USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 03/15/2007

GAIN Report Number: MX7021

Mexico

Livestock and Products

Semi-Annual Report

2007

Approved by:
Suzanne E. Heinen
U.S. Embassy Mexico City

Prepared by:
Richard Battaglia and Sal Trejo

Report Highlights:
Imports of pork and beef are expected to grow modestly in CY 2007 as demand for meat continues to rise, particularly in urban areas and among middle and upper income consumers. Total consumption of beef and pork are forecast higher in CY 2007.

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

TABLE OF CONTENTS

SECTION I. SITUATION AND OUTLOOK

Executive Summary

Live Cattle & Beef: Mexican cattle inventories are expected to decline slightly in calendar year 2007 due in part to increasing exports to the United States and the need for feedlot operators to reduce inventories due to increasing feed costs. Cattle slaughter and cattle export figures are forecast higher in 2007. Beef production is forecast slightly higher, along with total consumption and imports. Mexico is likely to continue importing grain-fed beef from the United States to meet growing demand from the hotel and restaurant sectors as well as from the general population.

Live Hogs & Pork: Post's 2007 forecast figures for swine and pork remain unchanged from the previous report (MX6068). Total hog inventories are forecast higher in 2007, supported by solid demand. Hog slaughter is forecast to increase in 2007, partially spurred by higher feed costs. Slaughter could increase further in 2007 if feed prices remain high, leading producers to shorten feeding time to reduce costs. Mexico's imports of U.S. hogs are forecast to reach 225,000 head in 2007, mostly for slaughter. Pork production is forecast higher in 2007, along with consumption and imports. Mexico's pork exports are forecast to continue growing in 2007 as exporters take advantage of the Japan-Mexico free trade agreement and other opportunities in Asia.

SECTION II. STATISTICAL TABLES

PSD Table									
Country	México								
Commodity	Animal Numbers, Cattle					(1000 Head)			
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Total Cattle Beg. Stks	27572	27572	27572	26949	26949	26949	26644	26819	26644
Dairy Cows Beg. Stocks	2200	2200	2200	2200	2200	2200	2200	2200	2200
Beef Cows Beg. Stocks	11500	11500	11500	11700	11700	11700	11800	11800	11800
Production (Calf Crop)	7500	7500	7500	7950	7950	7950	8200	8200	8200
Intra EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	85	85	85	95	95	95	125	125	125
Total Imports	85	85	85	95	95	95	125	125	125
Total Supply	35157	35157	35157	34994	34994	34994	34969	35144	34969
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	1259	1260	1259	1300	1300	1300	1400	1200	1400
Total Exports	1259	1260	1259	1300	1300	1300	1400	1200	1400
Cow Slaughter	1700	1700	1700	1700	1700	1700	1700	1700	1700
Calf Slaughter	1500	1500	1500	1500	1500	1500	1500	1500	1500
Other Slaughter	3158	3158	3158	3300	3300	3300	3400	3400	3400
Total Slaughter	6358	6358	6358	6500	6500	6500	6600	6600	6600
Loss	591	590	591	550	500	550	525	500	525
Ending Inventories	26949	26949	26949	26644	26819	26644	26444	26844	26444
Total Distribution	35157	35157	35157	34994	34994	34994	34969	35144	34969

PSD Table									
Country	México								
Commodity	Meat, Beef and Veal					(1000 Head) (1000 MT CWE)			
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Slaughter (Reference)	6358	6358	6358	6500	6500	6500	6600	6600	6600
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	2125	2125	2125	2175	2175	2175	2200	2200	2200
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	325	313	325	365	365	365	375	375	375
Total Imports	325	313	325	365	365	365	375	375	375
Total Supply	2450	2438	2450	2540	2540	2540	2575	2575	2575
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	31	30	31	35	35	35	40	40	40
Total Exports	31	30	31	35	35	35	40	40	40
Human Dom Consumption	2399	2388	2399	2485	2485	2485	2515	2515	2515
Other Use, Losses	20	20	20	20	20	20	20	20	20
Total Dom. Consumption	2419	2408	2419	2505	2505	2505	2535	2535	2535
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2450	2438	2450	2540	2540	2540	2575	2575	2575

