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Mexico

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Mexico's Beef and Pork Production Up

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Report Highlights:

Government programs are successfully contributing to rebuild the herd while live cattle exports continue historical trends. Despite slower liquidation, which restrains slaughter, beef production is expected marginally up. High prices and a strong U.S. dollar are suppressing Mexican demand for imported beef. Increased productivity on improved genetics and enlargement of breeding swine herd will help to overcome Porcine Epidemic Diarrhea (PED) aftereffects. Even with increased production, Mexico will keep importing hams and picnics as well as mechanically deboned meat (MDM).

Commodities:

Animal Numbers, Cattle

Production:

Government Programs and Improving Conditions Slow Liquidation

As the Government of Mexico's (GOM) financial incentive programs to repopulate the domestic herd and improve genetics are reportedly meeting the objectives, Mexican cattle production is forecast to expand to 7.0 million head in 2016, producers are entitled to receive a direct subsidy provided they register for the 2016 Program to Promote the Livestock Sector (Programa de Fomento Ganadero).

This and other programs are enabling producers to remain in business and to offset obstacles the domestic herd has previously encountered to repopulate, particularly the lack of steers for feedlots.

With the incentive to feed steers, calf slaughter is forecast to decline in 2016. However, even with an ample supply of grain and pasture in 2016, given the longevity necessary for significant change, herd expansion is not expected until 2017 at the earliest.

As relatively low grain prices keep production costs fairly stable and elevated beef prices generate positive margins, feedlot producers will likely lengthen feed duration, resulting in higher weights. The decline in calf slaughter will also contribute to higher weights.

Trade:

Cattle Exports Marginally Lower as Retention Generally Offsets U.S. Cattle Demand

Live cattle exports are forecast at 1.12 million head in 2016, which is marginally down from 2015 (1.21 million head) as lower prices are expected in the United States due to herd recovery. However, the market remains attractive. As noted previously, retention by feedlots will decrease exportable supplies. Normal weather and fair pasture conditions in 2016 will also keep export levels low compared to during the 2012 drought.

Cattle Imports Remain Stable on Continued Herd Improvement

Live cattle imports are forecast at 23,000 head, unchanged from 2015. Despite high prices of U.S. breeding stock partnered with a strong dollar, Mexico will continue importing cattle for herd improvement. The import of high breed cattle is a mid to long term objective for the cattle sector.

Production, Supply and Demand Data Statistics:

Table 1. PSD, Animal Numbers, Cattle

Animal Numbers, Cattle Market Begin Year Mexico	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	17760	17760	17120	17120	16450	16615
Dairy Cows Beg. Stocks	3215	3215	3250	3250	3250	3275
Beef Cows Beg. Stocks	6700	6700	6700	6700	6800	6800
Production (Calf Crop)	6750	6750	6850	6850	6925	7000

Total Imports	28	28	20	23	25	23
Total Supply	24538	24538	23990	23993	23400	23638
Total Exports	1176	1176	1300	1213	1200	1125
Cow Slaughter	1400	1400	1400	1350	1340	1340
Calf Slaughter	300	300	300	275	250	250
Other Slaughter	4300	4300	4335	4350	4375	4375
Total Slaughter	6000	6000	6035	5975	5965	5965
Loss	242	242	205	190	220	170
Ending Inventories	17120	17120	16450	16615	16015	16378
Total Distribution	24538	24538	23990	23993	23400	23638
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Not Official USDA Data

Commodities:

Meat, Beef and Veal

Production: Production is forecast marginally higher at 1.86 million tons. For the second year in a row, heavier weights offset a decline in slaughter. Liquidation, albeit at a slower rate, continues to depress slaughter.

Consumption:

Consumption is also forecast relatively stable at 1.78 million tons. Per capita consumption will be marginally unchanged following several years of decline. Higher beef prices compared to other animal proteins continue to constrain consumption, particularly among low and medium income consumers.

Trade:

Imports are forecast at 165,000 tons, a six percent decline from 2015. High U.S. beef prices and a strong U.S. dollar suppress Mexican demand.

Exports are forecast at 250,000 tons. The United States, followed by Japan, and Hong Kong, continues to be the primary market for shipments. Anticipated lower shipments by Oceania to the United States in 2016 will enable Mexican shipments to remain strong despite lower U.S. import demand.

Improvements in the quality, food safety, and sophistication of Mexican beef operations have facilitated increased Mexican exports over the past several years.

