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# THE DAIRY INDUSTRY OF MEXICO AN UPDATE

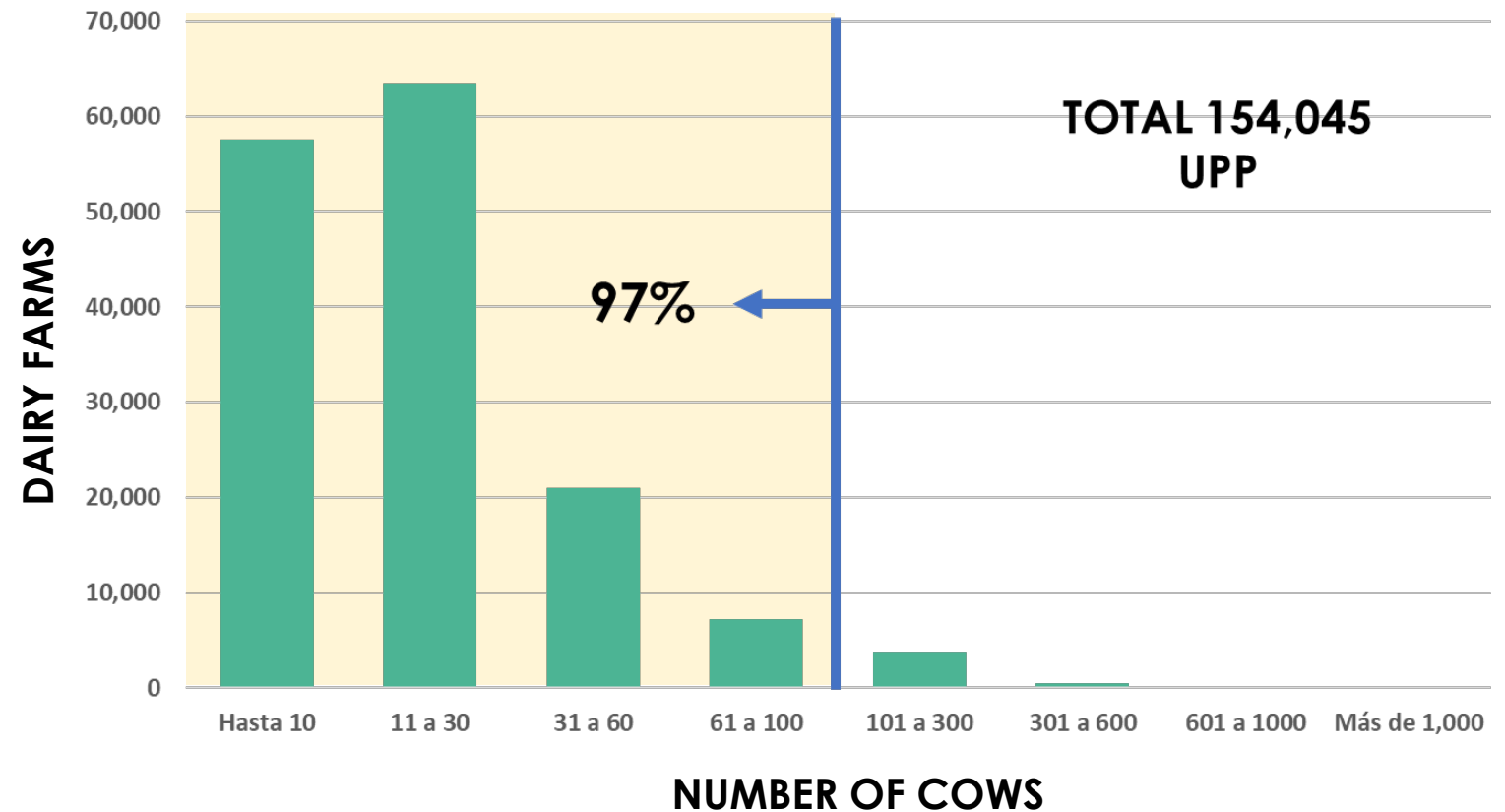
Sergio Soltero-Gardea, PhD



# ➤ IMPORTANCE OF THE DAIRY SECTOR IN MEXICO

In Mexico there are more than **154,000** dairy farms (UPP) with specialized cattle and dual purpose.

**97%** of these production units have less than **100** heads.



# ➤ IMPORTANCE OF THE DAIRY SECTOR IN MEXICO



Value of the Mexican dairy market **MX\$400 billion pesos** (US\$23 billion);

The sector generates an average of **600,000** direct jobs and **1,000,000** indirect jobs per year.

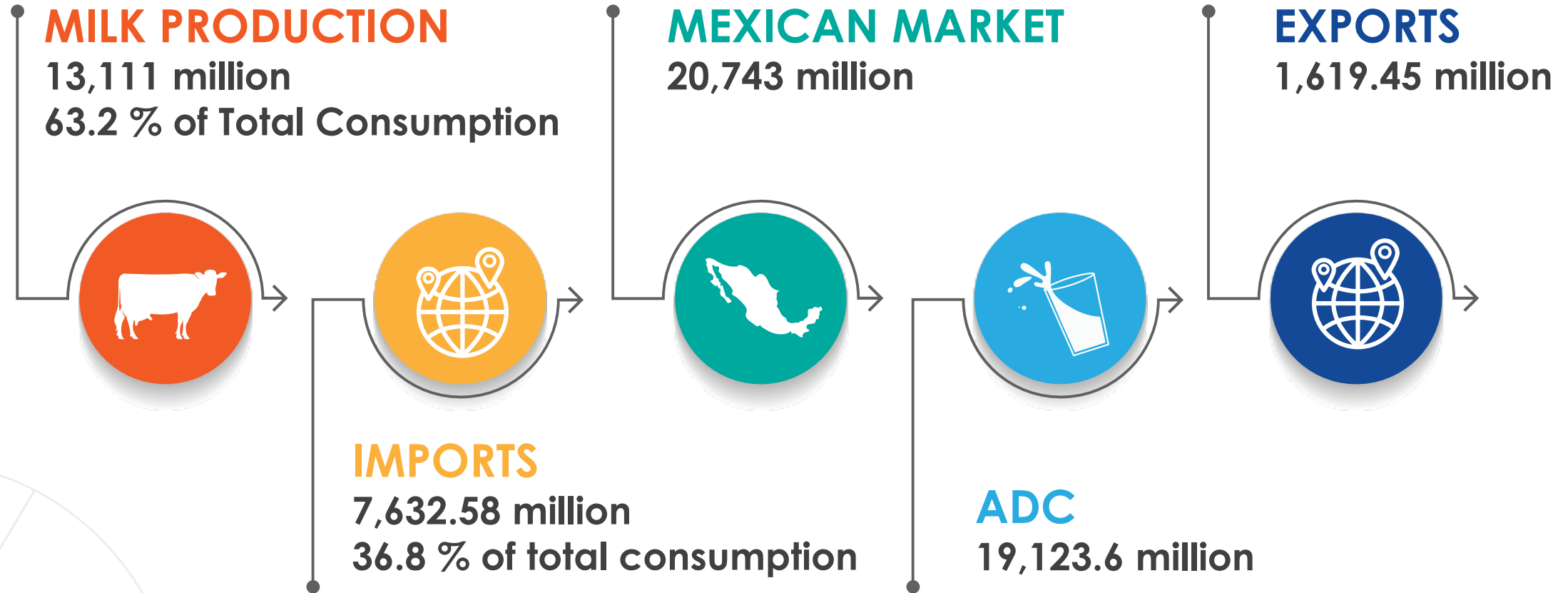
# ➤ IMPORTANCE OF THE DAIRY SECTOR IN MEXICO



Bovine milk production accounts for **17%** of national livestock production.

The milk chain contributes **6.2%** to the agri-food and fisheries sector GDP.

