

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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NAFTA - 20 years of successful U.S.-Mexico Agricultural Trade

Report Categories:

Agriculture in the Economy

Agriculture in the News

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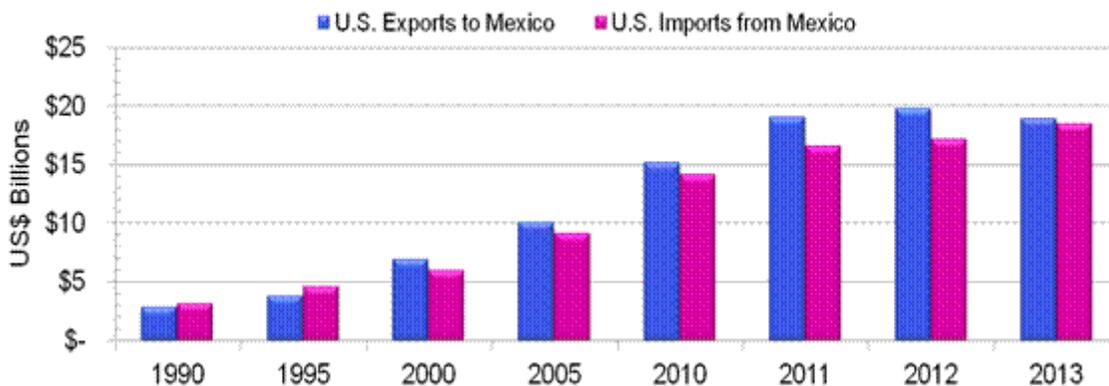
Report Highlights:

As part of the celebration of NAFTA's 20th anniversary, this report examines the growth of agricultural trade since 1994, highlighting the top-value products exported from the United States to Mexico and those product categories with the largest growth in said twenty-year span.

General Information:

Initiated on January 1, 1994, the North American Free Trade Agreement (NAFTA) between the United States, Mexico, and Canada redefined the economic relationship of said three countries. Eliminating trade barriers and giving preferential treatment to imported goods manufactured within the region, translated into an increase (both in volume and value) of goods and services, including agricultural and food products. Some strategic commodities were reserved by each member for additional periods of time, but 20 years after NAFTA's inception, virtually every product can be traded among the three partners, giving way to not only a bigger market, but industry integrations that allow the North American bloc to compete into foreign markets as one unit.

Despite two serious economic difficulties (the Mexican crisis by the end of 1994 and the financial crisis in the United States in 2008), trade between the two countries has quadrupled since 1994. When NAFTA began, the United States exported roughly \$5 billion in agricultural products to its southern neighbor; in 2013, agricultural exports totaled almost \$20 billion. In NAFTA's 20 year span, Mexico has imported over \$200 billion worth of agricultural products from the United States. It is worth mentioning that similar growth has been experienced by Mexican agricultural exports to the United States, its main commercial partner, a reflection of the positive benefit of free trade.



