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Mexico

Livestock and Products

Semi-Annual

2001

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Report Highlights:

Mexico's Livestock and meat industry continue to make headway as improved disposable income and increasing demand for beef protein fuels domestic production and imports.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Semi-Annual Report

Mexico [MX1], MX

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SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook: The outlook for the Mexican economy for the first half of the year 2001 remains bright. The Government of Mexico's (GOM) conservative fiscal and monetary policies have helped offset the unusually strong consumer demand and thus prevent the overheating of Mexico's economy. The GOM is conscious of this danger, and is taking steps to ensure that the economy grows at a sustainable rate during the next few years.

Continuation of last year's positive macro-economic indicators into 2001 will depend on how well the GOM responds to internal and external developments during the next several months. Exceptionally strong consumer demand could lead to serious overheating of Mexico's economy, which could cause inflation to rise. The growth that this demand provokes attracts capital inflows and strengthens the peso. This can encourage excessive imports. If undiminished, at some point the current account will weaken and may provoke a correction that could induce a fall in economic growth. The Bank of Mexico is implementing monetary restrictions to prevent such overheating.

The GOM's ability to absorb the effects of a U.S. economic slowdown, and possible fall in oil prices, will also determine whether Mexico will be able to maintain buoyant economic growth in the years to come. A significant downturn in the U.S. economy could cause a substantial fall in U.S. equity prices, which would provoke an increase in U.S. interest rates. The end result could trigger a downturn in Mexico. The expansion of trade with Mexico's non-NAFTA partners could mitigate the effects of a slowdown in the United States. Mexico's free trade agreement (FTA) with the European Union could initiate robust growth in Mexican exports to Europe without posing a threat to the commercially most important U.S. agricultural exports to Mexico. This is true because Mexico did not make tariff rate concessions to the E.U. on any products for which the E.U. provides export subsidies (grains, meat, dairy, etc.). Its development as an export market may more than offset the likely decline in world oil prices during the next few years, given that oil exports now account for less than 10.0 percent of total Mexican exports. Oil revenues nonetheless remain of great significance to Mexico. They account for a large percentage of government budgetary revenue. The GOM thus has a strong interest in cooperating with the OPEC producers to ensure that the price of oil remains at what they consider an acceptable level.

Livestock Situation and Outlook: Cattle numbers in 2001 are expected to slightly increase from our previous forecast due to an improvement in the calf crop resulting from the apparent end to the drought which affected a large part of northern Mexico during the 90's. Beef imports from the United States continue to capture a larger share of the Mexican beef meat market due to improved disposable income of the population and to insufficient domestic production. Total imports for 2000 of beef meat reached approximately 400,000 MT (CWE), up from the previous year's final official figure of 348,000 MT (CWE). For 2001, beef imports are expected to reach 425,000 MT (CWE). Ending inventory for 2000 was revised slightly upward from our previous figure and is also expected to increase for 2001 due to the improving calf crop and increased imports. Beef consumption for 2001 and 2000 remain unchanged from our previous forecast and estimate. Consumption in 1999 was revised upward from the previous figure to reflect official data. Feeder steer exports for 1999 were revised upward from our previous figure reflecting

official data. For 2000 our previous estimate was revised downward to reflect more current data from CNG and the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food Products (SAGARPA), formerly known as SAGAR. For 2001, our previous forecast of feeder steer was revised downward to a more realistic level in line with the current rate of the calf crop improvement. Nevertheless, the forecast for 2001 is higher than the previous year's revised estimate, due also to the current growth in the calf crop.

Production of pork meat for 2000 was 1,035,000 MT (CWE), 2.4 percent over our previous estimate and 4.1 percent over the previous year's final official figure of 994,000 MT (CWE). The forecast figure for 2001 was revised upward to reflect increased demand fueled by improved disposable income. In 1999, Mexico's total imports of swine reached 196,000 head according to SAGARPA official data. Despite the fact that the estimate for 2000 was revised upward, it is 64 percent less than the previous year's final figure due to the compensatory duties slapped on imports of live hogs for slaughter and because domestic production is slightly increasing.

SECTION II. STATISTICAL TABLES

PS&D, Animal Numbers, Cattle

(1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	Cattle					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/99		01/00		01/01	
Total Cattle Beg. Stks	24859	24859	23716	23715	22441	22500
Dairy Cows Beg. Stocks	2200	2200	2200	2200	2200	2200
Beef Cows Beg. Stocks	11200	11200	11200	11200	11300	11300
Production (Calf Crop)	8500	8500	8600	8600	8650	8750
Intra EC Imports	0	0	0	0	0	0
Other Imports	120	192	135	195	120	195
TOTAL Imports	120	192	135	195	120	195
TOTAL SUPPLY	33479	33551	32451	32510	31211	31445
Intra EC Exports	0	0	0	0	0	0
Other Exports	960	1036	1235	1235	1280	1280
TOTAL Exports	960	1036	1235	1235	1280	1280
Cow Slaughter	1600	1600	1600	1600	1600	1600
Calf Slaughter	1600	1600	1600	1600	1600	1600
Other Slaughter	4900	4900	5000	5000	5100	5100
Total Slaughter	8100	8100	8200	8200	8300	8300
Loss	703	700	575	575	620	620
Ending Inventories	23716	23715	22441	22500	21011	21245
TOTAL DISTRIBUTION	33479	33551	32451	32510	31211	31445

