

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Mexico

Poultry and Products Semi-annual

Sector Integration and Strong Demand Continue

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Report Highlights:

The Post 2012 broiler production forecast is raised slightly from the USDA forecast as vertical integration is supporting production increases in the face of high international grain prices. Additionally, the Post 2012 import forecast is raised slightly from the USDA forecast as broiler meat remains one of the most economical forms of animal protein and, at the time of publication, no restrictions are in place that would limit or increase the price of importing product from the United States.

Executive Summary:

Disclaimer:

Data included in this report is not official USDA data. Official USDA data is available at: <http://www.fas.usda.gov/psdonline>

Commodities:

Poultry, Meat, Broiler

Production:

The Post forecast of Mexican commercial broiler meat production for 2012 is 2.9 million metric tons (MMT), slightly higher than the USDA forecast. The trend of vertical integration is the most important factor supporting production growth. Vertical integration has helped offset the negative impact of high grain prices that were caused by an exceptional [Mexican drought](#) and strong international grain demand during the last half of 2011 (See GAIN Report MX2005 *Intense Drought Lowers Corn, Sorghum, and Wheat Forecasts*). Moreover, the poultry sector is moving towards industrial and commercial integration to satisfy domestic market and consumer-led demand for affordable and better products. For example, some poultry manufacturers are supplying marinated and ready-to-cook products. In addition, a number of poultry companies have started their own retail points of sale.

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](#)), it is estimated that feed represents between 75-80 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]).

Mexico's average broiler grow-out period depends largely on where and how the birds will be marketed. Live birds and whole chickens (New York dressed) that are commonly sold in wet markets average between 49 and 56 days (7 to 8 weeks) for grow-out. Birds for the ready-to-cook broiler market have an average grow-out period of between 40 and 44 days (6 weeks). Birds for sale in modern retail markets (both ready to cook and chicken cuts) are grown-out in 44 to 49 days (6 to 7 weeks).

The average market weight for broilers is around 2.2 kilograms, but as with bird grow-out periods, it depends on the requirements of the market destination. Typically, live birds and whole chickens are marketed at heavier weights (2.9 kilograms) while broilers for retail, cut in pieces, and for rotisseries shops are marketed at lighter weights (2.1, 2.2 & 1.8 kilograms, respectively).

Despite the production of poultry in Mexico being on the upswing, it is not expected to keep pace with the domestic consumption rate.

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

Consumption:

The Post 2012 consumption forecast anticipates slightly higher consumption from the USDA forecast as consumer demand remains strong. Poultry 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 consumers.

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. Even though domestic broiler meat prices have increased 20 percent during the first part of 2012, prices for pork and beef have also been increasing and, as such, consumption of poultry meat will stable. During the last quarter of 2011 (Oct-Dec), the price difference between whole fresh chicken 21.5 pesos per kilogram (U.S. \$0.76 per lb.) and beef 38.6 pesos per kilogram (non-fine cuts at U.S. \$1.37 per lb. [2]) continued favoring poultry. During this same period, private sector data indicates that 31 percent of broiler sales were accounted for by live chickens, 24 percent was marketed in roasting establishments, 20 percent was distributed in public markets, 15 percent was marketed in chain stores, 7 percent was in pieces/cuts, and 3 percent of sales were as value-added products. The entire 2012 forecast anticipates similar patterns with a possible slight rise in live chicken sales to 33 percent of total broiler sales.

^[2] Exchange rate at MX \$12.68 per USD \$1.00

Trade:

The Post 2012 import forecast is 630,000 MT, which is slightly higher than the USDA forecast. As indicated earlier, production increases are not capable of keeping up with demand increases; especially among lower-income consumers. Thus, Mexico is expected to continue importing as supply has not been able to fulfill demand and poultry remains a low-cost protein source for large portions of the population.

The Post final, preliminary and forecast for 2010, 2011 and 2012 exports, respectively, have been revised downward from USDA data to reflect the removal of certain chicken parts not considered broiler meat that manifest in Mexico’s export trade statistics. In particular, the Post figures reduce trade volumes for exports to Vietnam, Hong Kong, and other Asian markets which, according to industry sources, most likely are chicken paws.

Thus, the Post new 2012 export forecast is 9,000 MT, which is significantly lower than the USDA forecast. Mexico continues, however, 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.

Policy:

The final resolution on the CLQ anti-dumping case will be a key factor as to whether imports increase as Post forecasts. At this point it is uncertain when the final resolution will be published, but on January 19, 2012, the Secretariat of Economy (SE) announced in the *Diario Oficial* (Mexico’s Federal Register) its [preliminary determination](#) to the anti-dumping investigation of U.S. fresh, chilled or frozen CLQs.

As of March 20, 2012, SE has not imposed any compensatory duties on U.S. fresh, chilled or frozen CLQs exported to Mexico. (See GAIN Report [MX2004 Mexico Publishes Preliminary Determination on U.S. CLQs](#))

Sources indicate that limiting or imposing restrictions on the import of CLQs would result in a supply shortage in some regions of the country. More specifically, the areas that would feel any restriction would most likely be in areas near the northern Mexican border that are not supplied by domestic producers.

The Mexican poultry sector, in conjunction with the Mexican zoosanitary authorities, is working to obtain U.S. recognition of more Mexican areas as being free of Avian influenza and Exotic Newcastle Disease. The reported objective is wider access for Mexican poultry products to the U.S. market.

On December 1, 2011, the Mexican government officially informed the USDA that it had lifted the import ban imposed on live poultry, poultry products, and by-products from Polk County, Missouri. At this time, Mexico does not maintain any bans on poultry and related products from the United States.

Marketing:

Even though demand is growing for healthy and processed products, there is substantial room for progress as shopping practices suggest consumer preference is for whole fresh chickens which include viscera and offal. The sales and consumption trend witnessed during that last quarter of 2011 indicates that consumer demand is particularly strong during the holiday season as this habit is fueled by culture and family tradition.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Mexico	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	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	2,810	2,822	2,922	2,900	2,892	2,900
Total Imports	549	549	590	590	625	630
Total Supply	3,359	3,371	3,512	3,490	3,517	3,530
Total Exports	14	7	20	8	23	9
Human Consumption	3,345	3,364	3,492	3,482	3,494	3,521
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	3,345	3,364	3,492	3,482	3,494	3,521
Total Use	3,359	3,371	3,512	3,490	3,517	3,530
Ending Stocks	0	0	0	0	0	0
Total Distribution	3,359	3,371	3,512	3,490	3,517	3,530

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 or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX2004	Mexico Publishes Preliminary Determination on U.S. CLQs	1/20/2012
MX2005	January 2012 Grain and Feed Update: Intense Drought Lowers Corn, Sorghum, and Wheat Forecasts	1/27/2012
MX1092	New Meat and Poultry Letterhead Certificates Required	12/6/2011
MX1090	Mexico Lifts Ban on Poultry from Polk County, Missouri	12/5/2011
MX1013	Poultry and Products Semi-Annual	2/14/2011
MX1009	Mexico Initiates an Antidumping Investigation on U.S. CLQs	2/8/2011

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.