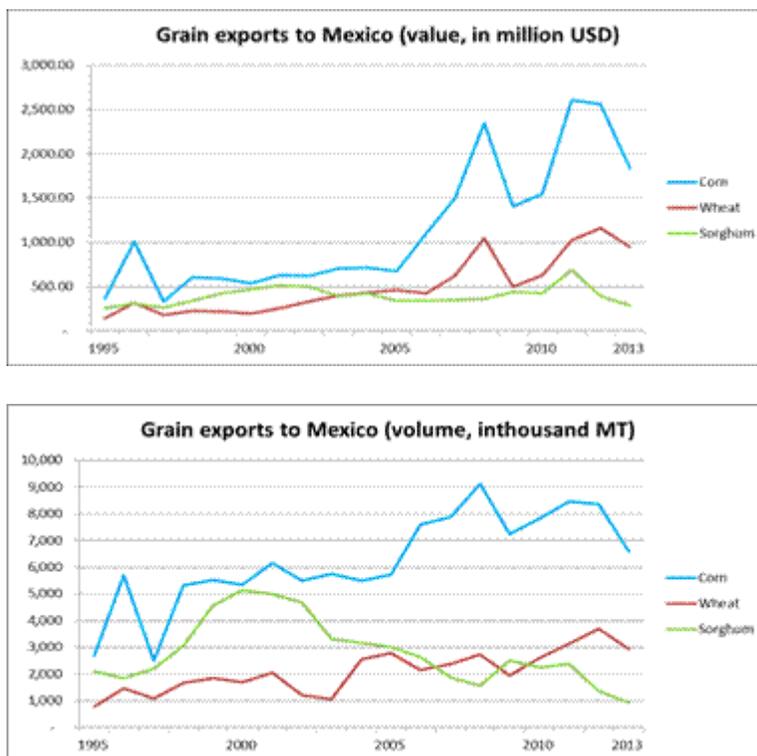
Source: Global Trade Atlas

This report will highlight the categories that both in value and volume top the charts on agricultural trade, focusing primarily on U.S. agricultural exports to Mexico, and including a brief analysis of the specific products that in turn lead said categories. Basic reference used will be the 6-digit tariff code, but in some cases products under similar categories will be aggregated (i.e., frozen boneless beef + fresh/chilled boneless beef + frozen bone in beef + fresh/chilled bone in beef = Beef, or all 5 cheese tariff codes integrated into Cheese).

GRAINS: CATEGORY LEADS THE WAY; CORN, INDISPUTABLE

CHAMPION

Further analysis of U.S. agricultural exports to Mexico in the 20 years of NAFTA reveals that in terms of value, grains represent the most successful category of products exported from the United States to Mexico. Grains represent one element of how different economic sectors “integrate” in a wider market: imported grains are used by the Mexican livestock industry to feed breeding cattle and its offspring; after a period of time, cattlemen from Mexico then export live animals to the United States where they are fed, slaughtered and processed into meat and related food products which are then exported to Mexico and other parts of the world. In some cases, that meat is then used to make food preparations that, once again, are exported by Mexico to the rest of the world.



Source: Global Trade Atlas

Individually, corn is the main U.S. agricultural export (and not just within the category, but of the whole agricultural trade), with over \$21 billion accumulated exports since 1995. By volume, considering exports measured in tons, corn is also by far the leader, with over 118 million MT exported throughout the 20-year lapse. It is worth mentioning that corn imported by Mexico is mostly yellow corn, used primarily for animal feed; meanwhile, Mexico has a significant surplus of domestic production of white corn, destined for human consumption.

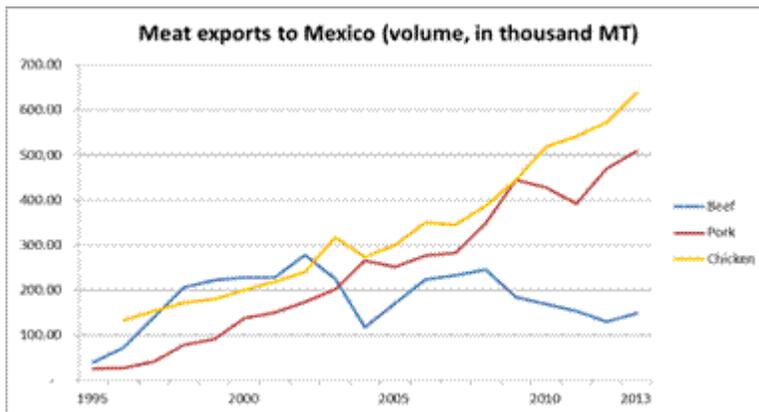
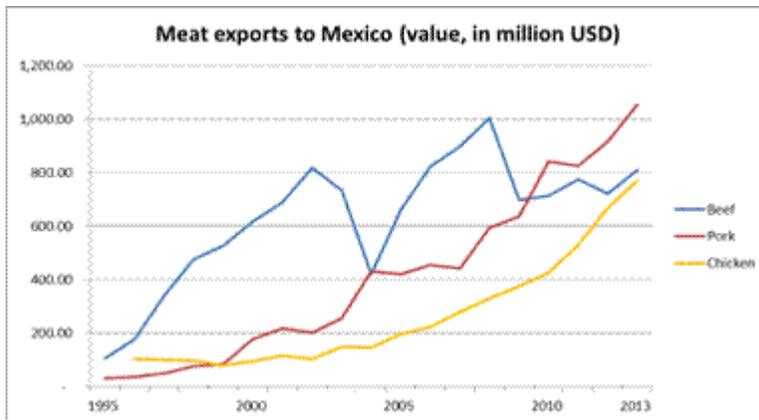
Wheat is also on the top 5 leading U.S. exports to Mexico. Last year, wheat exports were valued at over \$950 million, almost seven times the amount exported back in 1995 (around \$140 million). In total, Mexico has imported over 40 billion MT of