PSD Table									
Country	Mexico								
Commodity	Animal Numbers, Swine					(1000 Head)			
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Total Beg. Stks	10303	10303	10303	10125	10125	10125	10250	10250	10250
Sow Beg. Stocks	940	940	940	950	950	950	955	955	955
Production (Pig Crop)	15500	15500	15500	15700	15700	15700	15800	15800	15800
Intra EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	181	181	181	200	200	200	225	225	225
Total Imports	181	181	181	200	200	200	225	225	225
Total Supply	25984	25984	25984	26025	26025	26025	26275	26275	26275
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Sow Slaughter	15	15	15	15	15	15	15	15	15
Other Slaughter	14744	14744	14744	14785	14785	14785	14825	14825	14825
Total Slaughter	14759	14759	14759	14800	14800	14800	14840	14840	14840
Loss	1100	1100	1100	975	975	975	975	975	975
Ending Inventories	10125	10125	10125	10250	10250	10250	10460	10460	10460
Total Distribution	25984	25984	25984	26025	26025	26025	26275	26275	26275

PSD Table									
Country	Mexico								
Commodity	Meat, Swine					(1000 Head) (1000 MT CWE)			
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Slaughter (Reference)	14759	14759	14759	14800	14800	14800	14840	14840	14840
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	1195	1195	1195	1200	1200	1200	1250	1250	1250
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	420	440	420	450	450	450	460	460	460
Total Imports	420	440	420	450	450	450	460	460	460
Total Supply	1615	1635	1615	1650	1650	1650	1710	1710	1710
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	59	61	59	65	65	65	70	70	70
Total Exports	59	61	59	65	65	65	70	70	70
Human Dom Consumption	1556	1574	1556	1585	1585	1585	1640	1640	1640
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	1556	1574	1556	1585	1585	1585	1640	1640	1640
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	1615	1635	1615	1650	1650	1650	1710	1710	1710

Trade Matrix

Animal Numbers, CATTLE			Units: Head		
Exports to:	2005	2006	Imports from:	2005	2006
U.S.	1,258,583	1,570,230	U.S.	0	875
Other	0	438	Other		
			Australia	17,464	11,290
			Nicaragua	30,536	31,682
			New Zealand	29,734	25,124
			Costa Rica	4,094	2,075
Total of other	0		Total of other	81,828	
Other not listed	202		Other not listed	2,873	13
Grand Total	1,258,785	1,570,668	Grand Total	84,701	71,046

Meat, Beef & Veal			Units: Metric Tons		
Exports to:	2005	2006	Imports from:	2005	2006
U.S.	11,485	16,329	U.S.	171,220	224,971
Other			Other		
So. Korea	3,060	3,909	New Zealand	6,427	4,903
Japan	5,970	5,092	Canada	42,807	33,823
Puerto Rico	1,959		Australia	3,314	2,642
Costa Rica	603		Chile	10,996	3,509
Canada	16		Nicaragua	1,027	
			Panama	89	
			Costa Rica	2,032	
Total of other	11,608		Total of other	66,692	
Other not listed	15	2,617	Other not listed	689	3,754
Grand Total	23,108	27,497	Grand Total	238,512	273,602

Animal Numbers, SWINE			Units: Head		
Exports to:	2005	2006	Imports from:	2005	2006
U.S.	0	0	U.S.	151,353	176,373
Other	0	0	Other		
	0	0	Canada	29,960	20,016
Total of other	0	0	Total of other	29,960	
Other not listed	0	0	Other not listed	0	2
Grand Total	0	0	Grand Total	181,313	196,391

Meat, Swine			Units: Metric Tons		
Exports to:	2005	2006	Imports from:	2005	2006
U.S.	9,286	8,118	U.S.	284,596	311,373
Other			Other		
Japan	34,670	40,406	Canada	32,221	26,339
So. Korea	1,647	1,477	Chile	6,058	43,278
Guatemala	255		Spain	214	0
Canada	66				
Total of other	36,638		Total of other	38,493	
Other not listed	59	495	Other not listed	160	489
Grand Total	45,986	50,496	Grand Total	323,249	342,985

Source: Global Trade Information Services, Inc. “World Trade Atlas” Mexico Edition
Figures for meat are in product weight equivalent (PWE)
*As of December 31, 2006

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

Month	2005	2006	% Change
January	0.867	0.868	1.001
February	0.865	0.867	1.002
March	0.856	0.857	1.001
April	0.852	0.864	1.014
May	0.848	0.861	1.015
June	0.846	0.836	(1.012)
July	0.826	0.866	1.048
August	0.858	0.876	1.021
September	0.868	0.867	(1.001)
October	0.867	0.873	1.007
November	0.850	0.915	1.076
December	0.857	0.950	1.108

Source: National Market Information Service (SNIM)

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

Month	2005	2006	% Change
January	1.26	1.34	1.063
February	1.28	1.34	1.047
March	1.27	1.34	1.055
April	1.27	1.33	1.047
May	1.28	1.27	(1.008)
June	1.28	1.23	(1.041)
July	1.27	1.25	(1.016)
August	1.32	1.27	(1.039)
September	1.34	1.24	(1.081)
October	1.35	1.26	(1.071)
November	1.35	1.27	(1.063)
December	1.35	1.36	1.007

