

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

Livestock and Products Annual

Genetics Paving the Way for Future Herd Rebuilding To Spur Production and Consumption in Mexico

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Report Highlights:

Cattle inventories continue declining but financial programs to repopulate the domestic herd and improved genetics would contribute for a future stabilization. Current, beef prices remain the driving factor to keep consumption in check while pork is gaining share in consumer's preferences. Mexico keeps looking to expand exports while high beef prices in the United States and a strong U.S. dollar suppress demand of imported beef in Mexico. Pork imports will be supported by rising prices for beef and a growing population.

Executive Summary:

The Post 2016 Mexican beef production forecast is 1.865 million metric tons (MMT) carcass weight equivalent (CWE), as animals with improved genetics and better feed conversion would contribute to spur production. Cattle exports are expected slightly down as demand for imported feeder cattle in the United States will be weaker. Mexico's 2016 beef imports are flat compared to the previous year as high beef prices in the United States and a strong U.S. dollar suppress demand in Mexico. Mexican beef export forecast is a record 300,000 MT CWE enhanced by an improved quality of products, better food safety, and tight beef supply in the United States.

Swine farms continue addressing PED challenges with improved biosecurity measures to control its spreading. Thus, allowing the pork sector to nudge the live pig crop higher in 2016. Ample availability of animal feed, especially grain at lower prices combined with new breeding lines, will contribute to higher slaughter weights allowing production of more meat from fewer hogs. Production is forecast at 1.325 MMT CWE. Higher beef prices and the price differences among beef, pork, and poultry continue leading to a reduced beef per capita consumption while pork's attractiveness will contribute towards increased demand. Despite a stronger dollar, the pork import will be supported by rising prices for beef and a growing population. Mexico looks for the full development of export markets in Asia to steadily grow its exports to these markets.

Economic Situation and Outlook:

The Mexican economy has underwhelmed in 2015. Hard-fought reforms throughout the public and private sectors have yet to completely take effect and global financial uncertainty has slowed investment and weakened confidence in future economic growth. Wage growth is stagnant, leading consumers to limit unnecessary spending. Falling oil prices have caused the federal government to slash budgets in hopes of reigning in deficits and debt, further complicating the country's ability to spur development and create jobs in the near term. The Mexican peso hit a record low of 17.50 pesos to the dollar on August 25, 2015, dropping 15 percent since the beginning of the year.

The silver lining to all of the turmoil is that Mexican products are significantly cheaper compared to foreign goods. Prices for products in the "Canasta Básica", the price index for basic foodstuffs, have decreased four percent since the beginning of the year and appear to be headed down even further. Mexican agricultural producers are poised to take advantage of the exchange rate and export a record amount of agricultural products to the United States in 2015. The flip side is that U.S. exports to Mexico seem to get more expensive everyday, making it harder and harder to reach consumers in such a price sensitive market.

Commodities:

Animal Numbers, Cattle

Production:

Repopulate the Domestic Herd: A Key Program for Mexico

The Post 2016 Mexican cattle production forecast is 6.925 million head as the Government of Mexico's (GOM) financial programs to repopulate the domestic herd and improve genetics are reportedly meeting the objectives. Through these supports, feedlot cattle producers are enticed to keep cattle —steers and

heifers featuring good phenotypic and genotypic patterns— that will eventually result in an improved breeding rate to supply feeding operations with more calves. Moreover, these programs, whose objective is to contribute to expanded production in the primary sector, will allow producers to remain in business and to offset obstacles the domestic herd has encountered to repopulate, mainly due to the lack of supply of steers for feedlots.

2016: The Platform to Rebuild the Domestic Herd?

The ample supply of grains and pasture lands in optimal conditions are encouraging producers toward expanded cattle feeding in 2016. As international grain prices remain attractive and good pasture conditions prevail, keeping production costs relatively low, feedlot cattle producers will likely keep cattle in feedlots, contributing to domestic herd repopulation and eventually increased domestic production and supply of beef. Private sources confirmed that by the end of 2014, the average weight of Mexican cattle increased to 520 kilograms at high-end feedlots. By the end of 2015, slaughter and carcass weights should move upward even more and by 2016 averages of 530 kilograms weights are expected as Mexico continues to increase weights faster than cattle inventory.

Post forecasts that inventories will continue declining during 2016 and then stabilize, paving the way for future rebuilding. Cattle ending inventories in 2015 are revised marginally down compared to 2015 USDA official figures, which are still down from the Post unchanged 2014 figure.

Trade:

The Post 2016 cattle import number is 20,000 head, up from the 2015 Post estimate due to prices and the pace of imports to date. Despite the prevalence of high prices of live cattle expected in the United States in 2016, Mexico will keep importing cattle for reproduction purposes. These imports should lead to improved calf production birth rates. The import of high breed cattle is a mid to long term objective for the cattle sector.

Two Factors Could Jeopardize Mexico's Herd Repopulation

Although private and public efforts towards cattle herd repopulation continue, high prices of breeding cattle in the United States coupled with the strong U.S. dollar could be a near-term disincentive to increase imports during the remainder of 2015. Also, declining Canadian herd inventories is resulting in limited cattle exports to Mexico. Post's cattle imports for 2014 were kept unchanged.

Post forecasts live cattle exports in 2016 to be 1.2 million head. This is lower than 2015 estimates of 1.275 million head, but a discrete increase over 2014 figure of 1.176 million head. The reduction of exports could be attributable to weaker demand in the United States and the feedlot producers' decision to keep cattle in feedlots, limit exports, and focus on beef production during a period of high beef prices. Currently, feed-cattle producers continue sourcing steers from Central and Southern Mexico to be placed in northern pens. If this situation continues, this should facilitate retaining breeding cattle and spur calf production in the mid to long-term.

