

**Required Report:** Required - Public Distribution

**Date:** July 29, 2021

**Report Number:** MX2021-0042

## **Report Name:** Livestock and Products Annual

**Country:** Mexico

**Post:** Mexico City

**Report Category:** Livestock and Products

**Prepared By:** Gustavo Lara

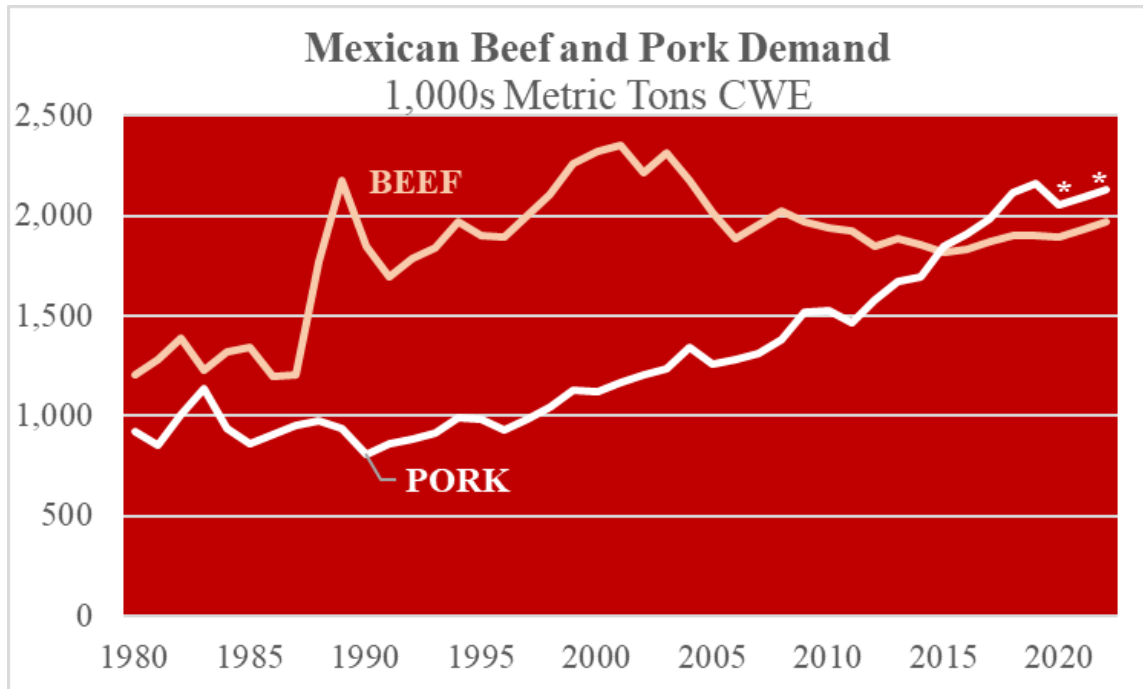
**Approved By:** Gene Kim

### **Report Highlights:**

Animal protein supplies remain tight in Mexico. Post forecasts beef production to grow to 2.19 million metric tons (MMT) carcass weight equivalent (CWE) in 2022, up 3.3 percent from 2021. The main drivers are solid exports, chiefly to the United States, and a recovery in domestic demand. Post also forecasts pork production to reach a record at nearly 1.54 MMT CWE in 2022, up 3.0 percent from 2021, reflecting continued strong exports to Asia, a recovery in domestic demand, and lower feed costs. In May and June 2021, retail beef and pork prices reached all-time highs. The Bank of Mexico projects that economic growth will reach a modest three percent in 2022, following a six-percent recovery in 2021 and a record decline of more than eight percent during the COVID-19 pandemic in 2020. Today, inflation concerns and overall uncertainty about livestock feed prices, foreign exchange rates, and a resurgence of coronavirus infections weigh on Mexico's livestock outlook.

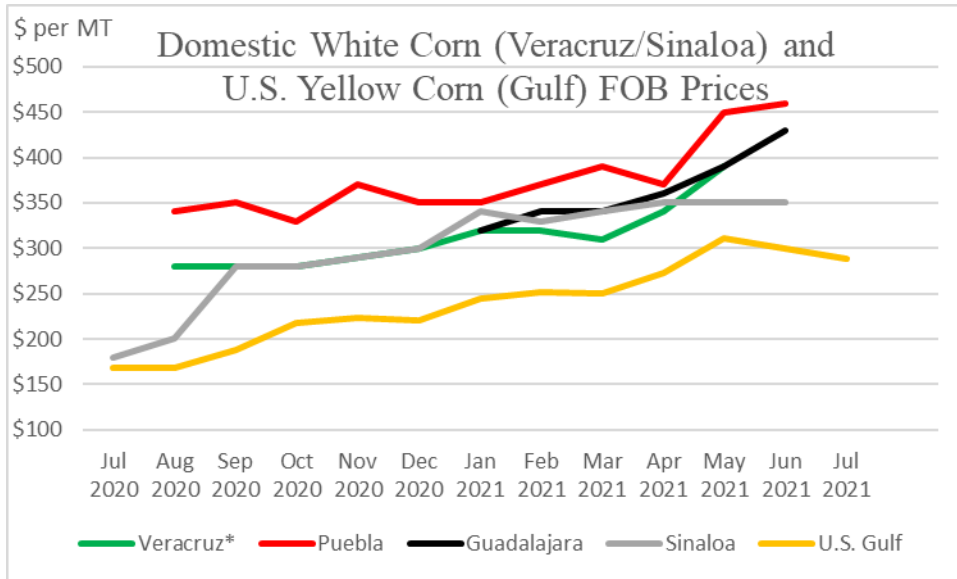
## Executive Summary

Mexico's livestock sector is resilient in the face of numerous environmental, policy, and economic challenges. Livestock producers in Mexico continue a long-term trend towards vertical integration and expanded production. Domestic consumer demand for beef and pork continues an upward trajectory despite all-time high prices. Export demand growth for beef is projected to continue rising due to tight global supplies. However, export demand for pork is projected to slow as China delays registering additional Mexican export facilities.