Source: National Market Information Service (SNIM)

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

Month	2005	2006	% Change
January	0.712	0.679	(1.049)
February	0.710	0.670	(1.060)
March	0.691	0.650	(1.063)
April	0.636	0.642	1.009
May	0.603	0.615	1.020
June	0.580	0.585	1.009
July	0.633	0.639	1.009
August	0.707	0.650	(1.088)
September	0.699	0.629	(1.111)
October	0.658	0.619	(1.063)
November	0.679	0.558	(1.217)
December	0.637	0.648	1.017

Source: National Market Information Service (SNIM)

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

Month	2005	2006	% Change
January	0.948	1.028	1.084
February	0.954	0.987	1.035
March	0.938	0.987	1.052
April	0.928	0.946	1.019
May	0.928	0.943	1.016
June	0.897	0.896	(1.001)
July	0.909	0.959	1.055
August	0.946	0.939	(1.007)
September	0.946	0.929	(1.018)
October	0.940	0.894	(1.051)
November	0.972	0.874	(1.112)
December	0.972	0.907	(1.071)

Source: National Market Information Service (SNIM)

Related Fas/Mexico Reports

Report Number	Title of Report	Date
MX6001	TRQ DAIRY PREPARATIONS	1/9/06
MX6002	TRQ MILK POWDER WTO	1/9/06
MX6003	TRQ MILK POWDER USA	1/9/06
MX6005	PORK LEG ANTIDUMPING RESOLUTION	1/13/06
MX6010	LIVESTOCK SEMI-ANNUAL	2/1/06
MX6014	PORK LEG PANEL REVIEW	2/10/06
MX6024	DAIRY IMPORT CUPOS	3/22/06
MX6032	MEXICO ANNOUNCES THE CONTINUANCE OF COMPENSATORY DUTIES ON BEEF IMPORTS	4/25/06
MX6039	DAIRY SEMI-ANNUAL	5/15/06
MX6067	MEXICO INCREASES THE NUMBER OF AUTHORIZED CROSSING POINTS FOR SPECIFIC PRODUCTS	8/22/06
MX6068	LIVESTOCK ANNUAL	8/25/06
MX6092	DAIRY ANNUAL	11/01/06
MX6096	AUCTION OF PERMITS TO IMPORT DAIRY PREPARATIONS SET FOR DECEMBER 2006	11/14/06
MX6099	MEXICO ESTABLISHES 2006 ADDITIONAL OUT-OF-QUOTA MILK POWDER IMPORTS	11/24/06
MX7006	DDGS Market	1/19/07
MX7007	MEXICO ANNOUNCES THE TRQ FOR MILK POWDER IMPORTS FROM WTO MEMBER COUNTRIES	1/23/07
MX7008	MEXICO ANNOUNCES TRQ (CUPOS) FOR MILK POWDER IMPORTS FROM THE UNITED STATES FOR 2007	1/23/07

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

Production

Bovine/Beef

The CY 2007 cattle production forecast is unchanged from post's previous estimate, somewhat higher than the 2006 level. Despite a larger calf crop and higher imports, total 2007 cattle inventories are forecast slightly lower due to increased slaughter and larger cattle exports. Feedlot placements could decline in 2007 due to higher feed costs. Less than one-third of Mexico's beef production comes from feedlot operations, which are most affected by higher grain prices. Beef production for 2007 is forecast to slightly exceed the 2006 level, reflecting the continued growth in demand.

Porcine/Pork

The 2007 pork production forecast remains at 1.25 MMT, which is slightly higher than the 2006 estimate. Although many producers have been impacted by higher feed costs, hog numbers are expected to continue growing in 2007. During CY 2006, improved productivity from larger vertically integrated operations brought swine inventories up from the previous year. Mexico's larger vertically integrated domestic swine producers grew in 2006. Small, backyard hog production however, is still significant as about one-third of Mexico's pork production comes from farms with less than 20 animals. Smaller commercial enterprises (200 to 500 sows) account for more than 25 percent of total Mexican production. These producers are substantially impacted by rising corn prices and are the most vocal in pushing the Mexican government for assistance and restrictions on imports. The larger and more technically advanced producers (over 500 sows) represent over 40 percent of total production.

Consumption

Bovine/Beef

Year to year beef consumption continues to increase due to growing consumer demand for meat protein and general population growth. Demand for beef is growing more rapidly among the middle and upper population segments, particularly in Mexico's larger cities where disposable income is higher. Demand from Mexico's HRI industry also remains strong. There is no change in the consumption estimate for CY 2006.

