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Mexico

Livestock and Products Annual

Growth in the Livestock Sector Continues at a Steady Pace

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Report Highlights:

Mexico's livestock sector continues steady growth. Live cattle exports to the United States continue to increase, while genetics are imported for herd improvement. The high level of integration between the U.S. and Mexican cattle and beef industries supports sustained demand. For the first time, Mexico is exporting live swine, and the pork sector continues to vertically integrate. However, Mexico depends on imports of pork to meet domestic demand. Finally, the livestock industry continues to closely watch NAFTA negotiations.

Commodities:

Animal Numbers, Cattle

Meat, Beef and Veal

Animal Numbers, Swine

Meat, Swine

Animal Numbers, Cattle**Production****Domestic herd recovered and growing**

The forecast calf crop production for 2018 is set at 7.5 million head, a small increase from 2017, as private sources report that the domestic herd is recovered from the 2012 drought that impacted production. Even though private sources have declared that monetary aid through the government program to promote the repopulation of the domestic herd is no longer available for 2017, the *Programa de Fomento Ganadero* is expected to continue during 2018. Meanwhile, cattlemen are using their own resources to continue herd building. Similarly, the *Programa de Mejoramiento Genético* is expected to continue in 2018.¹

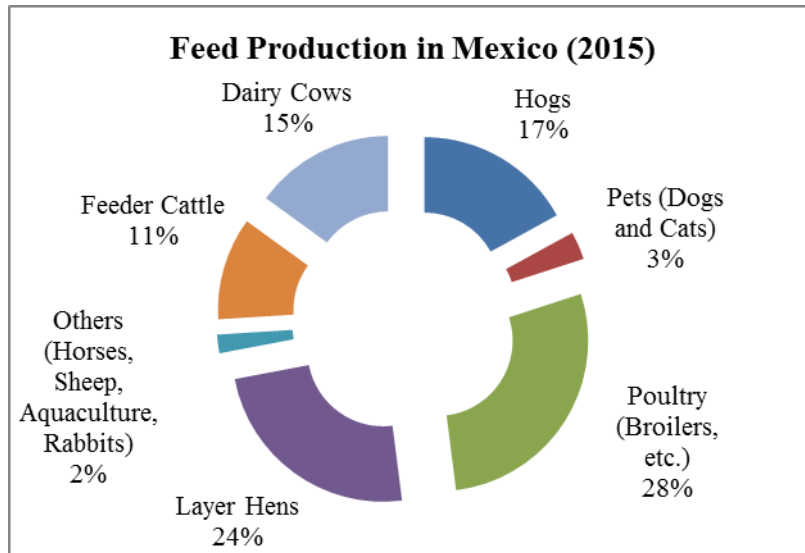
Seeking to increase the reproductive average

Private sources unofficially estimate that the current national reproductive average is around 50 percent. Mexico has been looking for the means to increase that reproductive average and to spur calf crop growth through various methods such as herd management and genetic improvement. In general, the North-South divide in terms of large commercial production versus smaller scale domestic production, continues.

Feed prices spurring production

Industry reports that stable and low grain prices are allowing Mexican feedlot producers to extend the finishing phase from 3-4 months to 5-6 months, resulting in higher weights in commercial production. While the poultry sector dominates feed usage, feeder cattle and dairy cows use more than 25 percent of feed produced in Mexico.

¹ Details on these programs can be found in previous GAIN report [MX3077](#) or at <https://www.gob.mx/sagarpa/acciones-y-programas/programa-de-fomento-ganadero-2017>.



Source: Asociación Mexicana de Productores de Alimentos, A. C. (AMEPA), 2015

Traceability matures, albeit with regional challenges

The National System for Individual Livestock Identification (SINIIGA, by its Spanish acronym) promotes traceability through ear tagging, and works closely with the National Confederation of Livestock Organizations (CNOG), which represents feedlot interests, among others, and the Secretary of Agriculture (SAGARPA). Even though the program is in an advanced stage, security issues in specific regions continues to make full development of the program challenging. Specifically, due to the security issues in a few areas, tagging is not done. As such, the number of heads under these conditions is unknown. Most of the cattle under these conditions are intended for supplying the domestic market.