Sources: USDA/FAS PSD Online and \*2021 and 2022 Unofficial Post Estimates

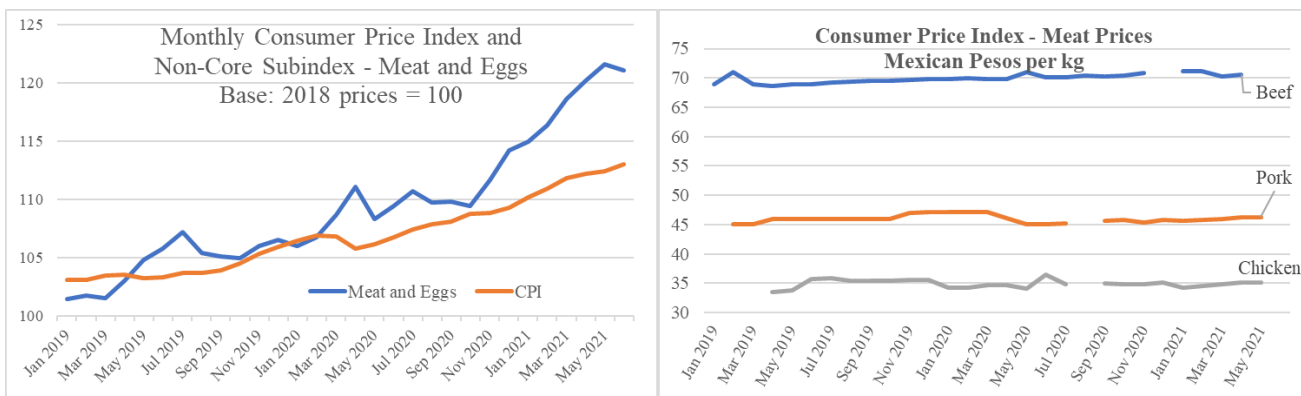
Because Mexico depends on feed imports for its livestock sector, foreign exchange exposure and grain price volatility remain the most significant risks to the Mexican livestock sector as most of its corn and oilseed needs are denominated in U.S. dollars. Under the North American Free Trade Agreement (NAFTA) and its successor, the U.S.-Mexico-Canada Trade Agreement (USMCA), U.S.-Mexico market integration linked prices for white and yellow corn and corn-based products flowing in both directions across the border. A 22-percent spike in global corn prices over the first half of 2021 led domestic corn prices and livestock prices higher. Mexico's National Association of Balanced Animal Feed (CONAFAB) forecasts livestock feed demand growth to reach 5 percent in 2022, up a percentage point from 2021 on strong demand. High compound feed prices are expected to stabilize in 2022 as price gains in 2021 subside.



Source: FAO, INEGI, Chicago Mercantile Exchange

### Mexico’s Economic Recovery and Inflation Concerns

Based on data from the first half of 2021, the Bank of Mexico forecasts national GDP to grow to 6.0 percent and annual inflation to reach 5.9 percent. The Organization for Economic Cooperation and Development projects Mexico’s unemployment rate to gradually rise due to a fragmented outlook and a recovery to pre-COVID-19 pandemic levels in 2022. Mexico’s economic recovery depends on a return to business as usual at manufacturing centers in northern Mexico and tourism and hospitality hotspots in Baja California and along the Gulf of Mexico. The U.S. Meat Export Federation reports that the COVID-19 pandemic impacts caused widespread closures of restaurants and foodservice outlets, schools, and reduction of tourism and travel. According to the National Chamber of Restaurants and Seasoned Food Industry (CANIRAC), approximately 20 percent of all Mexican restaurants shuttered in 2020 and 2021, accounting for a loss of over 120,000 registered establishments. Meanwhile, agricultural export demand continues to support rural regions.



Source: INEGI/SIAP

## **Consumer and Producer Responses to the COVID-19 Pandemic**

A recent study by Kantor, a retail consultancy, showed that 68 percent of Mexican citizens changed their eating habits during the COVID-19 pandemic in response to overall declines in household income and ongoing uncertainty about Mexico's economic recovery. In 2021, retail consumers focused on value, versatility, convenience, family-sized packaging, and healthy options. Consumers prioritized their food expenditures on essentials, including animal protein, dairy, eggs, fruits, and vegetables over snack foods.

As a result of the COVID-19 pandemic, many Mexicans have a renewed interest in health and wellness, environmental sustainability, animal welfare practices, and food safety for meat products. In many cases, social media directly transmits trends from the United States to Mexico. Among higher-income consumers, plant-based meat alternative proteins are a growing area of interest. In October 2018, DuPont opened a meat application center in Mexico City to refine plant-based protein products for the Latin American market. However, due to Mexico's strong culinary association with meat and traditional flavors, plant-based proteins will need to closely resemble the taste, texture, and aromas of conventional animal protein to compete in the retail market. Additionally, most plant-based meat alternatives remain too expensive for most Mexican households.

Although there is widespread interest among consumers emerging from a post-COVID-19 world seeking healthy foods, others are eager to resume enjoying traditional grilled, braised, and fried meat with friends and family at weekend barbecues, street stands, and food stalls. In May 2021, CANIRAC officials projected that Mexico's foodservice sector would reopen at 80 to 100 percent capacity by late 2021 following a 13-month hiatus during the COVID-19 pandemic. CANIRAC reports that as of June 2021 banquet and conference services returned to about 20 percent of regular business activity.