PS&D, Meat, Beef and Veal

(1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico					
Commodity:	Meat, Beef and Veal					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1999		01/2000		01/2001	
Slaughter (Reference)	8100	8100	8200	8200	8300	8300
Beginning Stocks	0	0	0	0	0	0
Production	1860	1900	1900	1900	1925	1925
Intra EC Imports	0	0	0	0	0	0
Other Imports	340	348	400	400	425	425
TOTAL Imports	340	348	400	400	425	425
TOTAL SUPPLY	2200	2248	2300	2300	2350	2350
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
Human Dom. Consumption	2180	2228	2280	2280	2330	2330
Other Use, Losses	20	20	20	20	20	20
TOTAL Dom. Consumption	2200	2248	2300	2300	2350	2350
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2200	2248	2300	2300	2350	2350

Note: Figures are in CWE.

PS&D, Animal Numbers, Swine

(1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	Animal Numbers, Swine					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1999		01/2000		01/2001	
TOTAL Beginning Stocks	10860	10860	10731	10781	10576	10636
Sow Beginning Stocks	900	900	900	900	915	915
Production (Pig Crop)	14800	14800	14900	14900	15300	15100
Intra EC Imports	0	0	0	0	0	0
Other Imports	165	196	60	70	50	50
TOTAL Imports	165	196	60	70	50	50
TOTAL SUPPLY	25825	25856	25691	25751	25926	25786
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	13579	13560	13600	13600	13750	13750
Total Slaughter	13594	13575	13615	13615	13765	13765
Loss	1500	1500	1500	1500	1500	1500
Ending Inventories	10731	10781	10576	10636	10661	10521
TOTAL DISTRIBUTION	25825	25856	25691	25751	25926	25786

PS&D, Swine, Meat

(1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico					
Commodity:	Swine, Meat					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1999		01/2000		01/2001	
Slaughter (Reference)	13594	13575	13615	13615	13765	13765
Beginning Stocks	0	0	0	0	0	0
Production	990	994	1010	1035	1040	1060
Intra EC Imports	0	0	0	0	0	0
Other Imports	100	143	130	130	150	150
TOTAL Imports	100	143	130	130	150	150
TOTAL SUPPLY	1090	1137	1140	1165	1190	1210
Intra EC Exports	0	0	0	0	0	0
Other Exports	30	33	35	35	40	40
TOTAL Exports	30	33	35	35	40	40
Human Dom. Consumption	1060	1104	1105	1130	1150	1170
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	1060	1104	1105	1130	1150	1170
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1090	1137	1140	1165	1190	1210

Note: Figures are in CWE

Mexico Harmonized Import Tariff Schedule for 2001
Live Animals and Meat Duty Rates

H.S. Tariff Description	NAFTA	Colombia	Venezuela	Costa Rica	Bolivia	Chile	Nicaragua	EU	Israel
Live bovine animals 0102.10.01 Purebred breeding animals	0	0	0	0	0	0	0	0	excl
0102.90.01 Dairy cows	0	0	0	0	0	0	0	0	excl
0102.90.02 Live animals of the bovine species, with pedigree or selected breed certificate other than those falling within subdivision 0102.90.01	0	0	0	0	0	0	0	0	excl
0102.90.03 Live animals of the bovine species, for slaughter purposes when imported by "Industrial de Abastos (IDA) a parastatal slaughterhouse	0	4.3	4.3	4.5	4.5	0	10.5	excl	excl
0102.90.99 Others	0	4.3	4.3	4.5	4.5	0	10.5	excl	excl
Live swine animals 0103.10.01 Purebred breeding animals	0	0	0	0	0	0	0	0	excl
0103.91.01 Hogs with pedigree or selected breed certificate, weighing less than 50 kgs.	0	2.8	2.8	0	3	0	8	0	excl
0103.91.99 Others	4	5.7	5.7	6	6	0	8	excl	excl
0103.92.01 Hogs with pedigree or selected breed certificate, weighing more than 50 kgs.	0	2.8	2.8	0	3	0	6	0	excl
0103.92.02 Live hogs weighing more than 110 kgs. Other than those falling within subdivision 0103.92.01	4	5.7	5.7	6	6	0	8	20	excl
0103.92.99 Others	4	5.7	5.7	6	6	0	8	excl	excl
Meat of bovine 0201.10.01 Carcasses and half-carcasses, fresh or chilled	**	0	0	10.2	0	0	14	excl	excl
0201.20.99 Other cuts with bone-in, fresh or chilled	**	0	0	6	0	0	14	excl	excl
0201.30.01 Other cuts boneless, fresh or chilled	**	0	0	6	0	0	14	excl	excl
0202.10.01 Carcasses and half-carcasses, frozen	**	0	0	12.6	0	0	17.5	excl	excl
0202.20.99 Other cuts with bone-in, frozen	**	0	0	12.6	0	0	17.5	excl	excl
0202.30.01 Other cuts boneless, frozen	**	0	0	12.6	0	0	17.5	excl	excl

Meat of swine, fresh or chilled 0203.11.01 Carcasses and half-carcasses	4	0	0	6	0	0	0	excl	excl
0203.12.01 Hams, shoulders and cuts thereof, with bone-in	4	0	0	6	6	0	0	excl	excl
0203.19.99 Others	4	0	0	6	6	0	0	excl	excl
0203.21.01 Carcasses and half-carcasses, frozen	4	0	0	6	0	0	0	excl	excl
0203.22.01 Hams, shoulders and cuts thereof, with bone-in, frozen	4	0	0	6	6	0	0	excl	excl
0203.29.99 Others, frozen	4	0	0	6	6	0	0	excl	excl

Source: Secretariat of the Economy (SE), published in the *Diario Oficial* (Federal Register) dated December 29, 2000.

