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Report Highlights:

Post forecasts Mexico's calf crop at 8.45 million head for 2023. Post forecasts cattle exports for 2023 at 1.2 million head, a slight increase from the 2022 estimate. Post forecasts beef production for 2023 at 2.22 million metric tons (MMT) carcass weight equivalent (CWE), almost a two percent increase from 2022. Mexico continues to set record beef exports, both in volume and value, and domestic demand is recovering gradually, requiring greater production. Post forecasts beef exports for 2023 at 410,000 MT CWE. Forecasted at 1.6 MMT CWE in 2023, Mexico's pork production is expected to continue growing on strong domestic demand and continued export growth. Pork continues to be the second most consumed meat in Mexico, with consumers valuing its versatility and availability. Pork imports are also projected to reach a record in 2023.

Cattle

Table 1. Cattle – Production, Supply, and Demand (PSD)

Animal Numbers, Cattle Market Year Begins Mexico	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	17,000	17,000	17,314	17,314	0	17,742
Dairy Cows Beg. Stocks (1000 HEAD)	3,500	3,500	3,550	3,550	0	3,600
Beef Cows Beg. Stocks (1000 HEAD)	7,950	7,950	8,000	8,000	0	8,050
Production (Calf Crop) (1000 HEAD)	8,150	8,150	8,300	8,300	0	8,450
Total Imports (1000 HEAD)	101	101	110	110	0	90
Total Supply (1000 HEAD)	25,251	25,251	25,724	25,724	0	26,282
Total Exports (1000 HEAD)	1,037	1,037	1,080	1,080	0	1,200
Cow Slaughter (1000 HEAD)	1,530	1,530	1,490	1,490	0	1,500
Calf Slaughter (1000 HEAD)	270	270	280	280	0	290
Other Slaughter (1000 HEAD)	4,900	4,900	5,010	5,010	0	5,171
Total Slaughter (1000 HEAD)	6,700	6,700	6,780	6,780	0	6,961
Loss and Residual (1000 HEAD)	200	200	122	122	0	200
Ending Inventories (1000 HEAD)	17,314	17,314	17,742	17,742	0	17,921
Total Distribution (1000 HEAD)	25,251	25,251	25,724	25,618	0	26,282
(1000 HEAD)						

Production

Post forecasts Mexico's calf crop at 8.45 million head for 2023. Despite high feed prices, cattle producers have been able to increase production through vertical integration of feedlots to meat distribution, as well as improving genetics (embryos and semen), and production practices. There are no government incentives or programs to promote production. However, the increased export value of livestock and beef serves as an incentive for producers to increase their herd.

As a potential challenge, supply bottlenecks are likely to continue into 2022 and even 2023 for some production inputs and vital services, such as feed ingredients and transportation. While industry maintains an expectation that this situation will improve gradually, some analysts foresee significant risk of more prolonged supply chain issues and high inflation, because Mexico's economy is perceived as not meeting growth expectations. High inflation is not just a domestic factor, it is an issue worldwide that affects fuel prices, freight costs, input costs, and supply.

Weather conditions are not a major factor for livestock production, as most parts of Mexico have good precipitation and humidity conditions. The domestic calf crop is raised mostly in central and southern Mexico, with a good supply of grass and water. While drought impacts large areas of Northern Mexico, with more severe conditions along the U.S. and Mexico border in the Chihuahua and Coahuila states, feedlots in the northern states have the resources to provide feed and water to livestock, even under these drought conditions.

According to Mexico's National Association of Balanced Animal Feed (CONAFAB), cattle feed demand accounts for approximately 20 percent of Mexico's national feed production (10 percent beef cattle and 10 to 11 percent dairy cattle). It is estimated Mexico will produce above 39 MMT of feed in 2022, representing close to 10 percent of the world market share. Feed production in Mexico between

2017 and 2021 showed an average growth rate of 3.8 percent, which means that an additional 1.0 MMT were manufactured each year, with the same trend expected to continue through 2022 and into 2023.