# ➤ APPARENT DOMESTIC CONSUMPTION IN MEXICO 2022 (Litres of Milk Equivalent)

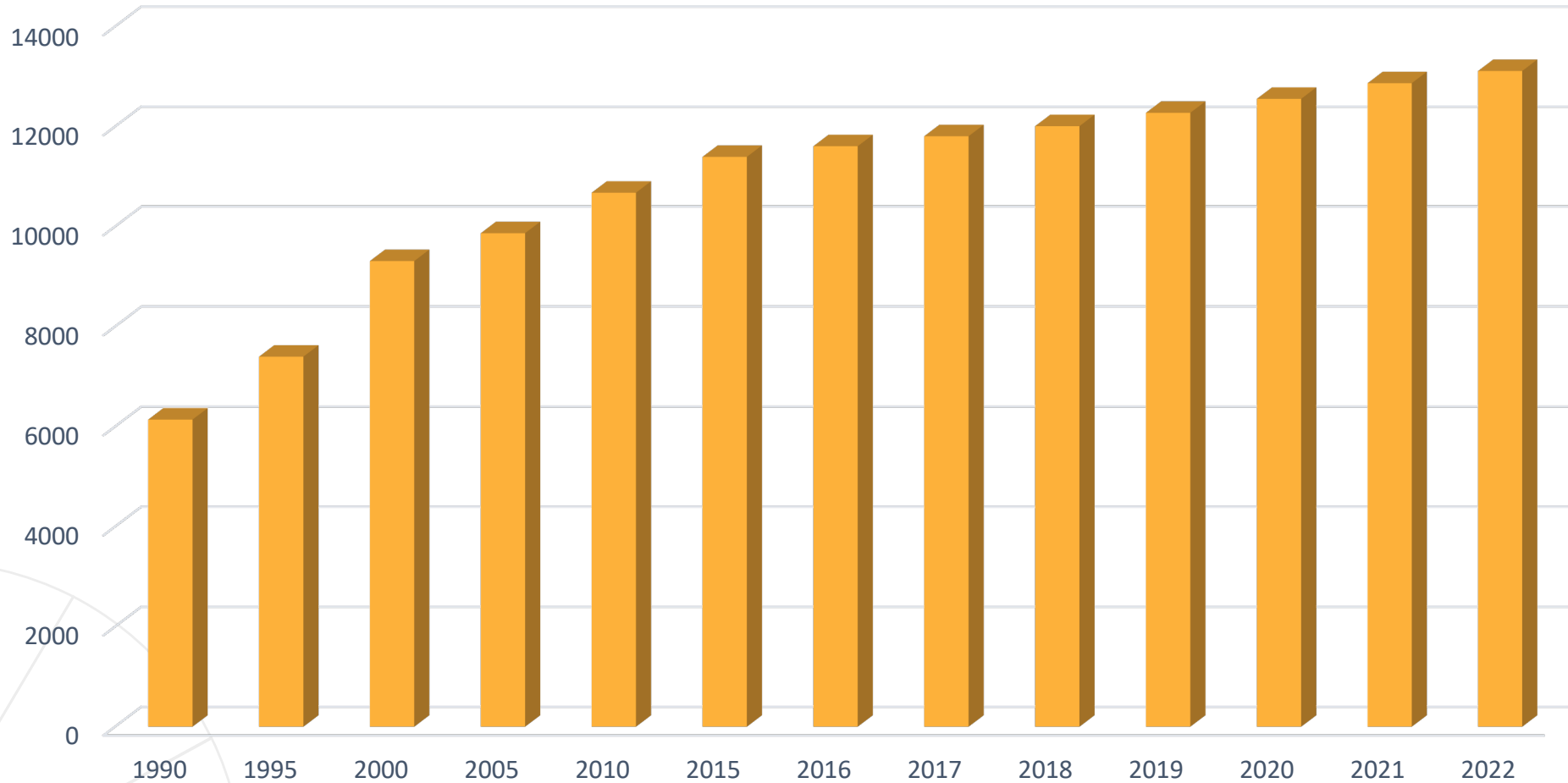




# MILK PRODUCTION



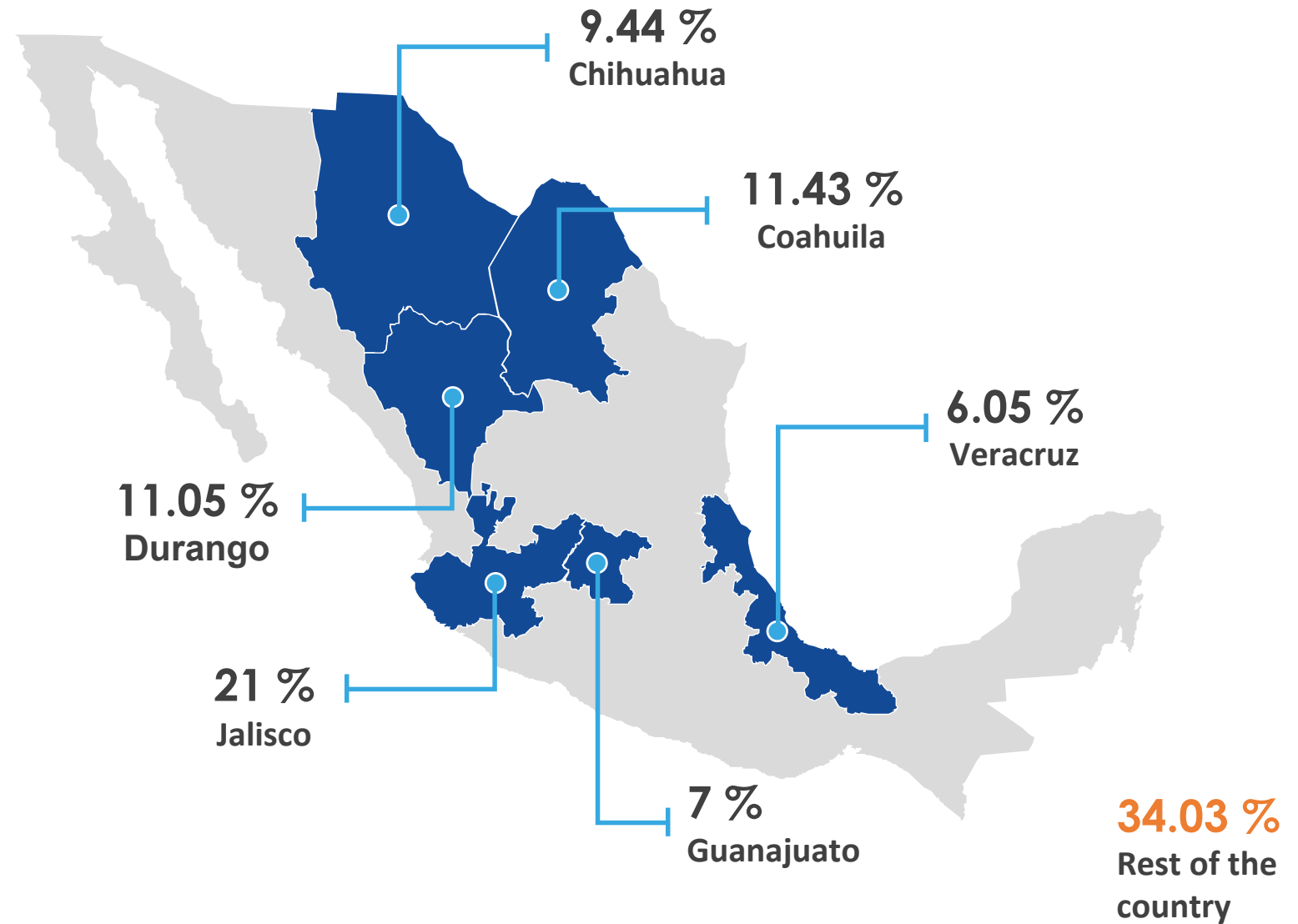
# TOTAL MILK PRODUCTION IN MEXICO 1990-2022 (Millions of Liters)