** See Report MX0115 dated 09/01/00

"excl" means pays full WTO duty rate

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

Month	1999	2000	% Change
January	0.636	0.648	1.89
February	0.647	0.648	0.15
March	0.650	0.648	(0.31)
April	0.647	0.649	0.31
May	0.651	0.652	0.15
June	0.655	0.664	1.37
July	0.657	0.668	1.67
August	0.656	0.675	2.90
September	0.662	0.668	0.91
October	0.670	0.676	0.90
November	0.671	0.689	2.68
December	0.673	0.697	3.57

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

Month	1999	2000	% Change
January	1.00	1.03	3.00
February	1.02	1.04	1.96
March	1.03	1.04	0.97
April	1.03	1.05	1.94
May	1.02	1.05	2.94
June	1.03	1.06	2.91
July	1.03	1.06	2.91
August	1.03	1.07	3.88
September	1.04	1.06	1.92
October	1.04	1.06	1.92
November	1.04	1.06	1.92
December	1.06	1.07	0.94

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

Month	1999	2000	% Change
January	0.474	0.605	27.64
February	0.461	0.611	32.54
March	0.472	0.619	31.14
April	0.465	0.613	31.83
May	0.492	0.644	30.89
June	0.573	0.708	23.56
July	0.583	0.713	22.30
August	0.576	0.713	23.78
September	0.568	0.708	24.65
October	0.553	0.669	20.98
November	0.570	0.612	7.37
December	0.639	0.618	(3.29)

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

Month	1999	2000	% Change
January	0.702	0.822	17.09
February	0.685	0.845	23.36
March	0.737	0.846	14.79
April	0.738	0.850	15.18
May	0.763	0.886	16.12
June	0.825	0.975	18.18
July	0.827	0.984	18.98
August	0.831	0.978	17.69
September	0.823	0.974	18.35
October	0.805	0.922	14.53
November	0.820	0.864	5.37
December	0.888	0.942	6.08

Source: National Market Information Service (SNIM)
Exchange rate (January 15, 2001) USD\$1.00 = \$9.50 Pesos

Animal Numbers, CATTLE				UNITS: Head			
EXPORTS TO:	1999	2000*	2001**	IMPORTS FROM:	1999	2000*	2001**
U.S.	1,035,829	1,050,000	1,100,000	U.S.	170,594	136,468	195,000
OTHER				OTHER			

JAPAN	0	0	0	CANADA	4,879	10,277	0
NICARAGUA	25	0	0	AUSTRALIA	6,791	3,979	0
TOTAL OF OTHER	25	0	0	TOTAL OF OTHER	11,670	14,256	0
OTHERS NOT LISTED	0	0	0	OTHERS NOT LISTED	9,359	29,276	0
GRAND TOTAL	1,035,854	1,050,000	1,150,000	GRAND TOTAL	191,623	180,000	195,000

<i>Meat, Beef & Veal</i>				UNITS: <i>Metric Tons</i>			
EXPORTS TO:	1999	2000*	2001**	IMPORTS FROM:	1999	2000*	2001**
U.S.	1,030	1,007	1,050	U.S.	238,068	246,800	312,000
OTHER				OTHER			
	0	0	0	CANADA	18,570	29,366	0
TOTAL OF OTHER	0	0	0	TOTAL OF OTHER	18,570	29,366	0
OTHERS NOT LISTED	0	0	0	OTHERS NOT LISTED	1,193	18,334	0
GRAND TOTAL	1,030	1,007	1,050	GRAND TOTAL	257,831	294,500	312,000

<i>Animal Numbers, SWINE</i>				UNITS: <i>Head</i>			
EXPORTS TO:	1999	2000*	2001**	IMPORTS FROM:	1999	2000*	2001**
U.S.	0	0	0	U.S.	195,747	53,772	50,000
OTHER				OTHER			
GUATEMALA	4	0	0	CANADA	571	10,796	0
TOTAL OF OTHER	4	0	0	TOTAL OF OTHER	571	10,796	0
OTHERS NOT LISTED	0	0	0	OTHERS NOT LISTED	0	5,375	0
GRAND TOTAL	4	0	0	GRAND TOTAL	196,318	69,943	50,000

<i>Meat, SWINE</i>				UNITS: <i>Metric Tons</i>			
EXPORTS TO:	1999	2000*	2001**	IMPORTS FROM:	1999	2000*	2001**
U.S.	19,170	20,544	19,000	U.S.	99,323	104,576	110,000
OTHER				OTHER			
JAPAN	4,149	270	5,000	CANADA	13,384	16,667	0
TOTAL OF OTHER	4,149	270	5,000	TOTAL OF OTHER	13,384	16,667	0
OTHERS NOT LISTED	163	95	0	OTHERS NOT LISTED	1,440	1,075	0
GRAND TOTAL	23,482	20,909	24,000	GRAND TOTAL	114,147	122,318	110,000

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.