Trade

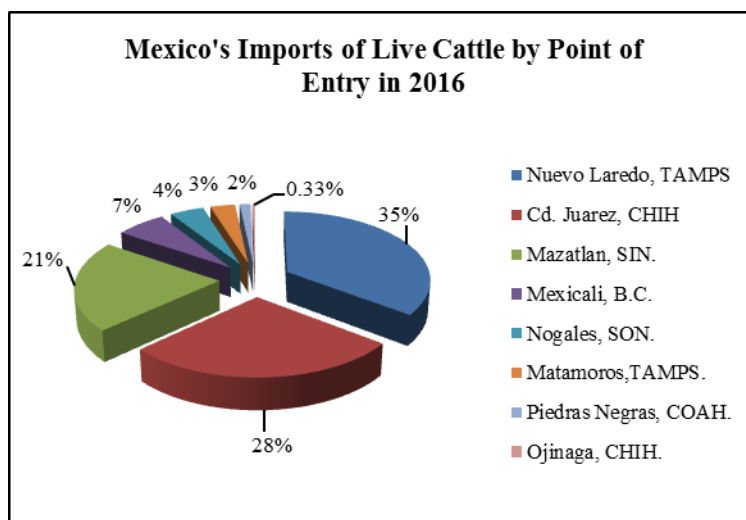
Imports still aimed at genetic improvement

Demand for live cattle imports, principally for herd improvement (breeding cattle and dairy cows) remains stable, with an estimated 35,000 head in 2018, an increase from 2017. The import figure for 2017 was adjusted slightly to reflect import trends thus far in 2017.

The United States dominates imports

Through June of 2017, ninety-seven percent of imported cattle in Mexico originated from the United States, with small amounts from Canada and Belize. In 2016, in large part due to a shipment from Australia, the United States only represented 52 percent of the imports in the January to June period. Through June of 2017, no imports of live cattle from Australia had occurred according to official data (INEGI). For reference, during the same period in 2015, the United States controlled 62 percent of the market.

In 2016, while all of the U.S. and Canadian cattle crossed into Mexico over the land border, all of Australia's cattle came through the Mazatlán port.



Source: Instituto Nacional de Estadística y Geografía (INEGI) through Global Trade Atlas

Export demand sustained

The forecast export figure for 2018 is expected to grow to 1.20 million head, continuing the upward trend of 2017. Demand for steers is sustained from the United States, which is the main destination for the 180-200 kilogram calves. The estimate for 2017 shows growth from 2016, reflecting a positive trend in official data through June 2017 (25 percent higher than the same period in 2016). In 2014, 2015, and 2016, almost 100 percent (i.e. 99.99 percent) of live cattle exports were to the United States principally for slaughter. All other trade is negligible (and principally for breeding).

The U.S.-Mexico integration of cattle and beef continues

As previously reported Mexico and the United States are highly integrated in the cattle and beef sectors, and this is not expected to change. As noted in the Livestock and Products Semi-Annual, a cow (or its parts) could cross the border up to four times from genetics (to Mexico) to slaughter cattle (to the United States), to meat and hides (to Mexico), to leather/car seats (to the United States).

Policy

Currently, despite a tariff rate quota (TRQ) in place for countries with which Mexico does not have a free trade agreement (see GAIN report [MX6025](#)), significant imports from countries besides the United States and Canada are not expected in 2017/2018 unless there are large one-off shipments as in 2016. Mexico has had a long history of live animal trade with the United States which is not expected to change; the private sector is closely monitoring the ongoing NAFTA renegotiation.