wheat in the last 20 years.

Sorghum also accounts for a large share of grain exports to Mexico, but although the variation every year has been significant in value, the volume of sorghum exports has been practically the same for the past 20 years: an average of two to three million MT per year.

ANIMAL PROTEIN: GOOD NUMBERS FOR BEEF, PORK, AND POULTRY

Regarding animal protein, beef, pork, and poultry (mainly chicken cuts) have shown constant growth since the beginning of NAFTA. Although affected in small periods of time by droughts, price variations, and sanitary emergencies, all three meat categories exported to Mexico show a positive trend when considering the value of exports.



Source: Global Trade Atlas

Considering volume, however, the story changes a little bit. Since 1995, overall beef exports to Mexico have grown, but to a much smaller proportion than pork and

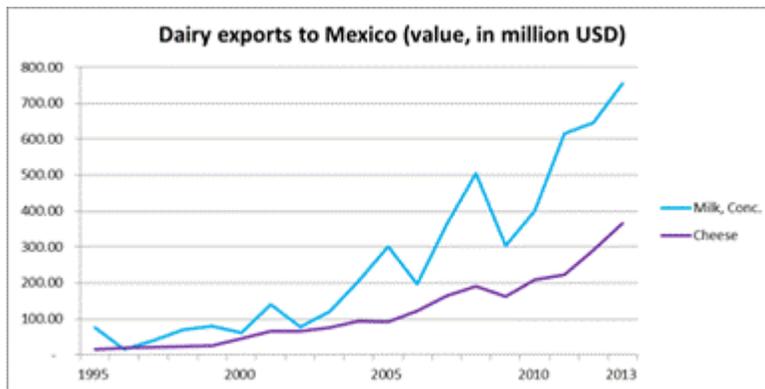
poultry. U.S. beef exports in 1995 accounted for almost 40 million MT; in 2013, said volume of exports reached almost 150 million MT; beef exports, however, have reached peaks well over 200 million MT in past years.

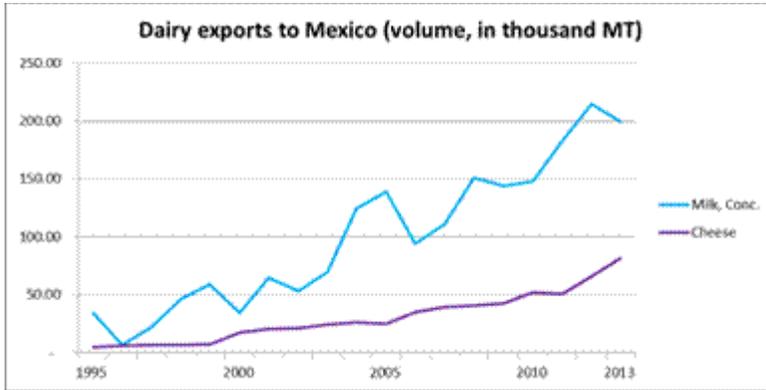
Pork exports, on the other hand, have grown steadily at about 20% per year, going from 25 million MT in 1995, to roughly 510 million MT last year. Poultry exports, in volume, show the same constant growth per year, but to a lesser rate (10%), going from 130 million MT to almost 640 million MT in 2013.