Porcine/Pork

Mexico's pork consumption is expected to continue growing in 2007, fueled by increasing purchasing power among middle and upper classes, and strong demand in the restaurant and hotel industries. In the past, many Mexican consumers believed that pork meat was unhealthy and unsanitary. However, this "myth" has eroded in recent years further adding to the growth in consumption as both government and industry have worked together to promote pork as a safe and healthy product. The increasing availability of pork cuts and variety meats (hams, sausages, etc) in Mexico's growing retail industry has also helped to increase consumption. Additionally, Government support programs for the slaughter and processing of hogs in federally inspected slaughterhouses (TIF) have spurred an increase in consumption of pork meat and processed meat such as hams.

Mexico's sausage companies continue to use imported U.S. pork variety meats 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.

Trade

Bovine/Beef

Imports of slaughter cattle and beef are forecast upward from the previous year's figures due to expected improvement in the economy and 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 2007. Most of this beef will be rounds and chucks (70 percent), with the remainder comprised of high quality cuts (30 percent). Beef imports from the U.S. should continue to increase because of competitive prices and quality, while beef from most non-NAFTA countries is still subject to high import tariffs or health restrictions due to BSE and Foot and Mouth Disease.

Cattle exports to the United States in 2007 are forecast to increase from post's previous estimate due to continued improvements controlling cattle tuberculosis and brucelosis by the Mexican government, and a slightly improved calf crop. Domestic feeder steer exports to the United States in CY 2006 have been revised upward as well. Cattle exports for CY 2005 are revised downward reflecting final government data.

Porcine/Pork

Pork imports for 2007 are forecast to remain unchanged at 460,000 MT, which is slightly higher than the 2006 estimate. Mexico remains a strong market for U.S. pork variety meats, lard, and greases. Given Mexico's population growth and relatively low per capita consumption, demand for U.S. hogs and pork products is expected to increase in the coming years.

Through December 2006, total U.S. hog exports to Mexico for CY 2006 were 196,391 head, 8.32 percent higher than imports for the same period in CY 2005, as Mexican producers and processors took advantage of competitive prices in the United States.

Mexico's pork exports are forecast higher in 2007 at 70,000 MT. With the exception of high quality cuts being exported to Asian markets, overall export levels will remain relatively modest due to animal health constraints and relatively high prices for Mexican pork.

Policy

Bovine/Beef

In October 2006, SAGARPA agreed to allow imports of U.S. dairy cattle, which were banned following the detection of BSE in Washington State in 2003. Trade has since resumed, and approximately 850 cattle were imported into Mexico as of December 2006. Further information and export requirements for shipping dairy cattle to Mexico can be found on the APHIS website using the following link.

http://www.aphis.usda.gov/vs/ncie/iregs/animals/mx.html

Porcine/Pork

Mexico's pork industry is likely to maintain pressure on the Mexican Government to implement policies designed to reduce imports of pork and mechanically de-boned poultry meat (MDM) and turkey parts. Swine producers claim that rising MDM and turkey parts imports along with pork imports displace utilization of domestic pork.

Marketing

Bovine/Beef

Imports of breeding dairy cattle and animal genetic products into Mexico are normally performed directly by dairy cattle producers, medium and large dairy owners, distributors, and government institutions. In some cases, Mexican cattle buyers receive financial assistance from government-funded programs (PROGAN) 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 Export Federation (USMEF) office in Mexico City enable exporters to access niche markets for U.S. products in the hotel and restaurant trade, and other sectors. Prospects exist in the short and medium terms for increased meat sales fueled by Mexico’s population growth and insufficient domestic production. The development of supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth.

Porcine/Pork

Pork in the retail sector tends to be purchased by consumers in traditional Mexican markets where most butcher shops are located. However, consumers are increasingly buying meat products and special cuts at supermarkets that cater to consumers from the higher socioeconomic classes. Additionally, discount warehouse stores are making shopping at supermarkets more accessible to average consumers.

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) LIVERPOOL NO.31 06000 MEXICO, D.F. PH. (525) 5140-2614, 5140-2671; FAX (525) 5535-8557 VALERIE BROWN JONES, DIRECTOR (ACTING)
U.S. MEAT EXPORT FEDERATION (USMEF) JAIME BALMES NO. 8, SUITE 602, 6th. FLOOR 11510 MEXICO D.F. PH. (525) 5281-6100; FAX (525) 5281-6013 CHAD RUSSELL, REGIONAL 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