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Annual

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Report Highlights:
Imports of pork and beef are expected to grow modestly in CY 2004 as demand for meat continues to rise, particularly in urban areas and among middle and upper income consumers. Pork production and hog inventories are rising as vertical integration and product quality continue to improve. Cattle inventories are declining as producers grapple with a continued drought in Northern Mexico. Mexico's cattlemen have petitioned the government to conduct a safeguard investigation on U.S. beef exports, while the pork producers have petitioned for an antidumping investigation. Imports of live hogs are expected to increase as Mexican processors take advantage of the recent elimination of antidumping compensatory duties on imports of live hogs for slaughter.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1]
[MX]

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Executive Summary

Live Cattle & Beef:

Mexican ending cattle inventories are expected to drop approximately five percent in calendar year (CY Jan-Dec) 2004 due largely to a stagnant calf crop and slightly higher slaughter rates, reflecting continued drought conditions in several northern regions of Mexico. Domestic beef cattle production for CY 2004 is expected to remain unchanged as cattlemen are discouraged by low profitability and a lack of credit. Domestic beef consumption is expected to increase slightly from the revised CY 2003 estimate due to growing domestic demand for meat protein. Mexico is expected to continue importing grain-fed beef to meet demand from the tourist and restaurant sectors as well as growing demand from supermarkets, particularly in urban areas. In addition to current antidumping tariffs on beef, Mexico's cattlemen have petitioned the Government of Mexico to conduct a safeguard investigation.

Live Hogs & Pork:

The trend toward vertical integration and larger hog operations continues in Mexico. Hog inventories are on the rise as producers anticipate rising demand for pork as the Mexican economy strengthens. Hog production, slaughter, and imports, along with imports of pork, are all forecast slightly higher in 2004 as the improving quality and consistency of pork products helps to spur demand. Despite the continued growth in hog production in Mexico, Mexico's pork producers have expressed concern over the potential for rising imports of hogs and meat from the United States and have petitioned the Government of Mexico to conduct an antidumping investigation on U.S. pork exports.

Production

BOVINE/BEEF

Cattle production for CY 2004 is forecast to remain unchanged from our previous estimate due in part to the continued drought in northern Mexico, the principal cattle production region. A higher estimated calf crop in CY 2003 is due to higher fertility levels and attractive export prices. However, feedlot placements have declined because of higher feed costs. Cattle inventories are declining in the northern regions of Mexico as well as the central and southern areas as production costs continue to rise. Competitively priced and rising imports of beef, tight credit, and low profitability have discouraged investment in the cattle and beef sectors.

Continued dry conditions in northern Mexico forced many cow-calf ranchers to sell off their genetically superior cows and bulls because they could not afford to buy the required supplementary feed.

Most of the cattle raised in Mexico continue to be grass-fed. As a result of the current sluggish economic conditions, many cattlemen and feedlot operators cannot afford imported feedstuffs. Modernization and implementation of state of the art technology is also very limited. The government of Mexico continues to recommend that cattlemen introduce improved herd management practices, such as electric fences, artificial insemination, and new varieties of grasses to increase rangeland productivity.

Mexico has 149 TIF (federally inspected) slaughter plants of which 34 are currently accredited by USDA/FSIS to export beef to the United States. There are also a large number of "municipal" slaughter plants that fall outside of the federal inspection system. Rather than constructing new TIF plants, the Secretariat of Agriculture, Livestock and Rural Development (SAGARPA) reports that some non-TIF plants, particularly sausage and packing plants, are rebuilding facilities to convert into TIF plants. Their main interest is to export products to the U.S. and other markets.

PORCINE/PORK

Production for CY 2004 is forecast slightly upward from the previous year's estimate as the trend toward vertical integration and more modern production practices continues. For CY 2003, production growth among larger producers was tempered by higher feed costs. Independent middle-sized operations account for only a small portion of swine production and many are purebred breeders. There are large numbers of small producers who produce for self-sufficiency or sales at the village level. Among the vertically integrated operations, there are associations and cooperatives of mid-sized producers who supply the larger processing plants, allowing them to reduce costs considerably and therefore increase efficiency and productivity. Improved productivity from vertically integrated operations brought swine inventories up during CY 2003. Inventories are expected to continue building through the first part of CY 2004 to meet anticipated stronger consumer demand from an expected strengthening of the economy.