Production, Supply and Demand Data Statistics:

| Animal Numbers, Cattle Market Begin Year | 2016 | | 2017 | | 2018 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2016 | | Jan 2017 | | Jan 2018 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Mexico | | | | | | |
| Total Cattle Beg. Stks | 16615 | 16615 | 16490 | 16490 | 0 | 16583 |
| Dairy Cows Beg. Stocks | 3275 | 3275 | 3350 | 3350 | 0 | 3400 |

| | | | | | | |
|-------------------------------|-------|-------|-------|-------|---|-------|
| Beef Cows Beg. Stocks | 6800 | 6800 | 7000 | 7300 | 0 | 7500 |
| Production (Calf Crop) | 7100 | 7100 | 7400 | 7400 | 0 | 7500 |
| Total Imports | 31 | 31 | 33 | 31 | 0 | 35 |
| Total Supply | 23746 | 23746 | 23923 | 23921 | 0 | 24118 |
| Total Exports | 1130 | 1130 | 1175 | 1175 | 0 | 1200 |
| Cow Slaughter | 1300 | 1300 | 1300 | 1300 | 0 | 1350 |
| Calf Slaughter | 220 | 220 | 230 | 230 | 0 | 240 |
| Other Slaughter | 4435 | 4435 | 4480 | 4480 | 0 | 4520 |
| Total Slaughter | 5955 | 5955 | 6010 | 6010 | 0 | 6110 |
| Loss | 171 | 171 | 153 | 153 | 0 | 150 |
| Ending Inventories | 16490 | 16490 | 16585 | 16583 | 0 | 16658 |
| Total Distribution | 23746 | 23746 | 23923 | 23921 | 0 | 24118 |
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Meat, Beef and Veal

Production

Stable grain prices entice producers to a longer finishing phase

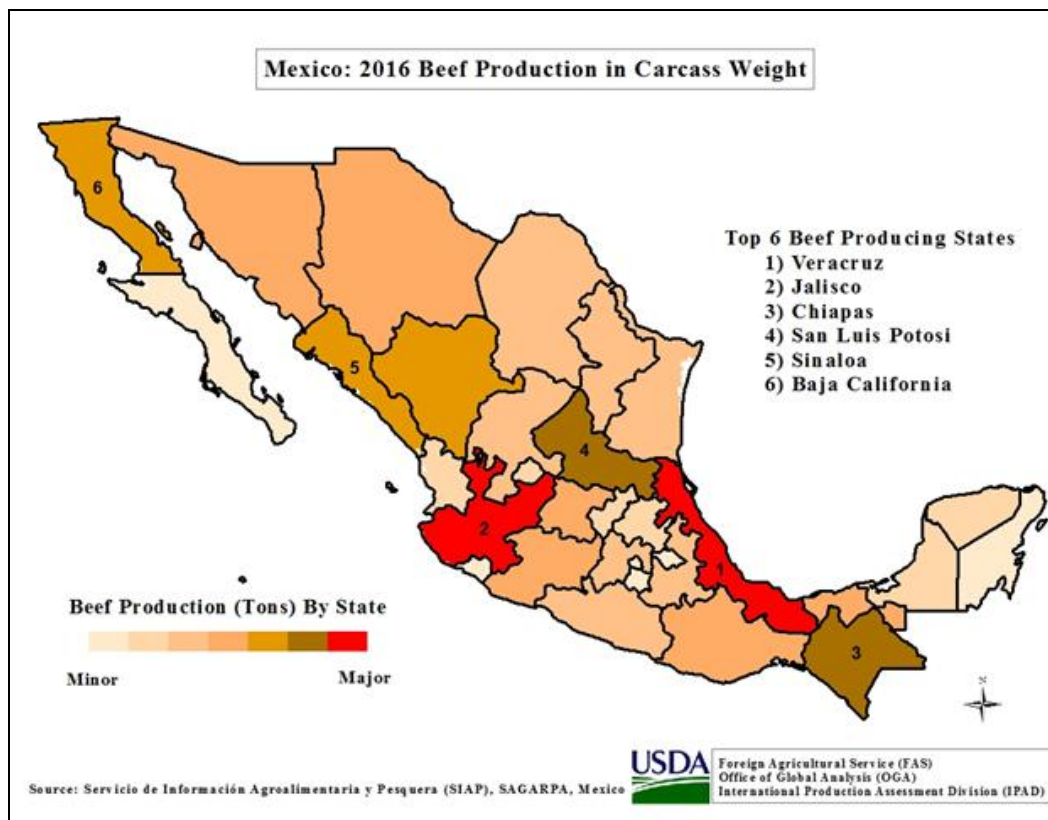
For 2018, the Post forecast production is 1.96 million tons of beef, continuing to build from 2017 and 2016. As previously mentioned, the extended finishing phase will fuel beef production. However, harsh weather conditions (extremely high temperatures) in the north of Mexico may encourage feedlots to shorten this stage.