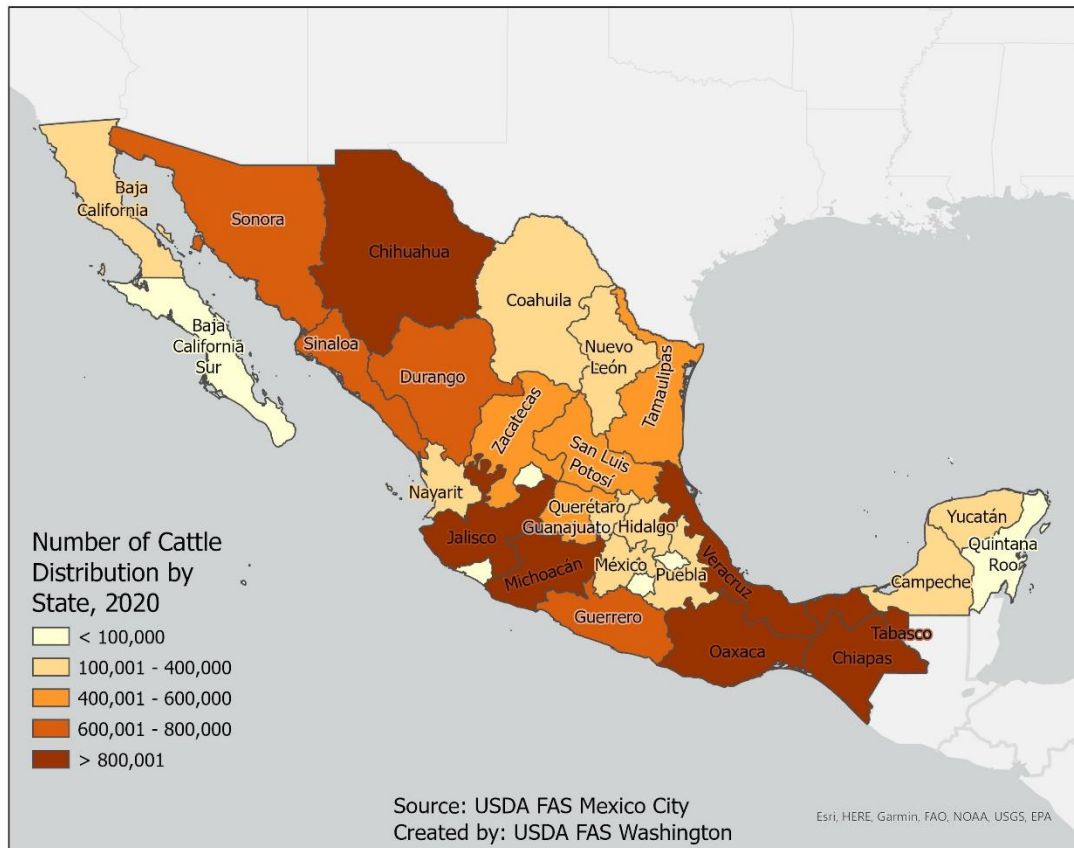
At the onset of the COVID-19 pandemic, Mexico's animal processing sector quickly implemented preventative measures, and health protocols learned from the H1N1 swine flu outbreak in 2009. This rapid response enabled Mexico to continue operating without significant disruption due to outbreaks. These changes include adjustments to staff scheduling, facilities, offices, and personnel transportation to prevent overcrowding. Other preventative measures include investments in personal protective equipment, air filtration equipment, and virus testing. Additionally, the National Sanitation, Health, and Quality Inspection Service (SENASICA)'s Federal Inspection Type (TIF) facility classification program assesses livestock processing and export facilities according to risk mitigation, biosecurity, and hygiene management practices. The TIF system minimizes the risk that meat products and by-products may be sources of zoonoses or the spread of diseases to other animals. Sound adoption of international standards to meet TIF requirements also mitigated the risk of COVID-19 outbreaks at Mexico's livestock processing facilities.

Mexico's cold storage sector continues to expand. Rapid investment and inspection of cold storage capacity along the U.S.-Mexico border facilitated higher volumes of two-way trade flows to transit the U.S.-Mexico border and helped to mitigate some shipping delays experienced during the past 12 to 18 months. Cold chain logistics in southeast Mexico remain a challenge.



As of July 15, the Mexican Water Commission (Conagua) reports that 42.6 percent of Mexico’s territory faces dryness or drought conditions, down from 88 percent in early June. Exceptional Drought (D4, deep-red color) conditions continue to impact northern Sonora and Chihuahua. Around 60 percent of Mexico’s territory is dedicated to livestock production. Mexico’s livestock sector is widely distributed across a patchwork of mountains, as well as tropical, temperate, and arid desert regions. As a result, Mexico’s livestock sector has adopted a wide variety of production systems, including large commercial operations and small subsistence production. Most cattle are grass-fed. A growing share of cattle is finished in feedlots.

Mexico's Cattle Herd Distribution in 2020



Mexico’s livestock sector is distributed across three principal regions with distinct market niches. The arid northwest corridor, including the states of Chihuahua and Sonora, is almost entirely focused on marketing live feeder cattle and calves for export to the United States. Chihuahua is Mexico’s leading state for live cattle exports due to its proximity to the U.S.-Mexico border, which can be crossed by hoof, and its central location along the border. To manage drought risk, livestock producers truck supplemental feed and water to their pastures and feedlots, and, where possible, drill and pump wells.

