

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Mexico**

### **Livestock and Products Semi-annual**

#### **Pork Sector Appears Promising as Beef Sector Faces Challenges**

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**Report Highlights:**

Mexico's cattle stocks are forecast to continue their downward trend as the industry has been hit by drought, high feed prices, large live cattle export numbers, and has been challenged by genetics over the past several years. With higher beef prices, consumption is forecast to fall and be replaced with increased substitution by pork. The pork sector is making much needed productivity gains that will facilitate their competitiveness internationally.

## **Executive Summary:**

### **GENERAL INFORMATION**

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

### **Commodities:**

Animal Numbers, Cattle

Meat, Beef and Veal

### **Production:**

The Post 2013 Mexican beef production revised estimate is 1.8 million metric tons (MMT), carcass weight equivalent (CWE), slightly greater than the 2013 USDA official estimate of 1.795 MMT as carcass weights are expected to be marginally higher in spite of concerns of continued high grain prices for cattle in Mexico. The low breeding rate along with the increased export of calves continues straining production and is curbing domestic slaughter or animals available for domestic slaughter. Production figures for 2012 were revised slightly upward from the 2012 USDA official estimate due to new availability of official information from SENASICA. The beef production estimates of calves and beef steers for 2011 are unchanged.

### **Grain Prices Continues Hitting Cattle Producers. Uniform Substitutes Needed.**

The cattle industry continues struggling with strong international grain prices. Sources are aware of recent USDA reports that prices are expected to fall lower in 2013, but doubt their ability to take advantage of any lower grain prices. Sources actually believe the grain prices they pay will remain high through much of 2013 due to new and persistent drought expected for Mexico and the United States. In addition, pasturing lands for many beef cattle have not returned to normal and are slowing the desired return of cattle to these lands. As such, producers are forced to pay more to feed their cattle. In addition, Mexico's National Water Commission is advising that the drought will be similar to that seen in 2011, the worst on record in Mexico, while current indications from the [January 2013 edition](#) of the U.S. drought monitor suggest things are currently slightly worse in Mexico at this time in comparison to that faced in [January 2011](#).