Federally inspected facilities continue to increase in importance

As noted in the semi-annual livestock report, the National Association of TIF (Federally Inspected) establishments (ANETIF) reports that 41 percent of beef and 39 percent of pork in Mexico was processed in a TIF facility and sold through distribution chains to supermarkets and chain stores in 2015. The estimates for 2016 and 2017 are higher.

Beef production is a staple animal protein

Also, as previously reported, the major producing beef states are Veracruz and Jalisco. Out of animal protein production (including table eggs, beef, pork, sheep meat, goat meat, poultry meat, and turkey meat) in Mexico, 20 percent was beef in 2016. Similar proportions are expected in 2017 and 2018.



Consumption

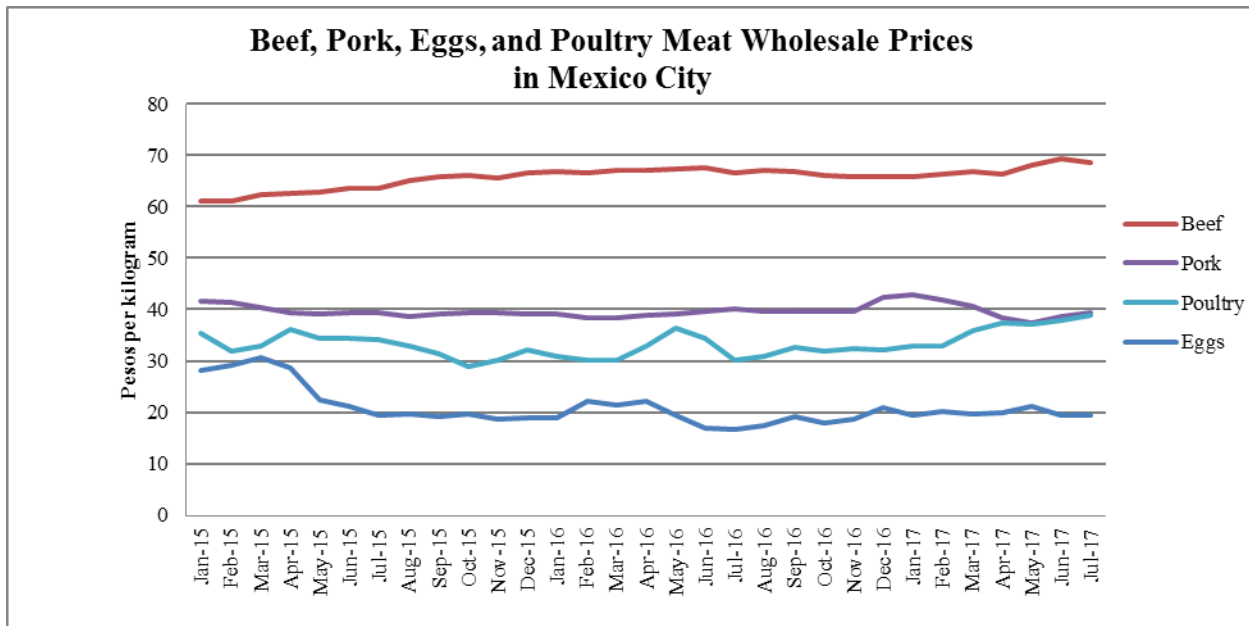
As always, the expense of beef constrains consumption

The forecast for 2018 consumption is set at 1.86 million tons, an increase from the revised 2017 figure. As always, the main limitation to increase beef consumption is its higher price compared with other sources of animal protein (principally poultry, but also pork). However, as both the peso strengthens and the middle class grows, beef consumption is expected to continue to grow.

