

# **Mexican Beef and Cattle Production and Trade: Current Situation and Implications for Coming Years**

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# Evolution of U.S.-Mexican Cattle and Beef Trade

- Pre-1997 - Current
  - Imports of Mexican cattle
- 1997- Current
  - Imports of Mexican cattle
  - Expanded beef exports to Mexico
- 2009 – Current
  - Imports of Mexican cattle
  - Beef exports to Mexico
  - Expanded beef imports from Mexico





# Evolution of U.S.-Mexican Cattle and Beef Trade

- Pre-1997 - Current
  - Mexican cattle exports to U.S.
    - Comparative advantage in cow-calf production (forage)



# Cattle Imports from Mexico, Head



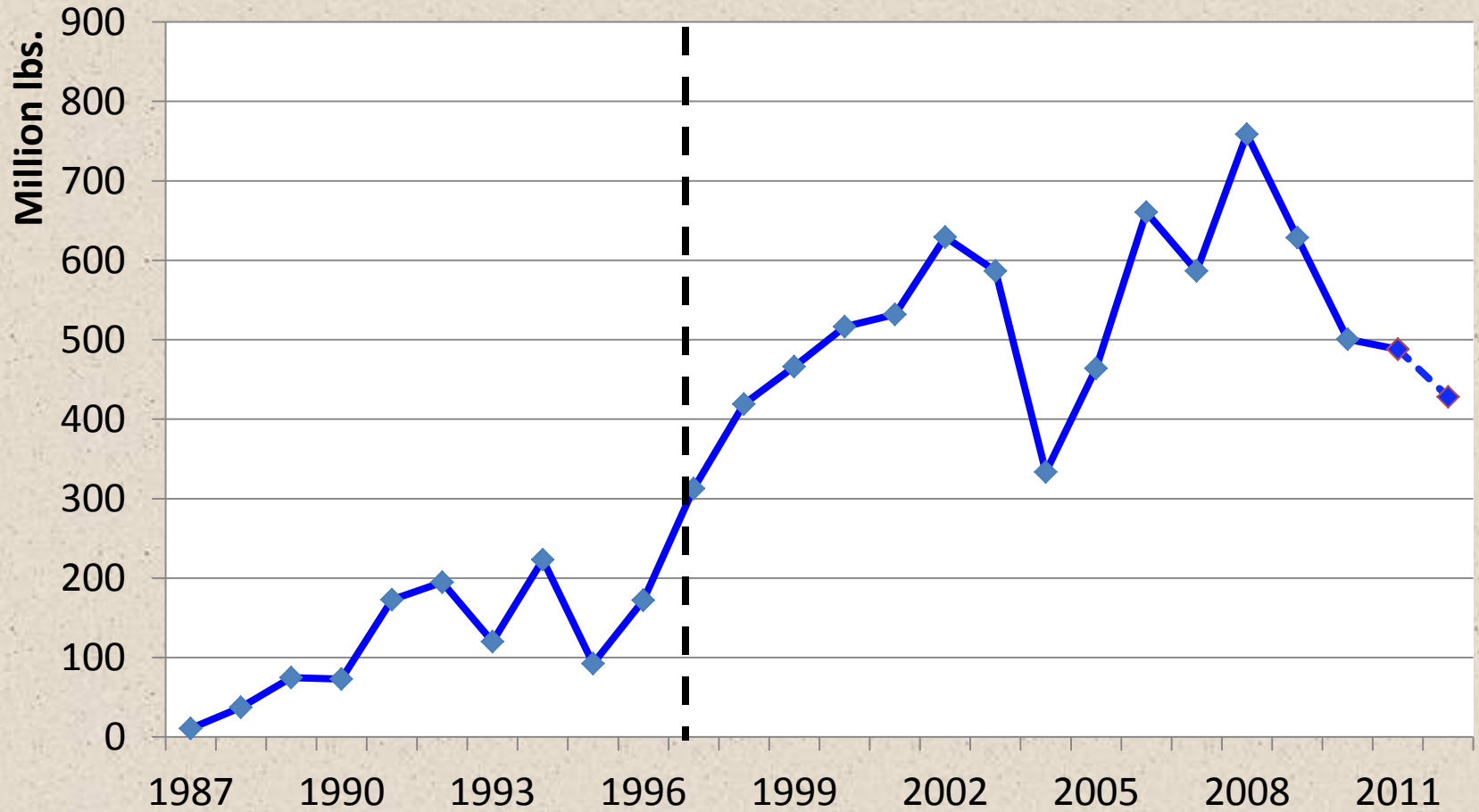
# Evolution of U.S.-Mexican Cattle and Beef Trade

- 1997- Current
  - Mexican cattle exports to U.S.
  - Expanded U.S. beef exports to Mexico
    - Comparative advantage in cattle feeding and meat processing
      - Augment Mexican beef production
      - Augment specific beef products (end meats)
        - » Complimentary to U.S. beef demand
      - Growing Mexican demand for fed beef





