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GAIN Report

Global Agricultural Information Network

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Mexico

Livestock and Products Annual

Pork Production Grows while Beef Falls

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Report Highlights:

Mexico's cattle inventory is forecast lower in 2013 as drought, slow forage recovery, and high feed prices will cause the continued export of Mexican cattle. Falling slaughter weights will lower production and require increased beef imports. Swine production should benefit as consumers demand more pork (imported and domestic) in the face of higher beef prices. Post's 2013 swine and pork production are forecast higher as more animals are produced and slaughtered at higher weights.

Commodities:

Animal Numbers, Cattle

Meat, Beef and Veal

Production:

The Post 2013 Mexican beef production forecast is 1.8 million metric tons (MMT), carcass weight equivalent (CWE). It is slightly lower than the 2012 USDA official estimate as cattle continue to be slaughtered at weights lower than prior years. In addition, the low breeding rate along with the increased export of calves is lowering production. The Post 2011 and 2012 beef production estimates of calves and beef are unchanged.

Drought and Grain Prices Hitting Cattle Producers and Beef Consumers

As previously reported, in late 2011, northern Mexican cattle feeders started slaughtering cattle, including feeder calves and dairy cattle, as a measure to cope with an exceptionally long-term [drought](#) that has persisted to this day. At the same time, the cattle industry began struggling with strong international grain prices. Sources now expect that grain prices will remain high through much of 2013 due to the drought in the United States. This will continue to affect the Mexican livestock sector and beef consumers. Industry sources indicate that the increase in grain prices has increased cattle production costs by at least 37 percent. In addition, the drought has prevented pasturing in certain areas of the country and slowed the return of cattle to other pasture lands.

Breeding Challenges and Live Cattle Exports Curb Replacement

The export of Mexican live cattle continues raising concerns from cattle feeders and packers as it could have a negative effect on meat production in the short- to medium-term. Sources warn that without a sharp, rapid, and significant improvement in breeding to improve the efficiency of the calf crop, the export of calves adds additional pressure on the sector. This is expected to limit future steer availability for slaughtering that would routinely supply the domestic beef market.

During the first half of 2012 live cattle exports have remained strong and sources expect that volumes will reach a new record by the end of 2012. Strong year-to-date exports were fueled by continued movement of feeder steers to the U.S. and what seems a temporary surge of live cattle exports to Turkey. Post forecasts live cattle exports in 2013 will be at similar levels as grazing lands are not likely to fully recover from the drought and pasture/forage will be slow to return to previous levels or quality. As such, ending inventories for 2013 are expected to be 7 percent lower than 2013 beginning inventories.

Mexican Livestock Inventory and Animal Identification Pushing Greater Accuracy and Transparency

The Government of Mexico (GOM) through the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) and the National Confederation of Livestock Organizations (CNOG) is conducting an ambitious program (SINIIGA [1]) that will result in the identification of the total animal population and the eventual tracking of all animals, animal products,

and by-products. The program, currently, is expected to be more than 50 percent complete and when concluded, will provide a reliable and accurate animal inventory.

Official figures from SAGARPA indicate that Mexican cattle (beef and dairy) number around 31 million head. Industry sources calculate that beef cattle are responsible for 29 million head and that 2 million are devoted to milk production. Post disagrees with the overall number and estimates that beef cattle numbers should be lower and that dairy cattle numbers should be greater. Historically, Post and SAGARPA numbers have never concurred.

The following breakdown of animal numbers from SAGARPA is provided for informational purposes, only, and has not been factored into Post's PSD estimates or forecast. SAGARPA estimates that 17.4 million (60 percent) of the 29 million beef cattle are devoted to breeding purposes with calf production estimated at below 50 percent. Currently calf production is estimated by SAGARPA at around 8 million head per year.

Out of the 8 million beef cattle calved each year; roughly 1.5 million head (19 percent) are exported (mainly to the United States). Of the remaining 6.5 million cattle calved each year, 2.7 million head are kept in pens under intensive feed programs until desirable market weights are reached whereby the animals are sent for slaughter in federally inspected (TIF) establishments. The remaining 3.8 million head are grazed and then sent to slaughter in TIF establishments as well as municipal slaughter facilities.