Currently the per capita consumption is set between 14 - 15 kilograms per capita. The upper and middle-income population will continue consuming select fine cuts while the low and medium income population will continue consuming lower priced cuts such as “bistec,” (a thin muscle cut). Among the fine cuts, U.S. brands graded as “Prime,” and “Select,” among others, are highly valued.

Poultry and pork continue beating beef prices

Over recent years, the wholesale price of beef carcasses per kilo has been higher than pork and poultry meat. This reflects directly into the retail market prices of beef offered to the final consumer, and therefore purchasing patterns.



Source: Secretaria de Economía, National System of Information and Market Integration (SNIIM).² Based on carcass weights.

Looking ahead, private sources indicate that a slight increase in the breeding rate, to even 55 percent, would allow an increase in the slaughter rate and, thus, lower priced beef to allow move the per capita consumption to the range of 19 kilograms.

² <http://www.economia-sniim.gob.mx/nuevo/>

Trade

High-income sector keeps fueling beef imports

Beef imports for 2018 are forecast at 195,000 tons. Imports of U.S. beef are on the upswing despite pricing constraints. The imports for 2017 are on track to achieve 190,000 tons by the end of the year. As described above, the demand from high-income sector of the population for fine cuts is spurring the consumption of such products. Mexico also imports meat for further processing. The concerns earlier in the year regarding the disadvantageous peso-dollar exchange rate have lessened, as the peso has dropped back to 17-18 pesos to the dollar.

Imports and exports for 2016 were adjusted based on official data

Diversification of beef imports has not been realized

Beef imports in Mexico have historically been dominated by U.S. beef, accounting for more than 80 percent of the market. Canada follows at a difference. Previous reports had noted efforts to further open the Mexican market under TRQs, and visits to South America to discuss access for red meat. However, data through June of 2017 shows little difference in the market shares of various countries.

From January to June of 2017, the United States maintained 79 percent of the market, while Canada held 10 percent, Nicaragua 9 percent, and others less than one percent. Nicaragua has notably been gaining small amounts of market share (fresh/chilled boneless).

As previously reported, while Mexico allows entry for whole and half carcasses, most imports are boxed at 15 kilograms. This is preferred in inspection facilities which lack rails/hooks for carcasses.

Beef exports show some diversification

Exports forecast for 2018 is 295,000 tons while the forecast for 2017 was adjusted slightly down to 280,000 tons to reflect slower growth than expected. Mexico continues to look to diversify export markets for beef, and this is marginally reflected in the January to June 2017 period with volume growth of exports to Japan, Hong Kong, South Korea, and Chile. This follows official visits (for example in Japan and Korea) by Mexico to seek to diversify exports.

During the January to June period, exports to the United States were slightly down from 2016, to 90.5 percent, while Japan accounted for 4.5 percent (4.3 during the same 2016 period), Hong Kong accounted for 2.7 percent (1.5 percent during the same 2016 period), South Korea accounted for 0.7 percent (.5 percent during the same 2016 period), and Chile accounted for 0.5 percent (0.04 percent during the same 2016 period).

Of Mexico's beef production, it is estimated that 15 percent is exported.

Hola Halal!

As previously reported, the GOM (Government of Mexico) has also taken steps to encourage access for red meat in the Middle East through the Halal market. Plants in Mexico continue to be certified as Halal slaughter. For example, the first shipment to Qatar occurred in 2017, albeit small, with the potential for market growth.

Policy

TRQs have small impact

As reported in March of 2017, Mexico put in place a Tariff Rate Quota (TRQ) for 200,000 tons of beef to enter Mexico duty free for third countries. See GAIN reports [MX6025](#) and [MX7005](#). The TRQ has yet to be filled.

