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Mexico's Dairy Products Imports to Increase in MY2016

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Report Highlights:

Fluid milk production is expected to increase in MY2016 at the same time international demand for dairy products contracts. Shifts in consumption patterns toward value-added products that offer health benefits despite their relatively higher cost is stemming fluid milk consumption. Thus, Mexico will keep importing dairy products, mainly Non Fat Dry Milk and cheeses, to fulfill its processing needs and to cover the demand for specialized products.

Commodities:

Dairy, Milk, Fluid

Production:

Commercial fluid milk production for MY2016 is expected at 12.1 million tons as improved genetics and technology continue to lift Mexican milk production. However, low international prices of milk — due to the contraction of international demand for dairy products— continue affecting the domestic sector. While the world dairy sector is expecting a general recovery by the second half of 2016, Mexico's dairy sector is not that enthusiastic about near-term prospects.

Reportedly, the Mexican Government's plan to focus on improved productivity of small producers and their presence in the market must wait, as the global oversupply and changes in consumer consumption patterns for dairy products prepared with Nonfat Dry Milk (NFDM) are increasing NFDM imports. LICONSA's [1] has increased the price paid to producers, but commercial fluid milk production for MY2015 is revised downward due to the above mentioned factors.

[1] [1] NOTE: LICONSA, S. A. de C.V. is "a state-owned company devoted to the industrialization and distribution of high-quality milk at a reasonable price, whose main purpose is supporting the nutritional resources of disadvantaged families." END NOTE.

Consumption:

The Post MY2016 total fluid milk consumption forecast (domestic and factory use) is 12.13 million tons based on anticipated slightly higher production levels. While the dairy processing industry tries to meet demand for specialized products, the consumption of fluid milk is decreasing. LICONSA continues supporting fluid milk consumption among lower income groups by guaranteeing low prices as the point of sale, but this does not compensate for the decreased consumption by processors. The Post MY2015 total fluid milk consumption estimate is revised downward.

Trade:

The new Post MY2016 import forecast is 42,000 MT, marginally up from the revised MY2015 estimate based on the forecasted increase in domestic production and stable demand from the processing industry. Due to low international prices of dairy products, it is more attractive for the processing industry to import NFDM than to purchase domestic fluid milk. The Post MY2015 import estimate was revised slightly downward reflecting latest official figures.

The Post MY2016 fluid milk export forecast is expected marginally up from the MY2015 figure as increased production results in additional product availability for export to mature markets in Central America. Post's MY2015 estimate was revised slightly down due to marginally decreased production.

Marketing:

The Mexican food industry is growing rapidly and has been the primary market demand driver contributing to the growth in U.S. exports. Currently, the top producers of fluid milk and dairy products are competing to launch more innovative products for specific segments to gain market share. Also, consumers are more conscious of what they buy and eat and they are willing to pay more for better-quality dairy products. Increased consumption of alternate formulas –almond, soy, rice, and coconut– are constraining fluid milk consumption.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Fluid	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	6350	6350	6400	6400	6450	65
Cows Milk Production	11464	11464	11750	11736	11857	11934
Other Milk Production	160	160	160	164	160	166
Total Production	11624	11624	11910	11900	12017	12100
Other Imports	35	35	42	41	42	42
Total Imports	35	35	42	41	42	42
Total Supply	11659	11659	11952	11941	12059	12142
Other Exports	11	11	12	11	12	12
Total Exports	11	11	12	11	12	12
Fluid Use Dom. Consum.	4190	4180	4225	4185	4240	4183
Factory Use Consum.	7458	7468	7715	7745	7807	7947
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	11648	11648	11940	11930	12047	12130
Total Distribution	11659	11659	11952	11941	12059	12142
(1000 HEAD) ,(1000 MT)						

Commodities:

Dairy, Cheese

Production:

Commercial total cheese production for MY2016 estimate is 285,000 MT, reflecting availability of fluid milk and stable demand for aged and fresh cheeses and cheese products. The Post MY2015 figure was marginally down due to a marginally decreased fluid milk production.

Consumption:

The new Post MY2016 total cheese consumption forecast is 395,000 MT, as demand for aged cheeses is expected to remain fairly stable among high-middle and high-income consumers. Low and lower-middle income consumers will maintain the demand for fresh cheese products despite a stagnant purchasing power. The MY2015 consumption estimate was revised down based on input from private sources that cite reduced consumer's purchasing power given lower than expected economic growth.

Trade:

The Post MY2016 cheese import forecast is 115,000 MT. Despite adequate fluid milk availability, Mexico will continue importing raw materials to complement domestic production. Post's MY2015 estimate was revised down given stagnant consumer purchasing power that limited consumption, mainly in low income consumers.

The new Post MY2016 forecast for cheese exports is 5,000 MT, marginally up from the MY2015 estimate. Despite competition in international markets with EU cheeses that are pursuing other markets given the Russian embargo, Mexican cheese manufacturers will continue targeting new and mature market niches in Central America and the Caribbean. Post's MY2015 revised estimate is below the USDA official figure given the same effects mentioned above.

Production, Supply and Demand Data Statistics:

Dairy, Cheese	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	275	275	282	280	287	285
Other Imports	99	88	115	103	118	115
Total Imports	99	88	115	103	118	115
Total Supply	374	363	397	383	405	400
Other Exports	4	4	5	3	5	5
Total Exports	4	4	5	3	5	5
Human Dom. Consumption	370	359	392	380	400	395
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	370	359	392	380	400	395
Total Use	374	363	397	383	405	400
Ending Stocks	0	0	0	0	0	0
Total Distribution	374	363	397	383	405	400
(1000 MT)						

Commodities:

Dairy, Butter

Production:

The new Post MY2016 butter and butterfat production forecast is 197,000 MT, based on the availability of fluid milk and sustained demand from consumers for specialized products. The Post MY2015 figure was kept unchanged given the stable demand from the industry that requires this product for the elaboration of specialized products.