Production, Supply and Demand Data Statistics:

Table 1. PSD, Animal Numbers, Cattle

| Animal Numbers, Cattle Market Begin Year Mexico | 2014 | | 2015 | | 2016 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2014 | | Jan 2015 | | Jan 2016 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Total Cattle Beg. Stks | 17,760 | 17,760 | 17,120 | 17,120 | 0 | 16,450 |
| Dairy Cows Beg. Stocks | 3,215 | 3,215 | 3,250 | 3,250 | 0 | 3,250 |
| Beef Cows Beg. Stocks | 6,700 | 6,700 | 6,700 | 6,700 | 0 | 6,800 |
| Production (Calf Crop) | 6,750 | 6,750 | 6,825 | 6,850 | 0 | 6,925 |
| Total Imports | 28 | 28 | 30 | 15 | 0 | 20 |
| Total Supply | 24,538 | 24,538 | 23,975 | 23,985 | 0 | 23,395 |
| Total Exports | 1,176 | 1,176 | 1,250 | 1,275 | 0 | 1,200 |
| Cow Slaughter | 1,400 | 1,400 | 1,400 | 1,400 | 0 | 1,340 |
| Calf Slaughter | 300 | 300 | 300 | 300 | 0 | 250 |
| Other Slaughter | 4,300 | 4,300 | 4,325 | 4,335 | 0 | 4,375 |
| Total Slaughter | 6,000 | 6,000 | 6,025 | 6,035 | 0 | 5,965 |
| Loss | 242 | 242 | 225 | 225 | 0 | 215 |
| Ending Inventories | 17,120 | 17,120 | 16,475 | 16,450 | 0 | 16,015 |
| Total Distribution | 24,538 | 24,538 | 23,975 | 23,985 | 0 | 23,395 |

1000 HEAD

Not Official USDA Data

Commodities:

Meat, Beef and Veal

Production:

Will More Production Entice Consumers to Eat More Beef?

The Post 2016 Mexican beef production forecast is 1.865 million metric tons (MMT) carcass weight equivalent (CWE), slightly greater than the 2015 estimate of 1.845 MMT, as Mexican feed-cattle producers continue looking for animals with improved genetics and better feed conversion to place into northern Mexico's intensive production systems. This is a maneuver proving that Mexico continues to look for successful alternatives to increasing weights, spurring beef production faster than cattle inventory.

As previously mentioned, attractive international grain prices and good pasture conditions are contributing keeping production costs relatively low. Currently, this is the largest expense in cattle production. Thus, feedlot cattle producers are enticed to implement an innovative practice of keeping steers from dairy cattle in feedlots. In the past, these cattle were immediately sent to slaughter. Nowadays, feed-cattle producers have started to keep them at end feedlots longer than animals with better genetics, enabling them to reach heavier weights and higher yields to take advantage of high beef prices and low feed prices.

Chart 1. Beef Production Percentage by Mexican State



As shown above, Veracruz (13.8) and Jalisco (11.8) are the largest beef producing states in Mexico, followed by Chiapas (5.8) and multiple states in northern Mexico. The states in northern Mexico focus more on exports than the rest of the country given that they border the largest export market, the United States.

Consumption:

The Post 2016 domestic beef consumption forecast is 1.740 MMT, which is slightly lower than Post’s 2015 beef consumption estimate of 1.770 MMT. Higher beef prices and the price differences among beef, pork, and poultry continue leading to a reduced per capita consumption, particularly among low-medium income consumers. Given the current turmoil in the world economy and the strong U.S. dollar, the exchange rate with the Mexican Peso has surpassed 17 pesos per one U.S. dollar putting imported beef out of the reach of many.

Table 2. Monthly Exchange Rate Averages 2008-2015

| Monthly Exchange Rate Averages 2008-2015 | | | | | | MX Pesos per U.S. \$1.00 | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------------------|--------------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| January | 10.91 | 13.15 | 12.80 | 12.13 | 13.46 | 12.71 | 13.20 | 14.68 |
| February | 10.77 | 14.55 | 12.95 | 12.06 | 12.79 | 12.71 | 13.28 | 14.92 |
| March | 10.74 | 14.71 | 12.59 | 12.00 | 12.75 | 12.54 | 13.20 | 15.21 |
| April | 10.52 | 13.41 | 12.23 | 11.73 | 13.05 | 12.21 | 13.06 | 15.22 |
| May | 10.44 | 13.19 | 12.71 | 11.64 | 13.60 | 12.28 | 12.93 | 15.26 |
| June | 10.33 | 13.47 | 12.72 | 11.80 | 13.94 | 12.94 | 12.99 | 15.46 |
| July | 10.24 | 13.36 | 12.82 | 11.67 | 13.37 | 12.77 | 12.97 | 15.92 |
| August | 10.10 | 13.00 | 12.74 | 12.22 | 13.18 | 12.89 | 13.14 | 16.26Ⓞ |
| September | 10.61 | 13.41 | 12.82 | 12.97 | 12.95 | 13.08 | 13.21 | - |
| October | 12.56 | 13.24 | 12.44 | 13.46 | 12.88 | 13.00 | 13.47 | - |
| November | 12.31 | 13.12 | 12.33 | 13.67 | 13.08 | 13.07 | 13.59 | - |
| December | 13.40 | 12.85 | 12.39 | 13.75 | 12.86 | 13.00 | 14.47 | - |
| Annual Avg. | 11.14 | 12.33 | 12.62 | 12.42 | 13.15 | 12.76 | 13.29 | - |

Source: Mexican Federal Register. As of 2nd week of August Ⓞ Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.