Average  
annual  
growth of  
**2.4%**

SOURCE: CEBL WITH  
INFORMATION FROM SIAP-  
SADER, INEGI

# FLUID MILK PRODUCTION BY STATE 2021

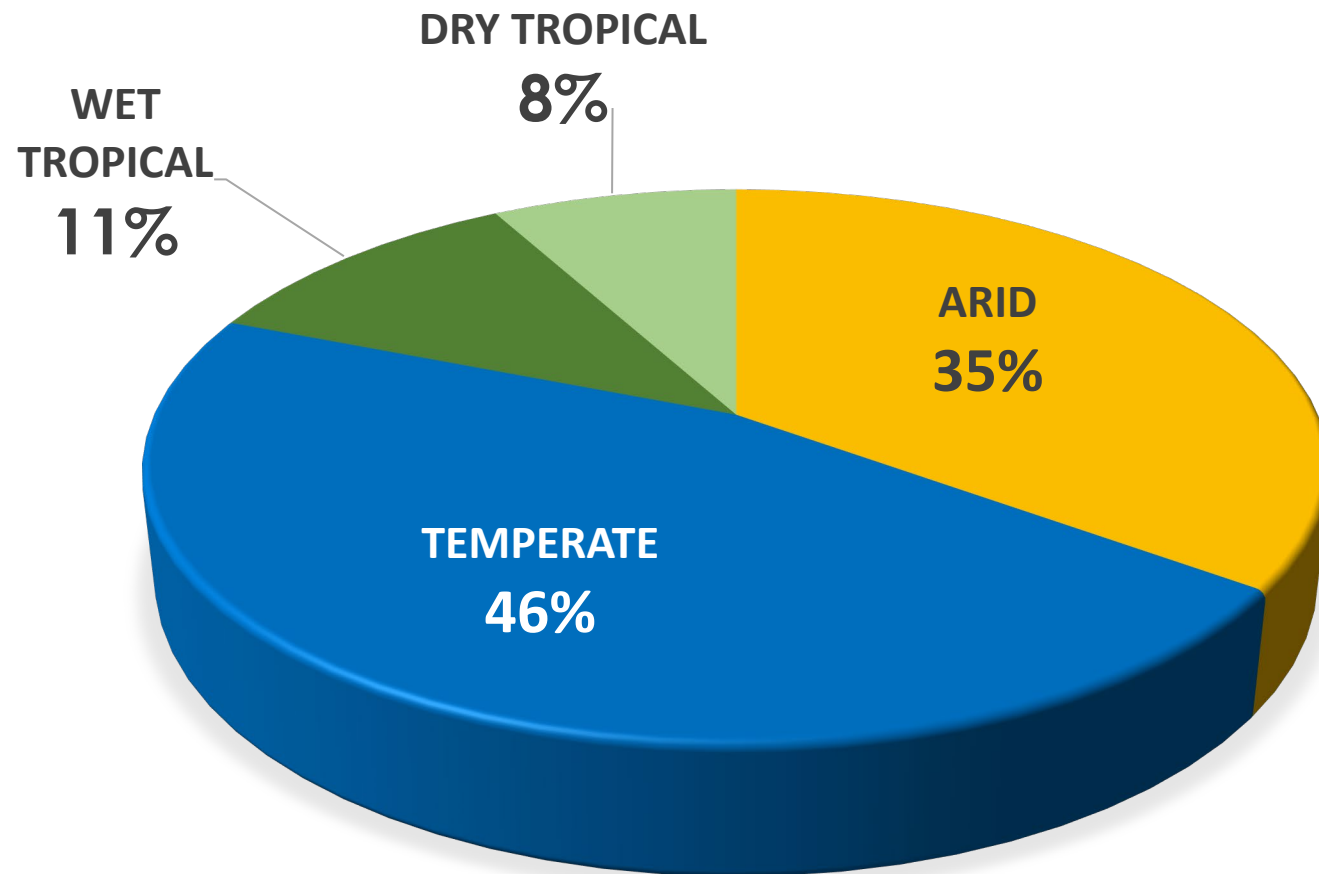






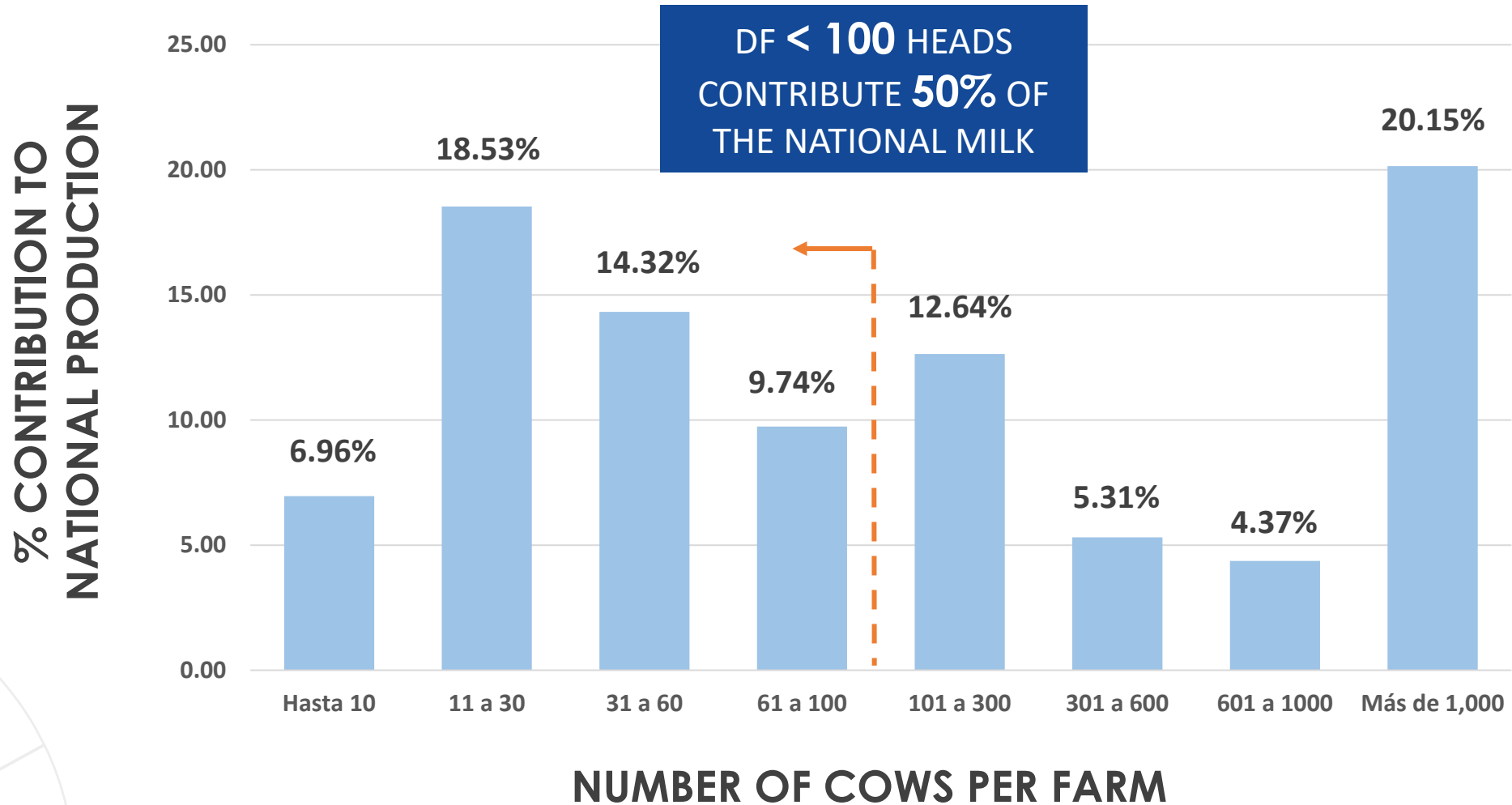
# PRODUCTION BY CLIMATIC REGIÓN

**13,111**  
Millions of Liters  
in **2022**





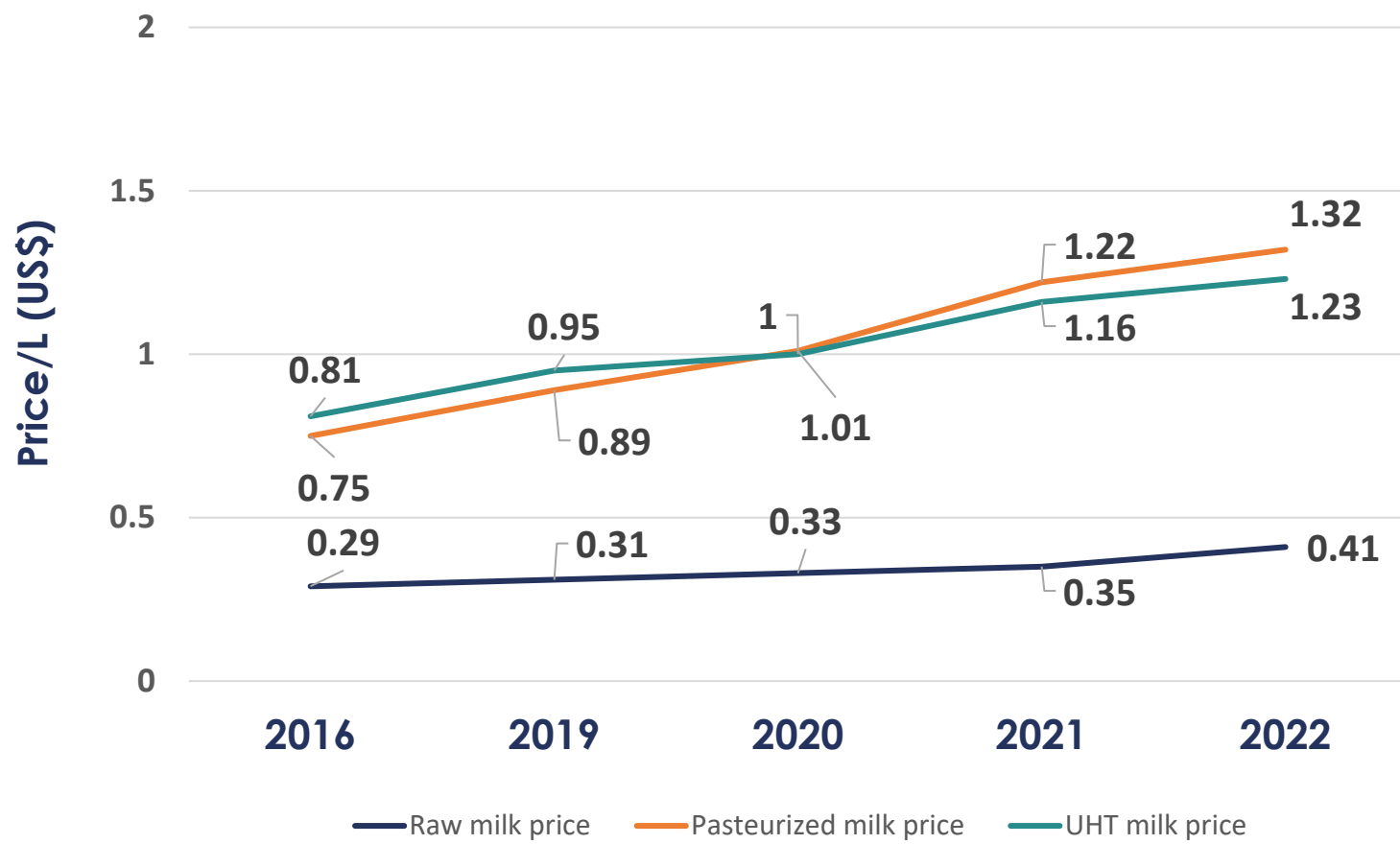
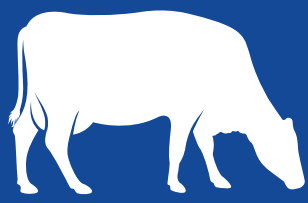
# CONTRIBUTION TO NATIONAL PRODUCTION