The 6.5 million head produced domestically for future slaughter are not capable of supplying beef production for the domestic market. Private sources warn that this is decreasing the live cattle inventory that is necessary to support domestic meat production and consumption and will result in Mexico having to import beef at higher prices. In addition, the export of calves produces additional challenges for feed-lot cattle producers who are more dependent on supplying cattle into their operations in order to remain in business.

^[1] Sistema Nacional de Identificación Individual del Ganado, [SINIIGA](#)

Consumption:

The Post 2013 beef consumption forecast anticipates consumption figures will be lower than the 2012 USDA estimate. This is based on higher production costs, tighter supplies (see production section), and subsequent beef price increases. The Post 2011 and 2012 beef consumption estimates are unchanged from USDA official figures.

Per Capita Consumption Figures for Beef Continue Falling

Consistent with Post estimates, unofficial sources indicate that during the first half of 2012, overall per capita consumption has been dropping from 17 kg to 16 kg due to the high costs of production that are passed along to consumers. These same sources indicate that beef consumption should continue falling in 2013 and lead to increased substitution for pork.

Beef Remains More Expensive than Other Animal Proteins and Consumer Preferences Remain Unchanged

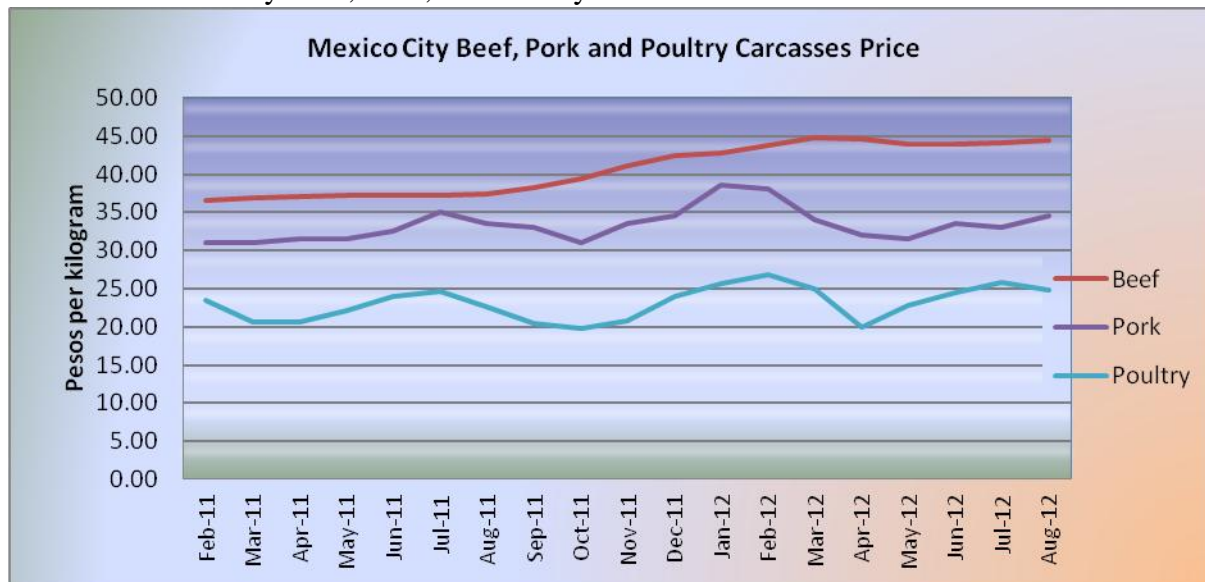
A comparison of beef, pork and poultry carcass prices is shown in Chart 1. As it can be seen, beef prices increased slightly during the first half of 2012. This was in direct relationship to the increase in grain prices. Recent short-term increases in retail beef prices was linked to distributors speculating on supply and demand associated with the recent Avian Influenza (AI) outbreak in the State of Jalisco (See MX2040, MX2043, and MX2044). The sector is confident that retail prices will stabilize before the end of 2012 and that consumption of thin-muscle beef cuts known as “*bistec*” should remain flat.