DAIRY: ALBEIT SOME BUMPS, MILK AND CHEESE IN CONSTANT GROWTH

Another successful category in agricultural trade to Mexico is dairy exports; regarding specific products, concentrated milk and cheese account for over 95% of the category and both qualify among the top-value agricultural exports to Mexico.

Cheese imports have experienced steady growth (19% yearly average), with only one year registering a decrease in volume. Statistics show that Mexico has imported almost \$2.23 billion worth of cheese in the last 20 years, going from 5 million MT of cheese back in 1995 to over 80 million MT in 2013.



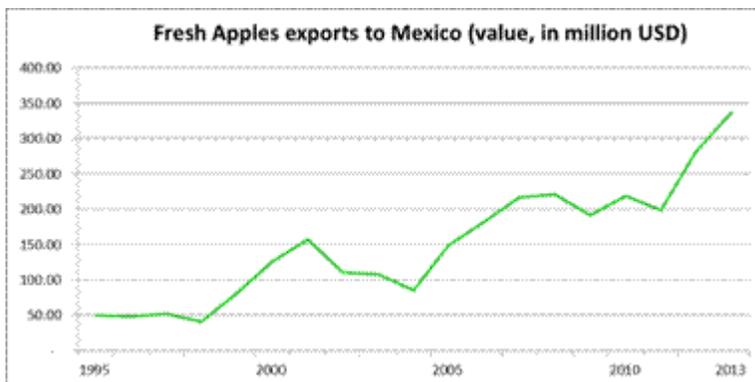


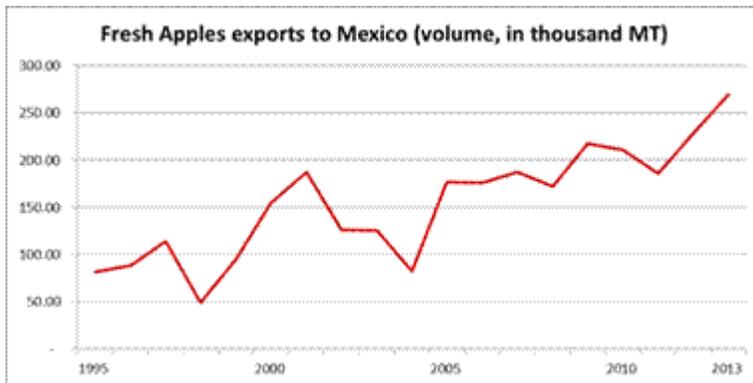
Source: Global Trade Atlas

Meanwhile, concentrated milk shows a more uneven growth, with several highs and lows throughout the duration of NAFTA. Still, in 2013 milk exports were valued \$755 million, more than 10 times the value of 1995's exports.

APPLES: THE QUEEN OF FRESH FRUITS AND VEGETABLES

As part of NAFTA's reshaping of agricultural trade, one noticeable trend is that the United States specialized its exports to Mexico in grains, meat, and dairy products, while Mexico focused on exporting beverages, food preparations, and fresh fruits and vegetables. In this last category, while Mexico continues to register record exports of tomatoes, peppers, cucumbers, watermelons, avocados, citrus, and grapes, the United States has exported almost 3 billion MT of fresh apples (worth \$2.6 billion) since the beginning of NAFTA.