# Beef Exports to Mexico



# Evolution of U.S.-Mexican Cattle and Beef Trade

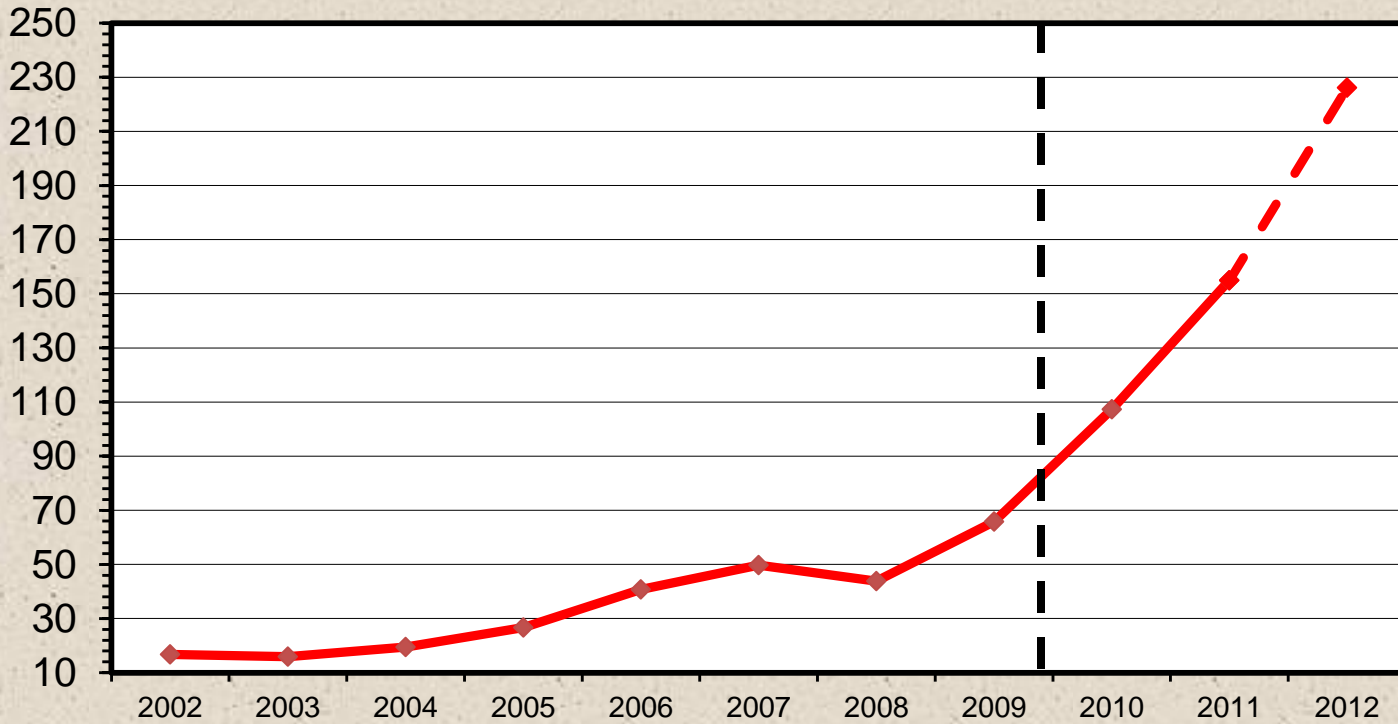
- 2009 - Current
  - Mexican cattle exports to U.S.
  - U.S. beef exports to Mexico
  - Expanded beef imports from Mexico
    - Rapid growth in boxed beef marketing (infrastructure)
      - Enhanced value relative to carcass system
    - Enhanced carcass value
      - Specific products in specific markets
    - High U.S. market value (prices and exchange rate)
    - Hispanic targeted market?
    - Transportation advantage?



# BEEF IMPORTS FROM MEXICO

Annual

Million lbs



◆ Annual    - - - Projected

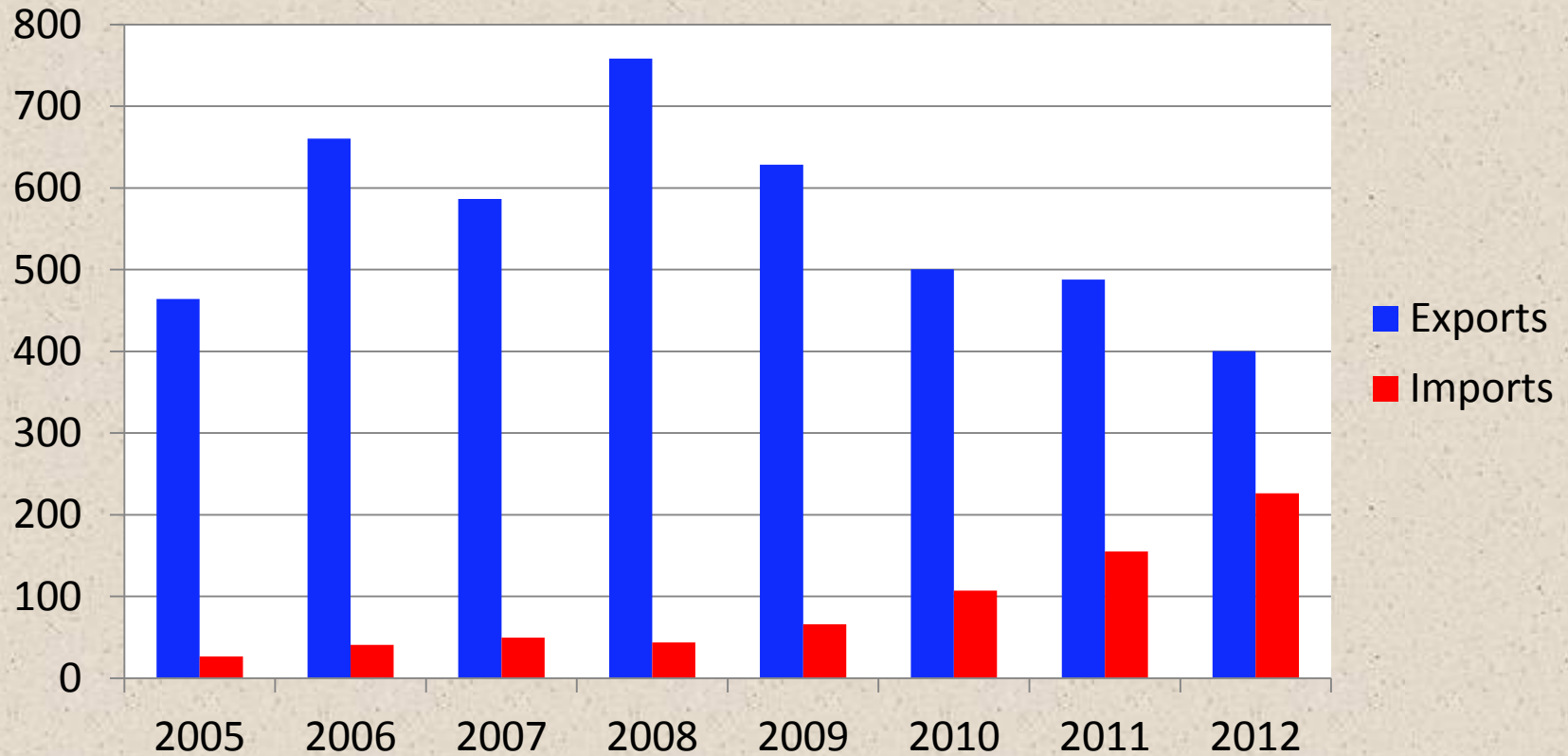
# Current Situation: U.S.-Mexican Cattle and Beef Trade

- Increased Beef Imports from Mexico
  - More Boxed Beef Production (Structural change)
  - Price and Exchange impacts
- Reduced Beef Exports to Mexico
  - Price and Exchange impacts
  - Weak Mexican Economy
  - Changing Mexican Preferences?
- Expanded Imports of Mexican Cattle
  - Drought impacts
  - Market impacts

# U.S. Beef Trade with Mexico

## 2012 Projected

Million lbs.