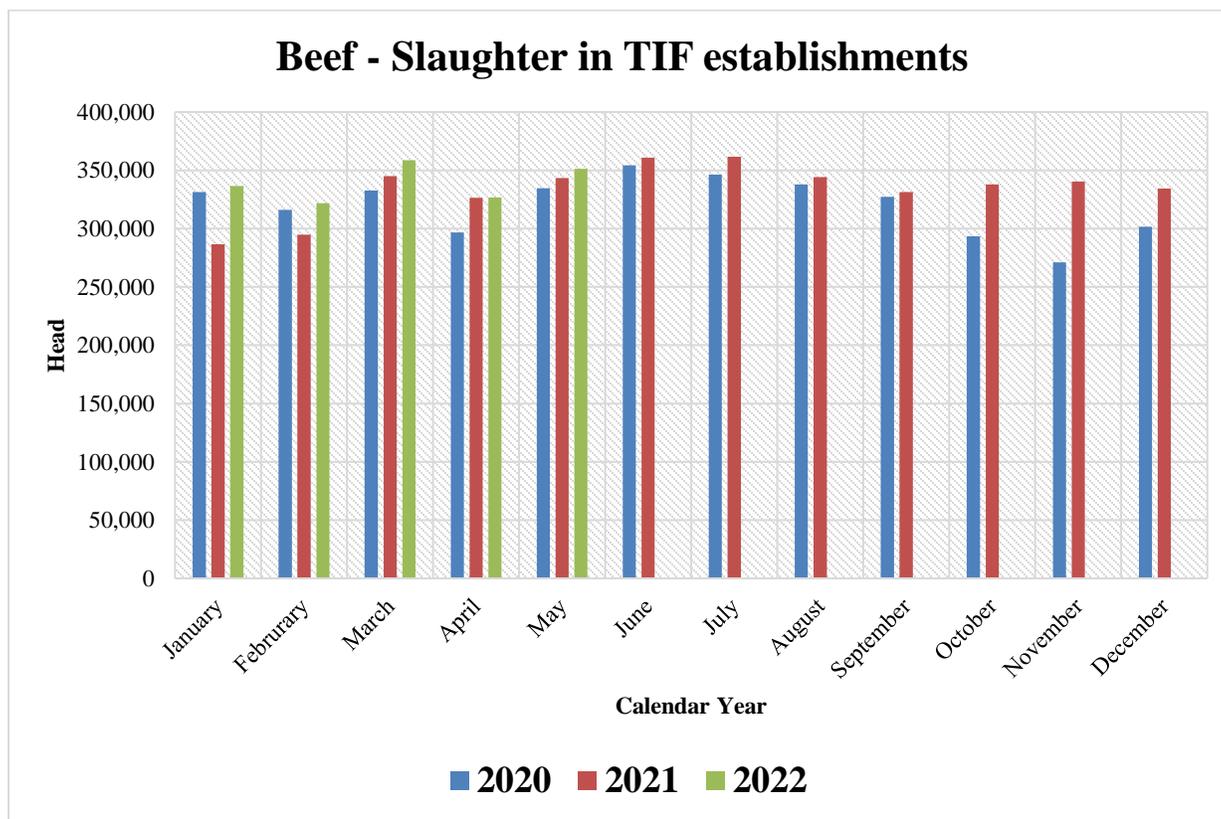
Slaughter

Post forecasts slaughter for 2023 at 6.96 million head. As Mexico’s economic recovery continues, demand for beef by the Hotel, Restaurant, and Institution (HRI) sector drives domestic demand. However, beef exports to existing and newly open markets incentivizes the entire production chain.

Vertical integration continues to be a major factor in increased domestic slaughter capacity and capability. As the same company owns the cattle, the feedlot and the slaughterhouse, their business becomes more efficient, which leads to improved yields, just in time supply, and increased profits.

Federally Inspected Establishments (TIF) continue to increase their capabilities in serving both domestic and international markets. These capabilities do not mean just more space, but also more efficient processes, improved technology, decreased waste, better yields, and constant speed in the slaughter line without unnecessary delays. According to the Secretariat of Agriculture and Rural Development (SADER), there are 1,187 slaughterhouses for cattle, out of which 120 are active TIF establishments. However, those TIF establishments account for over 55 percent of the beef slaughter share.