Image 1. Mexico: January 31, 2013 North American Drought Monitor Map

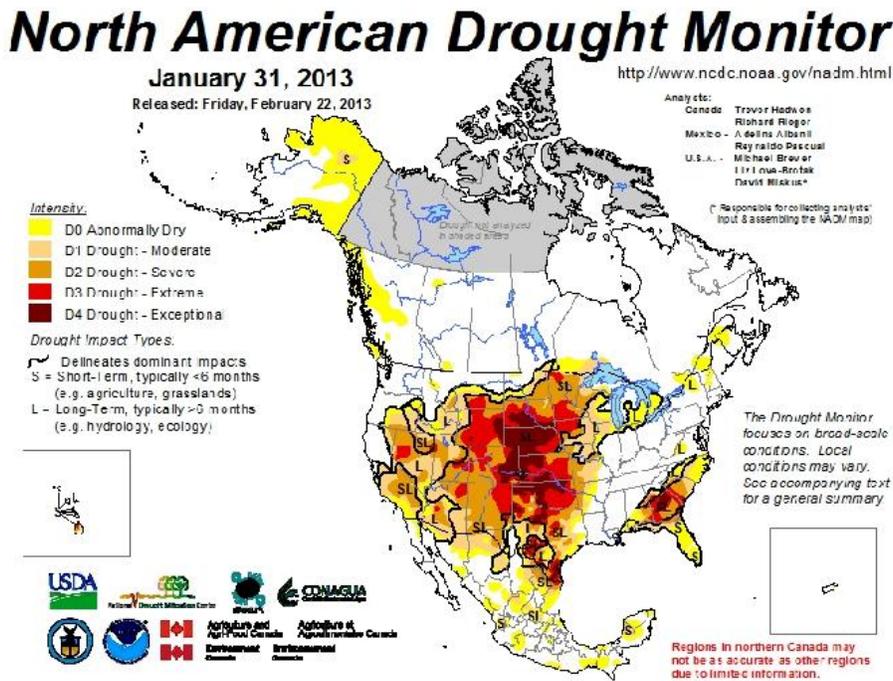
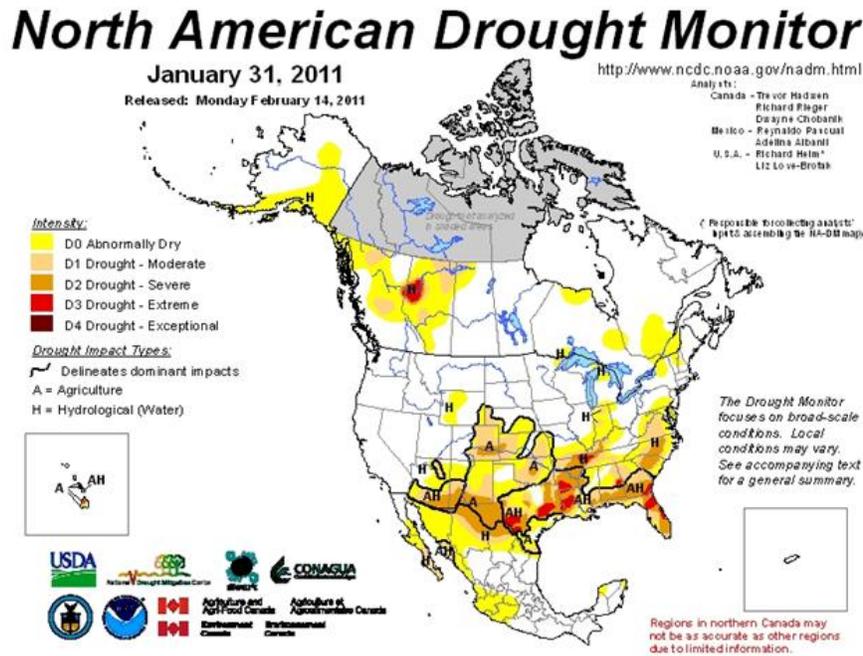


Image 2. Mexico: January 31, 2011 North American Drought Monitor Map



Industry sources indicate that increased grain prices has increased cattle production costs substantially. Thus, producers continue searching for other price accessible grain substitutes like distillers dried grains with solubles (DDGs) and brewery residues (e.g., malted barley waste). However, it appears the industry is witnessing quality control issues and has not been able to find something of uniform quality

or protein levels as brewers are extracting most of the nutritive ingredients from grains (including fats) and protein levels are not consistent.

### **Live Cattle Exports and Breeding Challenges Curb Replacement**

Cattle feeders and packers remain concerned about the growing export of Mexican live cattle as it is having a negative effect on short- to medium-term beef production. Producers, however, have found the export of live cattle to be profitable even though they are struggling to improve production practices that could result in significant breeding improvements with increased efficiencies and better future steer availability.

Post forecasts live cattle exports in 2013 will be lower than the previous year given that calf production has not been able to recover to historical levels. However, the opening of a new export pen in the State of Nuevo Leon at Colombia with the capacity to export 300,000 head per year could contribute to increasing the number of Mexican live cattle exported to the United States as the greater geographic accessibility of the pens could lower transaction costs. Ending inventories for 2013 are expected to be 8 percent lower than 2013 beginning inventories. During 2012 live cattle exports remained strong as exports were fueled by continued movement of feeder steers to the United States and what seems to have been a temporary surge in early 2012 to Turkey.

### **Consumption:**

The Post 2013 beef consumption forecast anticipates consumption figures will be lower than the 2013 USDA estimate as higher prices and lower than anticipated import numbers limited consumption. In addition, this is based on higher production costs, tighter supplies, and anticipated further beef price increases. The Post 2012 beef consumption revised estimate is lower than the USDA official estimate due to the above mentioned factors, as well. Moreover, reduced imports derived from higher U.S.-origin beef prices is an important factor. The Post 2011 beef consumption estimate is unchanged from USDA official figures.