Consumption:

The new Post butter and butterfat consumption estimate for MY2016 is expected to be marginally up due to a sustained demand for domestic and imported product by the bakery and confectionary sectors. In light of a flat production and decreased imports, the Post consumption estimate for MY2015 was revised downward.

Trade:

The new Post MY2016 import forecast for butter (HTS 040510) and butterfat (HTS 040590) is 40,000 MT, reflecting sustained demand from consumers for specialized products. The Post MY2015 was revised downward mainly due to reduced consumer purchasing power constraining increased consumption.

Mexican butter and butterfat exports are beginning to emerge in trade data, albeit from a small base. The new Post MY2016 forecast is 8,000 MT similar to the Post MY2015 estimate. MY2015 exports were stable mainly due to sufficient overall supply.

Production, Supply and Demand Data Statistics:

Dairy, Butter	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	192	192	195	195	197	197
Other Imports	37	30	43	35	40	40
Total Imports	37	30	43	35	40	40
Total Supply	229	222	238	230	237	237
Other Exports	8	6	8	8	8	8
Total Exports	8	6	8	8	8	8
Domestic Consumption	221	216	230	222	229	229
Total Use	229	222	238	230	237	237
Ending Stocks	0	0	0	0	0	0
Total Distribution	229	222	238	230	237	237
(1000 MT)						

Commodities:

Dairy, Milk, Nonfat Dry

Production:

The Post MY2015 production forecast for NFDM is flat at 55,000 MT. The sustained demand by other dairy subsectors and the current low international prices limit NFDM production growth. Post's MY2015 production estimates are unchanged.

Consumption:

The Post NFDM MY2016 consumption forecast is set at 320,000 MT given the sustained demand from the processing industry for the preparation of value-added products. The Post consumption estimate for MY2015 was revised up to reflect this sustained demand. Currently, consumers are more selective in search of "practical" products that provide nutrients and vitamins, are easily digested, and also prevent obesity.

Trade:

The new Post MY2016 import forecast for NFDM is 265,000 MT, as domestic production is flat (as noted above) with imports filling the gap. The MY2015 figure is revised upward to reflect the latest official data and the sustained demand from consumers for specialty products whose preparation is based on NFDM.

No exports are forecast for MY2016 and no exports were recorded in MY2015.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	55	55	55	55	55	55
Other Imports	203	203	230	259	230	265
Total Imports	203	203	230	259	230	265

Total Supply	258	258	285	314	285	320
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	258	258	285	314	285	320
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	258	258	285	314	285	320
Total Use	258	258	285	314	285	320
Ending Stocks	0	0	0	0	0	0
Total Distribution	258	258	285	314	285	320
(1000 MT)						

Commodities:

Dairy, Dry Whole Milk Powder

Production:

The dry WMP production estimate for MY2016 is 156,000 MT, up slightly from the previous MY2015 figure. Although increased fluid milk production could allow for a production increase, the dry WMP subsector will continue to compete for this supply with others in the processing industry to produce value-added products. Demand is expected to remain relatively stable (see below). The MY2015 estimate was kept unchanged due to a flat fluid milk production.

Consumption:

The dry WMP consumption forecast for MY2016 is set at 155,000 MT as LICONSA's coverage under its social supply of milk program is set to continue. In recent years, LICONSA intensified purchases of domestic fluid milk rather than imported dry WMP; however, low international prices and a limited budget has reduced the amount of fluid milk purchased domestically. The estimate for MY2015 was revised downward to 151,000 MT reflecting the latest official data. However, the demand for WMP from the processing industry for the preparation of value-added products is expected to continue.

Trade:

The Post MY2016 import estimate is set at 7,000 MT as, in light of low international prices, value-added processors increased their imports of NFDM to complement their needs. The demand for dry WMP for reconstitution into value-added dairy products, such as sweetened milk and yogurts, will continue. Post's MY2015 import estimate is revised marginally down given the same factors from above.

Post's MY2016 export estimate of WMP is set at 8,000 MT as sustained imports are allowing WMP processors to continue looking for the consolidation of the current markets. MY2015 figures were revised up to reflect official data from the Secretariat of Economy.

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	150	150	155	155	156	156
Other Imports	7	7	8	7	8	7

Total Imports	7	7	8	7	8	7
Total Supply	157	157	163	162	164	163
Other Exports	6	6	10	11	10	8
Total Exports	6	6	10	11	10	8
Human Dom. Consumption	151	151	153	151	154	155
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	151	151	153	151	154	155
Total Use	157	157	163	162	164	163
Ending Stocks	0	0	0	0	0	0
Total Distribution	157	157	163	162	164	163
(1000 MT)						

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	**Subject**	**Date Submitted**
MX6003	Poultry Import TRQ Extension Announced Through December 2017	01/12/16
MX5036	Poultry Annual	09/03/15
MX5035	Livestock Annual	09/02/15
MX5022	Dairy Semi-Annual	05/29/15
MX5008	Poultry and Products Semi Annual	02/17/15
MX5005	Meat and Livestock Semi Annual	03/03/15
MX5004	CA HPAI restrictions	01/29/15

Author Defined:

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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.