Table 2. Beef Slaughter in TIF Establishments

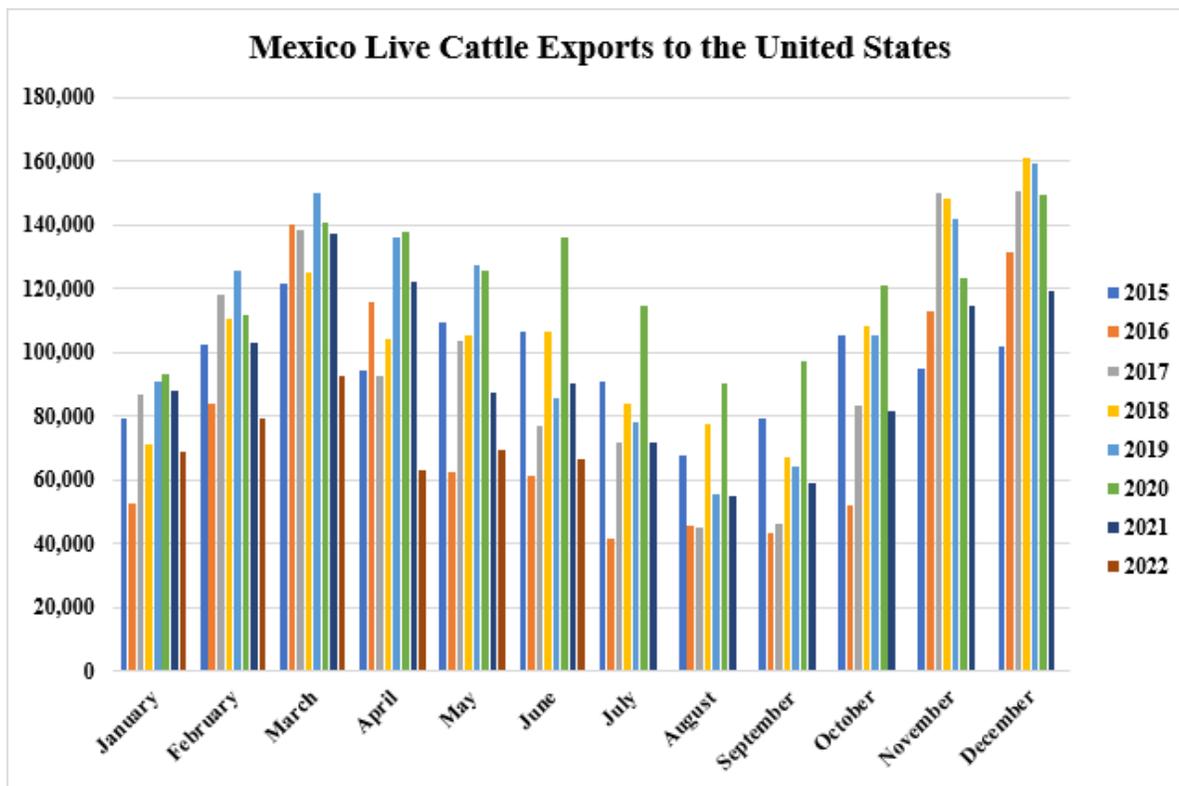


Source: National Service of Agricultural Health, Food Safety and Agri-food Quality (SENASICA) – Federally Inspected Establishments Directorate

Trade

Exports: Post forecast exports for 2023 at 1.2 million head, a slight increase from the 2022 estimate of 1.08 million head. Even though Mexico's ranchers take great pride in exporting livestock to the United States, international beef prices continue to grow increasingly more appealing, while domestic demand is also growing. Mexico's ranchers fatten their animals in Mexico for slaughter and obtain better profits by accommodating different beef cuts in different markets, rather than exporting live animals. This phenomenon is a balancing act between being labeled as a live cattle exporter and obtaining a differentiated beef price in other markets. Exports are not being affected by heat or dryness reported in some parts of Mexico.

Table 3. Mexico's Live Cattle Exports to the United States



Source: Trade Date Monitor (2022)

Imports: Post forecasts livestock imports for 2023 at 90,000 head, as cattle for immediate slaughter from the United States is not expected to grow further. Even though it is a business opportunity for Mexican processors to slaughter and cut U.S. cattle, only a 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. These importers can cash-in their efforts and sell their meat products in different market sectors. The 2022 imports estimate is unchanged at 110,000 head.

Traditionally, livestock imports were mostly for genetics purposes. However, for the past three years (2020-2022), imports for immediate slaughter have increased significantly from the United States. Due

to the closing of U.S. facilities since the pandemic, understaffing of several U.S. establishments, and good U.S. cattle production, ranchers from the United States found in Mexico an escape valve for their slaughter needs.

Mexico’s cattle imports at their southern border continue at a modest pace, while these cattle are mostly thin, they will be fattened in domestic feedlots before slaughter.

Beef

Table 4. Beef – PSD

Meat, Beef and Veal Market Year Begins Mexico	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	6,700	6,700	6,780	6,780	0	6,961
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	2,150	2,150	2,180	2,180	0	2,220
Total Imports (1000 MT CWE)	172	172	170	170	0	200
Total Supply (1000 MT CWE)	2,322	2,322	2,350	2,350	0	2,420
Total Exports (1000 MT CWE)	363	363	405	405	0	410
Human Dom. Consumption (1000 MT CWE)	1,959	1,959	1,945	1,945	0	2,010
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	1,959	1,959	1,945	1,945	0	2,010
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	2,322	2,322	2,350	2,350	0	2,420
(1000 HEAD), (1000 MT CWE)						

Production

Post forecasts production for 2023 at 2.22 MMT CWE, almost a two percent increase from 2022. Mexico continues to set record beef exports, both in volume and value, and domestic demand is recovering gradually, requiring greater production. The estimate for 2022 stands at 2.18 MMT CWE.

Domestic production is expected to continue its upward trend. For the past six years (2017-2022), beef production has increased between one and three percent annually, and boosted in the last two years (2021-2022) thanks to international prices incentivizing exports.