# U.S. Imports of Mexican Beef

## January-July, 2012

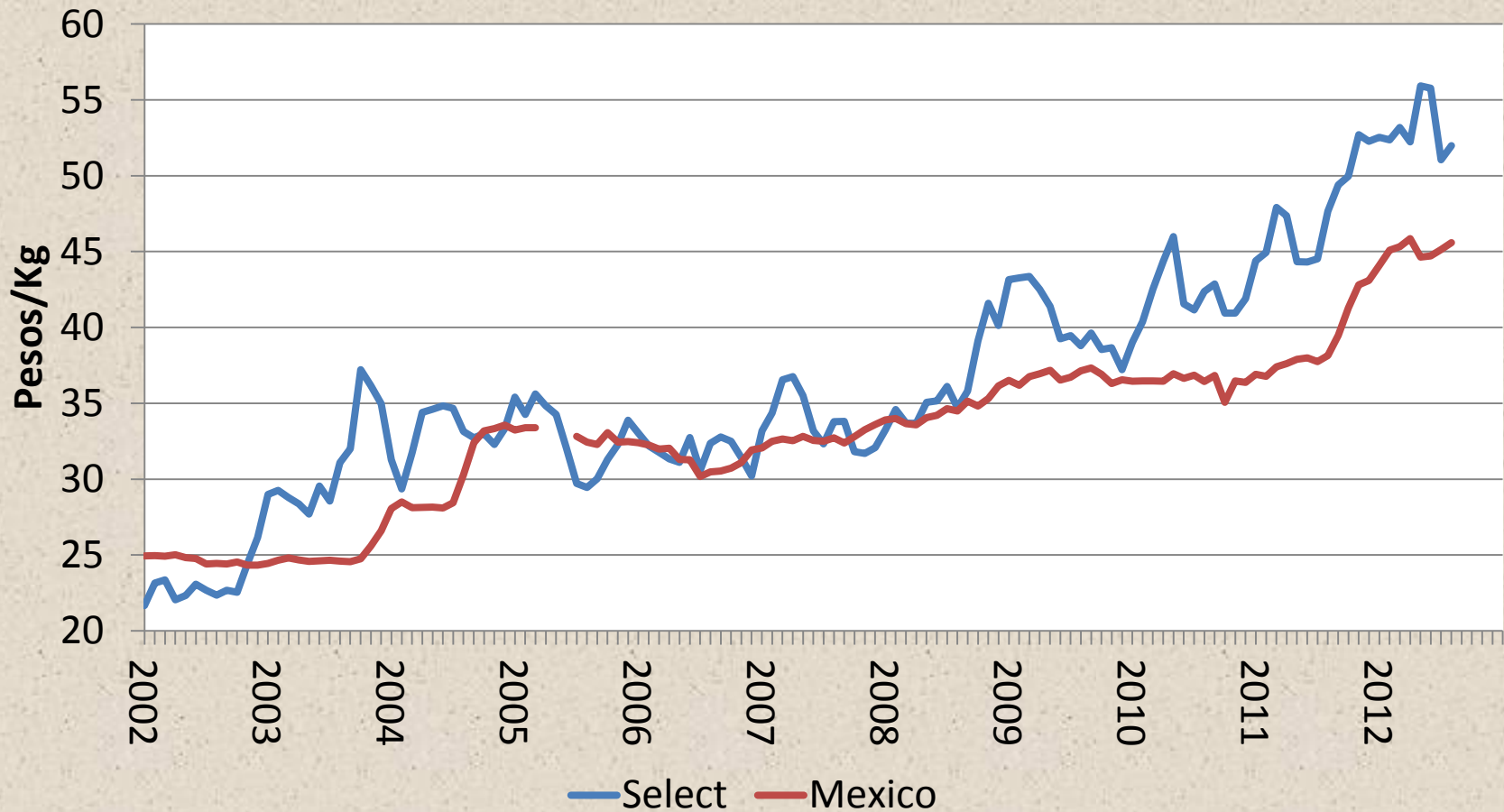
HS Classification	Product	% of Total
0201305	Boneless, Not Proc, FC	50%
0201205	Bone-In, Not Proc, FC	39%
0201303	Boneless, Proc, FC	3%
0202303	Boneless, Proc, Froz	3%
0201203	Bone-In, Proc, FC	2%
	Total	41,400.7 MT