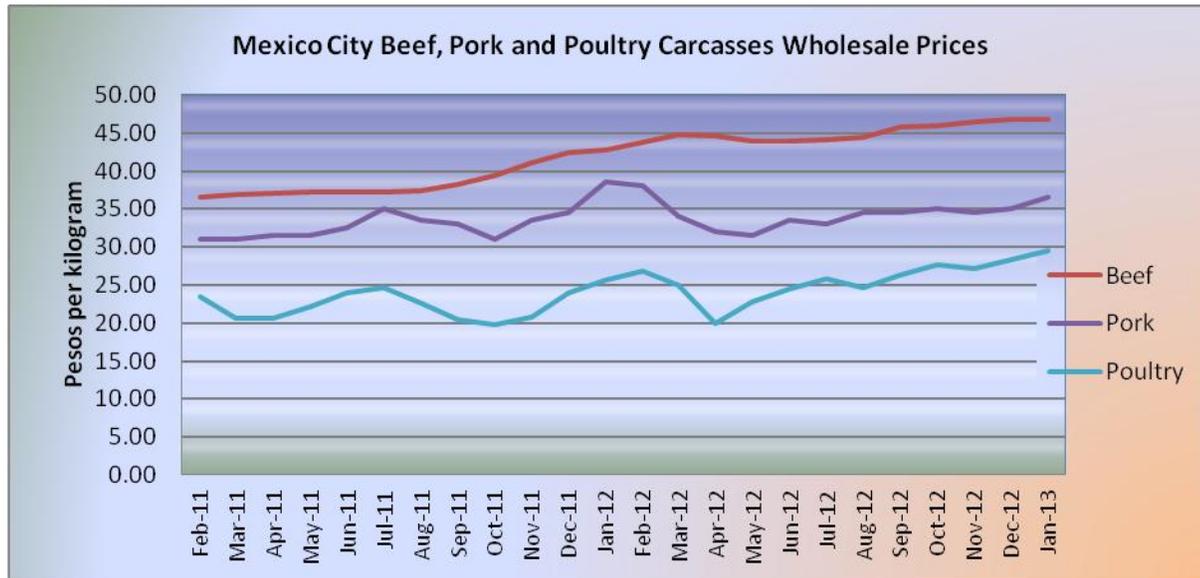
### **Per Capita Consumption Figures for Beef Continue Falling**

Consistent with Post estimated trends, unofficial sources indicate that during 2012, overall per capita consumption dropped from 17 kilograms to 16 kilograms per person due to higher production costs that were passed along to consumers. These same sources indicate that beef consumption levels should remain at generally similar levels in 2013 and could lead to increased substitution for pork as consumers elect other animal proteins.

### **“Stuck” Consumption: Beef Prices Remains More Expensive than Other Animal Proteins**

Industry sources indicate that consumption is “stuck” due to price issues and the greater affordability of pork and poultry. During early 2013, retail prices continued trending higher for thin-muscle beef cuts known as “*bistec*” and no growth is forecast. As previously reported, most low to medium income households consume these beef cuts. The demand for finer cuts is expected to remain flat, as well. These cuts are preferred by middle and upper-income consumers who represent a much smaller population segment.

Chart 1. Mexico City Beef, Pork, and Poultry Carcass Wholesale Prices



Source: The Information and Integration of Markets National System (SNIIM), Secretariat of Economy (SE).

**Trade:**

**Beef Imports Maintain Supply While Year Over Year Production Falls**

Post forecasts Mexico’s 2013 beef imports to rebound to 2011 levels of 265,000 MT carcass weight equivalent (CWE); significantly lower than USDA’s forecast for 2013 of 350,000 MT CWE. Mexico’s increased live cattle exports due to drought and declining cattle herd numbers are one of the greatest drivers for Mexican imports while high beef prices bring consumption to a standstill. The possible increased availability of certain U.S. beef cuts due to [Russia’s recent suspension of U.S. meat imports](#) may play an important factor that allows for growth in year over year trade in 2013 from Post’s calendar year 2012 import estimate of 220,000 MT CWE. Post’s 2012 import estimate is lowered significantly from USDA’s estimate due to higher international beef prices. Import estimates for 2011 were kept unchanged.