Several factors contribute to Mexico’s beef sector’s continued growth at a steady pace, despite high domestic inflation. First, vertical integration in the sector which, as previously explained, helps to improve yields, decreases waste, and improves efficiency. Secondly, regional livestock associations have spearheaded livestock genetics programs to improve herd quality.

Ten states in Mexico produce 64 percent of the country’s beef. The top five beef producers are the states of Veracruz, Jalisco, San Luis Potosi, Durango, and Baja California.

Table 5. Beef Producing States

Ranking	State	Share
1	Veracruz	12.9
2	Jalisco	11.7
3	San Luis Potosi	6.1
4	Durango	5.4
5	Baja California	5.3
6	Chiapas	5.1
7	Sinaloa	5.1
8	Michoacan	4.7
9	Chihuahua	4.2
10	Sonora	3.6

Source: Mexican Agri-food Information System (SIAP) - SADER

Figure 1. Beef Producing States



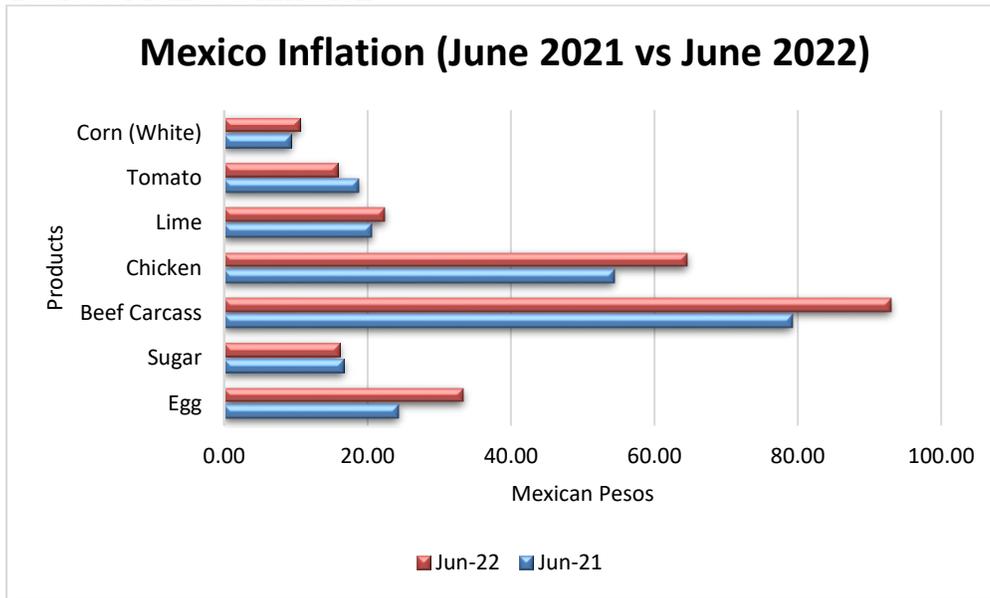
Source: SIAP-SADER

Consumption

Post forecasts consumption for 2023 at 2.01 MMT CWE. Despite inflation headwinds, consumers still demand beef, especially in the HRI sector that has recovered almost to full capacity after the pandemic lockdowns. Beef will continue to be Mexico's third-most consumed animal protein at levels of 12-14 percent of total animal protein consumption. According to Mexico's Cattlemen Association (AMEG), while a rebound in tourism and overall improved health in the HRI sector promotes greater beef consumption, total national consumption is tempered somewhat by the inflationary pressures upon the average Mexican household budget. Post estimates 2022 consumption at 1.95 MMT CWE.

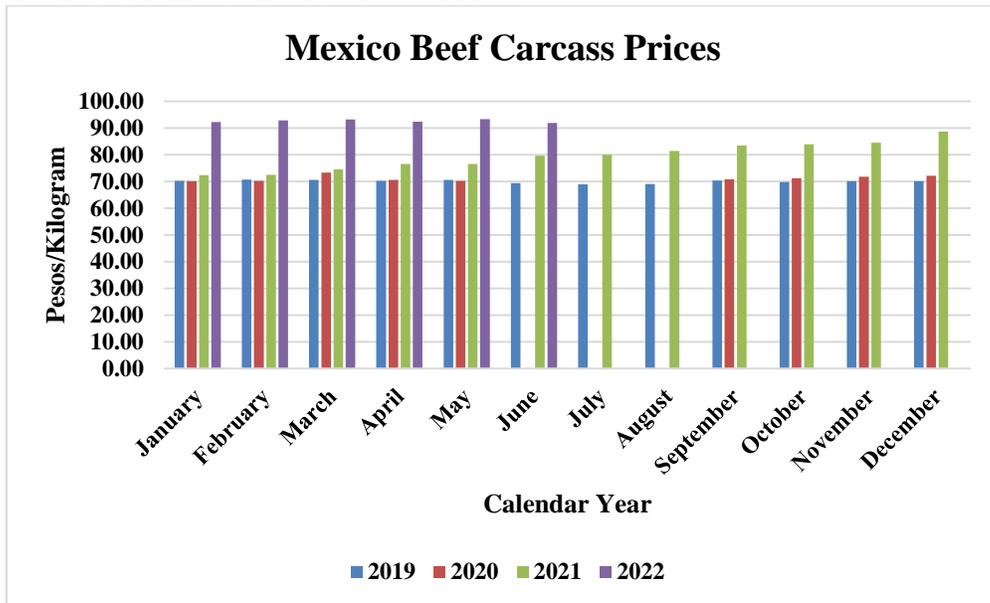
According to National Institute for Statistics (INEGI), the main commercial channel for beef is the local butcher shops, with more than 50 percent of market share. The main products are steak (chuck and round) and ground beef, representing 59 percent of purchases. Retail stores have surpassed wet markets as the next largest commercial channel, with 19 percent and 16 percent, respectively.