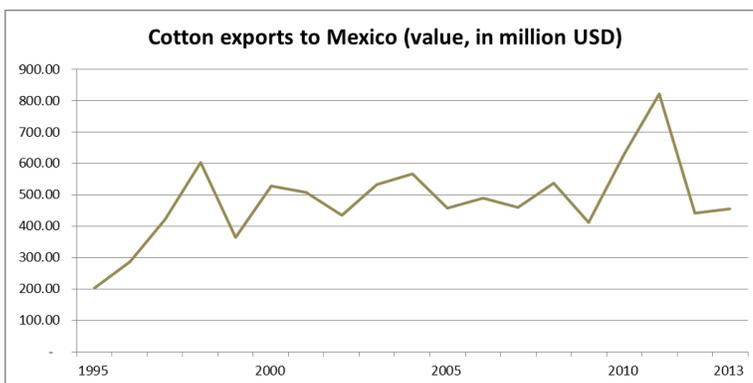


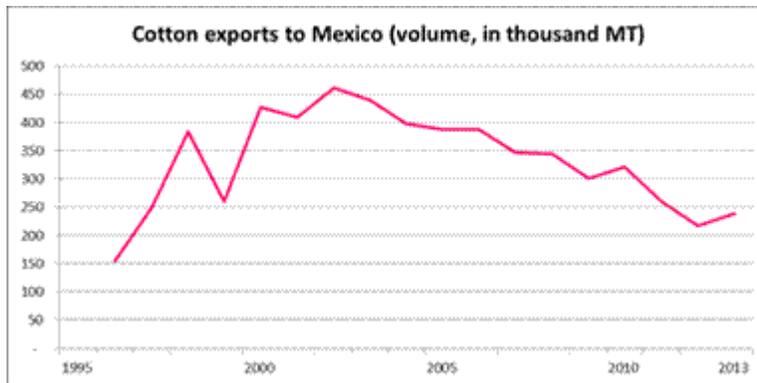
Source: Global Trade Atlas

It is worth mentioning that apples and pears are the only fruit categories that since 1995 have surpassed the \$1 billion in accumulated exports to Mexico.

COTTON: MODERATE GROWTH IN VALUE, DECREASING TREND IN VOLUME

Although cotton exports to Mexico in 2013 are approximately two times the value (and volume) of exports back in 1995, statistics show that cotton exports to Mexico reached a peak in the early 2000's and have slowly decreased (in volume) ever since. Still, cotton exports in 2013 were valued \$456 million, the 10th place in the top-grossing agricultural categories, over other products like: food preparations, rice, soybean oil, etc.

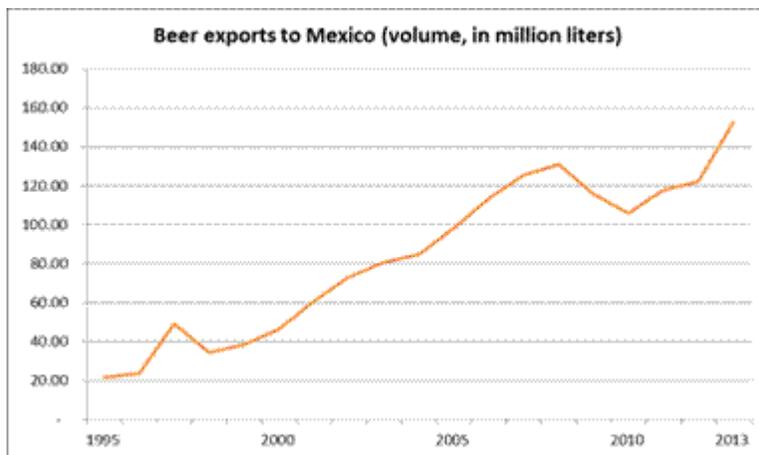
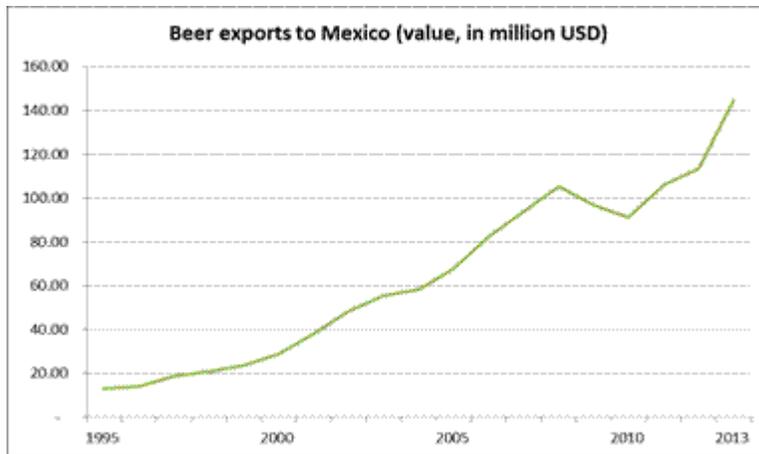