Consumption

BOVINE/BEEF

As a result of adequate beef supplies and competitive retail prices, domestic consumption is anticipated to increase in CY 2004. Most of this increase will be in regional markets in northern Mexico where dry conditions forced ranchers to send animals to slaughter, thus lowering beef prices in certain markets. Beef consumption continues to increase due to growing consumer demand for meat protein and general population growth. Demand is growing more rapidly among the middle and upper classes in larger cities where there is more disposable income. Total domestic consumption for CY 2003 is revised slightly upward from our previous estimate based on current information from trade sources. Consumption for CY 2002 is revised downward to reflect official data.

PORCINE/PORK

Pork consumption continues to grow modestly. Consumption growth is hampered by the inconsistent quality of pork and pork products in Mexico, which ranges from world-class to products produced in unregulated village level slaughter facilities. As the trend toward vertical integration in the industry continues, the quality and consistency of pork products is expected to improve. Pork faces stiff competition from beef and poultry among Mexican consumers, some still view pork as a health risk.

Trade

BOVINE/BEEF

Slaughter cattle imports in CY 2004 are forecast higher due to the expected improvement in the economy and growing consumer demand for meat protein. Trade sources estimate that total beef imports from the U.S. will include 90 percent boxed beef and 10 percent beef carcasses in CY 2004. Most of this beef will be rounds and chucks (70 percent) and high quality cuts (30 percent). High levels of beef imports from the U.S. should continue coming into Mexico because of competitive prices and quality, but beef will continue to face stiff competition from poultry and to a lesser extent pork. The United States is the leading exporter of beef to Mexico, with approximately 85 percent of the market. U.S. beef cuts continue to be competitive with the upper income classes and the tourist sector, and imports of round and chuck cuts by domestic supermarkets continue to increase. Beef imports for CY 2002 are revised slightly downward from our previous estimate reflecting official data.

Beef imports from non-NAFTA countries are still subject to high import tariffs and/or health restrictions due to BSE and Foot and Mouth Disease.

Cattle exports to the U.S. for CY 2004 are forecast to remain unchanged from the previous year's estimate as CY 2003 gains in calf production are expected to level off in CY 2004. Continued drought in northern Mexico is also expected to affect the level of live cattle exports. Stronger CY 2003 and CY 2004 cattle exports reflect improvements in controlling cattle Tuberculosis and Brucelosis by the Mexican health authorities.

PORCINE/PORK

Hog imports for CY 2003 have been revised upward by 25 percent due to attractive U.S. prices and the recent elimination of the anti-dumping tariff on live hogs. CY 2004 imports are expected to continue at the same level as imported live hogs face competition from domestic hog production. Imports of live hogs for slaughter continue to be limited to a single border crossing point at Eagle Pass, Texas. Pork and pork product imports for CY 2004 are forecast to increase modestly reflecting U.S. pork's price and quality competitiveness. Mexico remains a strong market for U.S. pork variety meats, lard, and greases. Pork imports for CY 2003 are revised downward reflecting the pace of imports to date. Imports for CY 2002 are revised downward reflecting official data.

Domestic sausage companies continue to use more imported U.S. pork variety meats and mechanically de-boned poultry meat due to attractive prices and high quality. Domestically produced sausages containing imported ingredients, as well as imported sausage, continue to gain market niches in Mexico, particularly among mid and upper-income consumers. While animal health concerns and relatively high prices have limited Mexican pork exports, exporters have established a small niche in Japan. The Mexican pork industry is hopeful that a proposed free trade agreement with Japan will lead to expanded exports in the future.

Policy

BOVINE/BEEF

Imports of beef continue to be subject to anti-dumping tariffs. The U.S. government recently held WTO consultations on Mexico's anti-dumping procedures as they relate to beef. In addition, Mexico's beef industry has petitioned the government for a safeguard investigation of U.S. beef imports. The government has not yet made a decision regarding the industry's request.

