 MT, a 20 percent increase compared to 2022. A strong peso and competitive international prices drive up 2023 SMP imports. Additionally, a strong demand for fluid milk for social programs bolsters SMP imports. Milk distributed through government sponsored social programs are a mixture of SMP with vegetable oils. The majority of SMP used in Mexico is imported.

Figure 8. Mexico SMP Imports vs. Consumption



Note: *Estimate **Forecast

Source: USDA FAS Production, Supply, and Distribution (PS&D)

Dairy processors rely heavily on SMP imports as a food ingredient for innovative and health food products, especially in urban areas. SMP provides processors with the flexibility to work with other ingredients to obtain lean, no sugar-added, extra-protein (fortified), grab-and-go food products and snacks to meet current consumer health trends.

Exports

The export forecast for 2024 and estimate for 2023 remain flat at 1,000 MT. In 2024, strong domestic demand is forecast to be satisfied by imports and minimal local production leaves little room for export growth. The export estimate for 2023 is 1,000 MT, remaining flat compared to 2022. Domestic production is not estimated to meet the SMP demand, in addition to a strong peso which disincentivizes exports.

SMP exports from Mexico are price driven and they are mainly targeted to Central and South America. Competitive international commodity prices, as well as freight costs push Mexico out of the export market.

Stocks

There are no government-held stocks of SMP in Mexico.

Whole Milk Powder (WMP)

Table 8. Dairy, Milk, Whole Dry - Production, Supply and Distribution

Dairy, Dry Whole Milk Powder Market Year Begins Mexico	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	124	124	125	125	0	125
Other Imports (1000 MT)	4	4	3	3	0	4
Total Imports (1000 MT)	4	4	3	3	0	4
Total Supply (1000 MT)	128	128	128	128	0	129
Other Exports (1000 MT)	2	2	2	2	0	2
Total Exports (1000 MT)	2	2	2	2	0	2
Human Dom. Consumption (1000 MT)	126	126	126	126	0	127
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	126	126	126	126	0	127
Total Use (1000 MT)	128	128	128	128	0	129
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	128	128	128	128	0	129
(1000 MT)						

Production

The production forecast for 2024 is forecast flat compared to 2023 at 125,000 MT, due to a lack of new installed capacity for domestic drying. The production estimate for 2023 is 125,000 MT, a one percent increase compared to 2022. The slight increase is attributed to use of current installed capacity.

WMP demand is relatively lower than that of SMP, however industrial use is expected to show marginal growth as more products are developed with animal fat rather than vegetable oils. Domestic production demand is led by the manufacturing sector, including bakery, confectionery, infant formulas, ice creams, and dietary supplement products.

Milk powder is a practical ingredient for food processing and used in a wide variety of products. Milk powder is also re-constituted locally and used to replace fluid milk when it is not available. Liquid milk transformed into powder extends shelf life, reduces transportation costs, and creates efficiency to transport milk over long distances. Milk powder also allows manufacturers to balance supply and demand according to seasonality.