* As of September 31, 2000

** Forecast figures.

Cattle Slaughtered in Federally Inspected Type (TIF) Slaughterhouses
(Head)

State	1999	2000*
Aguascalientes	21,640	11,036
Baja California	132,575	66,290

Baja California Sur	0	0
Campeche	0	0
Coahuila	81,533	52,160
Colima	0	0
Chiapas	45,138	21,410
Chihuahua	55,129	25,001
Distrito Federal	0	0
Durango	16,778	8,412
Guanajuato	0	0
Guerrero	0	0
Hidalgo	0	0
Jalisco	22,209	10,106
Mexico	0	0
Michoacan	0	0
Morelos	366	111
Nayarit	0	0
Nuevo Leon	211,784	100,009
Oaxaca	0	0
Puebla	0	0
Queretaro	0	0
Quintana Roo	0	0
San Luis Potosi	54,618	26,412
Sinaloa	134,338	86,111
Sonora	89,335	45,201
Tabasco	164,749	87,611
Tamaulipas	63,237	31,716
Tlaxcala	0	0
Veracruz	172,724	87,512
Yucatan	59,228	31,644
Zacatecas	7,410	3,948
Total	1,332,791	694,690

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of June 30, 2000

Cattle Slaughtered in Municipal Slaughterhouses
(Head)

State	1999	2000*
Aguascalientes	44,922	21,468
Baja California	9,218	5,111

Baja California Sur	23,640	12,414
Campeche	17,783	7,991
Coahuila	128,877	68,412
Colima	34,729	17,142
Chiapas	83,423	45,212
Chihuahua	118,930	59,613
Distrito Federal	346,992	180,012
Durango	48,913	26,147
Guanajuato	166,013	82,641
Guerrero	74,874	37,217
Hidalgo	58,263	23,946
Jalisco	460,113	212,444
Mexico	322,082	161,477
Michoacan	246,682	125,988
Morelos	41,528	20,179
Nayarit	42,759	22,612
Nuevo Leon	93,674	48,611
Oaxaca	63,305	31,172
Puebla	74,034	35,777
Queretaro	56,498	25,716
Quintana Roo	17,416	8,212
San Luis Potosi	83,355	40,168
Sinaloa	104,000	50,146
Sonora	63,719	31,612
Tabasco	84,066	41,799
Tamaulipas	114,887	56,689
Tlaxcala	9,465	4,866
Veracruz	166,208	87,679
Yucatan	43,542	21,712
Zacatecas	66,368	32,991
Total	3,310,278	1,647,176

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of June 30, 2000

Cattle slaughtered In-Situ Slaughterhouses
(Head)

Total	1999	2000*
	3,457,000	1,709,764

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of June 30, 2000

Hogs Slaughtered in Federally Inspected Type (TIF) Slaughterhouses
(Head)

State	1999	2000*
Aguascalientes	0	0
Baja California	10,655	4,968

Baja California Sur	0	0
Campeche	0	0
Coahuila	16,142	8,167
Colima	0	0
Chiapas	0	0
Chihuahua	0	0
Distrito Federal	0	0
Durango	10,186	5,166
Guanajuato	701,416	361,001
Guerrero	0	0
Hidalgo	0	0
Jalisco	262,972	134,797
Mexico	861,324	437,121
Michoacan	0	0
Morelos	0	0
Nayarit	0	0
Nuevo Leon	256,068	126,179
Oaxaca	0	0
Puebla	14,980	7,112
Queretaro	0	0
Quintana Roo	0	0
San Luis Potosi	0	0
Sinaloa	55,211	27,671
Sonora	1,442,946	766,792
Tabasco	0	0
Tamaulipas	0	0
Tlaxcala	180,535	61,617
Veracruz	0	0
Yucatan	400,637	200,991
Zacatecas	0	0
Total	4,213,072	2,141,582

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of June 30, 2000

Hogs Slaughtered in Municipal Slaughterhouses
(Head)

State	1999	2000*
Aguascalientes	136,509	68,791
Baja California	5,744	2,692

Baja California Sur	9,044	4,612
Campeche	75,737	38,667
Coahuila	73,741	38,112
Colima	111,644	55,977
Chiapas	26,928	13,416
Chihuahua	60,634	31,117
Distrito Federal	1,957,603	1,109,010
Durango	16,911	8,446
Guanajuato	363,996	188,912
Guerrero	137,402	71,679
Hidalgo	127,524	62,601
Jalisco	888,184	446,917
Mexico	717,338	351,609
Michoacan	343,010	170,001
Morelos	125,118	62,117
Nayarit	49,270	24,998
Nuevo Leon	82,396	41,617
Oaxaca	86,672	43,972
Puebla	337,505	173,712
Queretaro	169,025	80,177
Quintana Roo	92,084	45,679
San Luis Potosi	129,299	65,778
Sinaloa	77,087	35,968
Sonora	31,616	16,112
Tabasco	32,949	16,718
Tamaulipas	68,819	34,111
Tlaxcala	34,056	16,719
Veracruz	238,720	120,799
Yucatan	216,605	108,912
Zacatecas	74,736	37,699
Total	6,897,906	3,587,647

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of June 30, 2000

Hogs Slaughtered In-Situ Slaughterhouses
(Head)

Total	1999	2000*
	2,464,000	1,260,117

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*As of June 30, 2000

Safeguard Quotas for Live Hogs for Slaughter
Under NAFTA for Imports from the United States