PORCINE/PORK

Mexico's pork producers have been very active in voicing their concerns about the potential for increased imports of pork following the elimination of tariffs on January 1, 2003 under the provisions of the NAFTA. Producers are also concerned about growing imports of mechanically de-boned poultry meat (MDM) and turkey parts. Swine producers claim that rising MDM and turkey parts imports displace utilization of domestic pork. In response to industry concerns that Government of Mexico recently established standards for Mexican hams. In addition, the Mexican pork producers have petitioned for an anti-dumping investigation of U.S. pork exports. The government has not yet made a decision regarding the industry's request. Anti-dumping tariffs on live hogs were eliminated on May 23, 2003 (see MX3074).

Marketing

BOVINE/BEEF

Imports of breeding cattle and animal genetic products into Mexico are normally performed directly by cattle growers, medium and large dairy owners, distributors, and government institutions. In some cases, Mexican cattle buyers receive financial assistance from government-funded programs to purchase animals of high quality genetics. Participation in major national and state livestock shows may provide opportunities for sales of U.S. livestock genetics to Mexican livestock producers.

Marketing promotion programs for U.S. red meats through the U.S. Meat Federation/Mexico City Office continue opening niche markets for U.S. products in the hotel and restaurant trade. Prospects exist in the short and medium terms for increased meat sales fueled by the increase in population, a Mexican preference for beef and meat protein. The rapid growth in supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth.

PORCINE/PORK

U.S. companies should consider having a Mexican importer or representative registered with the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico. In addition, it is important for US companies to have someone -- an agent or reliable distributor -- who can maintain regular contact with buyers, interface with the government, handle the requisite paperwork, and ensure that customer service is maintained.

Pork in the retail sector tends to be purchased by consumers in traditional Mexican markets where most butcher shops are located; but increasingly consumers are buying their meat products and special cuts at supermarkets. Supermarkets cater primarily to consumers from higher socioeconomic classes; however, the recent introduction of discount warehouse stores is making shopping at supermarkets more accessible to the average consumer.

There are good marketing opportunities for U.S. pork among large cold cut producers. Educational seminars through supermarket chains are also useful in increasing awareness of the advantages of the wide variety of U.S. pork cuts, since most consumers are still unfamiliar with U.S. pork.

Statistical Tables

PS&D, Animal Numbers, Cattle (1000 Head)

PSD Table						
Country:	**Mexico**					
Commodity:	**CATTLE**					
	2002		**2003**		**2004**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/2002**		**01/2003**		**01/2004**	
Total Cattle Beg. Stocks	21296	21296	20116	20519		19749
Dairy Cows Beg. Stocks	2200	2200	2200	2200		2200
Beef Cows Beg. Stocks	11200	11300	11200	11300		11300
Production (Calf Crop)	8400	8800	8400	8900		8900
Intra EC Imports	0	0	0	0		0
Other Imports	215	206	225	250		275
TOTAL Imports	215	206	225	250		275
TOTAL SUPPLY	29911	30302	28741	29669		28924
Intra EC Exports	0	0	0	0		0
Other Exports	860	948	1100	1100		1100
TOTAL Exports	860	948	1100	1100		1100
Cow Slaughter	1650	1600	1600	1600		1600
Calf Slaughter	1650	1600	1600	1600		1600
Other Slaughter	5110	5110	5130	5120		5130
Total Slaughter	8410	8310	8450	8320		8450
Loss	525	525	500	500		600
Ending Inventories	20116	20519	18691	19749		18774
TOTAL DISTRIBUTION	29911	30302	28741	29669		28924

PS&D, Meat, Beef and Veal (1000 Head) (K Metric Tons)

PSD Table						
Country:	**Mexico**				Conversion factor for CWE 1.36	
Commodity:	**Cattle, MEAT, BEEF and VEAL**					
	2002		**2003**		**2004**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/2002**		**01/2003**		**01/2004**	
Slaughter (Reference)	8410	8310	8450	8450		8450
Beginning Stocks	0	0	0	0		0
Production	1940	1930	1950	1950		1960
Intra EC Imports	0	0	0	0		0
Other Imports	489	484	500	500		500
TOTAL Imports	489	484	500	500		500
TOTAL SUPPLY	2429	2414	2450	2450		2460
Intra EC Exports	0	0	0	0		0
Other Exports	8	4	8	5		3
TOTAL Exports	8	4	8	5		3
Human Dom. Consumption	2421	2390	2442	2425		2437
Other Use, Losses	0	20	0	20		20
TOTAL Dom. Consumption	2421	2410	2442	2445		2457
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	2429	2414	2450	2450		2460