Table 6. Mexico's Inflation



Source: SIAP – SADER

Table 7. Mexico's Beef Carcass Prices



Source: SIAP – SADER

Another factor influencing consumer trends for beef consumption is alterations in the supply chain, especially in the rural areas. As many people return to social gatherings and increase their discretionary spending, consumers want to buy and enjoy everyday items. Logistics and distribution problems, due to the high cost of fuel and freight, and the ongoing impacts of the COVID-19 pandemic, result in scarce resources and unreliability for access to food products, including for beef.

Additionally, ongoing security issues also play a notable role in pressuring inflation and contributing to scarcity, especially in the food sector. Processors and retailers are challenged to prepare and offer solutions for consumers to access a wider variety of products and services with regards to a growing likelihood of the product being delayed or altogether diverted.

Trade

Imports

Post forecasts beef imports for 2023 at 200,000 metric tons (MT) CWE. As Mexico's beef exports continue to thrive, there is an added need to supplement domestic supply with imports. Mexico also imports primary cuts to process them and add value through manual labor for exports to other countries like South Korea and Japan.

Post's import estimate for 2022 is unchanged at 170,000 MT CWE. Mexico's beef imports decreased about 13 percent from January to May compared to the same period in 2021, due to more availability of beef in the domestic market.

Even though beef production is an appealing business, profit margins decrease as more middlemen intervene from the farm to the table. This phenomena disincentivizes domestic beef production in some regions in the south of Mexico, who prefer to send their calf crop to the northern states for export or fattening, which in turn decreases supply in some areas and opens opportunities for imports to fill the market void.

Exports

Post forecasts exports for 2023 at 410,000 MT CWE, as Mexico continues to benefit from high international beef prices and Mexico's ability to increase exports slowly, but steadily, to Asian markets. Post's estimate for 2022 remains at 405,000 MT CWE. As of May 2022, Mexico has record high beef exports, more than 31 percent higher compared to the same period of 2021. Unsurprisingly, value has also increased by 39 percent, reflecting the current high prices.

In June 2022, Mexico obtained its eligibility to export beef to Taiwan, and it is expected to begin trade in late October 2022 as eligible companies prepare their supply chains. Artisan processing boosts Mexico's beef export competitiveness in Asian markets. In the United States market, Mexican beef continues to improve in terms of consumer preference due to its leanness, smaller cut proportions, and preserving of the grain-fed taste U.S. consumers seek.

Evidence shows that the Mexican cattle industry is evolving from a process of extensive ranching and export of live cattle, towards technological processes and oriented to the export of high quality and frozen meat. The role of livestock in Mexico's agri-food GDP is growing, as well as its share as a supplier in the U.S. domestic market. According to Trade Data Monitor (TDM), during first five months of 2022, the four main destinations for Mexico's beef at volume are the United States with 84 percent share, followed by Japan with six percent of the share, Canada with two percent of the share, and South Korea with one percent of the share.

