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Mexico

Livestock and Products

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2005

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Report Highlights:
Mexico's 2005 exports of live cattle are now forecast at 900,000 head, down from the previous forecast of 1.5 million head as exportable supplies of cattle have been reduced and producers are expected to rebuild herds. Mexico relaxed its restrictions on imports of bovine products during 2004 and imports of beef are forecast to reach 320,000 MT during 2005, up 50,000 MT from 2004. With the 2003 lifting of NAFTA trade restrictions on pork, imports continue to climb and are forecast at 440,000 MT during 2005. Imports of live hogs are also expected to reach their highest level since 1998. The Government of Mexico continues to conduct an anti-dumping investigation on exports of U.S. hams. Mexico's livestock industry is hopeful that the recently completed free trade agreement with Japan will lead to new export opportunities.

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

Table of Contents

SECTION I. SITUATION AND OUTLOOK

Executive Summary

2005 exports of cattle are expected to drop by 650,000 head to 900,000 head as heavy exports during 2003 and 2004 appear to have reduced exportable cattle supplies and producers are expected to try to re-build herds. Imports of cattle are also expected to be up as Mexico has diversified its suppliers of live cattle in light of cattle import bans from Canada and the United States. Imports of beef are expected to increase 50,000 MT to 320,000 MT in 2005 following the lifting of a number of beef import restrictions that were imposed following the detection of Bovine Spongiform Encephalopathy (BSE) in the United States during late 2003.

Imports and production of pork are forecast to increase during 2005, as key segments of Mexico's pork industry continue to modernize and demand for imported pork products, particularly among higher income consumers, continues to grow. Imports of live hogs are forecast to reach their highest level since 1998 as processors seek to augment domestic slaughter.

SECTION II. STATISTICAL TABLES

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

PSD Table						
Country:	Mexico					
Commodity:	CATTLE					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
Total Cattle Beg. Stocks	20519	20519	19524	19524	17684	17709
Dairy Cows Beg. Stocks	2200	2200	2200	2200	2200	2200
Beef Cows Beg. Stocks	11300	11300	11350	11350	11500	11500
Production (Calf Crop)	8900	8900	9000	9000	9250	9250
Intra EC Imports	0	0	0	0	0	0
Other Imports	53	53	35	60	30	65
TOTAL Imports	53	53	35	60	30	65
TOTAL SUPPLY	29472	29472	28559	28584	26964	27024
Intra EC Exports	0	0	0	0	0	0
Other Exports	1240	1240	1450	1450	1550	900
TOTAL Exports	1240	1240	1450	1450	1550	900
Cow Slaughter	1600	1600	1600	1600	1700	1700
Calf Slaughter	1600	1600	1545	1545	1500	1500
Other Slaughter	5120	5120	5930	5930	5500	5500
Total Slaughter	8320	8320	9075	9075	8700	8700
Loss	388	388	350	350	500	350
Ending Inventories	19524	19524	17684	17709	16214	17074
TOTAL DISTRIBUTION	29472	29472	28559	28584	26964	27024

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					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
Slaughter (Reference)	8320	8320	9075	9075	8700	8700
Beginning Stocks	0	0	0	0	0	0
Production	1950	1950	2150	2150	2070	2070
Intra EC Imports	0	0	0	0	0	0
Other Imports	370	370	270	270	320	320
TOTAL Imports	370	370	270	270	320	320
TOTAL SUPPLY	2320	2320	2420	2420	2390	2390
Intra EC Exports	0	0	0	0	0	0
Other Exports	12	12	10	10	15	15
TOTAL Exports	12	12	10	10	15	15
Human Dom. Consumption	2288	2288	2390	2390	2355	2355
Other Use, Losses	20	20	20	20	20	20
TOTAL Dom. Consumption	2308	2308	2410	2410	2375	2375
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2320	2320	2420	2420	2390	2390