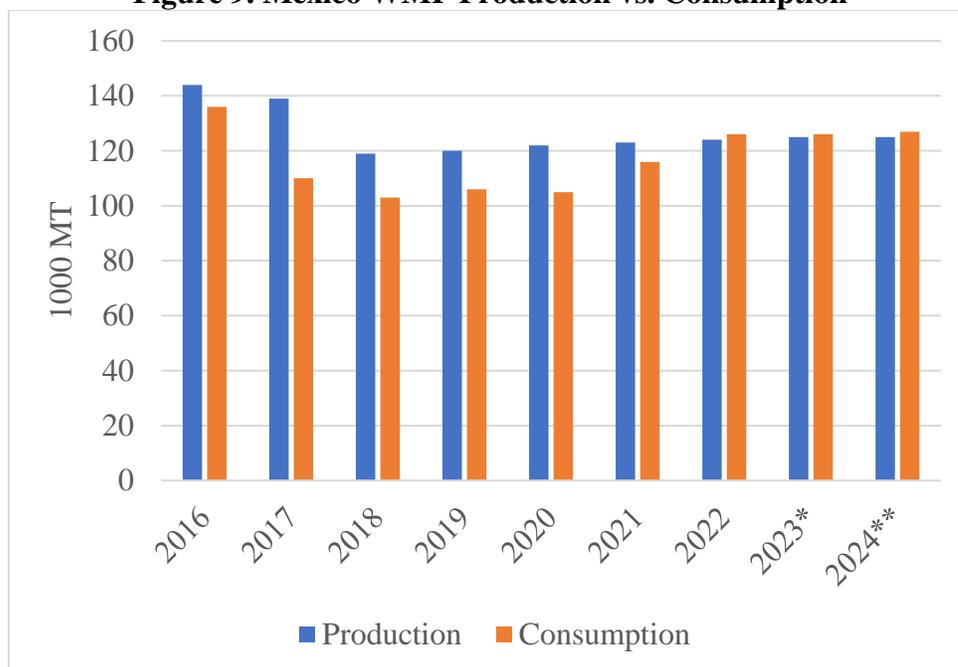
Increased installed capacity for milk drying facilities are hindered by regulatory uncertainty, a lack of public policy, and fiscal limitations. Additionally, competitively priced and reliable availability of milk powder imports fulfills a supply gap.

Consumption

The consumption forecast for 2024 is 127,000 MT, an increase of one percent compared to 2023. WMP use is forecast marginal growth during 2024, as SMP is forecast to be the most demanded dairy ingredient from the domestic dairy processing industry. The consumption estimate for 2023 is 126,000 MT, remaining flat compared to 2022. High food inflation during 2022 and the first half of 2023,

combined with competitive international prices of SMP during 2023, is estimated to limit the use and consumption of WMP in 2023. The majority of WMP use is produced domestically in Mexico.

Figure 9. Mexico WMP Production vs. Consumption



Note: *Estimate **Forecast

Source: USDA FAS Production, Supply, and Distribution (PS&D)

Industry sources report that breakfast and snacks show significant growth potential amongst Mexico’s consumers and face a product supply gap. The gap could be filled with innovative products in different formats (sizes and portions) to grow dairy market share.

In addition, Mexico also trends towards growth as the functional food market share grows worldwide. One third of functional food products are dairy based. Innovative dairy based functional food products are a business opportunity for existing processors and new entrepreneurs. A consumer trend to note is dairy consumers who base their purchasing decisions on the sugar content of the products. In a study of 740 consumers carried out by IFF company in Latin America, a “low sugar” claim was one of the most searched factors in Mexico.

While the dairy industry must innovate to meet consumer preferences, affordability is also a key factor for Mexico’s consumers.

Trade

Imports

The import forecast for 2024 is 4,000 MT, a 33 percent increase compared to 2023. In 2024, WMP is forecast to recover to 2022 levels based on demand for dairy ingredient processing. The import estimate for 2023 is 3,000 MT, a 25 percent decrease compared to 2022. In 2023, WMP imports struggle to compete against SMP imports due to weak demand.

WMP imports have not seen a considerable increase due to competition from SMP imports which have increased considerably in the past five years. WMP is less preferred by processors due to shifting processing trends towards leaner products or products mixed with vegetable oils.

Exports

Exports for 2024 are forecast flat compared to 2023 at 2,000 MT. A lack of significant domestic production increases and domestic demand are expected to keep exports flat. The export estimate for 2023 is flat compared to 2022 at 2,000 MT. The strong peso is expected to prevent any export growth in WMP sales. Mexico's WMP exports in the past were strongly related to one-time business opportunities with other countries in Latin America. Those business opportunities have not transpired in 2023 and are not forecast for 2024.

Stocks

There are no government-held stocks of WMP in Mexico.

Additional Dairy Products

Whey

It is estimated that imports for 2023 will reach 49,720 MT, a minimal decrease compared to 2022. Mexico's dairy industry demands whey for processing of yogurt and some regional soft cheeses, however most of the share is for processing infant formulas, clinical nutrition, senior nutrition, and the sports products industry. Another use for whey in Mexico is the standardization of milk.