Hogs

Table 8. Swine – PSD

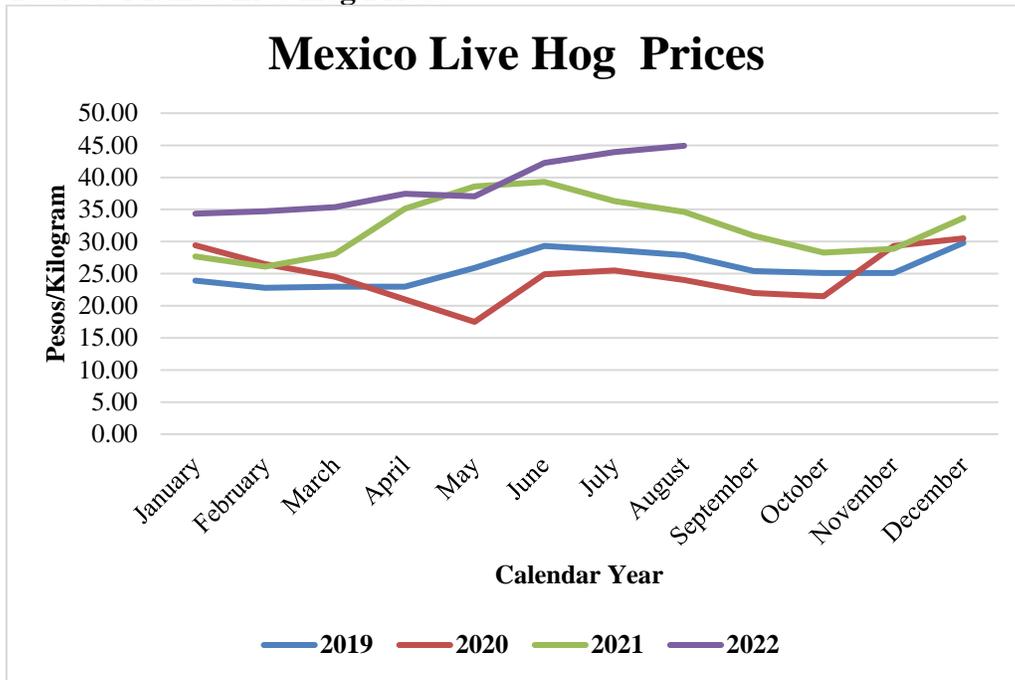
Animal Numbers, Swine Market Year Begins Mexico	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks (1000 HEAD)	11,500	11,500	11,775	11,775	0	12,250
Sow Beginning Stocks (1000 HEAD)	1,255	1,255	1,285	1,285	0	1,320
Production (Pig Crop) (1000 HEAD)	20,810	20,810	21,700	21,700	0	22,700
Total Imports (1000 HEAD)	15	15	20	20	0	20
Total Supply (1000 HEAD)	32,325	32,325	33,495	33,495	0	34,970
Total Exports (1000 HEAD)	0	0	0	0	0	0
Sow Slaughter (1000 HEAD)	0	0	0	0	0	0
Other Slaughter (1000 HEAD)	19,700	19,700	20,400	20,400	0	21,350
Total Slaughter (1000 HEAD)	19,700	19,700	20,400	20,400	0	21,350
Loss and Residual (1000 HEAD)	850	850	845	845	0	850
Ending Inventories (1000 HEAD)	11,775	11,775	12,250	12,250	0	12,770
Total Distribution (1000 HEAD)	32,325	32,325	33,495	33,495	0	34,970
(1000 HEAD)						

Production

Post's hog production forecast for 2023 is 22.7 million head, as the sector continues to thrive thanks to a health status free of swine diseases; industry efforts to vertically integrate; and investments in technology, biosafety, and genetics. Post estimate for 2022 is unchanged at 21.7 million head.

The states of Jalisco, Sonora, and Puebla are the country's primary producers, and represent up to 48 percent of total swine production. The biggest challenge for hog producers is trying not to pass on increasing costs to consumers, because they do not want to depress demand. The average price for live hogs in June 2022 continues to rise due to feed prices, representing a two percent increase compared to the same period of 2021 and a 56 percent increase compared to the same period of 2020. According to the domestic industry, the swine sector consumed above 6.3 million MT of feed in 2021.

Table 9. Mexico Live Hog Prices



Source: Secretariat of Economy (SE)

Mexico’s pork sector is characterized by highly concentrated competition, with just a few large companies, which represent different business units, and which tend to integrate the entire production system, from breeding to the distribution of meat and its derivatives or by-products. These large farms, which can import animals from abroad for genetics, account for almost half of the local production. However, although the pig sector represents 21.71 percent of the Mexico’s meat industry in volume of meat production, only second to the poultry industry, it is not enough to cover the national demand, and imports play an important role in meeting Mexico’s growing consumption.

Mexico’s pig farms can be divided into three types.

1. Farms with small-scale or rural systems, that is, farms with less than 50 breeders and less than 200 head, which are usually located in urban backyards and lack access to technology and adequate sanitary conditions. It is estimated that this type of farm represents about 22 percent of Mexico’s swine inventory.
2. Farms with medium-level technology systems and inadequate financial resources to develop higher-level technology systems, making their biosafety levels variable. These farms currently account for about 28 percent of Mexico’s swine inventory.
3. Farms with advanced systems, in which technology is central in all aspects of management, nutrition, and health, with strict control of animals and personnel. These farms are usually owned by large corporations, house about 50 percent of Mexico’s swine inventory, and produce nearly 75 percent of Mexican pork.

Slaughter

Post forecasts slaughter for 2023 at 21.35 million head as demand, both for domestic consumption and exports, continues to build. The HRI sector plays lead role in growing demand as activities continue to resume in person, followed by retail. Post estimates slaughter for 2022 unchanged at 20.4 million head.