Mexican beef in a supermarket in Oklahoma, September, 2012



Product originated at a TIF plant near Monterrey, Nuevo Leon, Mexico

# Carcass Price, U.S. Select vs Mexico City, Pesos/kg, Jan 2003 – Aug 2012

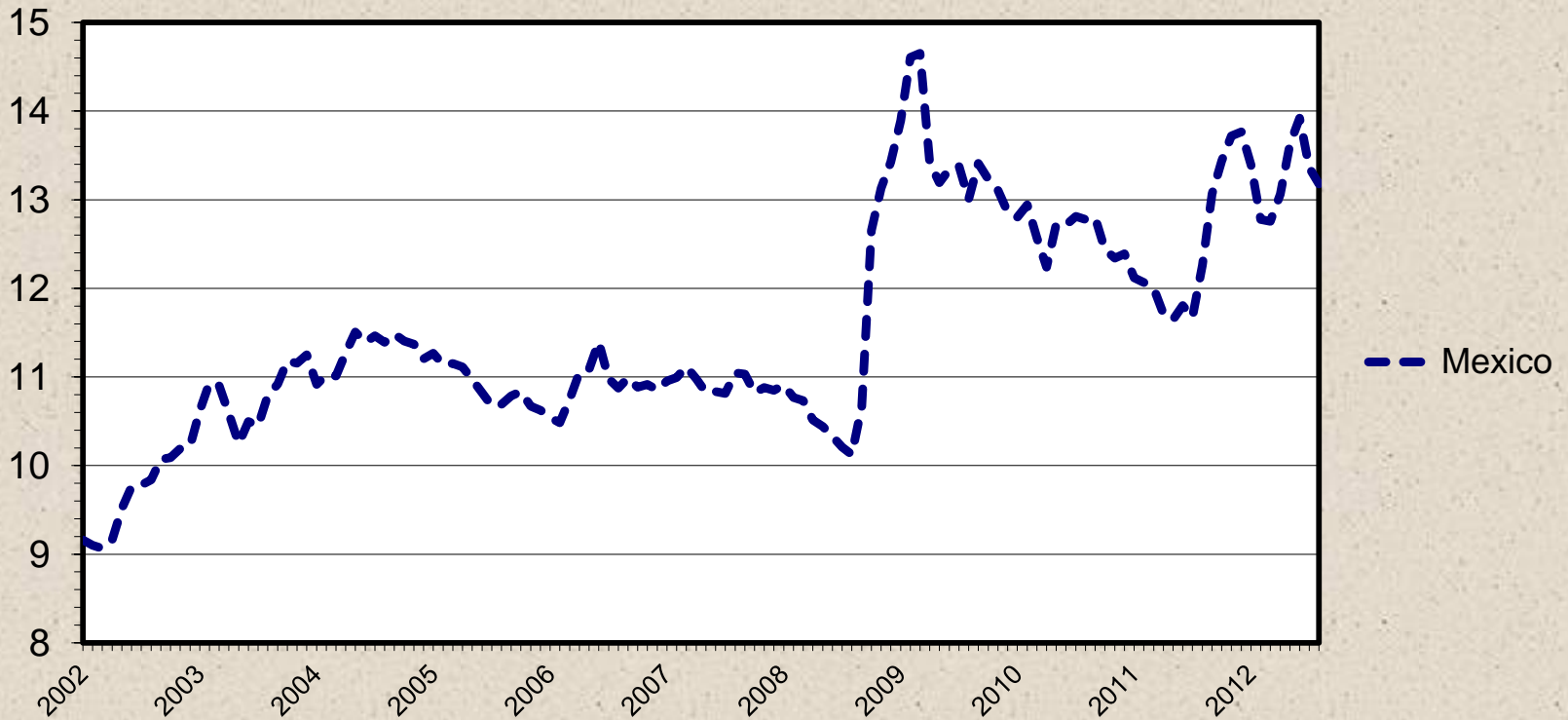




# EXCHANGE RATE

US Dollar base, Monthly

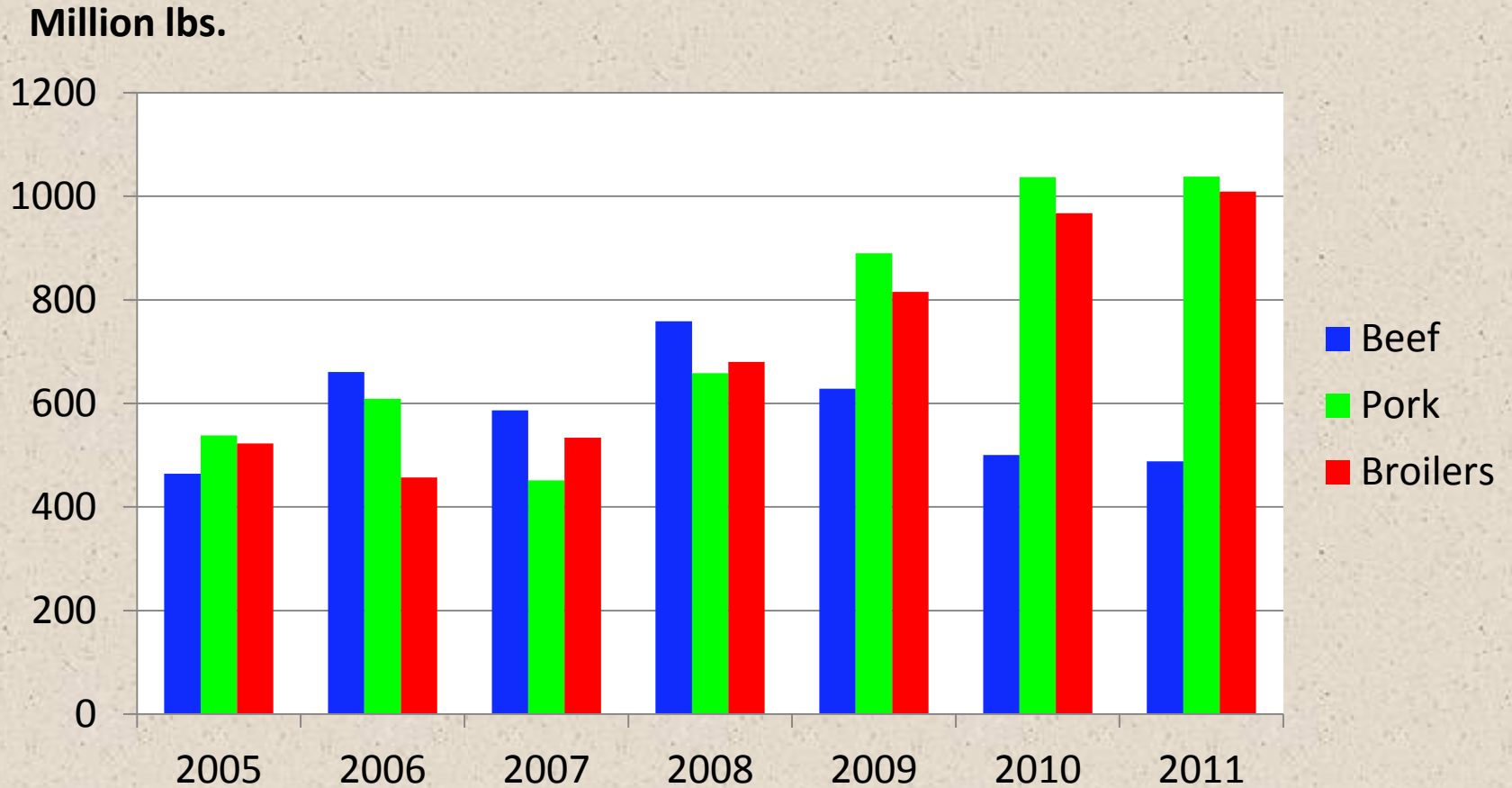
Pesos/\$usd



Livestock Marketing Information Center

Data Source: Pacific Exchange Rate Service, Univ. of B.C., Compiled & Analysis by LMIC