Staple food in most low to medium income households and in popular restaurants is thin-muscle beef cuts known as “*bistec*”. While the demand for finer cuts stems from middle and upper-income consumers who represent a much smaller population segment. Traditionally, these cuts are consumed in high-end restaurants, resorts, and in home-grill family reunions. Currently, retail prices of *bistec* in popular markets range from MX \$140 to \$169 pesos per kilogram. The cost of a meal including one *bistec* in popular restaurants is between MX\$30 to \$40 pesos; while retail prices of finer cuts in select chain stores range from MX\$170 to \$326 pesos per kilogram; a 300-400 gram finer cut in a high-end restaurant is valued at MX\$160 to 300 pesos. Substitution of beef with pork or poultry in low to medium income households is a fact. The number of family members plays an important role at deciding which animal proteins to buy. Large families opt to consume poultry while smaller families opt for either switching to pork or poultry or reducing beef purchases. These households will adopt a “piece by piece for each member” pattern, instead of purchasing the whole kilogram. On average, 7-9 thin-muscle beef pieces comprise one kilogram. Recently, the price per kilogram of pork in public markets ranged between MX\$90- 150 pesos, while the same products in chain stores range from MX\$67 to \$116. Chicken leg quarters (thigh and legs) prices are around MX\$55 pesos and chicken breast at MX\$70 pesos per kilogram.

Table 3. Mexico: Mexico City Beef Carcasses Wholesale Prices (Pesos/Kg) by Month 2014-2015

| Month | 2014 | 2015 | % Change 14/15 |
|-------------|-------|-------|----------------|
| January | 49.01 | 60.63 | 23.71 |
| February | 49.09 | 60.70 | 23.65 |
| March | 49.36 | 61.09 | 23.76 |
| April | 50.32 | 60.67 | 20.57 |
| May | 50.67 | 61.13 | 20.64 |
| June | 52.28 | 61.18 | 17.02 |
| July | 52.86 | 61.76 | 16.84 |
| August | 53.58 | n/a | n/a |
| September | 55.76 | n/a | n/a |
| October | 58.67 | n/a | n/a |
| November | 59.92 | n/a | n/a |
| December | 60.28 | n/a | n/a |
| Annual Avg. | 53.48 | n/a | n/a |

Source: Market Information National Service (SNIIM), Secretariat of Economy (SE)

Post’s 2016 forecast and 2015 estimate of consumption levels suggest that per capita beef consumption will continue stable to lower at between 15 and 16 kilograms per person (see chart 1 below). Sources indicate that during the past three years, per capita consumption dropped from 17 kilograms to 15 kilograms, but that beef consumption will rebound in 3-4 years as prices return to a more normal and accessible range.

The 2012 drought and attractive beef prices in the United States enticed producers to sell not only steers and heifers, but breeding cattle as well. Also, during 2013 and 2014, Mexico’s low breeding rate along with increased calf exports strained production and reduced domestic slaughter from traditional levels. The after effects of the drought stimulated beef exports and limited domestic supply, combining for higher beef prices during 2014 and the first half of 2015, as can be seen in Table 1 and Chart 2.

Chart2. Mexico City Beef, Pork and Poultry Per Capita Consumption (KG) Comparison



Undoubtedly, TIF Production is Spurring Per Capita Consumption

The latest data from the National Association of TIF Establishments (ANETIF) shows that 80 percent of the meat (beef 41.16 percent, pork 39.12 percent) consumed in Mexico was processed in a TIF establishment, and distributed in chain stores or supermarkets rather than in traditional butcher houses (see chart 4 below). Increasingly, it seems, consumers are more aware of the food safety commitments of TIF establishments as well as the established retail and hypermarkets they supply. This will support per capita consumption in the mid-long term.

Chart 3. Mexico City Beef Carcasses Wholesale Prices and Live Cattle Prices (pesos/kg) 2014-2015

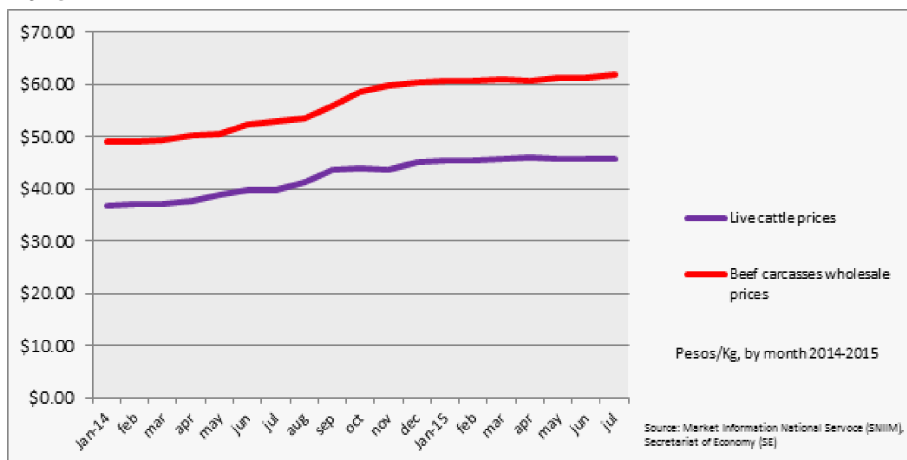
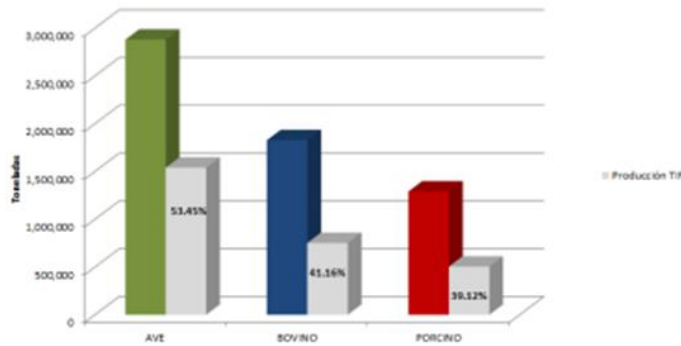


Chart 4. TIF Production Share versus Domestic Production

Asociación Nacional de
Establecimientos TIF, A.C.