Traditionally, 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 segment of the population. Finer cuts are marketed and consumed in high-end restaurants that promote the consumption of domestic and U.S. beef prepared in different styles (e.g., Argentinean or Uruguayan) to complement traditional Mexican styles.

Emerging Consumer Trends May Create Opportunities for High End U.S. Cuts

Sources indicated that in a few northern Mexico cities, a new market niche for the middle- and upper-income population segments is being developed. Meat boutiques are replacing butcher shops and provide a clean and warm environment for high income consumers who are in search of fine cuts and special attention. These establishments allow consumers to select the cut of their preference and decide if they want to consume the beef there or take it home. This type of business is an emerging trend that is looking to expand in central and southern Mexico and could be a potential opportunity for U.S. cuts to cover such market segment.

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



Source: The Information and Integration of Markets National System, Secretariat of Economy.

Trade:

Beef Imports Forecast to Continue Growing in 2013

Post forecasts Mexico’s 2013 beef imports to accelerate over 2012 and reach 350,000 MT (CWE). Calendar year 2012 is expected to see double digit growth over 2011, as well. Mexico’s increased live

cattle exports due to drought and declining cattle herd are significant drivers that prevent the meat sector from keeping up with demand. In addition, certain markets (e.g., resort areas) and some consumers (upper and upper-middle income) remain capable of purchasing high-value imported beef cuts. The United States should remain the primary beef supplier to Mexico.

Mexican Beef Market Access Key to Developing Export Growth

During 2011, Mexican industry members made a concerted effort to diversify export market destinations. As such, industry sources report Mexico is exporting beef to a number of developing economies. Additionally, Mexico continued exporting beef products to Japan, the United States, Russia, and Korea. Mexico’s meat processors and traders expect that these markets will purchase greater volumes of Mexican beef during 2012 and 2013. Specifically, there is strong industry belief that Mexico will be able to increase exports to Japan as negotiations for an expanded tariff-rate quota and a lower duty volume on its beef exports were concluded. The Mexican beef industry is optimistic about exporting greater volumes to the United States as trade sources indicate that the drought and cattle herd reduction experienced in the southern United States is encouraging more purchases of Mexican beef.

Natural Resource Limitations Push Live Cattle Exports and Slow Development of Added-Value Exports

Sources have stressed that the Mexican beef industry must develop added-value product exports to strengthen all aspects of the marketing chain. These sources indicate that this will allow producers to obtain greater profits. However, Mexico lacks sufficient grazing land for large herds and sufficient feed resources to bring cattle closer to desirable market weights. As such, the export of live cattle is a trend that will likely continue for several years.

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	42.91	15.47%
August	37.38	N/A	N/A
September	38.21	N/A	N/A
October	39.39	N/A	N/A
November	41.12	N/A	N/A
December	42.51	N/A	N/A
Annual Avg.	38.10	N/A	N/A

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

Policy:

U.S. Beef Products Market Access Expands

In August 2012, SAGARPA’s National Service of Health, Food Safety, and Food Quality (SENASICA) and the Mexican Health Ministry’s (SALUD) Federal Commission for Sanitary Risk Protection (COFEPRIS) agreed on the necessary zoosanitary health requirements sheets (HRZs) that will allow the United States to export ground beef, small intestines, head meat, and weasand meat. The United States Department of Agriculture responded and published the corresponding Letterhead Certificates at the end of August. The United States Government and the GOM expect that trade of these products will begin in the coming months. These HRZs and Letterhead Certificates are available from the SENASICA [website](#) as well as the USDA FSIS Export Library [website](#).