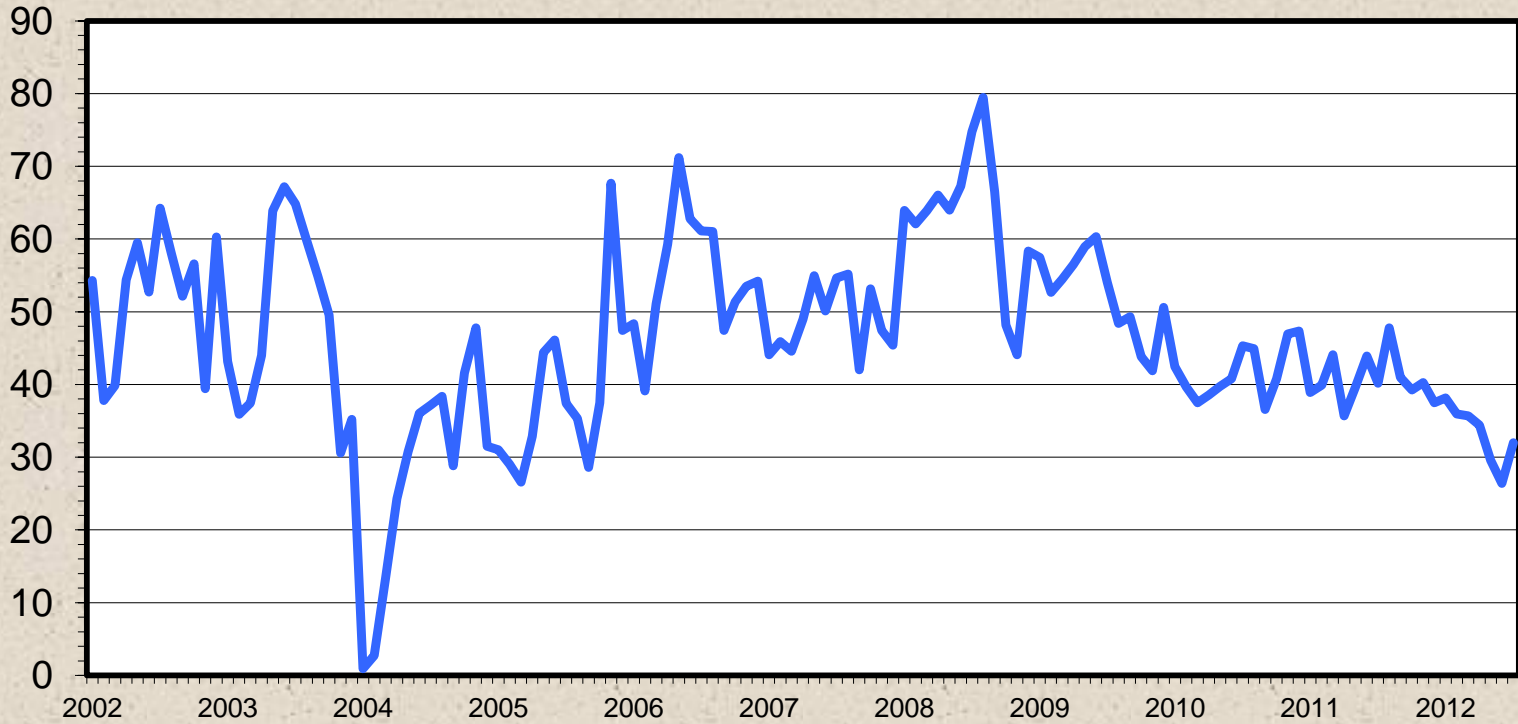
# U.S. Meat Exports to Mexico



## U S BEEF EXPORTS TO MEXICO

Carcass Weight, Monthly

Mil. Pounds



Livestock Marketing Information Center

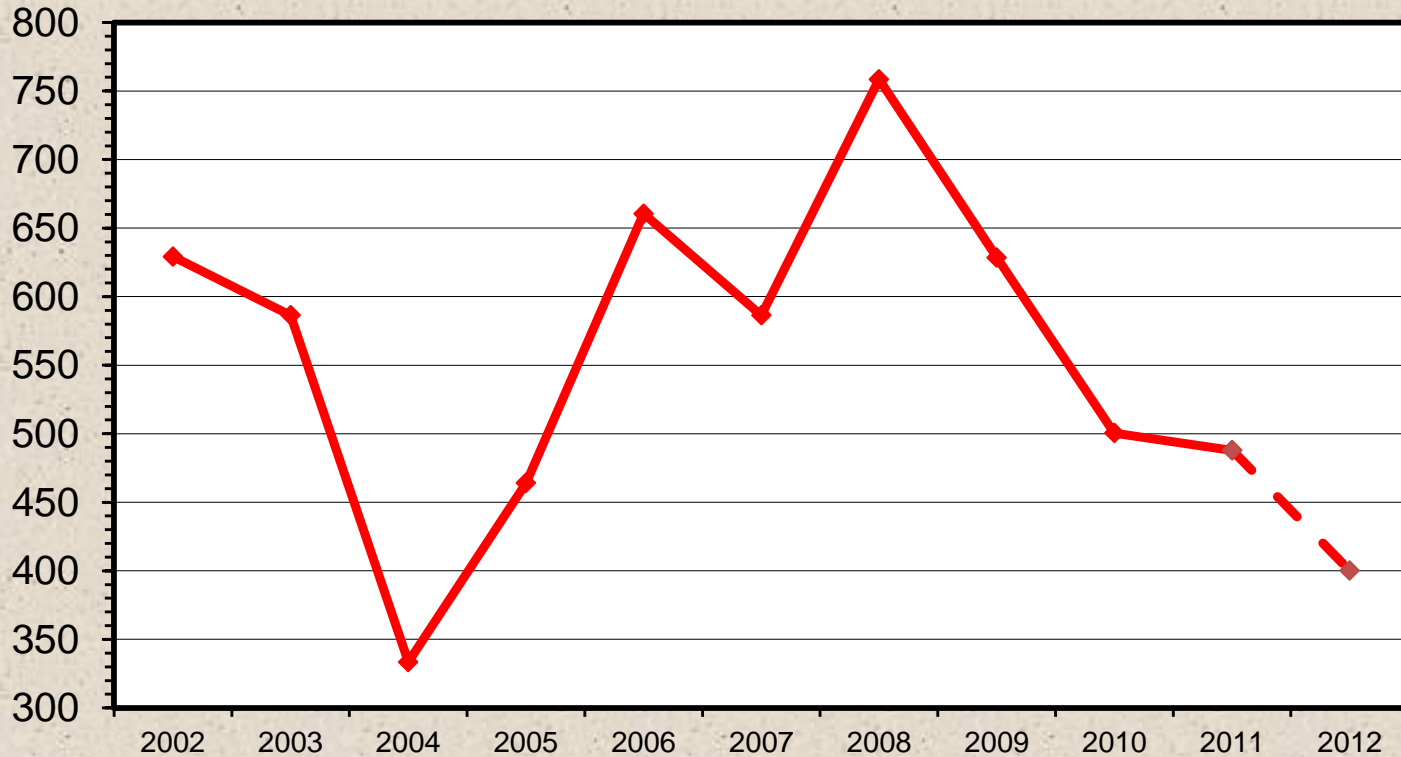