ANETIF®



ANETIF con datos de SIAP y SENASICA 2015

| PRODUCCIÓN | AVE | BOVINO | PORCINO |
|---------------------------|-----------|------------|-----------|
| Producción Total Nacional | 2,879,561 | 1,827,323 | 1,290,478 |
| Producción TIF | 1,539,360 | 752,299.69 | 504,858.2 |

Trade:

Post forecasts Mexico's 2016 beef imports at 175,000 MT CWE and has reduced its import estimate for 2015 to 175,000 MT CWE, as high beef prices in the United States and a strong U.S. dollar suppress demand in Mexico. Post's 2014 beef import figure of 206,000 MT CWE estimate is unchanged from USDA's figure and based on official data.

Will China Open its Market to Mexican beef?

Post's 2016 Mexican beef export forecast is a record 300,000 MT CWE and its 2015 revised estimate is 250,000 MT. The improved quality, food safety, and sophistication of Mexican beef operations have facilitated increased and targeted Mexican beef exports over the past several years, a situation enhanced by the tight beef supply in the United States. Post agrees that Mexico will see the opening of strategic new market niches in Asia offering export opportunities in the near term.

Table 4. Mexico's Imports, Beef

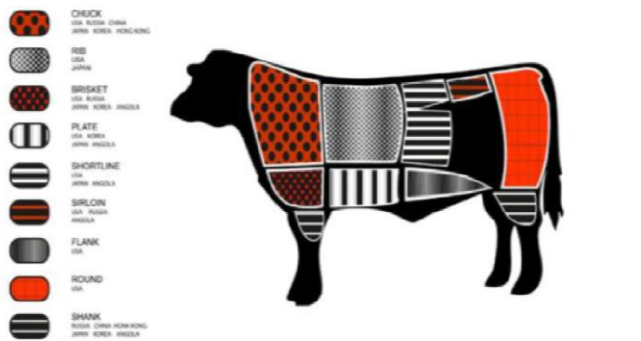
| Mexico Import Statistics | | | | | | | | | |
|---|------|---------------|--------|--------|--------|--------|--------------|---------|---------|
| Commodity: _PSD BEEF, _PSD BEEF | | | | | | | | | |
| Annual Series: 2010 - 2014, Year To Date: 05/2014 & 05/2015 | | | | | | | | | |
| Quantity | | | | | | | | | |
| Partner Country | Unit | Calendar Year | | | | | Year To Date | | |
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 05/2014 | 05/2015 | %Change |
| World | T | 211635 | 188971 | 153718 | 165792 | 146896 | 63135 | 49220 | -22.04 |
| United States | T | 169292 | 154797 | 131035 | 148744 | 124258 | 54170 | 40319 | -25.57 |
| Canada | T | 38161 | 28735 | 19864 | 14189 | 18679 | 7565 | 6768 | -10.53 |
| Australia | T | 1589 | 861 | 603 | 898 | 1209 | 347 | 301 | -13.46 |
| Nicaragua | T | 372 | 2637 | 713 | 339 | 1204 | 406 | 955 | 135.2 |
| Costa Rica | T | 665 | 756 | 556 | 413 | 783 | 279 | 373 | 33.51 |
| New Zealand | T | 905 | 609 | 564 | 546 | 584 | 248 | 339 | 36.75 |
| Uruguay | T | 36 | 22 | 17 | 49 | 125 | 69 | 160 | 132.85 |
| Other | | 616 | 554 | 366 | 614 | 55 | 51 | 6 | |

Table 5. Mexico's Exports, Beef

| Mexico Export Statistics | | | | | | | | | |
|---|------|---------------|--------|--------|--------|--------|--------------|---------|---------|
| Commodity: _PSD BEEF, _PSD BEEF | | | | | | | | | |
| Annual Series: 2010 - 2014, Year To Date: 05/2014 & 05/2015 | | | | | | | | | |
| Quantity | | | | | | | | | |
| Partner Country | Unit | Calendar Year | | | | | Year To Date | | |
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 05/2014 | 05/2015 | %Change |
| World | T | 73563 | 105914 | 142827 | 118403 | 138515 | 53058 | 68214 | 28.56 |
| United States | T | 39170 | 58902 | 91859 | 95554 | 115591 | 44186 | 61066 | 38.2 |
| Japan | T | 27841 | 16762 | 22694 | 18468 | 13038 | 3336 | 5454 | 63.5 |
| Hong Kong | T | 41 | 47 | 20 | 409 | 7342 | 4319 | 1203 | -72.15 |
| Canada | T | 0 | 52 | 47 | 79 | 743 | 62 | 311 | 398.42 |
| Vietnam | T | 0 | 98 | 23 | 2168 | 654 | 630 | 72 | -88.57 |
| Panama | T | 14 | 26 | 410 | 469 | 352 | 136 | 72 | -47.15 |
| Korea, South | T | 2110 | 3980 | 1182 | 163 | 199 | 81 | 36 | -55.43 |
| Other | T | 4386 | 26046 | 26592 | 1093 | 419 | 268 | 0 | |

As previously reported, the Mexican beef industry continues promoting the need to develop valued-added product exports to strengthen all aspects of the beef marketing channel. Mexico's trade currently consists largely of boxed beef in larger volumes. The sector keeps encouraging members to improve processing activity efficiencies and better meet foreign market sanitary requirements.