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

PSD Table						
Country:	Mexico					
Commodity:	Swine					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
TOTAL Beginning Stocks	10549	10549	10668	10668	10303	10303
Sow Beginning Stocks	925	925	930	930	940	940
Production (Pig Crop)	15300	15300	15350	15350	15450	15450
Intra EC Imports	0	0	0	0	0	0
Other Imports	184	184	200	300	250	250
TOTAL Imports	184	184	200	300	250	250
TOTAL SUPPLY	26033	26033	26218	26318	26003	26003
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	15	15	15	15	15	15
OTHER SLAUGHTER	13850	13850	14500	14500	14500	14500
Total Slaughter	13865	13865	14515	14515	14515	14515
Loss	1500	1500	1400	1500	1450	1450
Ending Inventories	10668	10668	10303	10303	10038	10038
TOTAL DISTRIBUTION	26033	26033	26218	26318	26003	26003

S&D, Meat, Swine (1000 Head) (K metric Tons)

PSD Table						
Country:	Mexico		Conversion factor for CWE 1.3			
Commodity:	Swine, MEAT					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2003		01/2004		01/2005
Slaughter (Reference)	13865	13865	14515	14515	14515	14515
Beginning Stocks	0	0	0	0	0	0
Production	1100	1100	1150	1150	1175	1175
Intra EC Imports	0	0	0	0	0	0
Other Imports	371	371	415	415	440	440
TOTAL Imports	371	371	415	415	440	440
TOTAL SUPPLY	1471	1471	1565	1565	1615	1615
Intra EC Exports	0	0	0	0	0	0
Other Exports	48	48	50	50	50	50
TOTAL Exports	48	48	50	50	50	50
Human Dom. Consumption	1423	1423	1515	1515	1565	1565
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	1423	1423	1515	1515	1565	1565
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1471	1471	1565	1565	1615	1615

Trade Matrix

Animal Numbers, CATTLE			Units: Head		
Exports to:	2003	2004*	Imports from:	2003	2004*
U.S.	1,238,985	903,679	U.S.	27,805	0
			Other		
			Australia	2,552	26,819
			Nicaragua	17,264	22,021
			New Zealand	1,719	6,094
			Canada	3,228	0
Total of other	0	0	Total of other	24,763	54,934
Other not listed	912	777	Other not listed	0	3,665
Grand Total	1,239,897	904,456	Grand Total	52,568	58,599

Meat, Beef & Veal			Units: Metric Tons		
Exports to:	2003	2004*	Imports from:	2003	2004*
U.S.	4,562	4,209	U.S.	5,599	494
Other			Other		
So. Korea	14	619	New Zealand	0	5,760
Japan	661	74	Canada	2,649	4,835
Chile	0	47	Australia	5,308	2,550
			Chile	0	876
			Nicaragua	0	787
			Panama	0	724
			Costa Rica	0	473
Total of other	675	740	Total of other	7,957	16,004
Other not listed	0	74	Other not listed	13	0
Grand Total	5,237	5,023	Grand Total	22,280	16,498

Animal Numbers, SWINE			Units: Head		
Exports to:	2003	2004*	Imports from:	2003	2004*
U.S.	0	0	U.S.	166,470	159,177
Other			Other		
			Canada	17,782	7,187
Total of other	0	0	Total of other	17,782	7,187
Other not listed	0	0	Other not listed	0	0
Grand Total	0	0	Grand Total	184,252	166,364

Meat, Swine			Units: Metric Tons		
Exports to:	2003	2004*	Imports from:	2003	2004*
U.S.	34,313	26,044	U.S.	222,221	216,236
Other					
Japan	1,688	959		35,918	35,076
Canada	71	84		10,229	5,239
Taiwan	45	68		111	211
Total of other	1,804	1,111	Total of other	46,259	40,526
Other not listed	394	0	Other not listed	28	0
Grand Total	36,511	27,155	Grand Total	268,508	256,763

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition
Figures for meat are in product weight equivalent (PWE)
* As of September 30, 2004