Data Source: USDA-ERS & USDA-FAS



# BEEF EXPORTS TO MEXICO

Annual

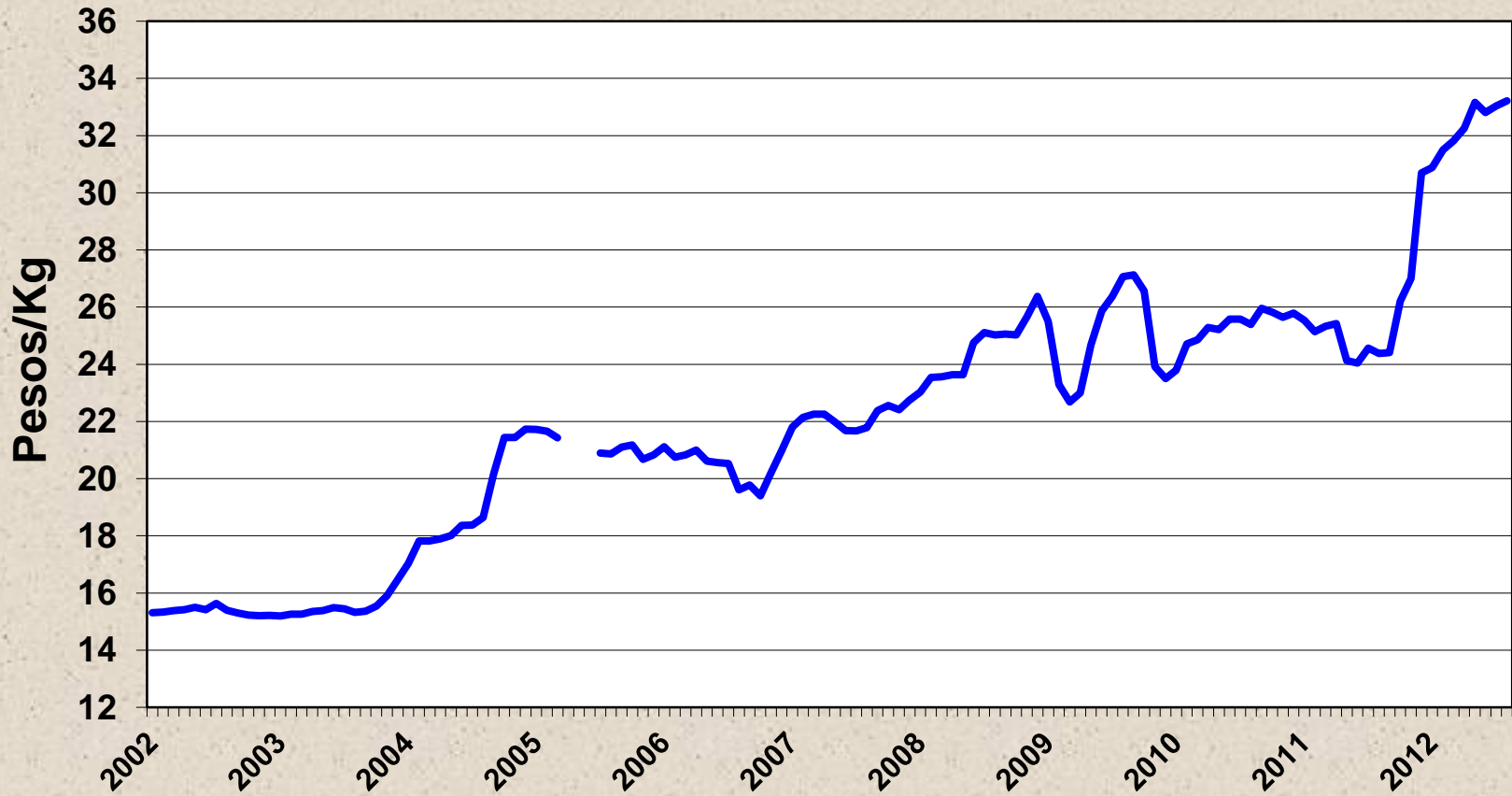
Million lbs



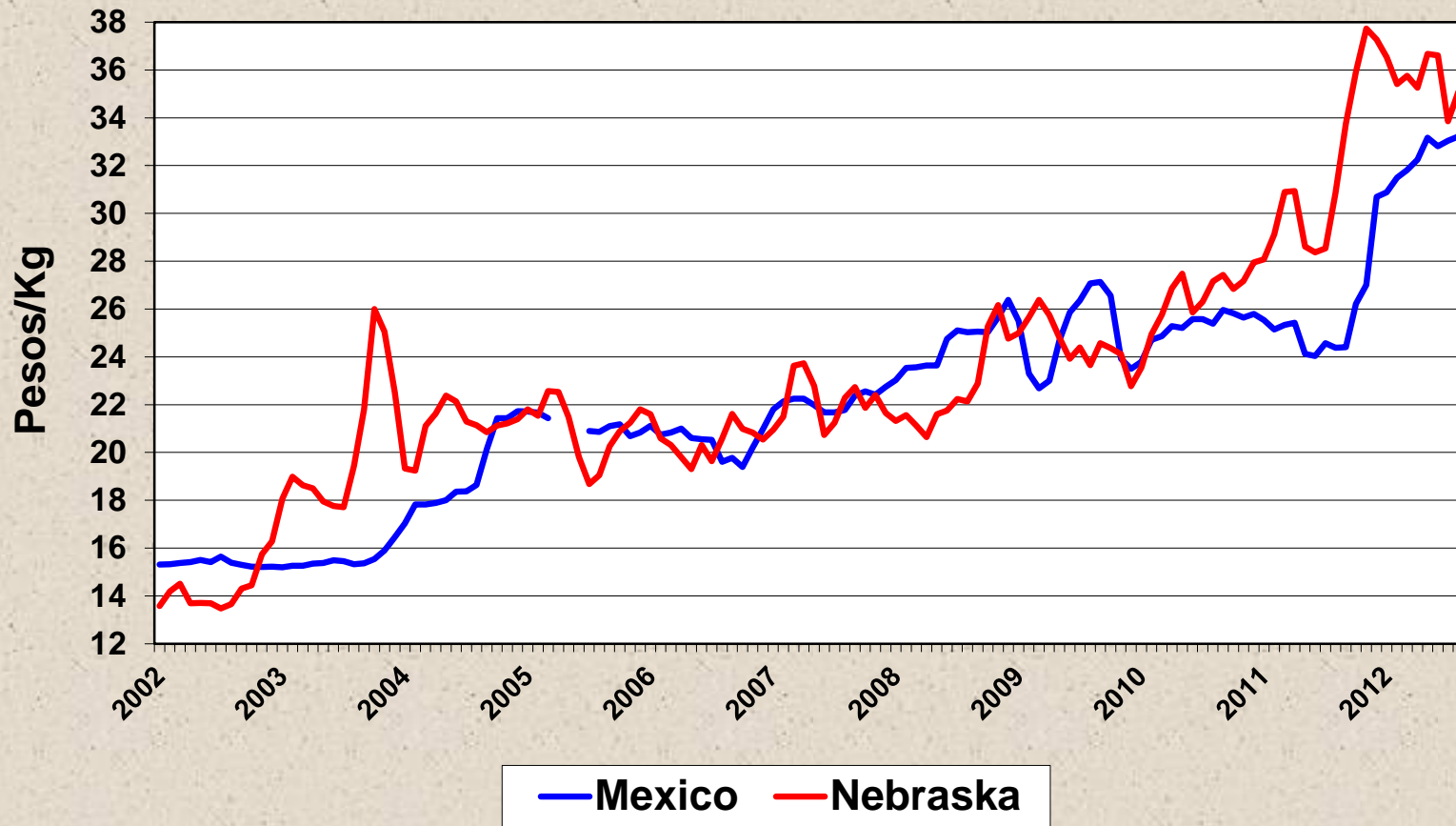
—◆— Annual    - - -◆- - - Projected