# CHALLENGES FACED BY DAIRY FARMERS IN MEXICO

*There is a growing gap between the average price producers receive for their milk and the price paid by the consumer*



SOURCE: CEBL WITH INFORMATION FROM SIAP-SADER; PROFECO

# CHALLENGES FACED BY DAIRY FARMERS IN MEXICO

- Dairy farms are small, 96% of them have fewer than 100 cows;
- These farms generally lack adequate and sufficient infrastructure and equipment;
- A large number of them lack training and technical assistance;
- Most are not part of the added value of milk, as they are only suppliers.

# CHALLENGES FACED BY DAIRY FARMERS IN MEXICO

- The price of raw milk is subject to **supply and demand**, as there is no mechanism to regulate it;
- There are **no support programs** to **increase profitability and efficiency** on dairy farms;
- The fall in milk powder prices is causing an **increase in imports** to Mexico, that is impacting the domestic milk market;

# CHALLENGES FACED BY DAIRY FARMERS IN MEXICO

- **Falling milk prices** on farms drastically reduce profitability;
- The **lack of rainfall this year** and the low production of forages, will cause the reduction of the dairy herd and milk production in some regions of Mexico.



# DAIRY IMPORTS





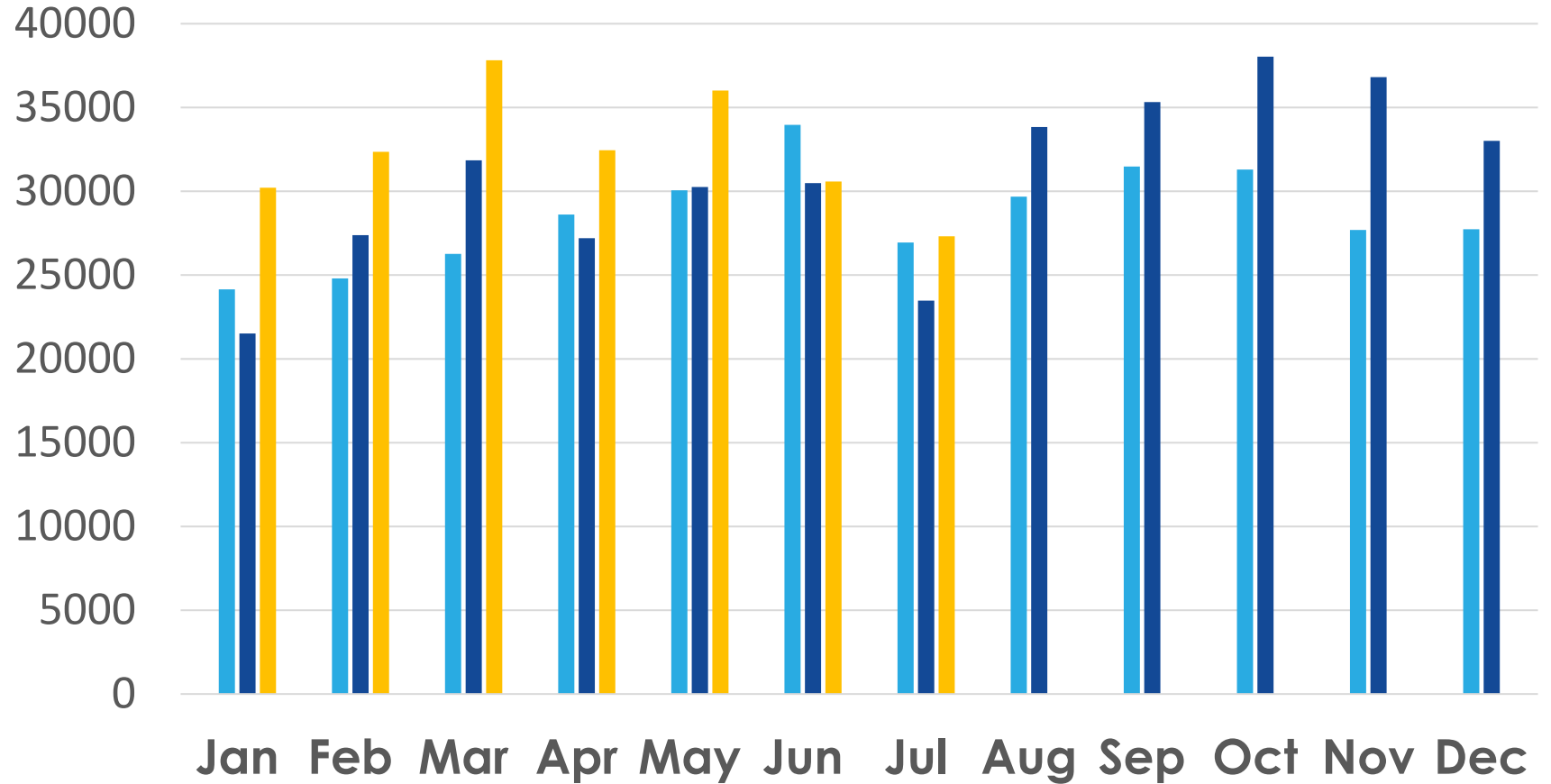
# MILK POWDER IMPORTS 2021 - 2023

(Metric Tons)