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

Month	2003	2004	% Change
January	0.738	0.739	0.13
February	0.738	0.702	(4.87)
March	0.737	0.735	(0.27)
April	0.736	0.721	(2.03)
May	0.742	0.709	(4.44)
June	0.742	0.734	(1.08)
July	0.740	0.744	0.54
August	0.738	0.734	(0.54)
September	0.738	0.804	8.94
October	0.740	0.856	16.68
November	0.742	N/A	N/A
December	0.743	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	2003	2004	% Change
January	1.17	1.11	(5.4)
February	1.19	1.12	(6.2)
March	1.20	1.11	(8.1)
April	1.20	1.09	(10.0)
May	1.20	1.06	(13.2)
June	1.19	1.08	(9.2)
July	1.19	1.09	(8.4)
August	1.18	1.15	(2.5)
September	1.18	1.23	4.2
October	1.19	1.26	5.8
November	1.20	N/A	N/A
December	1.22	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	2003	2004	% Change
January	0.599	0.598	(0.16)
February	0.588	0.600	2.04
March	0.571	0.607	6.30
April	0.551	0.596	8.16
May	0.551	0.655	18.87
June	0.555	0.731	31.71
July	0.559	0.740	32.38
August	0.559	0.742	32.74
September	0.562	0.753	33.99
October	0.569	0.725	27.42
November	0.593	N/A	N/A
December	0.610	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	2003	2004	% Change
January	0.864	0.934	8.10
February	0.865	0.906	4.73
March	0.865	0.866	0.11
April	0.869	0.846	(2.64)
May	0.867	0.925	6.68
June	0.867	0.998	15.11
July	0.870	1.018	17.01
August	0.870	1.018	17.01
September	0.873	1.058	21.19
October	0.873	1.018	16.61
November	0.894	N/A	N/A
December	0.913	N/A	N/A

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

Related Fas/Mexico Reports

Report Number	Title of Report	Date
MX4006	BSE Update	1/09/04
MX4014	Livestock Semi-Annual	2/01/04
MX4015	BSE Update Second Edition	1/29/04
MX4019	Modifications to NOM-012-ZOO-1993 Animal	2/09/04
MX4020	Mexico Rejects Pork Safeguard Request	2/09/04
MX4026	New Documentation Requirements for Pork	2/19/04
MX4036	BSE Update Third Edition	3/11/04
MX4040	BSE Update Fourth Edition	3/24/04
MX4052	BSE Update Fifth Edition	4/21/04
MX4053	Mexico to Overhaul Import Requirement Procedures for Animals and Animal Products	4/23/04
MX4056	BSE Update Sixth Edition	5/03/04
MX4067	BSE Update Seventh Edition	5/26/04
MX4073	Mexico Eliminates Compensatory Duty on Hogs	6/15/04
MX4074	Mexico Initiates Pork Leg Dumping Investigation	6/15/04
MX4076	Review of Compensatory Duties on Beef Imports	
MX4077	Mexico Publishes Preliminary Resolution AD Pork	6/15/04
MX4078	NAFTA Panel Decides Favorably for U.S. Exporters	
MX4085	BSE Update Eighth Edition	7/08/04
MX4094	Authorized Border Points of Entry for Meat/Offals	
MX4095	Livestock Annual	7/23/04
MX4106	BSE Update Ninth Edition	8/24/04

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

Production

CATTLE/BEEF

Production estimates are unchanged from the previous USDA estimates. A strong 2005 calf crop and reduced slaughter are expected to lead to an increase in cattle numbers following two years of strong cattle exports spurred by strong cattle prices in the United States. Ending inventories are forecast higher than the original estimate for 2005 as cattlemen seek to rebuild herds.

SWINE/PORK

Pork production continues to expand, fueled in large part by a significant increase in prices during 2004 and continued modernization, concentration, and investment within the pork industry. An increase in the number of specialized swine TIF plants, coupled with further integration of swine producer associations in slaughtering and marketing activities, is expected to contribute to expanding pork production in years ahead.

The expectation that prices will moderate somewhat during 2005 is expected to leave the number of hogs slaughtered unchanged from 2004. Additionally, 2004 slaughter was somewhat elevated as producers aggressively culled less productive sows to meet strong demand for meat. 2005 pork production gains are expected to stem from improved yields. With the elimination of import barriers on January 1, 2003, under the terms of the NAFTA, Mexico's pork industry is now affected by U.S. prices more than ever and price changes in the U.S. market will likely affect profitability and production decisions in Mexico during 2005.

Consumption

CATTLE/BEEF

Heavy exports of cattle over the past two years coupled with continued BSE restrictions on imports of beef are expected to limit beef availability and consumption in 2005. Beef also faces stiff competition from lower priced poultry and pork. Nevertheless, per capita meat consumption in Mexico is relatively low and there is considerable potential for expanding consumption as incomes rise.