Chart 5. Export Map of Mexican Beef by Cuts and Countries of Destination



Source: Mexican Beef Exporters Association, 2015

Policy:

As previously reported, Mexican meat sector representatives report that they feel threatened by the Trans Pacific Partnership (TPP) negotiations and that the domestic meat sector could be in jeopardy as other TPP negotiating members may be able to supply less expensive beef products to Mexico. They acknowledge that countries like Chile, Singapore, Peru, Malaysia, and Vietnam could offer opportunities for Mexico, but other countries such as Australia, New Zealand, and Canada represent a challenge to them both domestically and in other TPP/third-country markets.

Marketing:

Mexican Beef and ANETIF have launched a campaign to promote the consumption of meat produced in TIF establishments in Mexico. The goal is to encourage consumers to purchase TIF-certified meat in formal consumption centers as opposed to meat products processed or sold in wet markets or local slaughterhouses. This campaign does not target domestic consumers alone, but international consumers in the United States and Japan as well. The foreign aspects of the campaign are promoting Mexican products by assuring consumers that the feeding, processing, certifications, and sustainable methods for producing meat are carefully scrutinized to provide the consumer the best choice and quality.

NOTE: Mexico is a large market for beef offal and non-skeletal muscle cuts like skirt steak. Those commodities and the trade volumes are not included in the tables below which are based on CWE calculations for harmonized tariff system codes 0201, 0202, 021050, and 160250.

Production, Supply and Demand Data Statistics:

Table 6. PSD, Meat, Beef and Veal

| Meat, Beef and Veal Market Begin Year | 2014 | | 2015 | | 2016 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2014 | | Jan 2015 | | Jan 2016 | |
| Mexico | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Slaughter (Reference) | 6,000 | 6,000 | 6,025 | 6,035 | 0 | 5,965 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 1,827 | 1,827 | 1,845 | 1,845 | 0 | 1,865 |
| Total Imports | 206 | 206 | 210 | 175 | 0 | 175 |
| Total Supply | 2,033 | 2,033 | 2,055 | 2,020 | 0 | 2,040 |
| Total Exports | 194 | 194 | 210 | 250 | 0 | 300 |
| Human Dom. Consumption | 1,829 | 1,829 | 1,835 | 1,760 | 0 | 1,730 |
| Other Use, Losses | 10 | 10 | 10 | 10 | 0 | 10 |
| Total Dom. Consumption | 1,839 | 1,839 | 1,845 | 1,770 | 0 | 1,740 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 2,033 | 2,033 | 2,055 | 2,020 | 0 | 2,040 |

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG

Not Official USDA Data

Commodities:

Animal Numbers, Swine

Production:

The PED Ghost Appears To Be Around, But For How Long?

Due to ongoing porcine epidemic diarrhea (PED) virus control efforts and market incentives such as relatively low prices and strong demand, Post's 2016 forecast represents a slight increase compared to Post's 2015 estimate in breeding sows. Thus, additional piglet production is forecast at 19,000 heads which in turn would lead to the previously mentioned increase in hog slaughter. Genetic improvements along with appropriate handling of the after effects of PED are allowing the pork sector to nudge the live pig crop higher in 2016. These hogs are able to achieve desired market weights faster with improved rates of gain.

Commercial farms will continue to address PED challenges and are operating with improved biosecurity measures to control its spreading. To date, virus control efforts have been acceptably successful, though the threat remains. Consequently, the loss forecast for 2016 is the same as the 2015 revised estimate. Loss during 2014 was kept unchanged.

Trade:

The Mexican Pork Sector Betting On Better Genetics against PED

Imports consist mainly of swine with new breeding lines aimed to increase the number of weaning piglets per litter to offset the after effects of the PED outbreak. As improved breeding lines will produce animals with better feed conversions, heavier weights, and larger yields, the sector expects this will contribute to its recovery and make it stronger and more efficient. Thus, imports in 2015 are expected to increase from the previous year despite a strong dollar. For 2016, the import forecast is expected to be flat from the previous year due mainly to an increased piglet production and a discouraging higher exchange rate. During 2013, as a response to the PED outbreak, the government of Mexico (GOM) restricted the import of swine for breeding purposes from the United States (see GAIN Report MX305), however, the sector is reportedly back to its historical import pattern. Mexico's exports are null.