**2021**  
**344,667 MT**

**2022**  
**369,163 MT**  
**+ 7.1%**

**2023**  
**226,726 MT**  
**+ 15%**







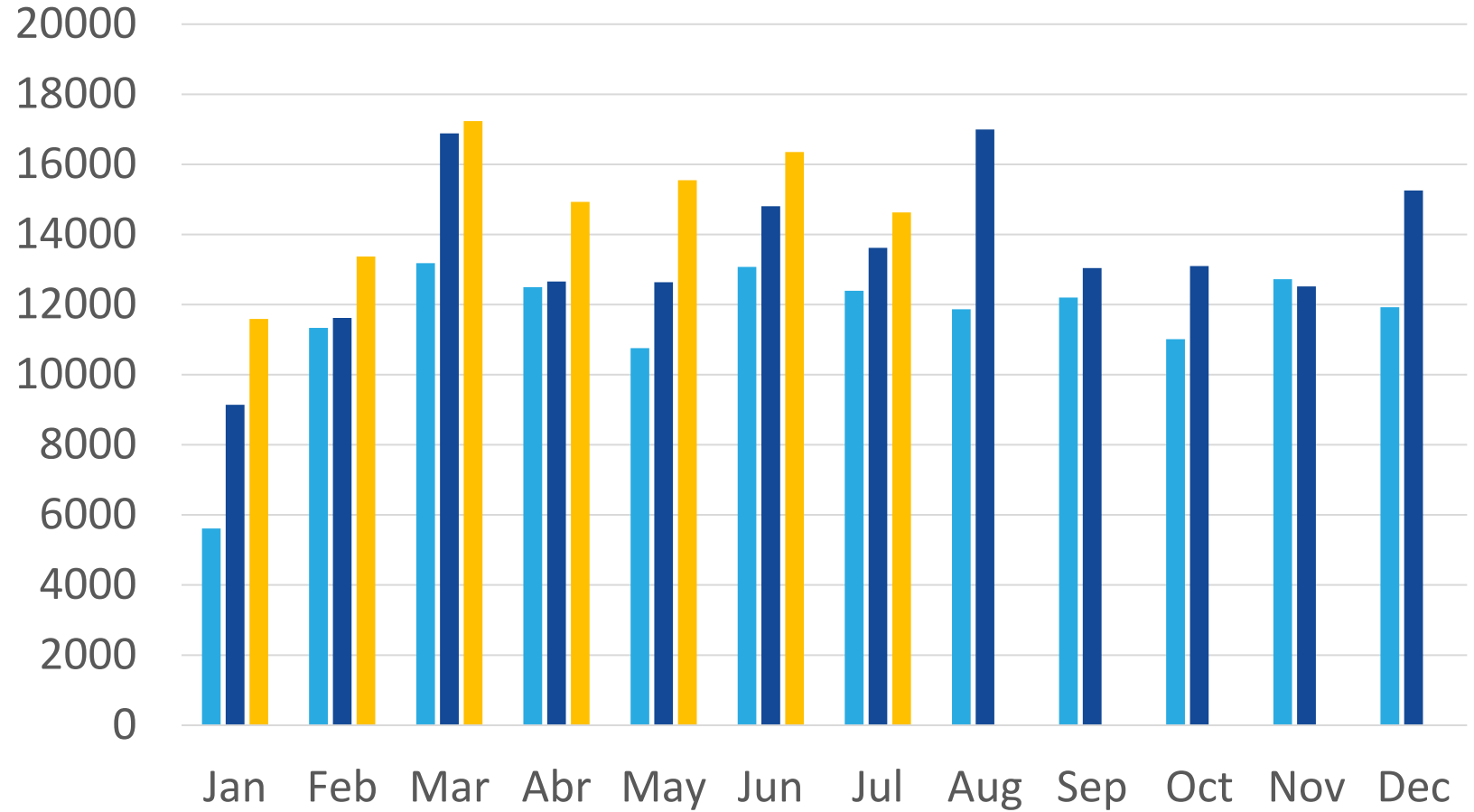
# CHEESE IMPORTS DURING 2021 - 2023

(Metric Tons)

**2021**  
**138,528 MT**

**2022**  
**162,274 MT**  
**+17%**

**2023**  
**103,657 MT**  
**+13%**

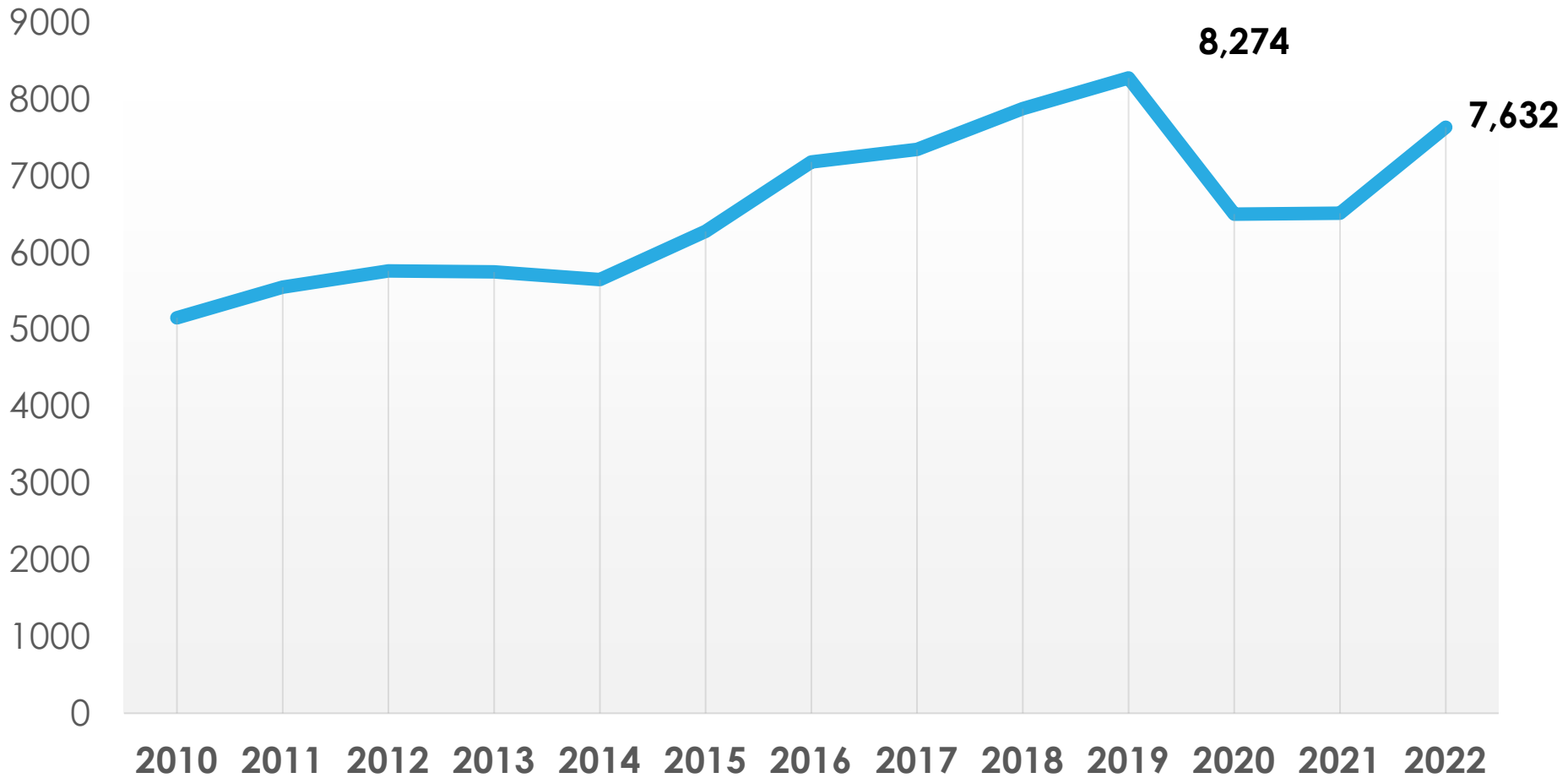


SOURCE: CEBL WITH INFORMATION FROM CNOG, SIAVI, SAT



# DAIRY IMPORTS 2010-2022

(Millions liters of milk equivalent)