Geo-climatic regions of Mexico



In Central Mexico, including the semi-tropical coastal states of Veracruz and Tamaulipas and the temperate semi-arid state of Jalisco, production is mostly grass-fed for the domestic market. Cattle across this region represent the most diverse segment of Mexico’s livestock sector, including dual-purpose cattle and dairy operations and subsistence producers. In the states of Tamaulipas and Veracruz, cattle production is mainly grass-fed and destined for domestic markets. In recent years, South Mexico has emerged as a hub to pack and export lean beef to Latin American diaspora in third countries seeking a taste from home.

**Production, Supply and Distribution**

Animal Numbers, Cattle	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stocks (1000 HEAD)	16900	16900	17000	17000	0	17258
Dairy Cows Beg. Stocks (1000 HEAD)	3550	3550	3500	3500	0	3550
Beef Cows Beg. Stocks (1000 HEAD)	7900	7900	7950	7950	0	8000
Production (Calf Crop) (1000 HEAD)	8000	8000	8150	8150	0	8300
Total Imports (1000 HEAD)	37	37	60	60	0	45
Total Supply (1000 HEAD)	24937	24937	25210	2510	0	25603
Total Exports (1000 HEAD)	1485	1485	1280	1280	0	1450
Cow Slaughter (1000 HEAD)	1380	1380	1420	1420	0	1470
Calf Slaughter (1000 HEAD)	260	260	270	270	0	280
Other Slaughter (1000 HEAD)	4698	4698	4850	4850	0	5000
Total Slaughter (1000 HEAD)	6338	6338	6540	6540	0	6750
Loss and Residual (1000 HEAD)	114	114	132	132	0	132
Ending Inventories (1000 HEAD)	17000	17000	17258	17258	0	17271
Total Distribution (1000 HEAD)	24937	24937	25210	25210	0	25603
(1000 HEAD)						

Note: Not official USDA data

### Price Outlook

In 2021, limited cattle supply, tight domestic beef supplies, and strong beef export sales supported live cattle auction prices.

At the outset of 2021, Mexican livestock feeder operations wrongly anticipated a drop in boxed beef prices and did not stock sufficient feeder cattle for slaughter. Dismal prices at live cattle markets in Mexico and the United States led some of the largest cattle producers in Mexico to seek official and industry recognition rather than profits. By exporting live Mexican cattle to the United States, exporters dedicated time and sources to demonstrate to competitors and export buyers the high quality and health standards among their herds. Then, in spring 2021, as COVID-19 related supply chain disruptions spread, livestock feeder operations quickly bid live cattle prices for packer, feeder, and calves higher, reflecting a historic supply crunch in the second half of 2020. From June 2020 to June 2021, the average auction price of fed cattle rose 25 percent. Calf prices spiked 17 percent over the same period. Many industry experts project that strong beef exports and recovering domestic demand will continue to drive cattle prices in 2021 and 2022 higher.

<b>Calf Average Auction Prices</b>				
	June 2021	July 2021	% Change	June 2020
Yucatán	\$60.00	\$60.00	0%	\$49.63
Tamaulipas	\$48.71	\$57.52	15%	
Source: MexicoGanadero.com				
<b>Finished Cattle Average Auction Prices</b>				
	June 2021	July 2021	% Change	June 2020
Yucatán	\$29.50	\$30.25	2%	\$23.38
Tamaulipas	\$31.75	\$33.46	5%	
Source: MexicoGanadero.com				
<b>Feeder Cattle Average Prices</b>				
Chihuahua/NM	\$113.00 - \$125.00	\$144.00-\$155.00	19-22%	\$103.00 \$114.00
Sonora/AZ	\$113.00 - \$123.00	\$143.00-\$153.00	20-21%	\$102.00 - \$112.00
Source: USDA/Agricultural Marketing Service				

To cope with supply chain disruptions, shifting consumer demand, drought, and public health restrictions, Mexican livestock producers employed various strategies to lower their risk exposure. Cost-management efforts include reformulating feed rations and implementing commodity hedging strategies. Producers in the hardest-hit drought areas partly liquidated younger cattle stocks earlier than planned. In northwest Mexico, high feed and water costs and higher-than-expected slaughter estimates from the National Agriculture, Food, and Fisheries Information Service (SIAP) indicate that the current cost-of-gain exceeds live cattle auction prices. Industry sources report that most cattle producers are financially positioned to recover from recent drought conditions and will retain their calves and replacement heifers.