Production, Supply and Demand Data Statistics:

Table 7. PSD, Animal Numbers, Swine

| Animal Numbers, Swine Market Begin Year Mexico | 2014 | | 2015 | | 2016 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2014 | | Jan 2015 | | Jan 2016 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Total Beginning Stocks | 9,775 | 9,775 | 9,700 | 9,700 | 0 | 9,720 |
| Sow Beginning Stocks | 1,160 | 1,160 | 1,150 | 1,150 | 0 | 1,180 |
| Production (Pig Crop) | 17,600 | 17,600 | 17,700 | 18,000 | 0 | 19,000 |
| Total Imports | 14 | 14 | 15 | 25 | 0 | 25 |
| Total Supply | 27,389 | 27,389 | 27,415 | 27,725 | 0 | 28,745 |
| Total Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Sow Slaughter | 15 | 15 | 15 | 15 | 0 | 15 |
| Other Slaughter | 16,805 | 16,805 | 17,100 | 17,300 | 0 | 17,400 |
| Total Slaughter | 16,820 | 16,820 | 17,115 | 17,315 | 0 | 17,415 |
| Loss | 869 | 869 | 700 | 690 | 0 | 690 |
| Ending Inventories | 9,700 | 9,700 | 9,600 | 9,720 | 0 | 10,640 |
| Total Distribution | 27,389 | 27,389 | 27,415 | 27,725 | 0 | 28,745 |

1000 HEAD

Not Official USDA Data

Commodities:

Meat, Swine

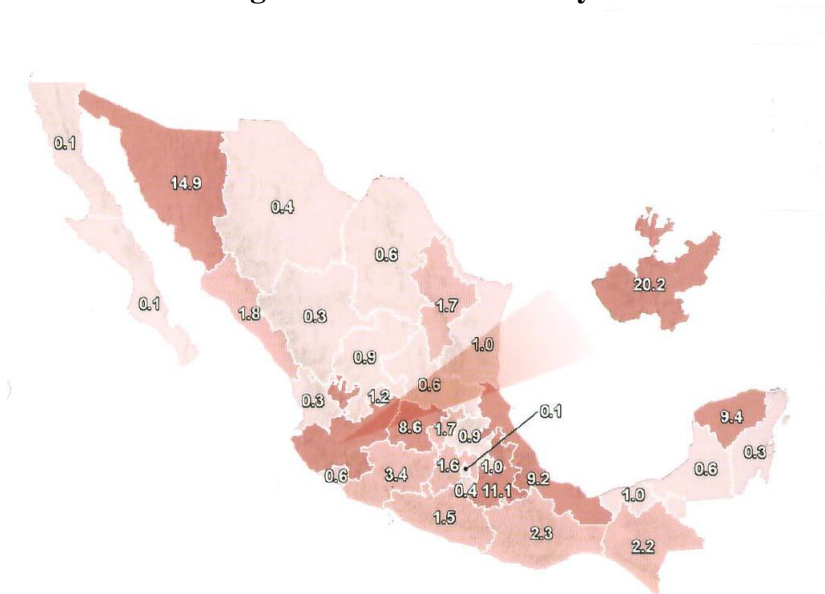
Production:

Pork Production Higher in 2016 on PED Recovery, Lower-Priced Grain and Improving Genetics

Production is forecast one percent higher to a record 1.325 MMT CWE. The effective efforts to control the PED virus, ample availability of animal feed, especially grain at lower prices combined with new breeding lines, will contribute to higher slaughter weights allowing production of more meat from fewer hogs. Thus, swine will continue to be slaughtered at around 130 kg live weight with a carcass weight of around 82-84 kg.

The production estimate for 2015 was revised down slightly at 1.316 MT CWE to reflect the official estimate. Notwithstanding that the sector was able to handle the outbreak after effects better than expected; the weights of hogs for slaughter were less than forecast. Post's 2014 production estimate was kept unchanged at 1.209 MT CWE.

Chart 6. Percentage of Pork Production by State



Pork production is concentrated in three Mexican states: Jalisco (20.2), Sonora (14.9), and Puebla (11.1). Together these three states account for almost half of all production. Every state in Mexico produces some pork, however, in many states that is for personal consumption and unlikely to be commercialized in the formal sector.

Better genetics combined with lower grain prices are contributing to lower production costs across the Mexican production chain. Consequently, industry members continue to strengthen and expand the productivity of their nearly 5,600 farms to take advantage of expected better margins.

Feed is based on yellow corn as well as sorghum and represents approximately 64 percent of the production cost. Although these feed grains are a staple, producers in northern Mexico are also feeding hogs with Durum wheat. Seasonal excess Durum supplies, at prices lower than yellow corn, allow producers to fulfill special requests from interested customers in search of this type of meat. Reportedly, the taste, color, and tenderness of resulting pork cuts are a value-added asset that high-end consumers appreciate.

Consumption:

Pork Consumption Appears To Be On The Upswing!

The Post 2016 total consumption estimate is 2.080 MMT CWE, as pork's attractiveness in comparison with beef will contribute towards increased demand. Consumption for 2015 was revised downward given decreased production and slightly increased exports. For 2014, domestic consumption was kept unchanged. High beef prices and competition with poultry prices has led to relatively stable, though growing, demand. Historically, pork consumption was negatively stigmatized given erroneous information spread countrywide. Poor feeding, production, and slaughter practices in addition to inappropriate processing/handling of products resulted in negative preconceptions of pork as an unhealthy source of animal protein in most households. Nowadays, modern production systems with cutting-edge management, better breeding lines, and appropriate feeding practices have allowed the sector to produce and offer, to both domestic and international markets, high-quality products. Pork is

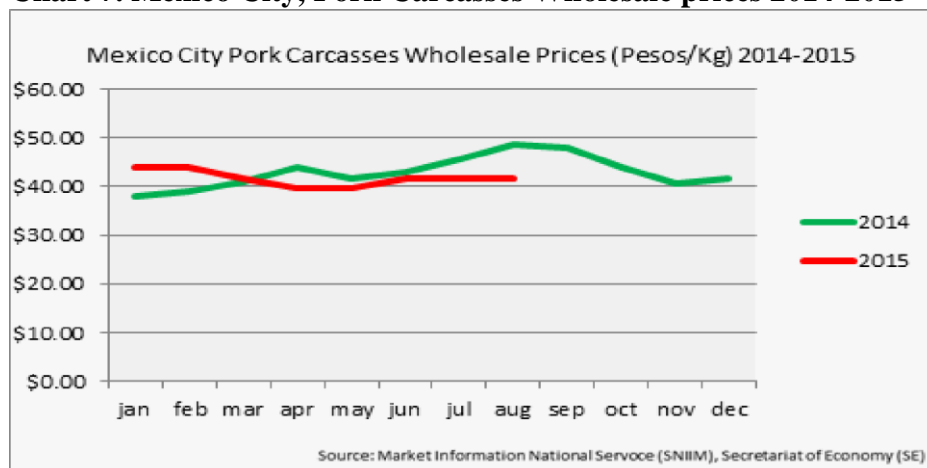
gaining the consumer’s confidence as they are more aware that production systems are as reliable as those in the poultry and beef sectors.