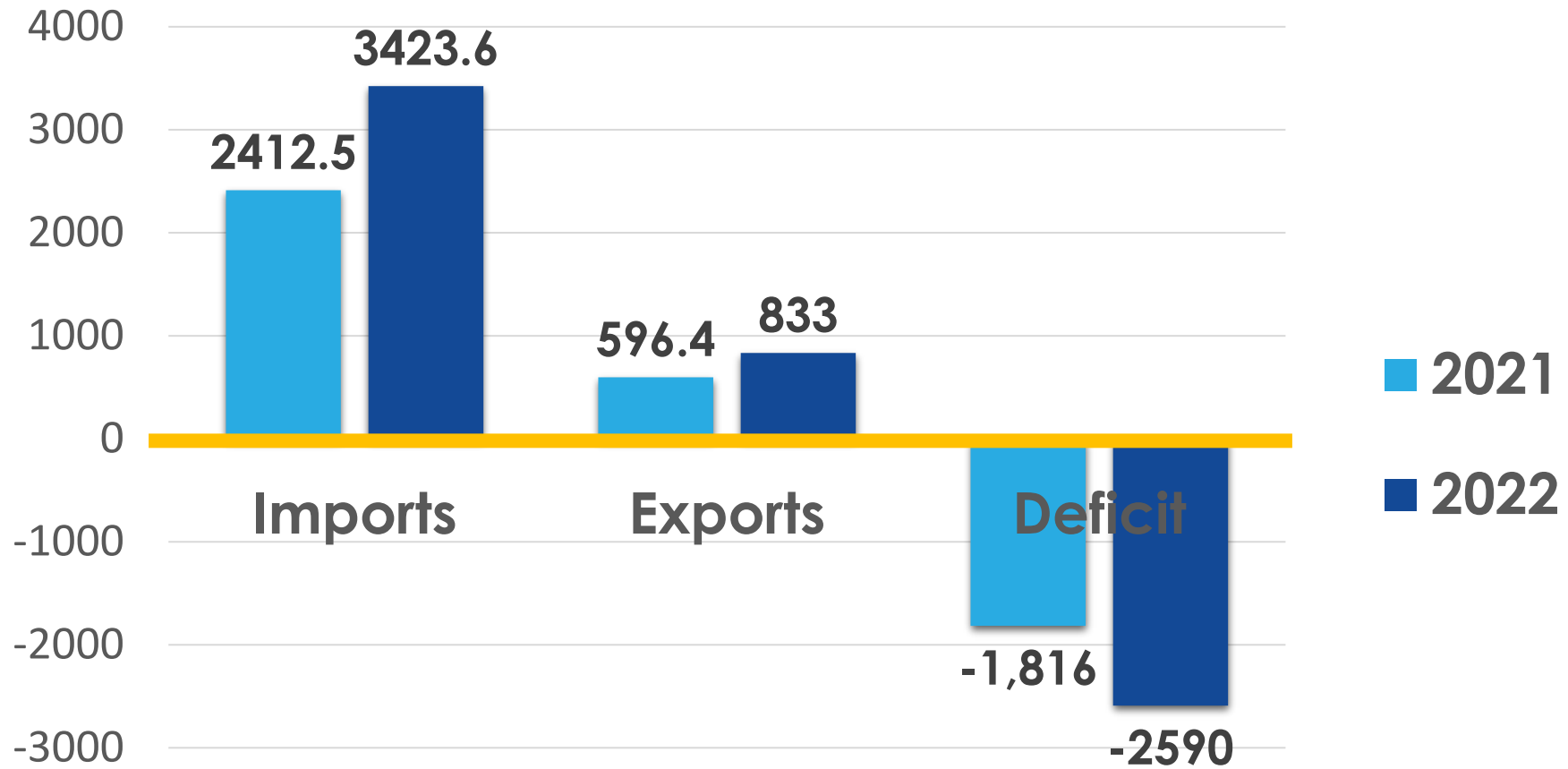


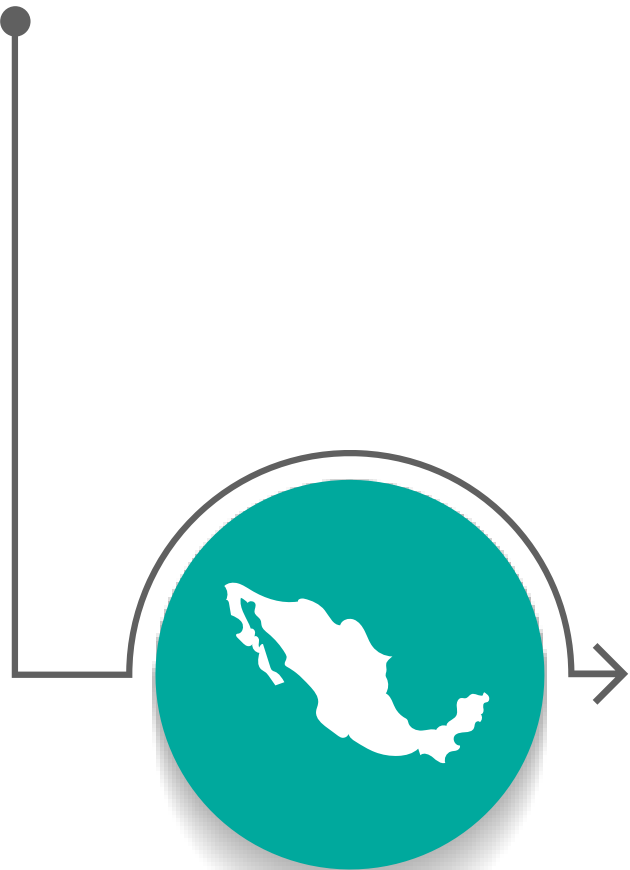
SOURCE: CEBL WITH INFORMATION FROM CNOG, SIAVI, SAT



# DAIRY TRADE BALANCE 2021 - 2022

(Millions of dollars)