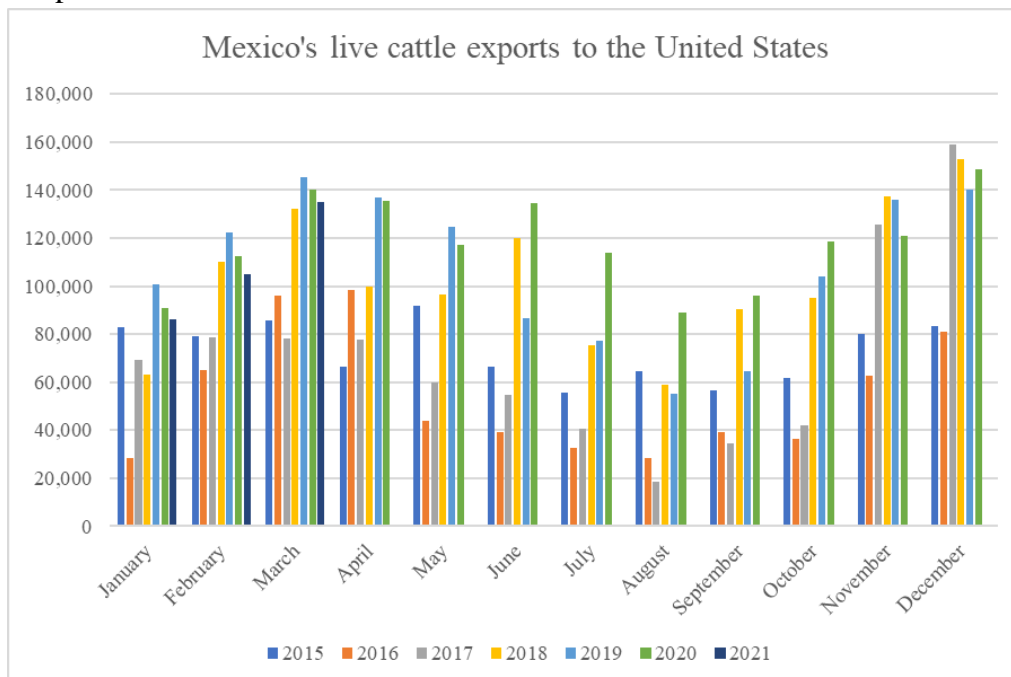


## Trade

**Imports:** Post forecasts live cattle imports to fall to 45,000 head in 2022, down 25 percent from 2021 as the import trend is projected to moderate in 2022. From April to June 2021 live cattle imports exploded as Mexican beef processors rushed to capitalize on higher prices. U.S. livestock exporters partly liquidated their herds to manage downside price risks over the next 6 to 12 months by selling into the Mexican packer market. Very few importers have sufficient resources to comply with SENASICA's strict import protocols, which include rapid transfer from the U.S. border to federally approved slaughter facilities and animal traceability requirements.

Imports from Belize, Nicaragua, and Guatemala are poised to expand. Although final margins on U.S. packer cattle exceed younger and lower weight cattle imports from Central America and finishing costs, livestock inflows from Central America continue. In 2019, Mexico and Guatemala signed an animal health protocol granting Guatemalan cattle market access to Mexico. On July 9, 2021, SENASICA director Francisco Javier Trujillo Arriaga announced that Mexico and Belize signed a similar protocol after establishing disease-free regional certifications and corridors in Guatemala. Under the new protocol, live cattle must pass TB and brucellosis screening and an attestation of no contact with wild animal species known to be reservoirs for these diseases.

**Exports:** Post projects that cattle exports will grow to 1.45 million head in 2022, up by 5 percent from 2021, due to strong demand in the United States. The pace of Mexican exports to the United States remains unaffected by a USDA regulatory action that re-classified the bovine disease status of 21 regions in Mexico. Mexico's largest cattle suppliers continue to maintain eligibility for animal health certificates to export.



Source: SIAP Database

In late 2021, Mexico's Secretariat of Agriculture (SADER) will assume full administrative authority over the National Confederation of Cattlemen Associations (CNOG)'s national traceability program for cattle (SINIIGA). Industry sources note that the shift will benefit domestic producers and prospective exporters as the program gains official recognition, certainty, and transparency. As a result, Mexico's feedlot operators and breeders may expand exports to the United States and the European Union and possibly gain market access to new export markets.

## Beef

### Production

Post forecasts beef production to grow to 2.19 million MT carcass weight equivalent (CWE) in 2022, up 3.3 percent from 2021. This projected increase is due to the following factors:

- Continued record beef exports, both in volume and value;
- Growing domestic demand as the Mexican economy is likely to rebound by 6 percent in 2021, following a severe downturn of more than 8 percent in 2020;
- Improved cattle productivity and herd quality due to long-term programs to improve livestock genetics among Mexico's national herd.

### Production, Supply and Distribution

Meat, Beef and Veal	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Slaughter (Reference) (1000 HEAD)	6338	6338	6540	6540	0	6750
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	2079	2079	2120	2120	0	2190
Total Imports (1000 MT CWE)	162	162	150	150	0	150
Total Supply (1000 MT CWE)	2241	2241	2270	2270	0	2340
Total Exports (1000 MT CWE)	343	343	335	335	0	370
Human Dom. Consumption (1000 MT CWE)	1898	1898	1935	1935	0	1970
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	1898	1898	1935	1935	0	1970
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	2241	2241	2270	2270	0	2340

Note: Not official USDA data

## Beef Consumption

Post projects that domestic beef consumption will grow to 1.97 million MT CWE in 2022, up 1.8 percent from 2021, driven by Mexico’s gradual economic recovery. Despite a positive outlook for overall economic recovery, beef consumption will not exceed estimated per capita consumption levels to those before the COVID-19 pandemic.

Beef is Mexico’s third-most consumed animal protein at around 14 percent of total animal protein consumption. Over the past decade, stagnant economic growth and several minimum wage increases have not kept pace with inflation. As a result, many Mexican households remain price sensitive and cannot afford most beef cuts, limiting overall market growth opportunities. As families stayed home and embraced more family-style meals, they switched from purchasing high-priced steaks, loins, plate (arrachera), and ribs to less expensive and more versatile, underutilized beef cuts like chuck, roasts, and rounds. Demand for other value cuts including variety meats, processed, and packaged meats also rose.

Beef consumption is divided into either “at-home” and “away-from-home” channels. The “at-home” Mexican retail meat market includes supermarkets stocking pre-packaged presentations, cut-to-order wet markets, small-volume butchers and neighborhood markets selling fresh, frozen, and partly prepared meat cuts, as well as e-commerce retailers in each category. Hotels, restaurants, institutions (HRI), take-away, and food delivery services account for the “away-from-home” retail channel. During the height of COVID-19 pandemic restrictions, many beef wholesalers switched from marketing exclusively to HRI distribution channels to establishing direct-to-consumer sales formats online.