Table 8. Mexico: Mexico City Pork Carcass Wholesale Prices (Pesos/Kg) by Month, 2014-2015

| Month | 2014 | 2015 | % Change 14/15 |
|-------------|-------|--------|----------------|
| January | 38.00 | 44.00 | 15.79 |
| February | 39.00 | 44.00 | 12.82 |
| March | 41.00 | 41.50 | 1.22 |
| April | 44.00 | 39.50 | -10.23 |
| May | 41.50 | 39.50 | -4.82 |
| June | 43.00 | 41.50 | -3.49 |
| July | 45.50 | 41.50 | -8.79 |
| August | 48.50 | 41.50* | -14.43 |
| September | 48.00 | n/a | n/a |
| October | 44.00 | n/a | n/a |
| November | 40.50 | n/a | n/a |
| December | 41.50 | n/a | n/a |
| Annual Avg. | 42.88 | n/a | n/a |

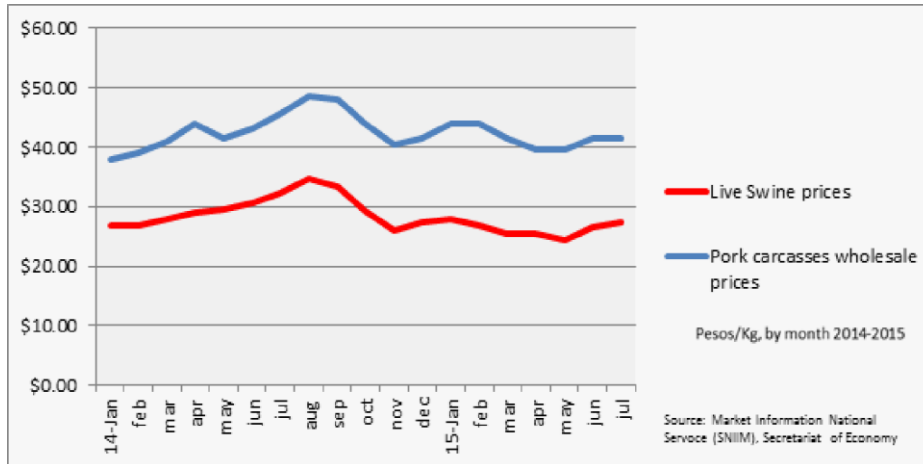
Source: Market Information National Service (SNIIM, Secretariat of Economy. *As of 3rd week of August

Chart 7. Mexico City, Pork Carcasses Wholesale prices 2014-2015



Per capita consumption for 2016 is forecast to exceed 17 kilograms due to the recognition among consumers of pork meat being an affordable and healthy source of protein. Also, by the end of 2015 per capita consumption is expected to rebound to 17 kilograms. Private sources indicate that per capita consumption during the previous two years marginally increased from 16 to 16.6 kilograms, which reflects the acceptance of pork meat among consumers.

Chart 8. Mexico City Pork Carcasses Wholesale Prices and Live Swine Prices (pesos/kg) 2014-2015



Trade:

Better Perception of Benefits from Pork Meat Consumption Boosts Trade

The Post 2016 import forecast is 950,000 MT CWE, despite a stronger dollar, as import demand will be supported by rising prices for beef and growing population. The majority of Mexico’s pork imports will remain hams and picnics as well as mechanically deboned meat (MDM), all for the preparation of sausages, deli hams, and other cold cuts. The United States maintains nearly a 90 percent share on these imports. The 2015 import level was revised slightly up to 850,000 MMT CWE, mainly due to the above mentioned higher demand generated by consumer shifts away from beef. Post’s 2014 pork import figures were kept unchanged from official data.

Is China To Awaken And Ask For More?

The Post pork export forecast for 2016 is 195,000 MMT CWE as the country looks for the full development of export markets in Asia that have enabled Mexico to steadily grow its exports to these markets. To date, China has approved five Mexican establishments as eligible to export pork. Many of these, however, are long-established producers that focus on the domestic market. The Post forecast for 2015 is revised upward to 150,000 MT CWE as overall demand from Asian countries remains stable for the remainder of 2015. The Post 2014 export estimate is unchanged based on available data.

Japan remains Mexico’s number one export market by volume and value—this situation is not expected to change.