Tariff Code	Description	1999	2000	2001
1039199	Hogs for slaughter with weight under 50kg.	54,369.9	56,001.1	57,681.1
1039299	Hogs for slaughter with weight over 50kg.	375,953	387,231	398,848

Source: Secretariat of Economy (SOE)

Safeguard Quotas for Pork Meat Under NAFTA for Imports from the United States
Fresh, Chilled or Frozen
(Metric Tons)

Tariff Code	Description	1999	2000	2001
2031101	Carcasses and half-carcasses	5,796.3	5,970.1	6,149.2
2031201	Hams, shoulders and cuts thereof, bone-in	20,055.2	20,656.8	21,276.5
2031999	Other	2,434.5	2,507.5	2,582.7
2032101	Carcasses and half-carcasses	3,245.9	3,343.2	3,443.5
2032201	Hams, shoulders and cuts thereof, bone-in	17,621.2	18,149.8	18,694.3
2032999	Other	24,344.7	2,5075.0	25,827.2

Source: Secretariat of Economy (SOE)

Safeguard Quotas for Pork Meat Salted or Smoked
Under NAFTA for Imports from the United States

Tariff Code	Description	1999	2000	2001
2101101	Hams, shoulders and cuts thereof, bone-in	347.4	357.8	368.5
2101201	Streaky (bellies) and cuts thereof	3,825.5	3,940.2	4,058.4
2101999	Other	1,738.8	1,790.9	1,844.6

Source: Secretariat of Economy (SOE)

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

CATTLE

Production

Note: With the exception of the current and out years, this report has incorporated official Mexican Government statistics for historical purposes in all livestock sectors and products. In particular, it should be noted that the lack of reliable data and statistics for the livestock sector is a continual problem in Mexico. Therefore, production and consumption data in PS&D's are official government figures from the Secretariat of Economy (SOE), formerly known as SECOFI and from the National Livestock Confederation (CNG).

Ending cattle inventories are expected to increase to 22,500,000 head, up from our previous estimate of 22,441,000 head in 2000 due to increased imports and increased calf production. Many cattlemen with medium and small sized herds are gradually improving genetics rather than increasing cattle numbers. Tight and expensive domestic credits continue to limit new investments. As a result, we are forecasting cattle inventories at 21,500,000 head for 2001 showing a drop from the revised figure of 2000. Cattlemen in northern Mexico should find it more profitable to sell feeder steers in the domestic or export market rather than retain them in Mexican feedlots. Domestic beef production is expected to continue to expand in accordance to population and economic growth. Production of grain-fed cattle is basically limited to only a few large vertically integrated companies, usually subsidiaries of large domestic corporations.

Cattle production forecast for 2001 is revised slightly upward due to sporadic rainfall in Mexico's northern pasturelands and the expected improvement in the calf crop. The forecast for beef meat production in 2001 remains unchanged from our previous figure. According to final official data, Mexico's beef meat production in 1999 reached 1.900 million metric tons.

Consumption

Beef demand continues to grow due to increases in purchasing power of consumers and general population growth. In Mexico City, trade sources report that beef per capita consumption is also on the rise due to consumer demand for meat protein sources and because of improved purchasing power of consumers.

The beef consumption forecast for 2001 remains unchanged from our previous forecast at 2.35 million metric tons. This increase is attributable to population growth and expected increases in purchasing power of consumers. National consumption of beef meat in 1999 is revised upward to reflect final government data.

Trade

Mexican cattle imports are revised upward for 1999 reflecting final government data and higher demand for dairy cows by Mexico's largest dairies. Although imports for 2001 are forecasted upward from our earlier forecast, industry sources expect them to remain similar to the revised

level of 2000 due to continued tight credit conditions for the livestock sector. Domestic feeder steer exports to the U.S. in 2001 should slightly increase over the 2000 level due to improved production as a result of better pasture conditions and attractive export prices.

Beef imports for 1999 are revised slightly upward to reflect final official government data. Boxed beef imports from the U.S. continue to increase as a result of lower prices and insufficient domestic production. Trade sources estimate that total beef imports from the U.S. will include 90 percent boxed beef and 10 percent beef carcasses in 2001. Most of this beef will be rounds and chucks and high quality cuts for the restaurant industry. Beef imports from the U.S. should further increase because of competitive prices and quality, while beef from non-NAFTA countries are still subject to high import tariffs.

Cattle exports for 2000 and 2001 remain unchanged from the previous estimate reflecting more current information from CNG and SAGARPA. The cattle export figure for 1999 was revised upward from our previous figure to 1,036,000 head reflecting final government figures. Mexico's current beef exports remain insignificant.

Despite the specific antidumping duties on U.S.-Mexico beef trade in 2001, trade is expected to be significant. Trade will continue to show an upward trend despite the application of antidumping duties for beef as a result of the final determination by the Mexican authorities on the antidumping claim. The volume of U.S. (CWE) exports of beef to Mexico for 2000 increased over the figure in 1999, clearly demonstrating the continued increase in imports of beef.