Domestic Support Programs Designed to Improve Farm Operations and Yield More Beef

Recently, with financing through FIRA (a government trust fund), SAGARPA and other private sector livestock institutions signed an agreement to develop associations or groups of calf suppliers. The project supports breeders with training and technical assistance so that they may improve production and yield more calves. As of today, the breeding rate is estimated at 1 calf per cow every two years. Also, the support program will work with small farmers and help them become better integrated into the market so that they can design and structure their herds in accordance with market requirements. This project complements the existing program named “Development of Suppliers”, which offers training, financial support, and technical assistance to calf producers so that they can feed and sell animals at a higher slaughter weights.

GOM Intensifies Review of Unapproved or Inappropriate Use of Veterinary Drugs

SENASICA and COFEPRIS intensified their review of Mexican beef slaughter establishments in 2011 and 2012 after unapproved beta-agonists were discovered in beef carcasses and products. Although unapproved or higher than allowed levels of veterinary drugs continue to be found, the number and frequency of events is decreasing. When unapproved veterinary drugs have been found, Mexican health authorities commonly shut down the operations and extensively review the chain of events and may even prosecute those responsible. The GOM effort is designed now to foster business ties between producers and slaughter establishments to develop a system of reliable importers that receive price premiums and market incentives to provide safe and high-quality products.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle 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 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
Beef Cows Beg. Stocks	7,000	7,000	6,900	6,900		6,900
Production (Calf Crop)	6,900	6,900	6,800	6,800		6,900
Total Imports	16	16	20	20		25
Total Supply	28,372	28,372	26,910	26,910		25,495
Total Exports	1,435	1,435	1,435	1,500		1,500
Cow Slaughter	1,600	1,600	1,575	1,575		1,500
Calf Slaughter	300	300	300	300		300
Other Slaughter	4,447	4,447	4,500	4,500		4,500
Total Slaughter	6,347	6,347	6,375	6,375		6,300
Loss	500	500	475	465		450
Ending Inventories	20,090	20,090	18,625	18,570		17,245
Total Distribution	28,372	28,372	26,910	26,910		25,495

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
Beginning Stocks	0	0	0	0		0
Production	1,825	1,825	1,830	1,830		1,800
Total Imports	265	265	300	300		350
Total Supply	2,090	2,090	2,130	2,130		2,150
Total Exports	148	148	250	250		300
Human Dom. Consumption	1,932	1,932	1,870	1,870		1,840
Other Use, Losses	10	10	10	10		10
Total Dom. Consumption	1,942	1,942	1,880	1,880		1,850
Ending Stocks	0	0	0	0		0
Total Distribution	2,090	2,090	2,130	2,130		2,150

Commodities:

Animal Numbers, Swine

Meat, Swine

Production:

The Post 2013 Mexican pork production forecast is 1.25 MMT CWE, approximately 2.5 percent higher than the 2012 Post estimate. This increase is mainly driven by the incorporation of new breeding lines that are better able to adapt to the Mexican production system, better farm management techniques, and increasing slaughter weights. The Post 2012 pork production estimate has been increased slightly representing production trends and higher slaughter weights. The Post 2011 estimate has been increased, as well, representing official data from SAGARPA.

Higher Live Swine Weights and Better Genetics Foster Increased Production

As previously reported, Mexican producers customarily supplied live swine for slaughter at a weight of 105 kg for the purpose of ensuring leaner meat carcasses. Currently, private sources indicate that weights have been rising and the sector is holding hogs until a standard weight of 110 kg is reached despite the increased feed costs. These same sources indicate that these higher weights should hold in 2012 and 2013 provided that industry members continue receiving assistance through government support programs. In addition, although it represents a small share, in 2011 and in 2012 an increasing number of slaughter operations providing pork for export markets began holding hogs until 120 kg.

Higher production to sows is producing more live animals per litter. These hogs also have better genetics and are able to gain desired market weights in a faster amount of time than the 180 day Mexican industry average. These genetic improvements are allowing the pork sector to nudge the live pig crop higher by 3 percent in 2013. 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 2012 and 2013.