Acid casein, derived from whey, is mainly used in the extension and standardization of fresh cheeses. Acid casein in food processing must be converted into sodium caseinate through a reaction with sodium hydroxide. Once converted into caseinate, it can be used in standardization processes of natural cheeses (increase the protein level according to the fat/protein ratio of each cheese without adding vegetable oil) or in extension processes (with vegetable oil). Whether due to cost reduction or functionality (improves the gel structure), acid casein is widely used in the production of Mexico's cheeses such as panela, canasto, double cream, Oaxaca, Chihuahua, and Mennonite.

Another application in the food industry for whey is the production of powdered vegetable oil, obtained by forming an emulsion of caseinate with the vegetable oil and subsequent drying.

Trade

Imports

Table 9. Mexico Whey Imports (MT)

	2017	2018	2019	2020	2021	2022
World	57,266	62,343	71,408	44,334	53,414	49,835
United States	54,883	60,400	67,775	42,007	49,490	49,835
Norway	1,162	876	1,790	1,640	2,348	0
Canada	56	0	0	0	381	0
United Kingdom	0	0	0	0	350	0
Germany	366	417	456	391	310	0
Denmark	259	213	266	90	166	0
Chile	50	150	169	144	150	0
Switzerland	111	83	153	57	113	0
France	60	0	680	0	100	0

Source: Trade Data Monitor

Exports

Table 10. Mexico Whey Exports (MT)

	2017	2018	2019	2020	2021	2022
World	1,433	1,893	1,521	24	61	0
United States	20	7	4	3	25	0
El Salvador	0	0	0	0	21	0
Cuba	20	38	33	21	14	0
Guatemala	0	0	0	1	1	0
Philippines	989	1,720	1,419	0	0	0

Source: Trade Data Monitor

Ice Cream

It is estimated that imports for 2023 will reach 27,100 MT, a 15 percent increase compared to 2022.

According to industry sources, despite the difficulties that the sector has faced, such as the shortage of raw materials, mainly for wrappers, and the increase in the price of inputs such as fruit and sweeteners, the ice cream and popsicle industry has reported sustained growth in the last seven years, ranging between 6 and 8 percent. Still, Mexico's ice cream (dairy based) trade is reported to be less profitable compared to previous years, due to the uncertainty in Mexico's regulations and a volatile dairy market.

Mexico's per capita consumption of ice cream is 1.5 liters per year. Ice cream consumption is seasonal, and in the spring and summer time consumption increases by 30 percent compared to the rest of the year.

Trade

Imports

Table 11. Mexico's Ice Cream Imports (MT)

	2017	2018	2019	2020	2021	2022
World	20,889	24,366	26,242	24,704	24,605	23,566
United States	20,476	23,696	24,942	23,200	22,792	23,553
United Kingdom	0	0	0	46	1,116	0
France	293	421	679	521	426	0
Italy	64	148	139	194	163	13
Spain	35	66	64	51	85	0

Source: Trade Data Monitor

Exports

Table 12. Mexico's Ice Cream Exports (MT)

	2017	2018	2019	2020	2021	2022
World	726	475	330	523	1,976	6,235
United States	348	174	111	177	1,279	6,235
Panama	0	0	0	0	372	0
Dominican Republic	201	149	163	287	239	0

Source: Trade Data Monitor

Infant Formulas

It is estimated that imports for 2023 will reach 7,855 MT, a nine percent decrease compared to 2022.

In Mexico, infant formulas are not considered dairy products but are classified as pharmaceutical supplements. Only five percent of infant formula is dairy based, specifically whey. According to industry contacts, formulas classified as baby formulas or stage one formulas are intended for babies 0-6 months old. Infant formulas are classified in stages 2-4 and intended for babies over seven months old.