SWINE/PORK

Pork consumption continues to increase as consumption of processed meats (such as sausages, and hams) has grown faster than consumption of fresh and frozen pork cuts and beef, reflecting an important structural change in the composition of consumption. However, while consumption is growing at slower pace, pork cuts still comprise the largest segment of pork consumption. Per capita meat consumption is relatively low in Mexico when compared to Canada and the United States and the potential for growth as incomes rise is considerable. However, pork faces stiff competition from lower priced poultry products.

Trade

CATTLE/BEEF

With the partial lifting of restrictions on U.S. beef exports during 2004, Mexican imports of U.S. beef for CY 2004 are expected to reach 270,000 metric tons (CWE). Similarly, imports for CY 2005 are forecast to increase to 320,000 metric tons (CWE). Imports of live cattle for 2004 and 2005 are now expected higher due to herd building requirements. Restrictions against imports of live cattle from the United States and Canada due to BSE concerns, allowed Australia, Nicaragua, New Zealand and others to export nearly 60,000 head of cattle to Mexico during the first nine months of 2004.

2005 cattle exports are forecast lower based on the expectation that a significant portion of the exportable supplies of cattle has been exhausted over the past two years. Periods of large exports have been followed by similar reductions in exports in the past as producers sought to rebuild herds.

Mexican beef exporters are hopeful that the recently completed free trade agreement with Japan will lead to new export opportunities. Mexico shipped 20 metric tons of quality cuts in December and the industry is planning to ship 80 metric tons per month to Japan during 2005. Once the details of the trade agreement are finalized later this year, beef producers will likely seek to expand those volumes to Japan.

SWINE/PORK

Imports of live hogs are forecast to reach the highest level since 1998 as processors seek to augment domestic hog slaughter to meet the growing demand for pork. Pork meat imports for CY 2005 are forecast unchanged at 440,000 MT (CWE), fueled in part, by the ban on imports of selected beef products due to BSE concerns and firm pork prices. 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, processed foods, and lunch meats containing imported ingredients, as well as imported sausages and pork products, continue to gain market niches in Mexico, particularly among middle and upper-income consumers.

Domestic pork producers are still concerned about the growing volume of pork imports. The Government of Mexico declined an industry petition to initiate a dumping investigation of certain pork products, but initiated an investigation of imported hams the following day (see MX 4074). In addition, producers are concerned that increased imports of mechanically de-boned poultry meat are displacing domestic pork in the manufacturing of hams and other sausage products.

CY 2005 exports of pork meat are forecast to remain unchanged at 50,000 MT (CWE), mostly to Japan. 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 the recently signed free trade agreement with Japan will lead to expanded exports in the future. Mexican producers and animal health officials are seeking to have additional areas declared free of Classical Swine Fever (CSF). Currently, the states of Sonora, Quintana Roo, Campeche, Baja California, Baja California Sur, Chihuahua, Sinaloa, and Yucatan have been declared low risk or free of CSF by USDA. Regionalization requests are also under review by USDA officials for the states of Nayarit, Coahuila, Nuevo Leon, Tamaulipas, and Durango.

Policy

CATTLE/BEEF

Mexico has taken significant steps to re-open its market to bovine products following the discovery of a single case of BSE in Washington State on December 24, 2003. A listing of approved products as well as prohibited products is listed below. Mexico is seeking to harmonize its BSE requirements with those of Canada and the United States via a trilateral North American harmonization process.

Prohibited products:

Live cattle
Bone-in meat
Boneless meat from cattle 30 months of age or older
Bovine offal and viscera other than those currently authorized
Products derived from non-protein-free tallow
Protein-free tallow fit for human consumption
Gelatin and collagen prepared from bone
Ruminant meal
Ground beef

Permitted products:

Boneless beef from cattle under 30 months of age
Marinated boneless beef from cattle under 30 months of age
Beef based preparations, beef/pork based preparations, beef/sheep based preparations and beef/pork/poultry based preparations
Veal de-boned or bone-in
Hearts, kidneys, tongue and lips from cattle under 30 months of age
Diaphragm and trimmings from cattle under 30 months of age
Tripe from cattle under 30 months of age
Meat, carcasses, viscera, and heads from sheep under 12 months of age
Meat, carcasses, and viscera from goats under 12 months of age
Liver
Milk
Dairy products
Semen
Embryos
Protein-free tallow not fit for animal consumption
Dicalcium phosphate (DCP)
Skins and hides
Gelatin and collagen obtained from hides and skins
Pet Food (see MX4040 for more details)
Sausage made from beef and pork with or without cheese
Live sheep for immediate slaughter