Grain Prices Relatively Moot Factor on Swine Production

As in other producing countries, animal feed for pork is based generally on yellow corn and sorghum. In Mexico, feed represents approximately 64 percent of the production cost. Currently, Mexico is importing yellow corn from the United States and has had a strong sorghum crop. Some northern Mexico producers, however, are feeding hogs with white corn or wheat (if available due to temporary surpluses during Mexico's growing seasons) and, as such, has been able to sustain itself in the face of higher feed prices.

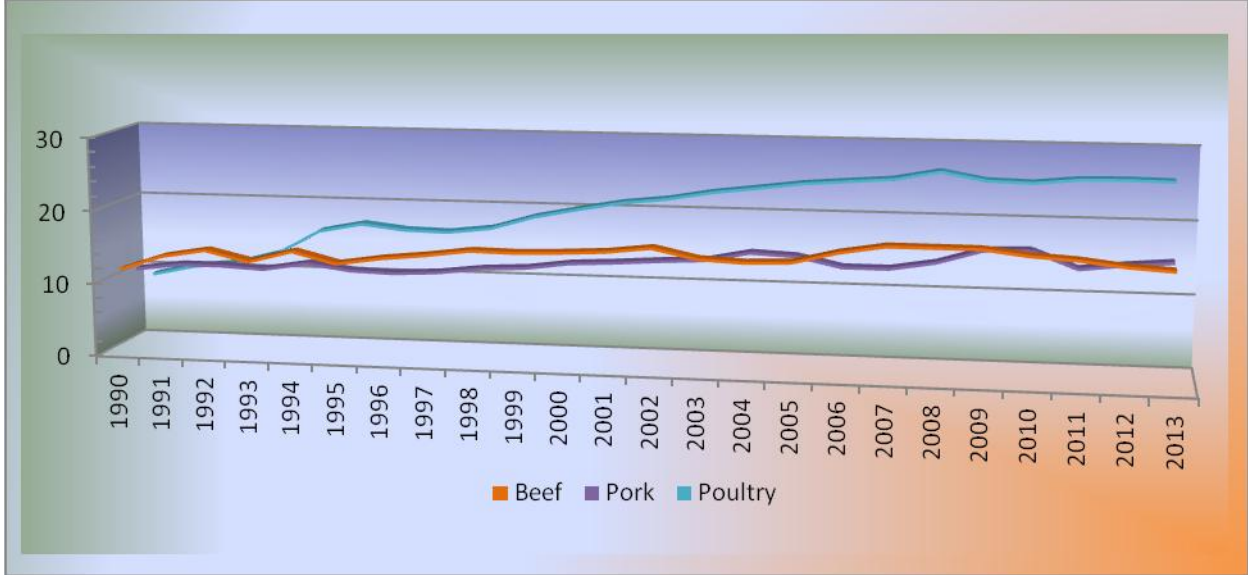
Despite higher feed prices affecting pork production profitability, the outlook for the pork sector for the remainder of 2012 is positive. For 2013, growth in the sector is forecast to continue due to anticipated grain price stabilization and effective price-risk management strategy implementation and feeding options. In addition, the pork sector is asking the Mexican Government to implement a special program in 2013 that will provide monetary support to help some members of the industry cope with increased international corn prices.

Consumption:

The Post 2013 total and per capita pork consumption forecast is higher than the 2012 USDA estimate as purchasing power gains as well as pork's attractiveness in comparison with other animal proteins will contribute towards an increase in demand; especially, for hams and picnic. The Post 2012 consumption estimate has been raised slightly from the USDA official estimate to account for pork's relative attractiveness in comparison with other animal proteins.

Hams and picnic are seen as inexpensive cuts that can be consumed as deli meat by middle and upper income consumers. Moreover middle income consumers (a smaller portion of the population) are shifting consumption habits from poultry and beef back to pork due to high beef prices and more recently due to concerns over the AI outbreak and to a lesser degree, the discovery of trace amounts of an unapproved compound (Clenbuterol) in domestic beef products. Industry sources also indicate that pork is slowly gaining acceptance among certain consumer groups and shoppers as a part of a healthy diet and could outpace per capita beef consumption in certain key markets (see Chart 2).