## Price Outlook

The COVID-19 pandemic disrupted supply chains across North America. Although Mexico’s processing and distribution chains were not disrupted as much as those in the United States, Mexican live cattle and beef prices experienced significant price volatility. Livestock producers are passing on higher input costs to retail consumers. Beef cutout prices—the approximate wholesale value of prime beef cuts—surged in April and May 2021, reflecting tight supplies and steady domestic demand. In April, the Federal Consumer Prosecutor's Office (Profeco) highlighted that Mexico’s beef prices set historic records.

<b>June/July 2021 Beef Cutout Prices by Metropolitan Area (Mexican Pesos per kilogram)</b>				
	Mexico City	Monterrey	Aguascalientes	Leon
Arrachera/Plate/Skirt	158-190	155-210	152-160	120-169
Ribs	199-250	163-230	104	120-219
Boneless Chuck Steak	154-180	121	167-179	164-165
Ground Meat	130-166			120-182
Roast	176-177	173	179	170

Source: INEGI/SIAP, Profeco

## Trade

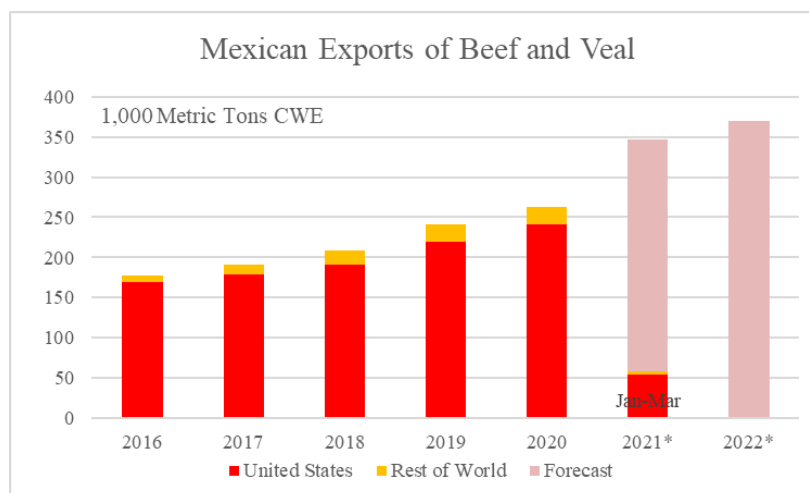
**Imports:** Post projects that beef imports in 2022 will remain unchanged from 2021 at 150,000 MT CWE as growing domestic production and expanded U.S. live cattle imports offset import demand. Mexico is the seventh-largest U.S. beef export market. SuKarne is one of Mexico’s largest meatpackers. In 2021, SuKarne reported higher import volumes from its operations in Nicaragua, including cheeks, offal, and beef heads for trimmings.

On June 28, Mexico’s Secretariat of Economy authorized tariff rate quotas (TRQs) for duty-free access for beef imports from third-country trading partners. The [beef TRQ](#) grants access for a total of 7,000 MT in increments not to exceed 2,000 MT until December 31, 2021. The beef TRQs are not expected to significantly affect market prices in Mexico, but the Government of Mexico that this action as necessary because of food inflation and the resulting public concern.

**Exports:** Post forecasts beef exports for 2022 to reach 370,000 MT CWE, a 10-percent gain from 2021 due to strong export demand to Asia and the United States. Globally, Mexico is the world’s sixth-largest beef exporter.

Mexico currently maintains market access to the United States, Japan, South Korea, and Canada. Mexico offers high-standard food processing facility sanitation and hygiene and a strong and low-wage labor force. Mexican exports compete in the United States market due to its geographic proximity and complementary demand. Exporters typically ship the highest-quality cuts to the United States and labor-intensive trimmed beef products to Japan.

Mexico benefits from preferential market access for exports to Japan under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, or TIPAT in Spanish) as well as the Mexico-Japan Economic Association Agreement. Under the CPTPP, Mexico is granted TRQ access for 15,000 tons of beef exports to Japan.



Source: INEGI/Trade Data Monitor, Post estimates

## **Swine**

### **Production**

Mexico's pig crop is forecast to expand to 21.45 million head in 2022, up 3 percent from in 2021. According to local sources, Mexico's swine production is expected to continue growing at a compound annual growth rate of 3 percent over the next five years due to improved swine genetics, breeding, animal health protocols, and strong domestic and export demand for pork. Litter sizes are expanding, and hog mortality rates continue falling.

The overall sector continues to consolidate, raising efficiency. Mexico's ten largest swine and pork producers are vertically integrated hog producers and processors, representing 40 percent of total market share. The largest producers include Granjas Carroll de Mexico (a subsidiary of WH Group), Grupo Kuo, Grupo Begula, Grupo Yoreme, Ojai Alimentos, Kowi, Ricer, and Industrias Bachoco, which acquired a majority stake in Sonora Agropecuarias (SASA) in June 2020.

According to INEGI and SIAP, Mexico's swine herd is primarily concentrated in the Central Mexican states of Yucatán, Veracruz, Jalisco, as well as Sonora in northern Mexico. Following full implementation of the NAFTA and USMCA trade agreements and a strong recovery following the H1N1 swine flu outbreak in 2009, the Mexican swine sector attracted significant overseas investment, adopting international animal health and biosafety protocols. Today, other states, including Jalisco, Michoacán, and Guanajuato, are attracting investment, and expanding capacity. Cumulative gains in herd quality, genetics, disease management, and hog productivity are now producing results. Mexico's swine sector is effectively managing common diseases, including Classical Swine Fever (CSF). In 2015, USDA/APHIS issued CSF disease-free recognition for all Mexican territories, following recognition for the states of Yucatán and Sonora in the 1990s.