Trade

Imports

Table 13. Mexico's Infant Formula Imports (MT)

	2017	2018	2019	2020	2021	2022
World	9,294	10,371	10,786	8,615	8,582	8,631
Netherlands	4,096	4,704	3,927	4,203	4,095	820
Germany	1,090	1,164	1,157	1,253	1,420	694
Spain	1,471	1,213	1,212	893	1,173	0
Ireland	782	602	809	762	709	0
Unidentified	0	0	0	0	0	6,823
Argentina	652	894	632	427	356	0
France	165	205	262	539	276	231
United States	502	1,106	2,451	284	271	63

Source: Trade Data Monitor

Policy

There are no updates to report on Mexico's review of various dairy regulations. Dairy or dairy related regulations that were programmed to be reviewed and published (last version) during 2022, but were not as of October 2023, are:

- NOM-181-SCFI/SAGARPA-2018 Yogurt
- NOM-223-SCFI/SAGARPA-2018 Cheese
- NOM-222-SCFI/SAGARPA-2018 Milk Powder
- NOM-193-SE/SADER-2020 Cream
- NOM-151-SE/SADER-2020 Milk
- NOM-183-SCFI-2012 Dairy Products and Combined Dairy Products
- NOM-190-SCFI-2012 Mix of Milk with Vegetable Oil
- NOM-243-SSA1-2010 Sanitary Specifications for Milk and Dairy Products
- NOM-XXX-SE/SADER-20XX Butter

Mexico Front-of-Pack Labeling Second Phase Implementation

The second phase of the Official Mexico Standard NOM-051, front-of-pack labeling, will enter into force on October 1, 2023. Phase II requires each manufacturer to determine the calculation and evaluation of the nutritional information by considering critical nutrients added to processed foods and non-alcoholic beverages with ≤ 70 kcal total or 8 kcal of added sugars. Additional information on NOM-051 is available in previous GAIN reports [MX2020-0019](#), [MX2021-0012](#), and [MX2021-0032](#).

February 2023 Corn Decree

On February 13, Mexico published [a presidential decree](#) which includes, "*The dependencies and entities of the Federal Public Administration will carry out the actions leading to the effect of carrying out the gradual substitution of genetically modified corn for animal feed and for industrial use for human food.*" On June 2, 2023, the United States [requested](#) dispute settlement consultations with Mexico under the United States-Mexico-Canada Agreement (USMCA). On August 17, 2023, the United States Trade Representative [announced](#) the establishment of a dispute settlement panel under USMCA regarding certain Mexican measures concerning biotech corn.

Anti-Inflation Decrees

The GOM published a series of inflation related decrees which temporarily allow the duty-free import of certain food products including milk, cream, and milk powder (See [GAIN MX2023-0002](#) and [GAIN MX2022-0057](#)). The decree temporarily exempts select importers from the payment of import duties for certain goods and facilitates administrative easing. The decree is valid until December 2023. The United States continues to be Mexico's primary provider of dairy products due to lower freight costs, faster delivery, and importer recognition of U.S. quality.

Guaranteed Prices Program

One of President López Obrador's signature programs is the Guaranteed Prices Program for Basic Food Products, which provides guaranteed prices for small producers of corn, bread wheat, dry beans, rice, and milk. The program then distributes the commodities to low-income communities. The program is administered by SEGALMEX, an agency under the purview of SADER.

2024 General Election

On June 2, 2024, Mexico will elect a new president for a new six-year term. Voters will determine a replacement for President Andrés Manuel López Obrador of the National Regeneration Movement (*Spanish: Morena*). Contacts in the agricultural sector note that traditionally more policy uncertainty exists during election years. In 2023, Mexico's Secretary of Agriculture announced that 48 agricultural related [regulations](#) would be updated by the end of the year. The sector remains attentive to any pre- or post- election changes to agricultural policy which could impact their operations.

For More Information

Visit www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Report Number	Title	Dated
MX2023-0025	Dairy and Products Semi-annual	05/19/2023
MX2022-0056	Dairy and Products Annual	10/24/2022
MX2022-0034	Dairy and Products Semi-annual	06/17/2022
MX2022-0023	Food Processing Ingredients	03/30/2022
MX2022-0011	Mexico Publishes Final Draft of Cheese Conformity Assessment Procedure	02/01/2022
MX2022-0056	Dairy and Products Annual	11/01/2021
MX2021-0051	Mexico Publishes Draft Conformity Assessment Procedure for Cheese	09/07/2021
MX2021-0047	Mexico to Work Six Dairy Regulations and Two Still Pending at the WTO	08/23/2021

Attachments:

No Attachments