**Mexican Beef Market Struggling to Develop Export Growth**

Mexico, during 2013, will continue exporting beef products to the United States, Japan, Russia, Angola, Israel and other Asian countries. Negotiations with Singapore and China are underway and, if successful, industry reports that exports could start by 2015. Also, as more establishments are considered eligible to ship to Russia, South Korea, and Japan, Mexican firms should grow their exports. Industry sources indicate that Mexico could double its exports from 6 percent of domestic production to 12 percent, given demand for finer cuts that are consumed by only a small segment of the Mexican population and better prices offered by international markets.

**Added-Value Exports Developing Slowly**

The Mexican beef industry continues promoting the need to develop added-value product exports to strengthen all aspects of the beef marketing channel. The sector is encouraging members to improve processing activity efficiencies and better meet the requirements of foreign markets.

Month	2011	2012	% Change 11/12
January	36.58	42.83	17.09%
February	36.51	43.72	19.75%
March	36.89	44.70	21.17%
April	37.09	44.56	20.14%
May	37.17	43.94	18.21%
June	37.20	43.89	17.98%
July	37.16	44.09	18.65%
August	37.38	44.51	19.07%
September	38.21	45.81	19.89%
October	39.39	45.92	16.58%
November	41.12	46.48	13.04%
December	42.51	46.87	10.26%
Annual Avg.	38.10	44.78	17.53%

**Source: Market Information National Service (SNIIM), Secretariat of Economy (SE).**

**Policy:**

Mexican meat sector representatives report that they were present during Trans Pacific Partnership (TPP) negotiations and that domestic meat sector could be in jeopardy as other members may be able to offer less expensive beef products for supply into Mexico.

**Marketing:**

Mexico is considered a price sensitive market for beef products. As the wealth distribution among consumers is disparate, many American beef products are priced out of the market as consumers lack purchasing power and are turning to other proteins like pork and poultry. As such, Mexico is a “commodity market” defined by the types of U.S. beef products shipped, which tend to be the less expensive cuts such as topside round. Additionally, U.S. meat is not identified generally at the point-of-sale but efforts are being made to address this so that the positive attributes of U.S. beef can be communicated to retailers and end consumers.

U.S. beef exports to Mexico are influenced by macro trends taking place in the industry. For example, supermarkets are sourcing more local products and hotels are trending to an all-inclusive format and thus looking for less expensive items and ingredients to offer on menus.

Opportunities, nevertheless, are being created by the increase in slaughter as well as the increase in export of feeder cattle to the United States which has lowered local beef availability. Additionally, high-end niche markets for top quality meat cuts are a segment showing possible growth opportunities.

NOTE: Mexico is a large market for beef offals and non-skeletal muscle cuts like skirt steak. Those commodities and the trade volumes are not included in the estimates below.

**Production, Supply and Demand Data Statistics:**

Animal Numbers, Cattle	2011	2012	2013
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Mexico	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
	Total Cattle Beg. Stks	21,456	21,456	20,090	20,090	18,570
Dairy Cows Beg. Stocks	3,185	3,185	3,200	3,200	3,200	3,200
Beef Cows Beg. Stocks	7,000	7,000	6,900	6,900	6,750	6,750
Production (Calf Crop)	6,900	6,900	6,800	6,800	6,600	6,600
Total Imports	16	16	20	13	25	16
Total Supply	28,372	28,372	26,910	26,903	25,195	25,179
Total Exports	1,435	1,435	1,500	1,500	1,350	1,350
Cow Slaughter	1,600	1,600	1,575	1,575	1,500	1,500
Calf Slaughter	300	300	300	300	300	300
Other Slaughter	4,447	4,447	4,500	4,500	4,500	4,500
Total Slaughter	6,347	6,347	6,375	6,375	6,300	6,300
Loss	500	500	465	465	450	450
Ending Inventories	20,090	20,090	18,570	18,563	17,095	17,079
Total Distribution	28,372	28,372	26,910	26,903	25,195	25,179