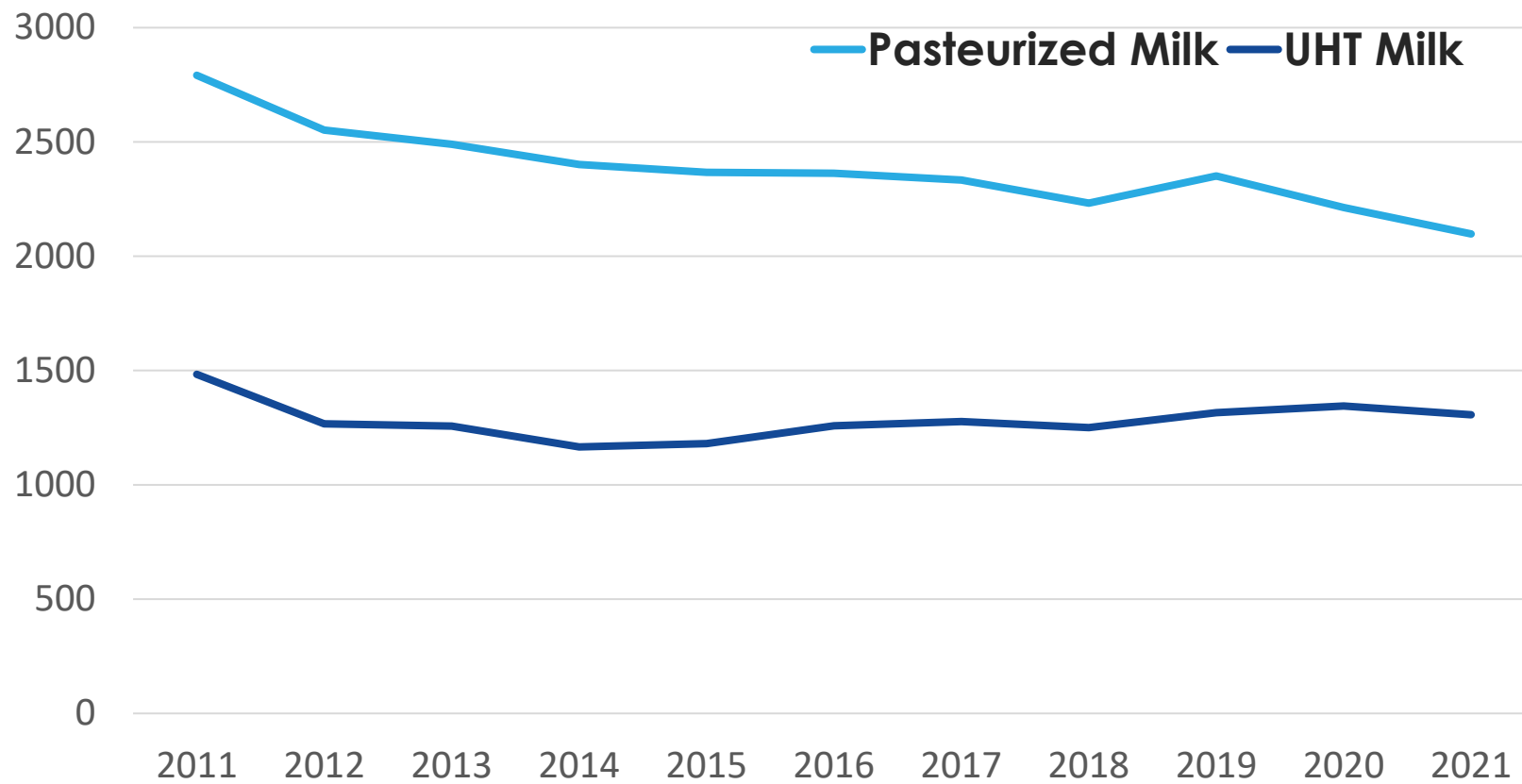
# INDUSTRIAL MILK PROCESS





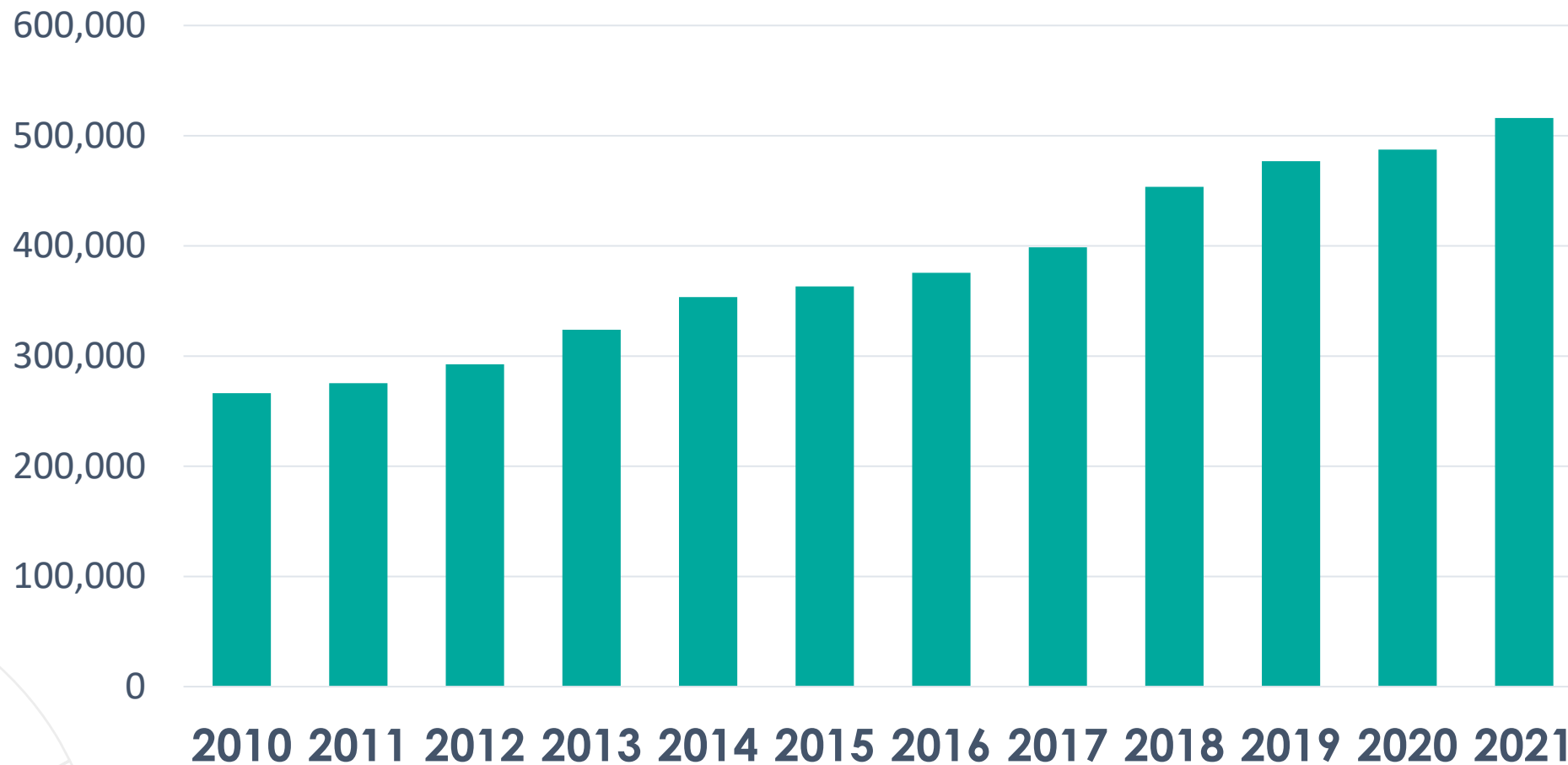
# MILK PROCESSED 2011-2021

(Million liters)



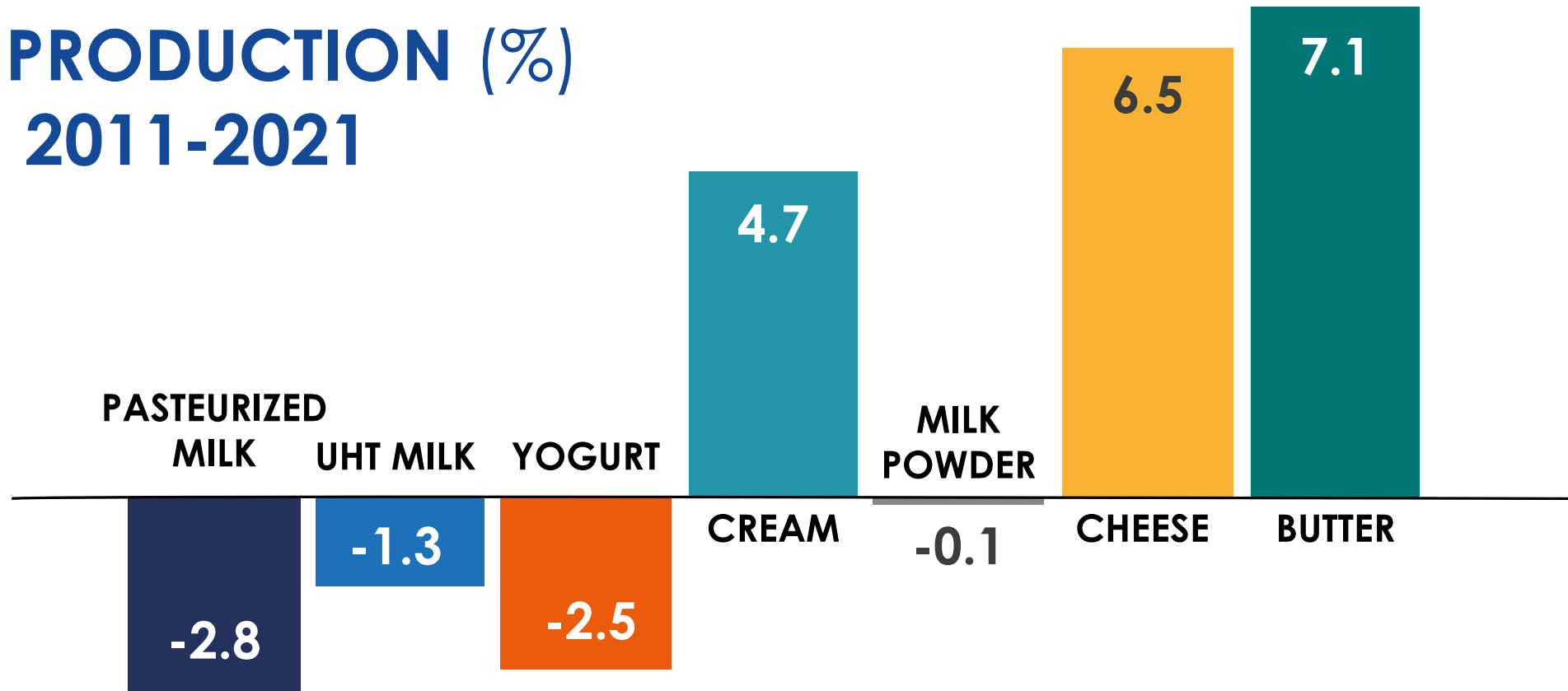


# CHEESE PRODUCTION (TONS) 2010 - 2021



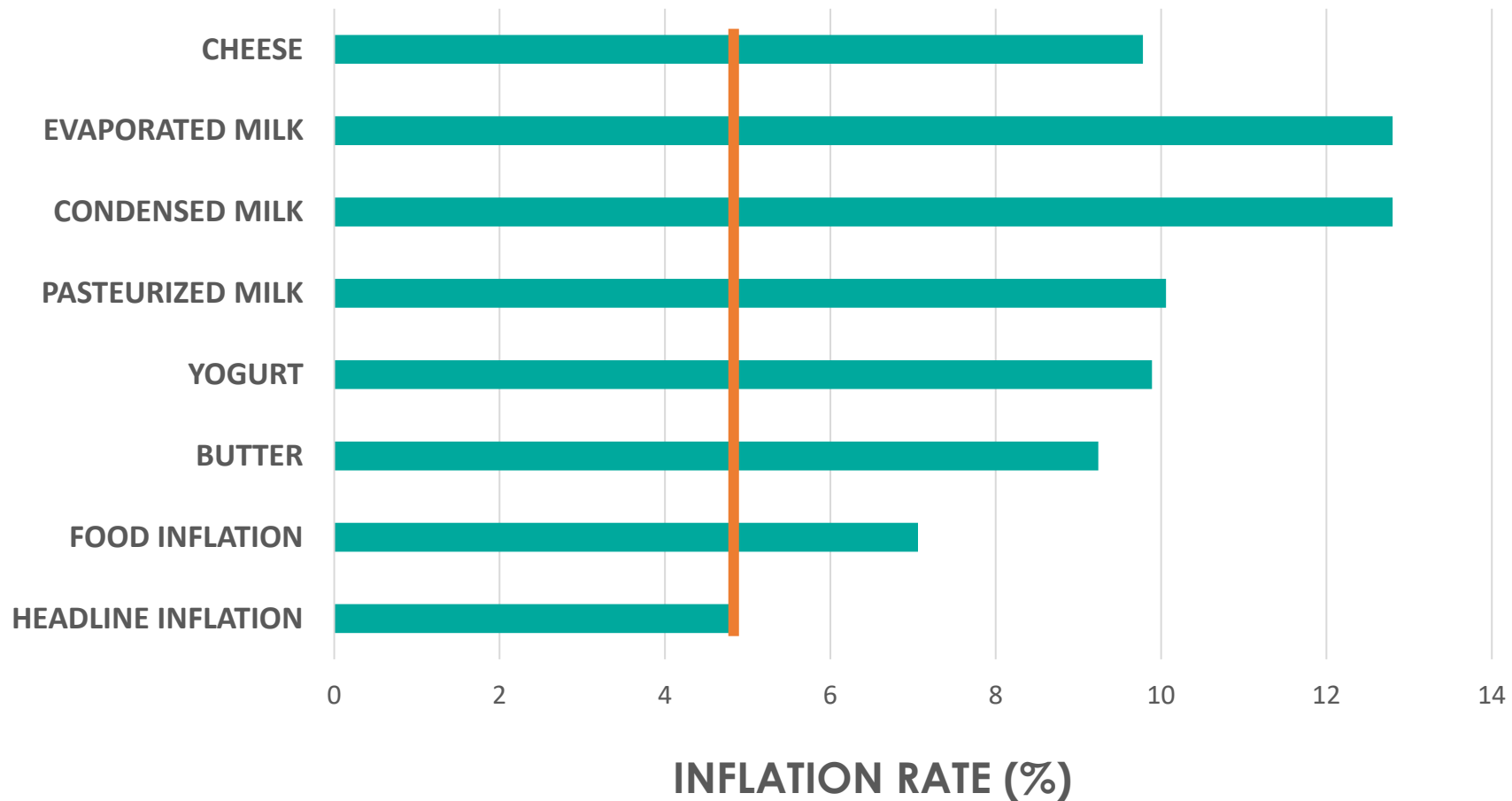
SOURCE: CEBL WITH INFORMATION FROM INEGI