Mexico's Swine Herd Distribution in 2020



Swine slaughter is forecast to expand to 20.3 million head in 2022, up 3.0 percent in 2021. Industry sources report that hog weights for slaughter in the state of Yucatán average about 126 to 127 kilograms. In central Mexico, hog weights reportedly range between 120 to 122 kilograms. Strong export demand for pork is driving hog slaughter volumes higher. Domestic demand also continues to recover slowly from pandemic-related public health restrictions.

**Production, Supply and Distribution**

Animal Numbers, Swine	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
<b>Total Beginning Stocks</b> (1000 HEAD)	11050	11050	11500	11500	0	11775
<b>Sow Beginning Stocks</b> (1000 HEAD)	1245	1245	1255	1255	0	1295
<b>Production (Pig Crop)</b> (1000 HEAD)	20291	20291	20810	20810	0	21450
<b>Total Imports</b> (1000 HEAD)	25	25	30	30	0	30
<b>Total Supply</b> (1000 HEAD)	31366	31366	32340	32340	0	33255
<b>Total Exports</b> (1000 HEAD)	0	0	0	0	0	0
<b>Sow Slaughter</b> (1000 HEAD)	0	0	0	0	0	0
<b>Other Slaughter</b> (1000 HEAD)	19000	19000	19700	19700	0	20300
<b>Total Slaughter</b> (1000 HEAD)	19000	19000	19700	19700	0	20300
<b>Loss and Residual</b> (1000 HEAD)	866	866	865	865	0	864
<b>Ending Inventories</b> (1000 HEAD)	11500	11500	11775	11775	0	12091
<b>Total Distribution</b> (1000 HEAD)	31366	31366	32340	32340	0	33255
(1000 HEAD)						

Note: Not official USDA data

### **Price Outlook**

Post forecasts hog prices to plateau in 2022 after experiencing record price volatility from 2020 to 2021. Over the past twelve months, average hog prices rose 11.4 percent, peaking at \$1.67 per kilogram (\$33.3 Mexican Pesos) supported by robust export demand, domestic recovery, and high feed and energy costs.

In 2020, Mexican farm gate prices crashed by 30 percent due to a pandemic-related decline in demand in the United States. Mexican prices recovered in May to June 2020. In Mexico, feed represents nearly 75-percent of the total production cost of hogs for slaughter. According to CONAFAB, Mexico's swine sector is forecast to consume about 17 percent of total domestic compound feed production of 40 million MT in 2021. Hog producers are expected to transfer higher costs to downstream customers.

### **Trade**

**Imports:** Post forecasts swine imports in 2022 to reach 30,000 head. Swine producers primarily import breeding sows to maintain and improve herd genetics and to maintain disease-free recognition. The United States is expected to remain Mexico's leading live swine supplier, with Canada as the only other provider. Swine producers in the states Yucatán and Puebla are expected to be the primary destinations.

**Exports:** Post estimates that 2022 swine exports will remain unchanged from 2021 at zero. Mexico's swine production cannot meet growing domestic demand, leaving little room for live swine exports.

## Pork

### Production

Post forecasts 2022 pork production to reach 1.54 million MT CWE, up 3.0 percent from 2021 as strong domestic and export demand continues to drive pork production higher.

Strong domestic demand and high prices are driving Mexico's largest hog processors to expand production capacity. Following a devastating fire in 2020, Grupo Kuo plans to begin operations at a new animal processing facility adjacent to its previous location in late 2021. The facility features with the latest technology, including automated machinery to raise processing line speeds.

### Production, Supply, and Distribution

Meat, Swine	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
<b>Slaughter (Reference)</b> (1000 HEAD)	19000	19000	19700	19700	0	20300
<b>Beginning Stocks</b> (1000 MT CWE)	0	0	0	0	0	0
<b>Production</b> (1000 MT CWE)	1451	1451	1495	1495	0	1540
<b>Total Imports</b> (1000 MT CWE)	945	945	985	985	0	980
<b>Total Supply</b> (1000 MT CWE)	2396	2396	2480	2480	0	2520
<b>Total Exports</b> (1000 MT CWE)	344	344	390	390	0	390
<b>Human Dom. Consumption</b> (1000 MT CWE)	2052	2052	2090	2090	0	2130
<b>Other Use, Losses</b> (1000 MT CWE)	0	0	0	0	0	0
<b>Total Dom. Consumption</b> (1000 MT CWE)	2052	2052	2090	2090	0	2130
<b>Ending Stocks</b> (1000 MT CWE)	0	0	0	0	0	0
<b>Total Distribution</b> (1000 MT CWE)	2396	2396	2480	2480	0	2520
(1000 HEAD) ,(1000 MT CWE)						

Note: Not official USDA data

### Consumption

Post forecasts pork production to expand to 2.13 MT CWE in 2022, up 1.9 percent from 2021. Despite higher retail prices, consumer demand is forecast to strengthen as Mexico's economy continues reopening. Pork will retain its market share position as the second-most important animal protein for the Mexican retail consumer, following chicken.

The COVID-19 pandemic changed household consumers to focus on value, versatility, and convenience. In major metropolitan markets, Mexican pork processors have expanded offerings to aid quick and convenient meal preparation, including ready-to-eat, pre-seasoned, pre-portioned, and marinated pork products. Among lower-income consumers, demand for variety meats at wet markets and processed pork products expanded. Sausages, cooked hams, cold cuts, and chorizo products account for the largest marketing channel for whole pork muscle cuts, viscera, and trimmings in Mexico.