On October 10, 2000, the Secretariat of Commerce and Industrial Development (SECOFI), currently known as the Secretariat of Economy (SOE), published in the Mexican *Diario Oficial* a resolution on the appeal for reversal requested of SOE by Conagra, Inc.; Montfort, Inc. (currently Conagra Beef Company); Choice One Foods, Inc.; Conagra Poultry Company, Inc. and Montfort Distribution Company and which is related to the final findings on the antidumping case against exporters of U.S. beef meat and edible offals (HTS# 0201.10.01, 0202.10.01, 0201.20.99, 0201.30.01, 0206.21.01, 0206.22.01 and 0206.29.99). SECOFI's finding assesses compensatory duties against the above mentioned companies in the manner listed below. This is a summary derived from the Spanish-language announcement, following the same headings and order of the published text.

The investigation and final resolution were conducted and written on behalf of the companies that presented a request for reversal against the compensatory duties imposed on certain U.S. meat exporters for all beef, fresh, chilled or frozen, originating from the U.S., regardless of country of origin or shipping point, specifically for HTS# 0201.10.01, 0202.10.01, 0201.20.99, 0202.20.99, 0201.30.01 and 0202.30.01. The results of the study are as follows:

Conagra, Inc. (Trade name is ConAgra Fresh Meats)

All bone-in beef cuts (HS0201.20.99 and 0202.20.99) - duty assessed \$0.017/kg. when produced and exported directly by Conagra,

All boneless beef cuts (HS 0201.30.01 and 0202.30.01) - no duty when produced and exported

directly by: ConAgra, Inc., or produced by ConAgra, Inc., and exported by Northern Beef Industries, Inc.

ConAgra Beef Company

All beef carcass classified in (HS 0201.10.01 and 0202.10.01) - no duty when produced and exported directly by: ConAgra Beef Company.

All other beef cuts, bone-in, classified in (HS 0201.20.99 and 0202.20.99) - no duty when produced and exported directly by: ConAgra Beef Company or produced by ConAgra Beef Company, and exported by Sam Kane Beef Processors, Inc. and Northern Beef Industries, Inc.

Boneless beef, classified in (HS 0201.30.01 and 0202.30.01) - no duty when produced and exported directly by: ConAgra Beef Company or produced by ConAgra Beef Company, and exported by Northern Beef Industries, Inc.

Montford Food Distribution Company, Choice One Foods, Inc. and ConAgra Poultry Company.

Beef carcass, boneless and bone-in beef cuts, classified in (HTS# 0201.10.01, 0202.10.01, 0201.20.99, 0202.20.99, 0201.30.01 and 0202.30.01) exported by Montford Food Distribution Company, Choice One Foods, Inc. and ConAgra Poultry Company are assessed the compensatory duty established in point 651 paragraph B (US\$0.07/Kg.); point 652, paragraph E (US\$0.80/Kg.), and point 653, paragraph G (US\$0.63) of the final antidumping resolution published in the *Diario Oficial* published April 28, 2000.

The compensatory duty referred to in point 652, paragraph C (US\$0.11/Kg.) in the final antidumping resolution announced in the *Diario Oficial* published April 28, 2000, will be applied to imports of boneless and bone-in beef cuts, fresh, chilled or frozen, as the case may be, produced by ConAgra, Inc. and/or ConAgra Beef Company, in the event that said merchandise is exported by Murco Foods, Inc.; Packerland Packing Company, Inc.; H&H Meat Products Company, Inc., and Agri West International, Inc. In the case of paragraph D of point 652, a duty of US\$0.16/Kg. is assessed when the above mentioned products are exported directly by Almacenes de Tejas, Inc.

The compensatory duty referred to in point 653, paragraph C (US\$0.12/Kg.); D (US\$0.15/Kg.); E (US\$0.25/Kg.), and F subparagraph b (US\$0.63/Kg.), in the final antidumping resolution announced in the *Diario Oficial* published April 28, 2000, will be applied to imports of boneless and bone-in beef cuts, fresh, chilled or frozen, as the case may be, produced by ConAgra, Inc. and/or ConAgra Beef Company, in the event that said merchandise is exported by Almacenes de Tejas, Inc. for paragraph C. Sam Kane Beef Processors, Inc. for paragraph D. Sun Land Beef Company for paragraph E. H&H Meat Products Company, Inc.; Agri West International, Inc., and CKE Restaurants, Inc. for paragraph F. subparagraph b.

The compensatory duties referred to in the text of this Resolution shall be applied in accordance to the product concerned, however, as indicated in point 654 of the final antidumping resolution on price discrimination published in the *Diario Oficial* April 28, 2000. Point 654 will also be

applicable to this modification and thus the USDA export certificate for all beef classified SELECT or CHOICE must show that slaughter occurred within 30 days. Otherwise, the duty is \$0.07/Kg. for carcass; \$0.80/Kg. bone-in; and \$0.63/Kg. boneless.

Policy

SECOFI, currently known as the Secretariat of the Economy (SE), published a resolution that notifies the initiation of an investigation on the evasion of payment of compensatory duties related to the final antidumping resolution on imports of U.S. boneless and bone-in beef cuts (HS 0201.20.99, 0202.20.99, 0201.30.01 and 0202.30.01) published on April 28, 2000. Based on the need for SE to observe fair dealings, SE requested and obtained information on imports of the above mentioned products during the period of April 29 to July 15, 2000, from several customs agents. Information in this regard was also furnished by the National Association of Feedlot Owners (AMEG). According to the information obtained by SE, Northern Beef Industries, Inc., represented the most volume of beef exported to Mexico during the period mentioned above and several discrepancies have appeared with regards to their exports. See MX 0143. To date no action has been taken against any U.S. exporters.