# CHANGE IN DAIRY PRODUCTION (%) 2011-2021





# INFLATION IN DAIRY PRODUCTS JULY 2023 vs JULY 2022



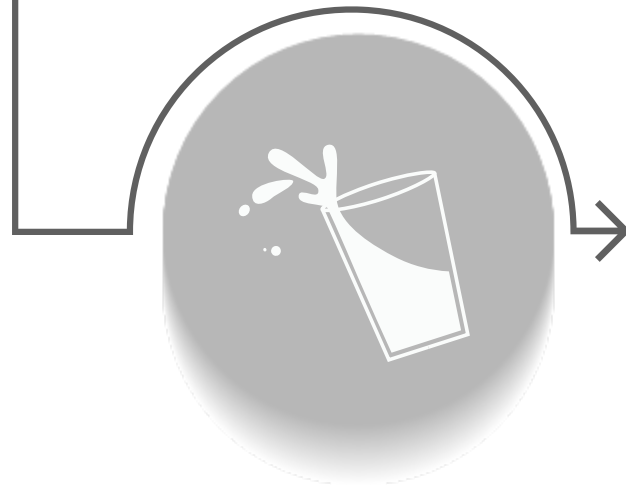


# CHALLENGES FACED BY THE PROCESSING SECTOR IN MEXICO

- The **economic crisis** provoked by the pandemic continues to affect consumers' purchasing power;
- Increased costs due to **inflation**;
- **Downward trend** in milk consumption;
- **Great loss of relevance** of dairy products in the market;

# CHALLENGES FACED BY THE PROCESSING SECTOR IN MEXICO

- Growing market presence of **plant-based beverages** that make use of milk's good name;
- Unfair competition from **self-service or convenience stores**, as they have their own brands and imported products;
- New **regulatory measures**, such as warning labeling.



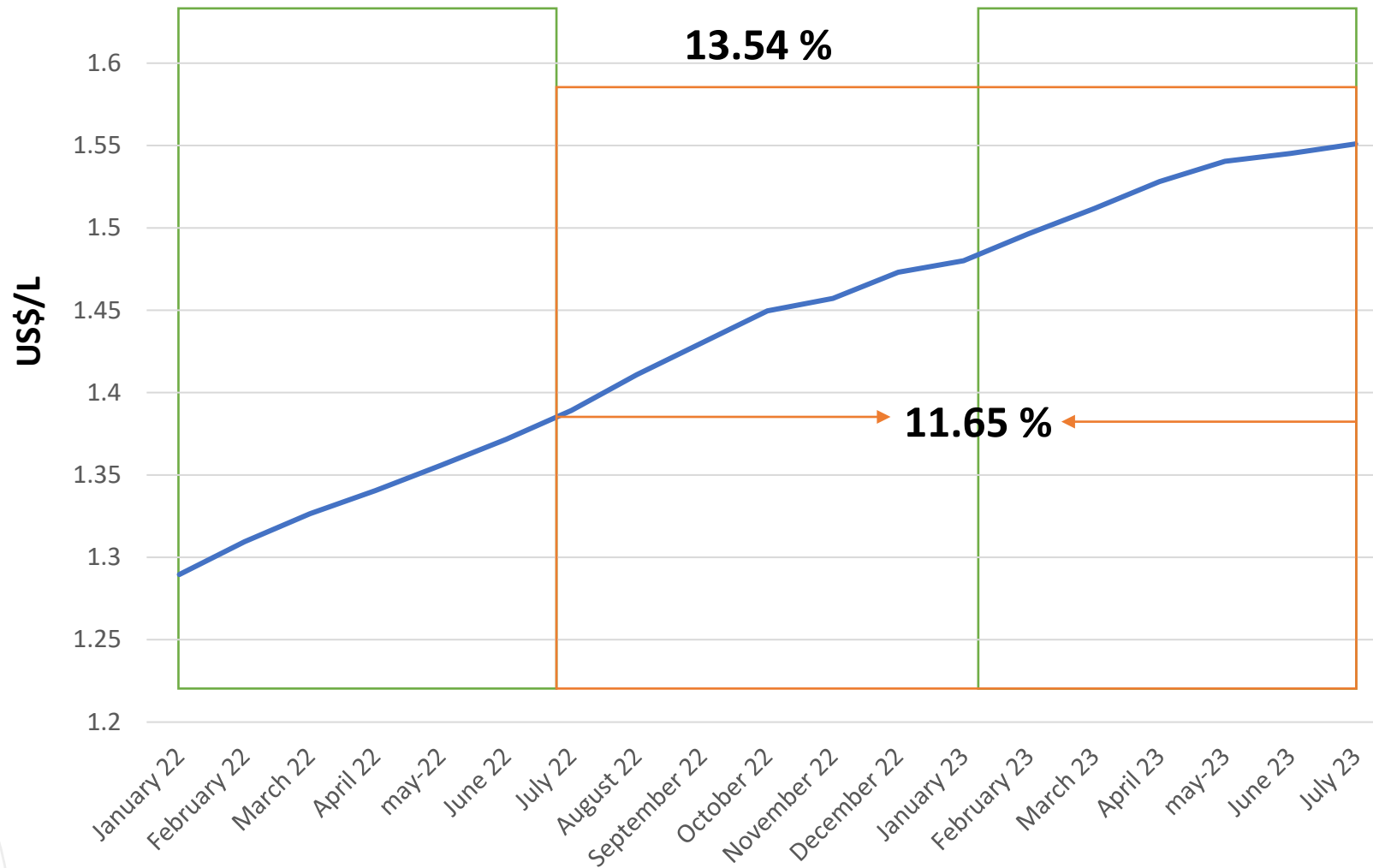
# DOMESTIC CONSUMPTION





# MILK PRICE VARIATION

(January 2022 to July 2023)





# CHANGES IN DAIRY CONSUMPTION (%)

## 2018 - 2022

YEAR	MILK	YOGURT	CHEESE
2018	- 1.0	- 0.9	+ 2.0
2019	- 1.2	- 3.2	+ 3.0
2020*	+ 2.2	- 13.3	- 8.0
2021	- 2.9	- 4.4	+ 4.5
2022	- 1.8	+ 4.8	+ 2.6

\* Pandemic



# CURRENT SITUATION ON DOMESTIC CONSUMPTION

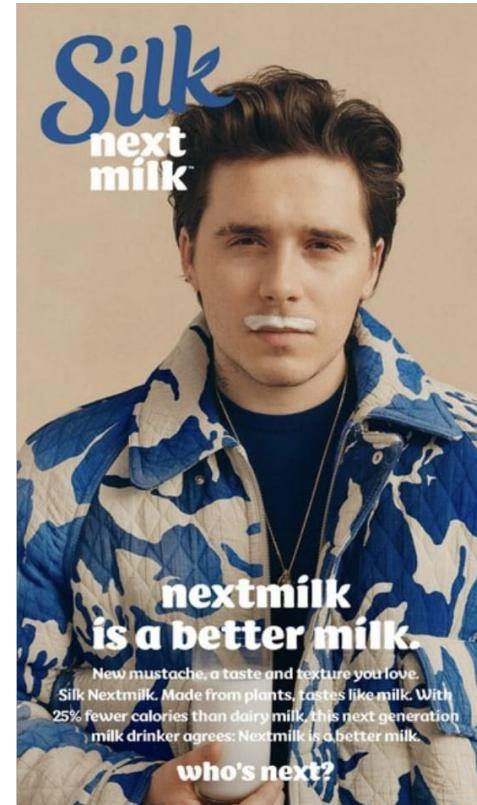


- The **purchasing power** of Mexicans is **falling**, for the fourth consecutive year;
- México's health sector is the **main detractor** of dairy consumption in Mexico, without scientific support.



# CURRENT SITUATION ON CONSUMPTION

- There is **negative publicity** about dairy, particularly on social media, which affects consumption;
- Growing presence in the market of "**alternatives**" to milk, such as vegetable drinks.



- Although **inflation** is slowly decreasing, it is still affecting the entire milk chain in Mexico;
- Due to the reduction of the dairy herd and the drought, there will be a **decrease in milk production** in 2023 and its effects will continue into 2024;



- If the price of **milk powder** in the market keeps falling, the import of this commodity will **continue upwards** in 2023;
- A significant change in Mexico's dairy policy is required in order to increase the **production and consumption** of milk and milk products.

# Thanks!

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