NOTE: Not Official USDA Data

Meat, Beef and Veal Mexico	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	6,347	6,347	6,375	6,375	6,300	6,300
Beginning Stocks	0	0	0	0	0	0
Production	1,804	1,804	1,815	1,820	1,795	1,800
Total Imports	265	265	300	220	350	265
Total Supply	2,069	2,069	2,115	2,040	2,145	2,065
Total Exports	148	148	200	200	225	225
Human Dom. Consumption	1,911	1,911	1,905	1,830	1,910	1,830
Other Use, Losses	10	10	10	10	10	10
Total Dom. Consumption	1,921	1,921	1,915	1,840	1,920	1,840
Ending Stocks	0	0	0	0	0	0
Total Distribution	2,069	2,069	2,115	2,040	2,145	2,065

NOTE: Not Official USDA Data

### Commodities:

Animal Numbers, Swine

Meat, Swine

### Production:

The Post 2013 Mexican pork production revised estimate is increased to 1.255 MMT CWE, slightly higher than the 2013 USDA estimate of 1.210 MMT CWE. The incorporation of new breeding lines, better farm management techniques, and increased slaughter weights has allowed production of more meat from fewer hogs. In addition anticipated demand driven by Asian customers is also pushing production greater. The Post 2012 pork production estimate has been increased slightly greater than the

USDA estimate representing aforementioned production trends and official data from SAGARPA. The Post 2011 estimate is unchanged.

### **Higher Live Swine Weights and Better Genetics Foster Increased Production**

Higher production to sows is producing more live animals per litter. These genetic improvements are allowing the pork sector to nudge the live pig crop higher in 2013. These hogs also have better genetics and are able to gain desired market weights faster with improved rates of gain. The higher pig production forecast along with a lower swine slaughter ratio, as hogs are yielding more meat, will allow domestic inventories to continue growing in 2013.

Spokespersons for the Mexican pork sector believe that the competitiveness producers lost during the last 5 years due to high grain prices, low litter counts, and competition from U.S. supply must be recovered in order to allow the industry acceptable growth. The industry expects to accomplish some of this recovery through improved risk management practices featuring contracted agriculture and better use of commodity markets.

### **Grain Prices Relatively Moot on Pork Sector**

As in other producing countries, animal feed for pork is based generally on yellow corn as well as sorghum. In Mexico, feed represents approximately 64 percent of the production cost. Currently, the pork sector consumption of grains is 4.8 MMT, representing 47 percent of Mexico's total feed grain consumption. Some northern Mexico producers, however, are feeding hogs with white corn or wheat (if available and at attractive prices due to temporary surpluses during Mexico's growing seasons) and, as such, have been able to stave off higher feed prices.