Marketing

Marketing promotion programs for U.S. red meats through the U.S. Meat Export Federation/Mexico City Office have opened niche markets for U.S. products. Bright prospects exist in the short and medium terms for increased meat sales with the anticipated growth of the Mexican economy and the lack of sufficient domestic production. The development of supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth. Participation in major national and state livestock shows may provide opportunities for sales of U.S. livestock genetics to Mexican livestock producers.

Nearly 80 percent of all beef and beef products sales are through supermarkets. Only some of the retail chains, however, are set up to import directly. This system of indirect purchasing or buying through local distributors/representatives is expected to change somewhat over the next few years, but currently it is the dominant business practice.

Only a few of the major retailers import directly from producers. The following retail organizations--Gigante, Cifra, Comercial Mexicana, Soriana, Casa Ley and 7/Eleven--have organized their own distribution centers and are importing directly, at least to some degree.

High income and middle class Mexican consumers prefer to purchase their meat products at supermarkets because of established hygiene practices and convenience. Public and street markets, however, are also very popular with local consumers because of price considerations.

Competition for retail shelf space is also intense. Billboards, radio and TV advertising campaigns are very popular and used for a large variety of products. In-store promotions, handouts, recipe cards and other forms of direct merchandising are also very important promotional tools, especially for new-to-market products.

Distribution in the foodservice sector is done exclusively through importers/distributors. These companies import beef and beef products and store them. They then can supply their customers' needs in very short turn-around time. These importers/distributors also provide training and information on prices and new meat cuts. There are very few distributors with national coverage, and it is not unusual for an international producer to have several local distributors (as many as five or six) to supply the major regional markets. The main geographical markets for the foodservice sector are Mexico City, Cancun, Puerto Vallarta, Guadalajara, Monterrey and La Paz.

U.S. firms wishing to penetrate the Mexican market must have a locally based distributor and/or representative in order to operate and to establish a successful business relationship with domestic buyers. For the majority of small and mediums sized U.S. food companies, it is probably best to tap into a preexisting distribution network, either that of a distribution company or a Mexican food processor. (See MX0187.)

SWINE AND PORK MEAT

Production

The continued expansion of large vertically integrated companies with more than 500 sows on average has offset the departure of many medium and small sized farms which were not competitive under the current cost/price structure of the 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 principal constraints is large competitively priced imports.

Swine production forecast for 2001 is revised downward reflecting more current data swine industry sources and SAGARPA. The pork meat forecast for 2001 was revised upward from our previous forecast due to expected improvement in demand fueled by the improving disposable income of the population. The estimates for 2000 and 1999 were revised upward from our previous estimate reflecting more current information from CNG and SAGARPA.

Consumption

The slaughter forecast for 2001 is expected to remain unchanged from our previous estimate. Hog slaughter rates in 1999 slightly decreased from the previous estimate reflecting final government data.

Trade

Domestic producers are still concerned about large volumes of lower-priced imports of U.S. pork, pork variety meats, lard and greases. Quite possibly more than their concerns for imports

of live hogs for slaughter under NAFTA. They claim that imports of pork products severely hurt the industry. In addition, producers allege that increased imports of mechanically deboned poultry meat have displaced the use of domestic pork in manufacturing hams and other sausage products.

The forecast for live hog imports for 2001 is expected to remain unchanged from the previous forecast. Live hog Imports for 2000 and 1999 were revised upward reflecting more current information from CNG and SAGARPA and reflecting increased consumption of a population benefitting from an improved economy.

Pork meat imports for 2001 and 2000 remain unchanged from our previous figures, due in part, by the antidumping duties imposed on live hogs as a result of the final ruling by the Mexican authorities and the increase in domestic production. Pork imports for 1999 were revised upward reflecting final official government data and to the increase in demand fueled by improved disposable income of the population. Exports of pork meat for 1999 were revised upward in accordance to official government data. Export figures for 2000 and 2001 remain unchanged from our previous figures

Policy

SECOFI, currently known as the Secretariat of Economy (SOE), published a resolution that notifies the initiation of the first review on the compensatory duties related to the final antidumping resolution on imports of U.S. hogs for slaughter (HS 0103.92.99) and published on October 20, 1999. According to the law, SOE has the right to review annually the need to continue applying compensatory duties. Based on the need for SE to observe fair dealings, SE obtained information on the status of imports of the above mentioned product during the period January to May 2000, and from which it determined that a review of the compensatory duties is in order. (See MX 0149.)

On September 29, 2000, the Secretariat of Agriculture published a revised protocol for slaughter hogs over 110 kilograms. The terms of this revised import protocol are as follows:

Present the health certificate issued by an official medical veterinarian from the country of origin indicating:

Name and address of importer and exporter.

Individual identification of the animals with an eartag.

That the animals were inspected prior to shipment and were found clinically free of infectocontagious disease (NOM-007-ZOO-1994) and that they come from a country free of Ticks *Boophilus* spp. (NOM-019-ZOO-1994).

That the country of origin is free of classical porcine fever (NOM-037-ZOO-1995).

That the state of origin of the animals participates in an Aujeszky disease eradication program

and that there have been no outbreaks of Aujeszky disease in the herd of origin in the past 12 months.