According to SADER, about 53 percent of Mexico's swine slaughter from January through June 2022 was carried out in TIF establishments, with the remainder of slaughter taking place in municipal and private establishments. According to INEGI, swine slaughter in non-TIF establishments has decreased 6.5 percent from May 2021 to May 2022, improving food safety guarantees for pork consumers, both domestic and abroad, as well as increasing production through more efficient processing from slaughter to cold storage.

Trade

Imports

Post forecasts imports for 2023 at 20,000 head, unchanged from the 2022 estimate. Swine imports go mostly to improving the genetic pool. Industry reports live swine imports increasing from 2021, amidst private investments from large companies and measures taken by Mexico's government to prevent ASF outbreaks. Breeders continue to shift herd locations for biosecurity reasons and begin to focus on expanding the herd with domestic and imported genetics, according to demand.

Exports

The 2023 forecast remains zero. All domestic swine production is needed to satisfy domestic demand for pork.

Pork

Table 10. Pork – PSD

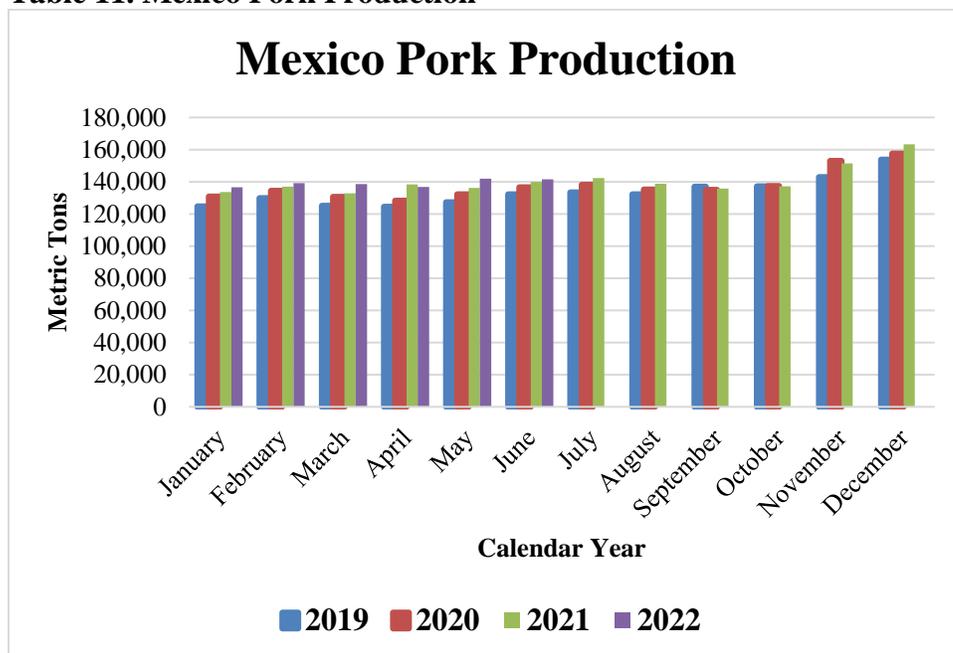
Meat, Swine Market Year Begins	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	19,700	19,700	20,400	20,400	0	21,350
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	1,484	1,484	1,535	1,535	0	1,605
Total Imports (1000 MT CWE)	1,155	1,155	1,250	1,250	0	1,275
Total Supply (1000 MT CWE)	2,639	2,639	2,785	2,785	0	2,880
Total Exports (1000 MT CWE)	319	319	300	300	0	330
Human Dom. Consumption (1000 MT CWE)	2,320	2,320	2,485	2,485	0	2,550
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	2,320	2,320	2,485	2,485	0	2,550
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	2,639	2,639	2,785	2,785	0	2,880

(1000 HEAD), (1000 MT CWE)

Production

Post forecasts pork production for 2023 at 1.6 MMT CWE. Mexico's pork production is expected to continue expansion due to a growing supply attributed to improved swine genetics that help decrease piglet mortality, as well as improved breeding and animal health protocols. Even though average carcass weight has not increased, the availability of swine ready to be slaughtered has increased to meet both strong domestic and export demand. Through technology, pork processors can decrease waste and improve yields of the carcasses.

Table 11. Mexico Pork Production



Source: SIAP - SADER

By July 1, 2022, the average price of farm-raised pigs reached 43.41 pesos/kg, which represents an increase of 2.8 percent compared to the previous week (42.21 pesos/kg) and is 5.5 percent above the June average (41.14 pesos/kg). Regarding the main domestic markets, they presented a general price increase, with Sonora being the one with the biggest weekly increase (3.1 percent), going from 36.63 pesos/kg to 37.76 pesos/kg, followed by Guanajuato (44.81 pesos/kg) with a rise of 2.5 percent, while Jalisco (43.2 pesos/kg) and Querétaro (44 pesos/kg) exhibited growth of 2.2 percent and 1.1 percent, respectively.