Animal Numbers, Swine (1000 Head)

PSD Table						
Country:	**Mexico**					
Commodity:	**Swine**					
	2002		**2003**		**2004**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/2002**		**01/2003**		**01/2004**	
TOTAL Beginning Stocks	10569	10569	10729	10700		10885
Sow Beginning Stocks	920	920	925	925		930
Production (Pig Crop)	15250	15250	15300	15300		15350
Intra EC Imports	0	0	0	0		
Other Imports	250	246	200	250		250
TOTAL Imports	250	246	200	250		250
TOTAL SUPPLY	26069	26065	26229	26250		26485
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Sow Slaughter	15	15	15	15		15
OTHER SLAUGHTER	13825	13825	13850	13850		13900
Total Slaughter	13840	13840	13865	13865		13915
Loss	1500	1500	1500	1500		1500
Ending Inventories	10729	10700	10864	10885		11070
TOTAL DISTRIBUTION	26069	26065	26229	26250		26485

PS&D, Meat, Swine (1000 Head) (K Metric Tons)

PSD Table						
Country:	**Mexico**				Conversion factor for CWE 1.3	
Commodity:	**Swine, MEAT**					
	2002		**2003**		**2004**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/2002**		**01/2003**		**01/2004**	
Slaughter (Reference)	13840	13840	13865	13865		13915
Beginning Stocks	0	0	0	0		0
Production	1085	1085	1100	1100		1110
Intra EC Imports	0	0	0	0		0
Other Imports	320	310	320	310		320
TOTAL Imports	320	310	320	310		320
TOTAL SUPPLY	1405	1395	1420	1410		1420
Intra EC Exports	0	0	0	0		0
Other Exports	60	60	60	60		60
TOTAL Exports	60	60	60	60		60
Human Dom. Consumption	1345	1335	1360	1350		1360
Other Use, Losses	0	0	0	0		0
TOTAL Dom. Consumption	1345	1335	1360	1350		1360
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	1405	1395	1420	1410		1420

NOTE: All PS&D import and export figures for CY2003 are based on World Trade Atlas data. All trade matrix figures for CY2002 are also based on World Trade Atlas data.

Grass Fed Live Steer Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2002	2003	% Change
January	0.731	0.662	(9)
February	0.732	0.665	(9)
March	0.735	0.665	(10)
April	0.736	0.666	(10)
May	0.740	0.671	(9)
June	0.740	0.669	(10)
July	0.738	1/ n/a	1/ n/a
August	0.736	n/a	n/a
September	0.736	n/a	n/a
October	0.684	n/a	n/a
November	0.677	n/a	n/a
December	0.676	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Beef Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2002	2003	% Change
January	1.17	1.02	(13)
February	1.18	1.00	(15)
March	1.18	1.00	(15)
April	1.17	1.03	(12)
May	1.16	1.06	(9)
June	1.18	1.04	(43)
July	1.18	1/ n/a	1/ n/a
August	1.17	n/a	n/a
September	1.16	n/a	n/a
October	1.08	n/a	n/a
November	1.07	n/a	n/a
December	1.06	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Finished Live Hog Wholesale Prices in Mexico City
(US$/Lb.)