# Slaughter Cattle Price, Mexico City

## Monthly, Jan 2002 – Aug 2012



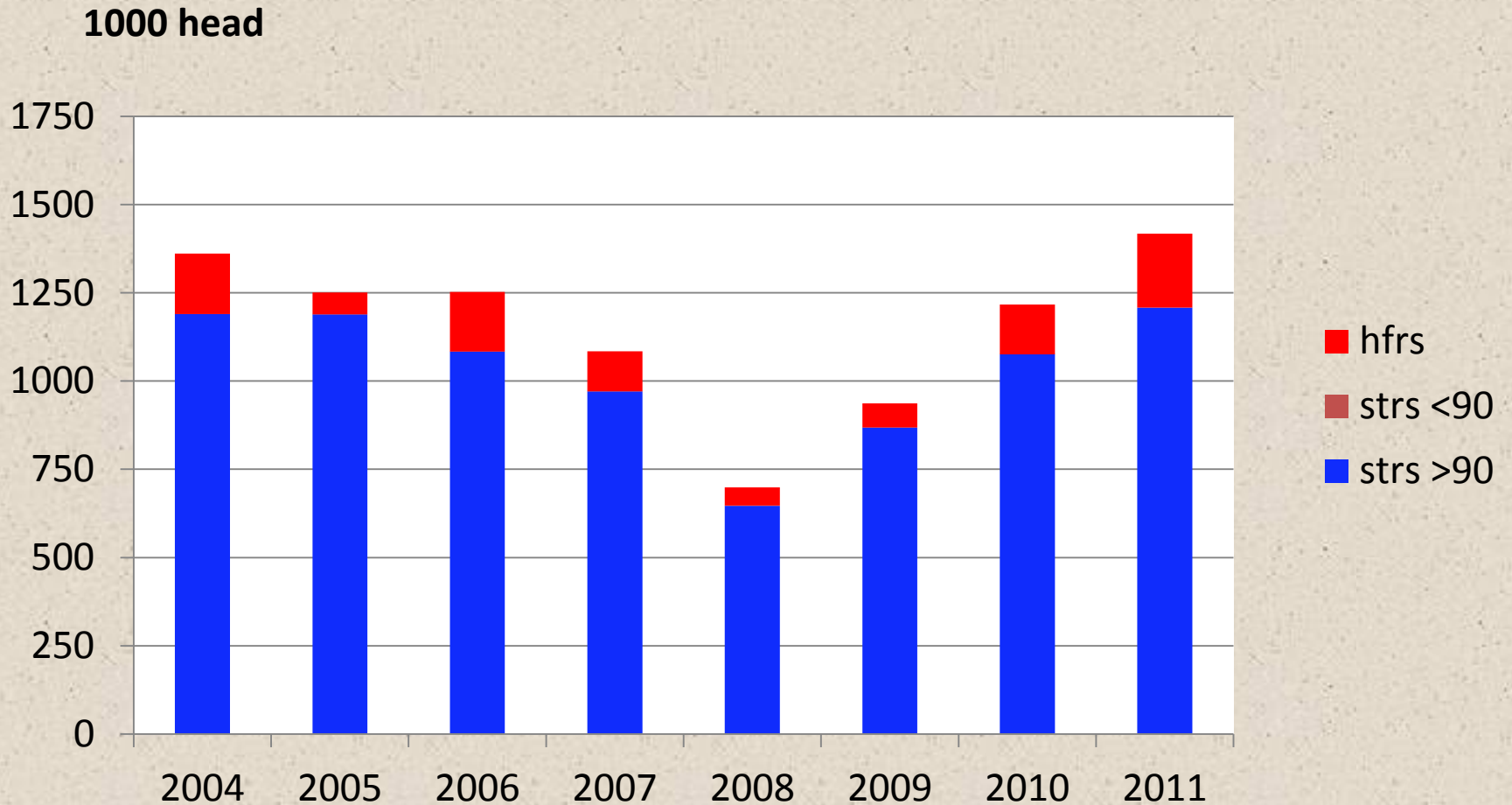
# Slaughter Cattle Price, Mexico City and Nebraska Monthly, Jan 2002 – Aug 2012