Uncertainty over NAFTA modernization

While uncertainty over the NAFTA modernization continues to be closely followed by industry in Mexico, the official beginning of renegotiations in August 2017, have given a clearer path forward and decreased the uncertainty.

Recognition as BSE risk negligible by the United States

On August 8, 2017, the Animal Plant Health Inspection Service of the U.S. Department of Agriculture announced concurrence with the World Animal Health Organization's (OIE) bovine spongiform encephalopathy (BSE) risk designation for Mexico as "negligible risk."³ This announcement increases the perceived quality of Mexican product.

Production, Supply and Demand Data Statistics:

| Meat, Beef and Veal Market Begin Year Mexico | 2016 | | 2017 | | 2018 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2016 | | Jan 2017 | | Jan 2018 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Slaughter (Reference) | 5955 | 5955 | 6010 | 6010 | 0 | 6110 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 1879 | 1879 | 1910 | 1910 | 0 | 1960 |
| Total Imports | 188 | 188 | 193 | 190 | 0 | 195 |
| Total Supply | 2067 | 2067 | 2103 | 2100 | 0 | 2155 |
| Total Exports | 258 | 258 | 290 | 280 | 0 | 295 |
| Human Dom. Consumption | 1809 | 1809 | 1813 | 1820 | 0 | 1860 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 1809 | 1809 | 1813 | 1820 | 0 | 1860 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 2067 | 2067 | 2103 | 2100 | 0 | 2155 |
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³ https://www.aphis.usda.gov/aphis/newsroom/federal-register-posts/sa_by_date/sa-2017/bse-risk-designations

Animal Numbers, Swine

Production

Genetics and vertical integration propel production

The pig crop production forecasted for 2018 is 19.9 million head, up from the revised 2017 figure, as genetics introduced in the domestic herd are reportedly propelling growth. Production continues to be bolstered by domestic demand. The vertical integration, as noted in previous reports, is happening at a higher rate than in the beef sector. Recent growth by the larger players in the swine industry is supporting further production.

PED only pesters the sector

On the whole and as previously reported, Mexico has learned how to control Porcine Epidemiological Diarrhea (PED). A few isolated cases have caused gaps in production, but natural biosecurity has been an ally to producers in the Yucatan peninsula. Aside from natural isolation, strict enforcement at the “door” of the Yucatan peninsula, has allowed swine production to remain free of PED. However, the central states in Mexico, which are important pork producers, may feel constraints due to PED at times. These regions are continuing to implement biosecurity measures.

Grain trade supports livestock production

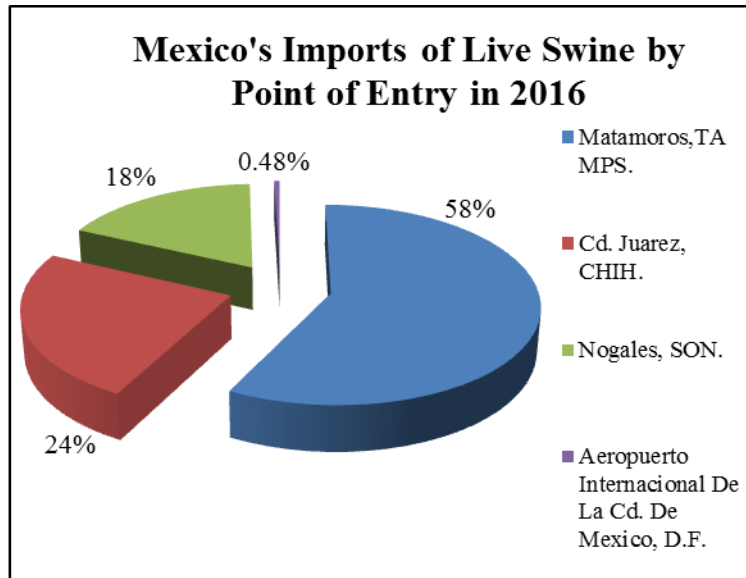
According to the Asociación Mexicana de Productores de Alimentos (AMEPA), swine account for 17 percent of the feed consumption in Mexico. If not sourced domestically, grain may be brought by rail or ship to a processing facility. For example, much of the pork production in the Yucatan peninsula depends on U.S. feed grain arriving through Puerto Progreso.