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)

Month	2011	2012	% Change 11/12
January	31.00	38.50	24%
February	31.00	38.00	23%
March	31.00	34.00	10%
April	31.50	32.00	2%

May	31.50	31.50	0.00%
June	32.50	33.50	3%
July	35.00	33.00	-6%
August	33.50	N/A	N/A
September	33.00	N/A	N/A
October	31.00	N/A	N/A
November	33.50	N/A	N/A
December	34.50	N/A	N/A
Annual Avg.	32.41	N/A	N/A
Source: Market Information National Service (SNIIM, Secretariat of Economy.			

Trade:

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. The Post 2013 pork import forecast is 680,000 MT CWE and represents a small increase from the 2012 pork import estimate. The Post 2011 and 2012 pork import estimates were kept unchanged from USDA official data.

Competitive prices and strong demand, as previously discussed, are contributing to the increase in imports. The elimination of retaliatory tariffs in October 2011 has also facilitated a growth in trade for 2012, as well.

Expanding Export Markets and Finding Niche Opportunities Key to Export Growth

Although Mexico is a net meat importer, it is expected that during 2013, exports of pork meat to Japan and other Asian countries will increase by more than 20 percent. Mexico remains in negotiations with China on the specific requirements to export pork from 5 Mexican TIF establishments. Industry sources report that exporting pork and added-value pork products to Asian markets is significantly more profitable than exporting to other locations. Nevertheless, some meat industry members have shared their intention to begin looking at niche market opportunities for exporting into the United States, but this is at very initial stages.

Policy:

Improving Swine Health Situation

On August 14, 2012, SAGARPA published in the *Diario Oficial* (Mexico’s Federal Register) an announcement declaring Mexico as a free of Classical Swine Fever (CSF) (see MX2061). The United States’ recognition of Mexican States as free of CSF has been one of the key factors to opening foreign markets for Mexican pork.

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	9,007	9,007	9,276	9,276		9,499

Stocks						
Sow Beginning Stocks	1,065	1,065	1,070	1,070		1,100
Production (Pig Crop)	16,350	16,350	16,500	16,500		17,000
Total Imports	12	12	15	15		16
Total Supply	25,369	25,369	25,791	25,791		26,515
Total Exports	0	0	0	0		0
Sow Slaughter	13	13	12	12		13
Other Slaughter	15,300	15,300	15,500	15,500		15,500
Total Slaughter	15,313	15,313	15,512	15,512		15,513
Loss	780	780	780	780		780
Ending Inventories	9,276	9,276	9,499	9,499		10,222
Total Distribution	25,369	25,369	25,791	25,791		26,515
1000 HEAD, PERCENT						

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
Beginning Stocks	0	0	0	0		0
Production	1,182	1,202	1,215	1,220		1,250
Total Imports	594	594	650	650		680
Total Supply	1,776	1,796	1,865	1,870		1,930
Total Exports	86	86	90	90		110
Human Dom. Consumption	1,690	1,710	1,775	1,780		1,820
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	1,690	1,710	1,775	1,780		1,820
Ending Stocks	0	0	0	0		0
Total Distribution	1,776	1,796	1,865	1,870		1,930
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Author Defined:

For More Information

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MX2059	Mexico Announces Import Quotas for U.S. Eggs	8/14/2012
MX2046	Economia Opens 221K Metric Ton Egg Quota Due to Market Speculation	7/10/2012
MX2044	Avian Influenza Hits More Farms in Jalisco	7/5/2012
MX2043	Emergency Management System Activated to Combat Avian Influenza	7/2/2012
MX2040	High Path Avian Influenza Outbreak in Jalisco	6/26/2012
MX2503	Exporting to Mexico – Managing Border Entry Issues	3/22/2012
MX2016	2012 Livestock and Products Semi-Annual	3/21/2012
MX2012	2012 Poultry and Poultry Products Semi-Annual	3/20/2012
MX2004	Mexico Publishes Preliminary Determination on U.S. CLQs	1/20/2012
MX1092	New Meat and Poultry Letterhead Certificates Required	12/6/2011

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.