That the truck transporting the hogs to the border has been washed and disinfected prior to shipment.

At their arrival at the border, the animals must be inspected by an official medical veterinarian from Animal Health who will verify that the animals are clinically healthy and do not show signs of infectocontagious disease (NOM-007-ZOO-1994).

After inspection, the vehicles shall be sealed and the seal may only be removed by the official medical veterinarian responsible for the authorized slaughter establishment (NOM-007-ZOO-1994), in accordance to the slaughter contract between the importer and the establishment where the slaughter will be carried-out, the latter shall be validated with the signature and the seal of the responsible official medical veterinarian at the approved animal slaughtering facilities.

Having fulfilled the previous requirements, the official medical veterinarian of animal health will immediately notify official medical veterinarian responsible for the authorized slaughtering facility, the number of animals shipped, the number of the zoosanitary certificate and the number(s) of the seal(s) on the vehicles transporting the hogs. Once the notification has been given by telephone the phytozoosanitary import certificate will be given to the interested party to finalize the import procedures.

The authorized slaughtering establishments are (NOM-007-ZOO-1994):

TIF-15 Empacadora Treviño, S.A. de C.V., Monterrey, N.L.
TIF-27 Frigorifico del Bajío, S.A. de C.V., Penjamo, Gto.
TIF-31 Empacadora y Ganadera de Occidente, S.A. de C.V., Guadalajara, Jal.
TIF-45 Empacadora de Carnes de la Unidad Ganadera, S.A. de C.V., Ags. Ags.
TIF-49 Empacadora de Carnes de Fresnillo, S.A. de C.V., Jerez, Zacatecas
TIF-54 Asociacion Rural del Interes Colectivo, S.A. de C.V., Mexicali, B.C.
TIF-55 Empacadora Ganadera de Chihuahua, S.A. de C.V., Chihuahua, Chih.
TIF-57 Sonora Agropecuaria, S.A. de C.V., Navojoa, Son.
TIF-62 Carnes Valmo, S.A. de C.V., Hermosillo, Son.
TIF-66 Frigorifico Agropecuaria Sonorense, S.A. de C.V., Hermosillo, Son.
TIF-67 A.R.I.C. de R.I. "Sonaric", Cd. Obregon, Son.
TIF-70 Planta TIF de Hermosillo, S.A. de C.V., Hermosillo, Son.
TIF-71 Industrializadora de Carnes Atotonilco, S.A. de C.V., Atotonilco, Jal.
TIF-74 Frigorifico Kowi, S.A. de C.V., Navojoa, Son.
TIF-81 Empresas Pecuarias Mexicanas, S.A. de C.V., Hermosillo, Son.
TIF-92-A Axa Alimentos Operaciones, S. de R.L. de C.V., Monterrey, N.L.
TIF-113 Productores e industrializadores de Carnes de Cerdo, S.A. de C.V., La Piedad, Mich.
TIF-117 Industrializadora de Porcinos Delta, S.A. de C.V., Penjamo, Gto.
TIF-134 Rastro Frigorifico de Coaxomulco, San Antonio Coaxomulco, Tlax.
TIF-137 Frigorifico y Rastro Santa Ana, S.A. de C.V., Penjamos, Gto.
TIF-152 Keken, S.A. de C.V., Uman, Yuc.

TIF-172 Rastro y Obrador Ayapango, S.A. de C.V., Ayapango, Edo. De Mexico

Authorized border crossing points: Cd. Acuña, Coahuila (Del Rio, Texas) and Piedras Negras, Coahuila (Eagle Pass, Texas).

Marketing

U.S. companies must have a Mexican importer or a 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.

There are only a few national distributors with the capability to handle perishable food items, so it is not uncommon for a US exporter to have multiple distributors to supply the major regional markets.

A significant share of the pork sold in Mexico either goes to processors or moves through traditional retail channels. Supermarkets are rapidly increasing their share.

A large share of domestic and imported pork goes to industrial processors for the making of ham, delicatessen meats, frankfurters, etc. The market for these products has been growing rapidly. The growth, however, has been slowed by the substitution of pork for turkey and MDM chicken.

Pork in the retail sector tends to be purchased by consumers in traditional-covered markets (mercados) where most butcher shops are located; but increasingly consumers are buying their meat products -- especially better cuts at supermarkets.

Supermarkets cater primarily to consumers from the higher socioeconomic population, however, the introduction of discount warehouse stores is making shopping at supermarkets more accessible to the average consumer. The most up-scale supermarkets in Mexico are as modern as any stores in the USA.

The large retail chains are generally well set up to import. All imported food items are currently purchased through Mexican-based distributors. These distributors, to be competitive, must almost daily, or at least weekly, provide deliveries to each of the retailer's outlets. This enables the chains to keep inventories at a minimum, avoid investment in large centralized storage, and bypass the hassles of importing.

The majority of consumers continue to purchase their meat items from traditional markets. But as is the trend worldwide, these are being put out of business by the expansion of the modern retail sector. There are two types of traditional markets in Mexico:

- *Mercados*: These are permanent covered neighborhood markets which have individual stalls for merchants selling beef, pork, poultry, cheese, fruits and vegetables.

- *Tianguis*: These are roving outdoor markets which move from one neighborhood to another on designated days of the week. They sell a wide range of food and non-food items.

Though still an important factor at retail, these markets represent no direct sales potential for US exporters.