Trade

Imports remain relatively stable

The import forecast for 2018 is slightly up at 28,000 head. Demand is expected to be sustained, supported by government programs and the need to diversify genetic lines. The imports of live swine for the 2017 period of January to July are almost double the same period of 2016, but not as high as 2015.

In 2016, the United States provided more than 60 percent of the imports, with Canada holding 37 percent of the market share (both imports primarily over the land border). In 2016 less than one percent of live hog imports came from Denmark through the International Airport in Mexico City.



Source: INEGI through Global Trade Atlas

A new trend in exports!

In a historical change, Mexico has begun exporting swine for breeding purposes. According to official statistics, between January to June 2017, Mexico exported 7,448 live swine to the United States for breeding. As such, the estimate for 2017 is revised up to 8,000 head, and the forecast for 2018 is flat at 8,000 as well as demand is assumed to be sustained but not to grow initially.

Previous exports had been negligible.

Production, Supply and Demand Data Statistics:

| Animal Numbers, Swine Market Begin Year | 2016 | | 2017 | | 2018 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2016 | | Jan 2017 | | Jan 2018 | |
| Mexico | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Total Beginning Stocks | 9917 | 9917 | 10697 | 10697 | 0 | 11125 |
| Sow Beginning Stocks | 1180 | 1180 | 1200 | 1180 | 0 | 1200 |
| Production (Pig Crop) | 19200 | 19200 | 19600 | 19450 | 0 | 19900 |
| Total Imports | 20 | 20 | 25 | 25 | 0 | 28 |
| Total Supply | 29137 | 29137 | 30322 | 30172 | 0 | 31053 |
| Total Exports | 0 | 0 | 0 | 8 | 0 | 8 |
| Sow Slaughter | 15 | 15 | 15 | 15 | 0 | 17 |
| Other Slaughter | 17685 | 17685 | 18300 | 18285 | 0 | 18600 |
| Total Slaughter | 17700 | 17700 | 18315 | 18300 | 0 | 18617 |
| Loss | 740 | 740 | 742 | 739 | 0 | 750 |
| Ending Inventories | 10697 | 10697 | 11265 | 11125 | 0 | 11678 |
| Total Distribution | 29137 | 29137 | 30322 | 30172 | 0 | 31053 |
| | | | | | | |

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Meat, Swine

Pork production continues to grow

Pork production in Mexico continues to grow, with a forecast of 1.48 million tons for 2018. The estimate for 2017 was revised up based on official data to date. The commercial industry is making a concerted effort to increase production (as well as exports), and is setting ambitious goals for growth. As noted in previous reports, improved genetics and management techniques lend aid to increased production. Further, successful vertical integration and stable grain prices are enticing producers to increase production, fueled by better yields from swine with better genetic quality.

Despite the domestic production increases, it is still not enough to cover domestic demand. The states of Jalisco, Sonora and Puebla continue to be leaders in domestic production. The state of Yucatan follows in terms of production, and boasts a highly efficient and integrated modern production model.

Consumption

Record consumption in 2017

Consumption of pork for 2017 is expected to be a record, fueled principally by the affordability of pork meat, demand from both processors and household consumption, along with campaigns promoting the healthy benefits of consuming pork. As reported previously, meat processors demand pork meat for further processing into products such as deli meats and sausages, often based on the relative price ratio with other meats such turkey.

The forecast consumption for 2018 is 2.51 million tons, reflecting expected low pork prices and availability fueled by domestic production and imports.