Table 9. Mexico's Imports, Pork

| Mexico Import Statistics | | | | | | | | | |
|---|------|---------------|--------|--------|--------|--------|--------------|---------|---------|
| Commodity: _PSD PORK, _PSD PORK | | | | | | | | | |
| Annual Series: 2010 - 2014, Year To Date: 05/2014 & 05/2015 | | | | | | | | | |
| Quantity | | | | | | | | | |
| Partner Country | Unit | Calendar Year | | | | | Year To Date | | |
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 05/2014 | 05/2015 | %Change |
| World | T | 528474 | 456974 | 542745 | 601991 | 629493 | 263492 | 290862 | 10.39 |
| United States | T | 473311 | 425461 | 505572 | 537838 | 556011 | 240822 | 250985 | 4.22 |
| Canada | T | 53215 | 29220 | 33233 | 60600 | 70744 | 21516 | 38734 | 80.02 |
| Chile | T | 1255 | 1465 | 2958 | 2127 | 1335 | 654 | 459 | -29.74 |
| Spain | T | 653 | 791 | 870 | 1135 | 1081 | 392 | 481 | 22.76 |
| Denmark | T | 5 | 3 | 71 | 262 | 289 | 97 | 187 | 92.86 |
| Italy | T | 33 | 33 | 38 | 28 | 34 | 11 | 15 | 31.01 |
| Germany | T | 1 | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| Australia | T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| France | T | 1 | 0 | 3 | 1 | 0 | 0 | 1 | n/a |
| Burkina Faso | T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n/a |

Source of Data: INEGI [2006-present]

Table 10. Mexico's Exports, Pork

| Mexico Export Statistics | | | | | | | | | |
|---|------|---------------|-------|-------|-------|-------|--------------|---------|---------|
| Commodity: _PSD PORK, _PSD PORK | | | | | | | | | |
| Annual Series: 2010 - 2014, Year To Date: 05/2014 & 05/2015 | | | | | | | | | |
| Quantity | | | | | | | | | |
| Partner Country | Unit | Calendar Year | | | | | Year To Date | | |
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 05/2014 | 05/2015 | %Change |
| World | T | 59843 | 65836 | 72841 | 85340 | 90220 | 34823 | 39196 | 12.56 |
| Japan | T | 45529 | 46966 | 54465 | 70237 | 73188 | 27963 | 31031 | 10.97 |
| Korea, South | T | 7048 | 10494 | 8894 | 6489 | 8397 | 3103 | 3933 | 26.76 |
| United States | T | 6705 | 8191 | 9234 | 8424 | 8305 | 3685 | 4012 | 8.87 |
| Canada | T | 0 | 0 | 4 | 1 | 225 | 18 | 147 | 706.45 |
| Guatemala | T | 483 | 115 | 89 | 103 | 43 | 33 | 19 | -44.29 |
| El Salvador | T | 43 | 30 | 9 | 16 | 23 | 11 | 9 | -20.39 |
| China | T | 0 | 0 | 42 | 13 | 18 | 0 | 0 | n/a |
| Other | T | 34 | 37 | 84 | 48 | 7 | 1 | 45 | n/a |

Policy:

Closer to home, in 2014 the USDA Animal and Plant Health Inspection Service (APHIS) announced a proposed rule that would expand U.S. market access eligibility to all Mexican states (with the exception of Chiapas), based on an improved disease status determination related to Classical Swine Fever (CSF). A final determination and implementation of this rule is pending. Mexico has petitioned the World Animal Health Organization (OIE) for a more favorable CSF status recognition. This review is also pending.

Production, Supply and Demand Data Statistics:

Table 11. PSD, Meat, Swine

| Meat, Swine Market Begin Year | 2014 | | 2015 | | 2016 | |
|----------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2014 | | Jan 2015 | | Jan 2016 | |
| Mexico | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Slaughter (Reference) | 16,820 | 16,820 | 17,115 | 17,315 | 0 | 17,415 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 1,290 | 1,290 | 1,340 | 1,316 | 0 | 1,325 |
| Total Imports | 818 | 818 | 840 | 850 | 0 | 950 |
| Total Supply | 2,108 | 2,108 | 2,180 | 2,166 | 0 | 2,275 |
| Total Exports | 117 | 117 | 120 | 150 | 0 | 195 |
| Human Dom. Consumption | 1,991 | 1,991 | 2,060 | 2,016 | 0 | 2,080 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 1,991 | 1,991 | 2,060 | 2,016 | 0 | 2,080 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 2,108 | 2,108 | 2,180 | 2,166 | 0 | 2,275 |

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG

Not Official USDA Data

NOTE: Mexico is a large market for pork offal and other non-skeletal muscle items. The trade volumes reflected below are based on CWE calculations for harmonized tariff system codes 020311, 020312, 020319, 020321, 020322, 020329, 021011, 021012, 021019, 160241, 160242, and 160249

Other Relevant Reports Submitted by FAS/Mexico:

| Report Number | Subject | Date Submitted |
|---------------|--|----------------|
| MX5022 | Dairy Semi-Annual | 5/29/15 |
| MX5008 | Poultry and Products Semi Annual | 02/17/15 |
| MX5005 | Meat and Livestock Semi Annual | 03/03/15 |
| MX5004 | CA HPAI restrictions | 01/29/15 |
| MX4072 | Dairy Annual | 10/16/14 |
| MX4071 | Livestock and Products Annual | 10/8/14 |
| MX4061 | Poultry Annual | 8/15/14 |
| MX4042 | Mexico Submits OIE Notification on PEDv | 5/27/14 |
| MX4040 | Dairy Semi-annual | 5/15/14 |
| MX4036 | Mexico Opens to All Ages and All Products | 4/29/14 |
| MX4025 | Red Meat and Poultry Sector Trends and Developments | 3/28/2014 |
| MX4015 | Livestock Semi Annual: Production Forecasts Raised Slightly | 3/2/2014 |
| MX4012 | Poultry Semi Annual. Billion Dollar Market Holds Potential for Increased Sales | 2/14/2014 |

Author Defined:

FAS/Mexico Web Site: We are available at www.mexico-usda.com.mx or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