Source: Global Trade Atlas

BEER: FLOWING IN AND OUT OF MEXICO

Mexico's largest agricultural/food export to the world is beer. Last year, Mexico exported to the world about 2.34 billion liters of *cerveza*, valued around \$2 billion. Interestingly, the United States does export beer to Mexico: last year 152 million liters were imported, representing the largest category by volume measured in liters and one of the individual categories with the largest growth rate in the last 20 years.

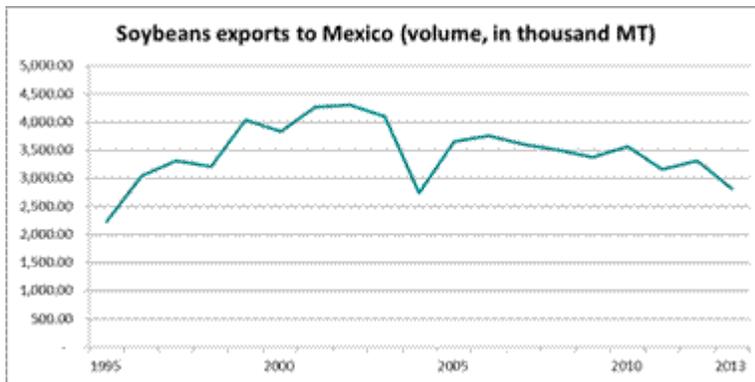
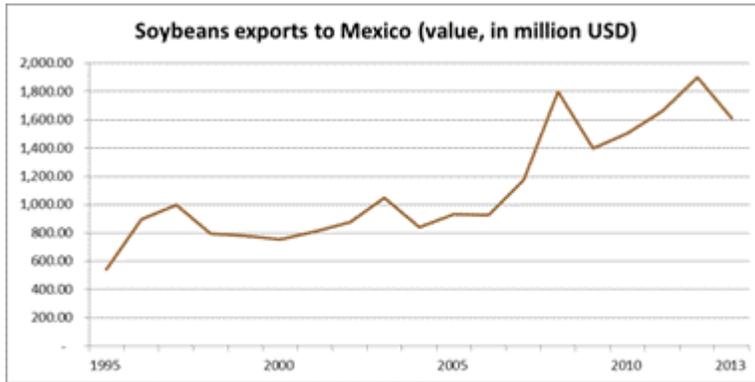


Source: Global Trade Atlas

SOYBEANS: STEADY VOLUME, INCREASED VALUE

Soybeans represent another example of a category that despite the large value of exports reported, when reviewing the actual growth in volume, numbers show a moderate increase. This category is one of the very few that surpass the \$1 billion mark every year. Despite an accumulated value during the NAFTA period similar to that of corn (\$21 billion), when reviewing the total volume exported in said period, soybeans only account for 65 million MT, about half of the total aggregated volume

of corn in the same period.



Source: Global Trade Atlas

FOR MORE INFORMATION

FAS/Mexico Web Site: We are available at: <http://www.mexico-usda.com> or visit the FAS headquarters' home page at: <http://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 <http://www.sagarpa.gob.mx> and Mexico's equivalent to the U.S. Department of Commerce (SE) can be found at <http://www.economia.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.