Trade

Mexico is highly dependent on imports for consumption

Of the total supply of pork meat in Mexico, more than 40 percent is imported. The import forecast of pork for 2018 is 1.18 million tons, up from the 1.10 estimate for 2017. In 2016 the United States held 86 percent of the market share, while Canada held 14 percent. Canada's share of the market in percentage has been growing in recent years. Bone-in hams dominate the imports from the United States at a consistent 70 percent or more of the imported meat. Other popular imported pork products include mechanically-deboned meat and picnics. Whole carcasses are imported as well, principally for further processing.

Japan and other important export markets

Exports for 2018 are forecast at 155,000 tons, or 3 percent higher than 2017 as Mexico looks to diversify its coverage overseas. Japan continues to receive the biggest share of Mexican pork exports, buying around 7.5 out of every 10 exported tons. Although Japan has seen some decline in its market share since 2014 (in part due to an increase of exports to South Korea and Canada), it is expected that this pattern will not change in the short term.

The estimate for 2017 exports is 150,000, or a continued increase from 2016. Mexico continues to work to expand its market coverage abroad. Additional slaughterhouses are being added to current plants authorized to export to Asian countries due to high demand. As previously reported, sophisticated and tailor-made pork products are demanded from countries such as Japan and Korea, giving Mexico a comparative advantage due to relatively cheap manual labor.

Looking to China

As previously reported, China is now open for Mexican exports of pork and represents an attractive new market niche. However, through June of 2017, Mexico had only exported 418 tons of pork to China.

The export and import numbers for 2016 were adjusted to reflect official data.

Policy

Several Official Norms (known as NOMs) are expected to be published in regards to pork meat and the preparation of ham (cold meat) in the medium term.

The United States moves towards CSF recognition

In August 2017, the Animal and Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture provided a notice of evaluation which proposed to recognize Mexico as free of classical swine fever (CSF). There is currently a public comment period.⁴

The industry and trade agreements

Mexico continues to review and generally expand trade agreements globally, among them their Free Trade Agreement (FTA) with the European Union, and other South American economic agreements. In terms of South America, the Mexican livestock sector has expressed concerns regarding Brazil and zoonosanitary issues and reciprocity. With the European Union, both geographical indicators and market access are of key interest for the Mexican livestock industry, particularly how it will relate to domestic competition. Similarly, the modernization of the North America Free Trade Agreement (NAFTA) is being watched closely by the Mexican livestock industry.

Production, Supply and Demand Data Statistics:

| Meat, Swine Market Begin Year | 2016 | | 2017 | | 2018 | |
|----------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2016 | | Jan 2017 | | Jan 2018 | |
| Mexico | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |

⁴ https://www.aphis.usda.gov/aphis/newsroom/stakeholder-info/SA_By_Date/SA-2017/SA-08/mexico-classical-swine-fever

| | | | | | | |
|-------------------------------|-------|-------|-------|-------|---|-------|
| Slaughter (Reference) | 17700 | 17700 | 18300 | 18300 | 0 | 18617 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 1376 | 1376 | 1420 | 1430 | 0 | 1480 |
| Total Imports | 1021 | 1021 | 1100 | 1100 | 0 | 1180 |
| Total Supply | 2397 | 2397 | 2520 | 2530 | 0 | 2660 |
| Total Exports | 141 | 141 | 160 | 150 | 0 | 155 |
| Human Dom. Consumption | 2256 | 2256 | 2360 | 2380 | 0 | 2505 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 2256 | 2256 | 2360 | 2380 | 0 | 2505 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 2397 | 2397 | 2520 | 2530 | 0 | 2660 |
| | | | | | | |
| (1000 HEAD) ,(1000 MT CWE) | | | | | | |

Author Defined:

FAS/Mexico Web Site:

We are available at www.fas.usda.gov/regions/mexico or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

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.

Other Relevant Reports Submitted by FAS Mexico:

| Report Number | Title of Report |
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| MX7006 | Mexico: Livestock and Products Semi-Annual |
| MX7005 | Mexico Opens Unilateral TRQs for Beef and Rice |
| MX6032 | Mexico: Livestock Annual |
| MX6025 | Mexico Establishes TRQs But No Need To Worry |