Source: Gustavo Lara

Post projects that Mexico’s economic reopening will fuel higher-than-expected pent-up demand for hams and variety meats. As everyday activities resume, consumers will seek comfort foods and revert to old habits and favorites, including a variety of pork tacos. Some Mexicans are eager to reverse the recent adoption of health food trends which flourished during the COVID-19 pandemic. Additionally, pork processors in Southern Mexico aim to boost demand with promotional campaigns highlighting the value and versatility of processed pork products.

### Price Outlook

Lower-than-expected supplies in 2020 and gradual economic recovery in 2021 have pushed pork prices to records. Over the first seven months of 2021, retail pork prices rose about 17 percent year-over-year, the highest price spike since 2014. As chicken prices also rise, the gap between pork and chicken prices is narrowing, leading many consumers to substitute chicken and pork. Pork processors are expected to transfer higher costs throughout the production chain to retail consumers.

<b>June/July 2021 Pork Prices</b>				
<b>By Metropolitan Area (Mexican Pesos per kilogram)</b>				
	Mexico City	Monterrey	Guadalajara	Leon
Loin	114-140	108-149	88-130	99-149
Pork Chop	99-124	87-129	85-119	96-125
Ground Meat	99-122	90-129	90-130	90-129

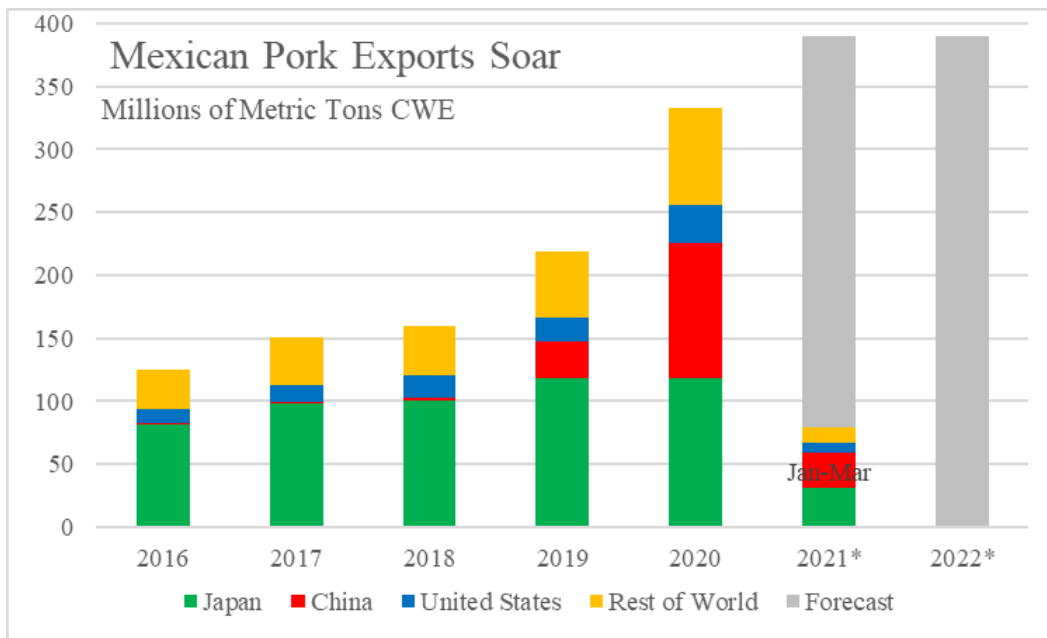
Source: INEGI/SIAP, Profeco

## Trade

**Imports:** Post forecasts 2022 pork imports to reach 980,000 MT CWE, down 5,000 MT CWE from 2021 as rapidly expanding domestic production outpaces demand growth. The United States remains Mexico’s principal foreign supplier of pork. Mexico is also the second-largest destination for U.S. pork exports, closely following China. Despite differences in consumer preferences and pricing structures, Post projects continued market integration between the U.S. and Mexican pork sectors.

On June 28, Mexico’s Secretariat of Economy authorized TRQs for duty-free access for pork imports from third-country trading partners. The [pork TRQ](#) grants duty-free access for a total of 10,000 MT until December 31, 2021. The pork TRQs are not expected to significantly affect prices in Mexico, but the Government of Mexico has stated that this action represents its action to address national concerns about food inflation.

**Exports:** Post projects that Mexico’s pork exports in 2022 will remain unchanged from 2021 at 390,000 MT CWE due to robust export demand in Asia and the Americas.



Sources: Post estimates

According to the Mexican National Council of Meat (Comecarne), about 50 animal processing facilities are waiting to export to China. As the issuance of facility registrations is delayed, the Mexican export sector does not expect additional market access to China, dimming hopes for continued export growth to China.



Source: INEGI/Trade Data Monitor

Mexican exporters are focused on their most lucrative markets: high-value loin shipments to the United States and specialty-trimmed cuts to Japan and Korea. With duty-free access to the United States under NAFTA and USMCA, Mexican pork exports to the United States grew at a 23-percent compound annual growth rate (CAGR) from 2017 to 2020. Exports to Canada grew at a nearly 15-percent CAGR over the same period. Year-over-year Mexican pork exports to Canada, Guatemala, and South Korea accelerated in 2021, reaching all-time highs.

Mexican pork exports to Japan benefit from a 90,000-ton TRQ under the CPTPP agreement, which entered into force in 2018. However, due to previous preferential access under the Mexico-Japan Executive Agreement, Mexican exports to Japan continue to grow at a steady seven percent from 2017 to 2020 and even declining slightly in 2021.

**Attachments:**

No Attachments