Month	2002	2003	% Change
January	0.650	0.516	(21)
February	0.581	0.502	(14)
March	0.554	0.507	(8)
April	0.547	0.496	(9)
May	0.550	0.452	(18)
June	0.554	0.538	(3)
July	0.557	1/ n/a	1/ n/a
August	0.552	n/a	n/a
September	0.553	n/a	n/a
October	0.499	n/a	n/a
November	0.467	n/a	n/a
December	0.508	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Pork Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2002	2003	% Change
January	0.998	0.813	(19)
February	0.927	0.788	(15)
March	0.931	0.789	(15)
April	0.898	0.812	(10)
May	0.836	0.796	(5)
June	0.838	0.828	(1)
July	0.840	1/ n/a	1/ n/a
August	0.840	n/a	n/a
September	0.842	n/a	n/a
October	0.831	n/a	n/a
November	0.801	n/a	n/a
December	0.843	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Animal Numbers, CATTLE				UNITS: ***Head***			
EXPORTS TO:	2002	2003*	2004**	**IMPORTS FROM:**	2002	2003*	2004**
U.S.	947,314	377,533	1,100,000	U.S.	147,063	13,085	250,000
OTHER				NICARAGUA	17,523	4,475	0
BELIZE	278	16	0	AUSTRALIA	24,144	0	0
COSTA RICA	123	75	0	CANADA	10,784	3,109	0
TOTAL OF OTHER	401	91	0	TOTAL OF OTHER	52,451	7,584	0
OTHERS NOT LISTED	199	54	0	OTHERS NOT LISTED	6,740	0	0
GRAND TOTAL	947,914	377,678	1,100,000	GRAND TOTAL	206,254	20,669	250,000

Meat, Beef & Veal				UNITS: ***Metric Tons***			
EXPORTS TO:	2002	2003*	2004**	**IMPORTS FROM:**	2002	2003*	2004**
U.S.	2,213	1,315	2,500	U.S.	283,372	71,728	367,000
OTHER				OTHER			
PUERTO RICO	471	0	0	CANADA	59,065	15,559	0
TOTAL OF OTHER	471	0	0	TOTAL OF OTHER	59,065	15,599	0
OTHERS NOT LISTED	0	0	0	OTHERS NOT LISTED	13,296	4,875	0
GRAND TOTAL	2,684	1,315	2,500	GRAND TOTAL	355,733	92,162	367,000

Animal Numbers, SWINE				UNITS: ***Head***			
EXPORTS TO:	2002	2003*	2004**	**IMPORTS FROM:**	2002	2003*	2004**
U.S.	0	0	0	U.S.	220,330	46,426	250,000
OTHER				OTHER			
COSTA RICA	28	0	0	CANADA	25,365	15,559	0
TOTAL OF OTHER	28	0	0	TOTAL OF OTHER	25,365	15,559	0
OTHERS NOT LISTED	21	0	0	OTHERS NOT LISTED	4	0	0
GRAND TOTAL	49	0	0	GRAND TOTAL	245,699	92,162	250,000

Meat, SWINE				UNITS: ***Metric Tons***			
EXPORTS TO:	2002	2003*	2004**	**IMPORTS FROM:**	2002	2003*	2004**
U.S.	37,484	11,492	40,000	U.S.	196,645	72,082	220,000
OTHER				OTHER			
JAPAN	7,981	593	8,000	CANADA	26,365	10,092	25,000
TOTAL OF OTHER	7,981	593	0	TOTAL OF OTHER	26,365	10,092	25,000
OTHERS NOT LISTED	145	71	0	OTHERS NOT LISTED	12,086	3,125	0
GRAND TOTAL	45,610	12,156	48,000	GRAND TOTAL	235,306	85,299	245,000

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.
* As of April 2003
** Forecast figures.

Cattle Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

	2002	2003*
Total	1,059,212	503,125

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*As of June 30, 2003

Cattle Slaughtered in Municipal Slaughterhouses

	2002	2003
Total	2,922,776	1,388,318

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*As of June 30, 2003

Cattle slaughtered In-Situ Slaughterhouses

	2002	2003
Total	4,328,012	2,055,805

Note: * Figures are estimated. No official data are available for this category

Hogs Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

	2002	2003
Total	4,363,336	2,072,584

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*As of June 30, 2003

Hogs Slaughtered in Municipal Slaughterhouses

	2002	2003
Total	5,089,765	2,417,638

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA
*As of June 30, 2003

Hogs Slaughtered In-Situ Slaughterhouses

	2002	2003
Total	4,386,899	2,083,777

Note: * Figures are estimated. No official data are available for this category