The Secretariat of Health has its own ban on products of bovine origin as follows:

Hormones
Insulin
Enzymes for digestive therapy
Gel capsules made from cartilage or bone
Sutures
Laboratory growth media
Bile extracts
Gelatin (conflict with SAGARPA)
Any products regulated by the Secretariat of Health made from Specified Risk Materials
Food supplements
Blood serum
Common ingredients in beauty products

Dehydrated broth
Instant soups

The Government of Mexico continues to impose dumping duties on imports of certain beef products. However, a NAFTA dispute panel determined that Mexico was not able to demonstrate that all beef meat imports from the United States were damaging the domestic industry. As a result the Secretariat of Economy modified some of the dumping tariffs and provisions (see MX4078).

SWINE/PORK

The Mexican Council of Pork Producers (CMP) is working with the GOM to see if programs can be developed that will aid in making domestic pork producers more competitive, by improving efficiency, quality, product differentiation, and marketing methods. One overriding objective among the pork producers seems to be to help small and medium-sized producers reach viable scales of production, possibly by establishing production contracts with larger pork processors and slaughterhouses. To date, the GOM has yet to establish specific funding or support programs to aid smaller hog producers.

The pork industry and the Government of Mexico are very interested in having additional areas of Mexico declared disease-free, the aim is for Mexican firms to operate in an integrated North American market and to compete in markets outside the NAFTA region. In this sense, the GOM, along with the CMP is pursuing a policy of promotion of fresh and processed pork products to different export markets in addition to its own. Producers are especially optimistic about the possibility of expanding exports to Japan following the recent completion of the free-trade agreement with Japan. Final provisions of the agreement are not likely to be available until after April 2005.

There is no new information on the current status of the dumping investigation on U.S. pork legs. The investigation continues at the Secretariat of Economy and a preliminary decision could be published within the next few months.

Marketing

CATTLE/BEEF

Although beef imports are expected to increase in CY 2005, they are expected to be less than the imports registered before the BSE concerns. Marketing efforts should focus on products that can be imported, while maintaining contact with users of prohibited products for when the full range of bovine products resumes. Efforts should also focus on the quality and safety of U.S. beef. Opportunities exist in the dairy and beef industry for the sale of U.S. genetics and breeding stock. Dairy producers in particular have been hurt by the ban on cattle imports and are planning to source dairy cattle as soon as the ban is lifted. Price is a major consideration when selling dairy cattle to Mexico.

SWINE/PORK

There are good marketing opportunities for U.S. pork among producers of cold cuts and supermarkets catering to middle and upper income consumers. Educational seminars through supermarket chains, restaurants, and hotels appear to be an effective way to increase the awareness of the advantages of the wide variety of U.S. pork cuts.

U.S. livestock, beef and pork exporters, new to the Mexican market, are also encouraged to contact the following trade organizations for further market information.

TRADE ORGANIZATIONS
THE U.S. AGRICULTURAL TRADE OFFICE (ATO) BRUCE ZANIN, DIRECTOR JAIME BALMES NO. 8 - 2ND. FLOOR 11510 MEXICO, D.F. PH. (525) 280-5291/5276; FAX. (525) 281-6093
U.S. MEAT EXPORT FEDERATION (USMEF) JAIME BALMES NO. 8 – 2ND. FLOOR 11510 MEXICO D.F. PH. (525) 5281-6100; FAX (525) 5281-6013 GILBERTO LOZANO, DIRECTOR
CONFEDERACION NACIONAL DE ORGANIZACIONES GANADERAS (CNOG) MARIANO ESCOBEDO NO. 714 COL. ANZURES MEXICO, D.F. 11590 PH. (525) 5254-3245; FAX (525) 5254-2574 OSWALDO CHAZARO, PRESIDENT
CONSEJO NACIONAL DE PORCICULTORES (CMP) JUAN DE LA BARRERA NO. 38 COL. CONDESA 06140 MEXICO, D.F. PH. (525) 5212-1290, FAX. (525) 5211-1379 ENRIQUE DOMINGUEZ, GENERAL DIRECTOR