### **Consumption:**

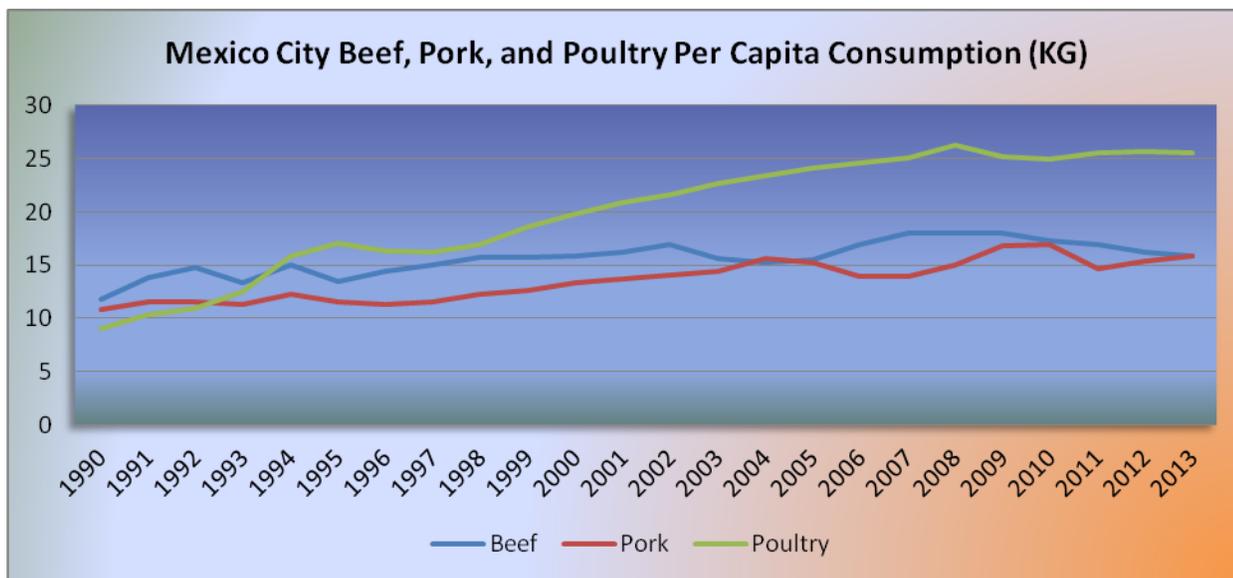
The Post 2013 total pork consumption forecast of 1.87 MMT CWE is higher than the 2013 USDA estimate of 1.79 MMT CWE as purchasing power gains as well as pork's attractiveness in comparison with beef will contribute towards increased demand. The Post 2012 consumption estimate has been raised to 1.835 MMT CME from the USDA official estimate of 1.805 MMT CWE to account for pork's relative attractiveness in comparison with other animal proteins and to reflecting official data from SAGARPA.

Middle income consumers (a smaller portion of the population) continue shifting consumption habits from poultry and beef back to pork due to high beef prices and more recently due to concerns over the highly pathogenic avian influenza (HPAI) outbreak and increased poultry product prices. Additionally, industry sources indicate that pork is slowly gaining acceptance among consumer groups and shoppers as part of a healthy diet.

Industry sources report unusual consumption patterns and prices for early 2013 are troubling to them.

Usually, pork consumption and prices drop during the 40 days prior to Holy Week (i.e. Easter festivities) given that most of the Mexican population practices Catholicism and does not consume red meats; including pork, on Fridays. However, pork prices moved lower than traditionally witnessed this year. Sources are hopeful that after Easter, pork consumption levels increase and prices return to normal.

Chart 2. Mexico: Mexico City Beef, Pork, and Poultry Per Capita Consumption (KG)



Sources: Mexican Poultry Association (UNA), CNOG, The Food and Fisheries Statistics Service (SIAP), and National Institute of Statistics and Geography (INEGI)

Table 2. Mexico: Mexico City Pork Carcass Wholesale Prices (Pesos/Kg) by Month, 2011-2012

Month	2011	2012	% Change 11/12
January	31.00	38.50	24.19%
February	31.00	38.00	22.58%
March	31.00	34.00	9.68%
April	31.50	32.00	1.59%
May	31.50	31.50	0.00%
June	32.50	33.50	3.08%
July	35.00	33.00	-5.71%
August	33.50	34.50	2.99%
September	33.00	34.50	4.55%
October	31.00	35.0	12.90%
November	33.50	34.50	2.99%
December	34.50	35.00	1.45%
Annual Avg.	32.41	34.50	6.45%

Source: Market Information National Service (SNIIM, Secretariat of Economy).

### Trade:

The Post 2013 forecast is increased to 725,000 MT CWE based on strong demand and pork's competitive prices. The Post 2012 pork import revised estimate is 700,000 MT CWE based on trade forecasts showing strong year to date growth and higher demand from Mexican consumers who have greater purchasing power and a consumption preference for varied sources of animal protein. Post's 2011 import estimate is unchanged.

The majority of Mexico’s pork imports consists of hams and mechanically deboned meat (MDM) for the preparation of sausages, deli hams, and other cold cuts. A large share of Mexican pork imports continues to be hams and it is growing. Pork import figures for 2011 were kept unchanged from USDA official data.