Table 12. Mexico Pork Pricing

	July 1	Previous week	Differential	June average	Differential
Sonora	37.76 pesos/kg	36.63 pesos/kg	3.1 percent	35.25 pesos/kg	7.1 percent
Guanajuato	44.81 pesos/kg	43.72 pesos/kg	2.5 percent	42.35 pesos/kg	5.8 percent
Jalisco	43.21 pesos/kg	42.28 pesos/kg	2.2 percent	40.00 pesos/kg	8.0 percent
Querétaro	44.00 pesos/kg	43.52 pesos/kg	1.1 percent	42.00 pesos/kg	4.8 percent
National average	43.41 pesos/kg	42.41 pesos/kg	2.8 percent	41.14 pesos/kg	5.5 percent

Consumption

Post forecasts consumption for 2023 at 2.55 MMT CWE. Pork continues to be the second most consumed meat in Mexico, with consumers valuing its versatility and availability. Pork continues to benefit from post-lockdown consumer trends in which consumers in Mexico want to feast on weekends and at gatherings. Consumers continue to search for the best value option in their purchase decisions, increasing demand for pork-based products such as tacos, cold cuts, and variety meats. Post's consumption estimates for 2022 is unchanged.

The ripple effect of the past two years of economic upheaval from the COVID-19 pandemic continues to shape consumers' purchasing behaviors. Consumers are forced to adjust their meat purchases to ease pressure from inflation and supply chain disruptions. Given higher prices across the grocery store aisle, value dominates the consumer's meat purchasing decisions, resulting in the growth in consumer preference for variety meats and offal (which are excluded from PSD estimates). This trend will have a greater impact in the second half of 2022 and will carry on through at least the first half of 2023.

According to some analysts, consumption levels for goods and services have recovered and, in some cases, exceeded pre-pandemic numbers. However, INEGI data suggests that consumption decelerated in May 2022. Retail sales are also reported as slower in May, compared to April, and are expected to remain so for the rest of 2022. However, pork consumption is expected to be sustained despite not being as accelerated as it was from January to April, catching up again by October, November, and December.

Local butcher shops continue to represent 59 percent of the pork sales share, and retail sales only 9.5 percent. However, Mexican pork processors continue to benefit from the price differential at retail compared to other proteins such as chicken.

However, the volatility of raw materials remains a latent threat to producers' profit margins. According to industry data, by the end of June 2022, the prices of corn and soybean paste were 16 and 25 percent higher than the same period of 2021, respectively. Higher feed prices increase production costs, and if this cost is not transferred to the consumer, the processor's profit margin decreases.

Table 13. Mexico Price Increases

Product	Price Change (June 2021 vs June 2022) *
Beef	+15.4
Pork	+3.5
Chicken Meat	+17.5
Table Eggs	+24.0
Pasteurized Milk	+13.1

*Expressed in percentage

Source: SIAP

Trade

Exports

Post forecasts exports for 2023 at 330,000 MT CWE. Mexico captures markets in Asia with labor intensive products, increasing its volumes to Japan and Korea. Mexico pork exports to China have plateaued and continue to provide marginal opportunities. The United States remains as Mexico's main pork destination as year-over-year exports increased by 38 percent during January to May 2022, compared to the same period last year.

Post estimates exports for 2022 unchanged at 300,000 MT CWE. Preliminary trade data from January to May 2022 show the volume of pork exports decreased by 15.0 percent compared to the same period in 2021. However, the value of these exports decreased by only 8.5 percent, thanks to an increase in the average export prices. Substantial supply bottlenecks are likely to continue for the remainder of 2022 and even 2023 for some production inputs and sectors, with a gradual improvement.

Imports

Post forecast imports for 2023 at a record of nearly 1.28 MMT CWE. Due to their price and versatility, chicken and pork meat have traditionally been the preferred animal proteins of Mexico, and the current economic climate has further reinforced this preference. However, pork consumption is growing faster than domestic production, which is why imported product has gained market share in the last decade. In 2021, imports reached a record share of 50 percent of consumption, four percent more than the previous year. In 2022 and 2023, imports are forecast to continue to account for about half of consumption.

Pork imports are mainly primary cuts to be processed and given added value in domestic establishments. High value cuts meet demand primarily in the HRI sector, while low value cuts are processed to obtain Ready-to-Eat (RTE) products, such as cooked hams.

Post estimates imports for 2022 unchanged at 1.25 MMT CWE. Imports grew 25.3 percent in the first five months of the year, compared to the same period of last year. This volume represents a new record, which was largely motivated by increased domestic demand.

Attachments:

No Attachments