Production, Supply and Demand Data Statistics:

Table 2. PSD, Meat, Beef and Veal

Meat, Beef and Veal Market Begin Year Mexico	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	6000	6000	6035	5975	5965	5965
Beginning Stocks	0	0	0	0	0	0
Production	1827	1827	1845	1850	1865	1865
Total Imports	206	206	165	175	165	165
Total Supply	2033	2033	2010	2025	2030	2030
Total Exports	194	194	245	228	300	250
Human Dom. Consumption	1829	1829	1755	1792	1720	1770
Other Use, Losses	10	10	10	5	10	10

Total Dom. Consumption	1839	1839	1765	1797	1730	1780
Ending Stocks	0	0	0	0	0	0
Total Distribution	2033	2033	2010	2025	2030	2030
(1000 HEAD) ,(1000 MT CWE)						

Not Official USDA Data

Commodities:

Animal Numbers, Swine

Production:

Continued recovery from porcine epidemic diarrhea (PED) and improved control efforts combined with investments in herd improvements will spur production 7 percent higher to 19.2 million head in 2016. Increasing productivity (pigs per sow) due to continually improving genetics and enlargement of the breeding herd will enable significant expansion during 2016. Ending inventories are forecast to reach a record 10.7 million head.

Commercial farms continue addressing PED challenges and are operating with improved biosecurity measures to control its spread. To date, virus control efforts have been relatively successful, though the threat remains.

Improved genetics combined with lower feed prices continue contributing to lower production costs across the production chain.

Trade:

Imports consist mainly of swine with new breeding lines aimed at increasing the number of weaning piglets per litter to offset the after effects of the PED outbreak. Imports will decline in 2016 to 25,000 head following significant breeding swine purchases in 2015.

Production, Supply and Demand Data Statistics:

Table 3. PSD, Animal Numbers, Swine

Animal Numbers, Swine Market Begin Year Mexico	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	9775	9775	9700	9700	9600	9917
Sow Beginning Stocks	1160	1160	1150	1150	1180	1180
Production (Pig Crop)	17600	17600	17850	18000	19000	19200
Total Imports	14	14	50	42	50	25
Total Supply	27389	27389	27600	27742	28650	29142
Total Exports	0	0	0	0	0	0
Sow Slaughter	15	15	15	15	15	15
Other Slaughter	16805	16805	17300	17100	17535	17685
Total Slaughter	16820	16820	17315	17115	17550	17700
Loss	869	869	685	710	700	740
Ending Inventories	9700	9700	9600	9917	10400	10702
Total Distribution	27389	27389	27600	27742	28650	29142

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Not Official USDA Data

Commodities:

Meat, Swine

Production:

Production is forecast 7 percent higher to a record 1.38 million tons on increased slaughter and heavier weights. Improvement in the breeding herd has bolstered productivity spurring greater slaughter-ready supplies. Relatively low feed prices and new breeding lines have driven weights higher.

Consumption:

Consumption is forecast at 2.33 million tons, supporting generous growth in per capita consumption which is expected to reach nearly 19 kilograms. Rising consumption will be supported by both increased production and imports. Pork remains a lower cost alternative to beef as well as price competitive with poultry meat. As consumers are increasingly aware that swine production systems are as reliable as those in the poultry and beef sectors, pork continues to gain consumer confidence as a healthy source of protein.

Trade:

Imports are forecast at 1.1 million tons. Although Mexican production is forecast higher, it is unable to keep pace with rising consumption, generating strong import demand. Mexico's pork imports will remain hams and picnics as well as mechanically deboned meat (MDM) from the United States. Despite the strong dollar, an expected decline in U.S. pork prices will continue to spur shipments.

Exports are forecast at a record 150,000 tons. Mexico recently received recognition from Japan as free of Classical Swine Fever (CSF) and is now able to export pork from all states. Japan remains Mexico's top market by volume and value – a situation that is not expected to change. In addition, Mexico continues to pursue the development of other export markets in Asia.

Production, Supply and Demand Data Statistics:

Table 4. PSD, Meat, Swine

Meat, Swine Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	16820	16820	17315	17115	17550	17700
Beginning Stocks	0	0	0	0	0	0
Production	1290	1290	1335	1323	1385	1385
Total Imports	818	818	920	981	960	1100
Total Supply	2108	2108	2255	2304	2345	2485
Total Exports	117	117	130	128	150	150
Human Dom. Consumption	1991	1991	2125	2176	2195	2335
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1991	1991	2125	2176	2195	2335
Ending Stocks	0	0	0	0	0	0
Total Distribution	2108	2108	2255	2304	2345	2485

(1000 HEAD), (1000 MT CWE)

Not Official USDA Data

Policy:

In late 2015 a USDA Animal and Plant Health Inspection Service (APHIS) delegation corroborated Mexico's improved Classical Swine Fever (CSF) disease status. As part of the protocol, APHIS has determined to recognize all Mexican states, including Chiapas, as free of CSF. However, for a full recognition, the risk analysis must conclude before the official notification is to be published by mid-2016. Initially, the state of Chiapas was outside the negotiation.