**Supplier Loyalty and Creating Value: the Key to Export Growth**

Although Mexico is a net meat importer, industry forecasts to increase exports by more than 20 percent in 2013 by supplying more to Japan and other Asian countries. Competitive prices offered to traditional buyers will be a key factor to fuel exports. The Post export estimate for 2012 was revised slightly upwards from USDA’s estimate as the sector continued supplying these markets with added-value products at attractive prices. The other approach that industry is pursuing to fuel export growth is to look and see how it can add greater value to export added value cuts or processed products.

**Policy:**

**Swine Health Situation a Passport for Foreign Markets**

The United States’ recognition of Mexican States as free of classical swine fever (CSF) has been one of the key factors to opening foreign markets for Mexican pork and sources suggest that expanded Mexican access to the United States will serve to increase access to other countries, as well.

**Marketing:**

Pork exports to Mexico are benefiting from direct consumer substitution away from beef and towards pork. There has also been an increase in per capita consumption of pork that aligns with efforts in the domestic market to target consumers with promotional campaign aimed at increasing the number of times pork is served at home. Growth of the overall pork sector is expected to increase as consumption increases among Mexican consumers. Currently per capita consumption of pork in Mexico is quite low in relation to other markets like Chile or the United States.

While local and imported pork prices have increased in Mexico, hams, the number one export product from the United States, show a slight price decline. Overall, American producers have a comparative advantage over Mexico with lower feed delivery prices which opens up unique opportunities for U.S. pork products as these can reach some consumers in Mexico at better price points.

**Production, Supply and Demand Data Statistics:**

Animal Numbers, Swine Mexico	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Total Beginning Stocks	9,007	9,007	9,276	9,276	9,499	9,510
Sow Beginning Stocks	1,065	1,065	1,070	1,070	1,065	1,065
Production (Pig Crop)	16,350	16,350	16,500	16,500	16,475	17,000
Total Imports	12	12	15	26	16	20
Total Supply	25,369	25,369	25,791	25,802	25,990	26,530
Total Exports	0	0	0	0	0	0
Sow Slaughter	13	13	12	12	13	13
Other Slaughter	15,300	15,300	15,500	15,500	15,500	15,500
Total Slaughter	15,313	15,313	15,512	15,512	15,513	15,513
Loss	780	780	780	780	780	780
Ending Inventories	9,276	9,276	9,499	9,510	9,697	10,237
Total Distribution	25,369	25,369	25,791	25,802	25,990	26,530

NOTE: Not Official USDA Data

Meat, Swine Mexico	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	15,313	15,313	15,512	15,512	15,513	15,513
Beginning Stocks	0	0	0	0	0	0
Production	1,202	1,202	1,220	1,227	1,210	1,255
Total Imports	594	594	675	700	690	725
Total Supply	1,796	1,796	1,895	1,927	1,900	1,980
Total Exports	86	86	90	92	110	110
Human Dom. Consumption	1,710	1,710	1,805	1,835	1,790	1,870
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,710	1,710	1,805	1,835	1,790	1,870
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,796	1,796	1,895	1,927	1,900	1,980

NOTE: Not Official USDA Data

#### Author Defined:

#### For More Information

FAS/Mexico Web Site: We are available at [www.mexico-usda.com](http://www.mexico-usda.com) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://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
<a href="#">MX2092</a>	Facilitating Red Meat Trade and Avoiding Costly Delays	12/12/2012
<a href="#">MX2090</a>	Mexican Pork Sector Crosses the Great Wall of China	11/30/2012
<a href="#">MX2089</a>	Tariff Reduction Upsets Domestic Industry	11/30/2012
<a href="#">MX2065</a>	2012 Mexican Livestock and Products Annual	9/9/2012
MX2061	Mexico Declares itself free of CSF and Avian Salmonella	8/14/2012
<a href="#">MX2060</a>	New Options to Obtain SENASICA Import-Export Documents	8/14/2012
<a href="#">MX2503</a>	Exporting to Mexico – Managing Border Entry Issues	3/22/2012
<a href="#">MX2016</a>	2012 Livestock and Products Semi-Annual	3/21/2012

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), equivalent to the U.S. Department of Commerce (SE) can be

found at [www.economia.gob.mx](http://www.economia.gob.mx) and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://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.