# Cattle Imports from Mexico

## Major Categories, Annual



# North American Drought Monitor

June 30, 2011

Released: Friday, July 8, 2011






<http://www.ncdc.noaa.gov/nadm.html>

Analysts:


Canada - Trevor Hadwen  
Richard Rieger  
Dwayne Chobanik  
Mexico - Reynaldo Pascual  
Adelina Albanil  
U.S.A. - Richard Helm  
Liz Love-Brotak  
David Miskus\*

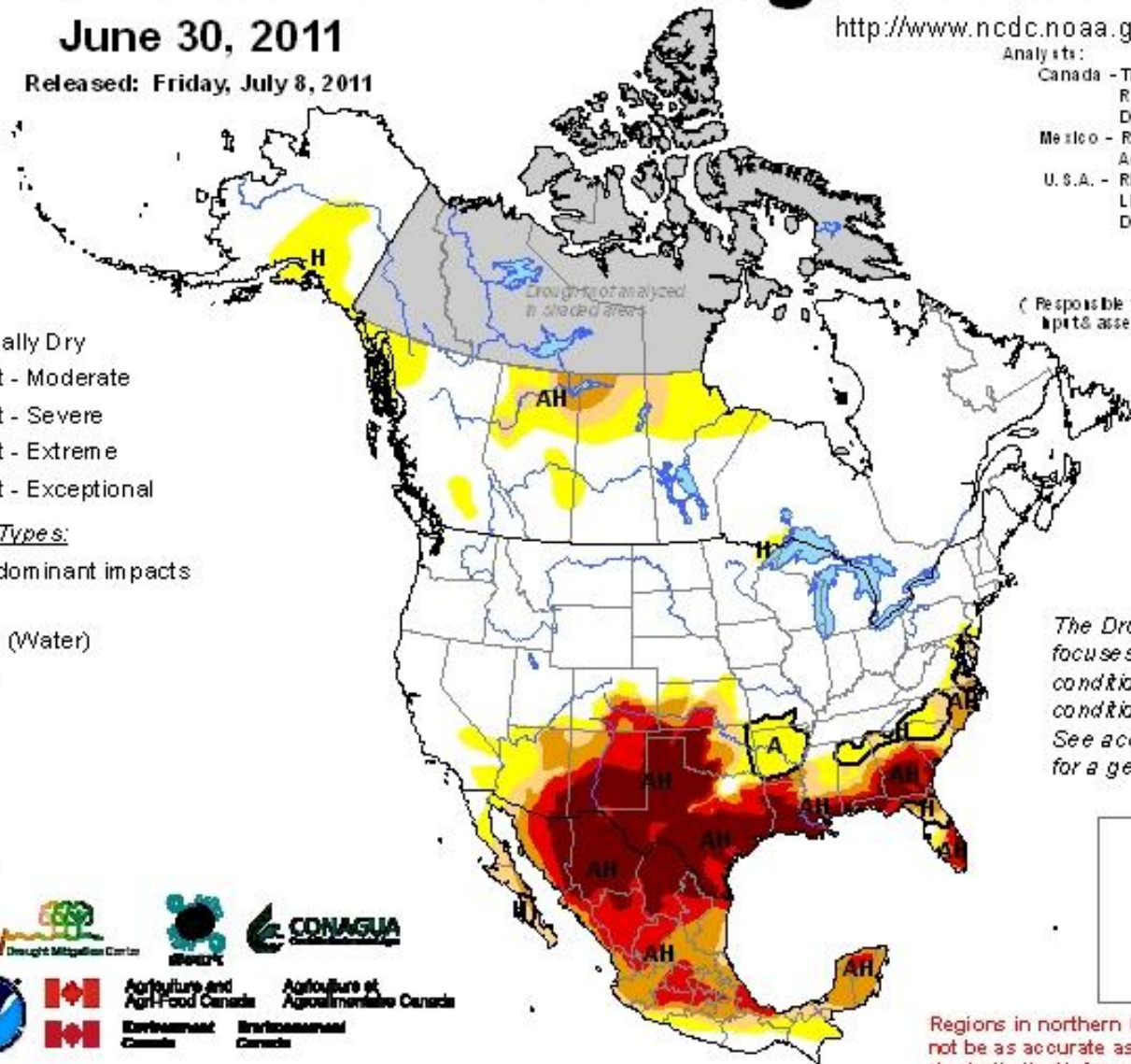
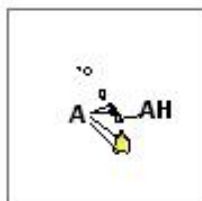
\* Responsible for collecting analysts' reports assembling the NA-DM map

## Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

## Drought Impact Types:

-  Delineates dominant impacts
- A = Agriculture
- H = Hydrological (Water)



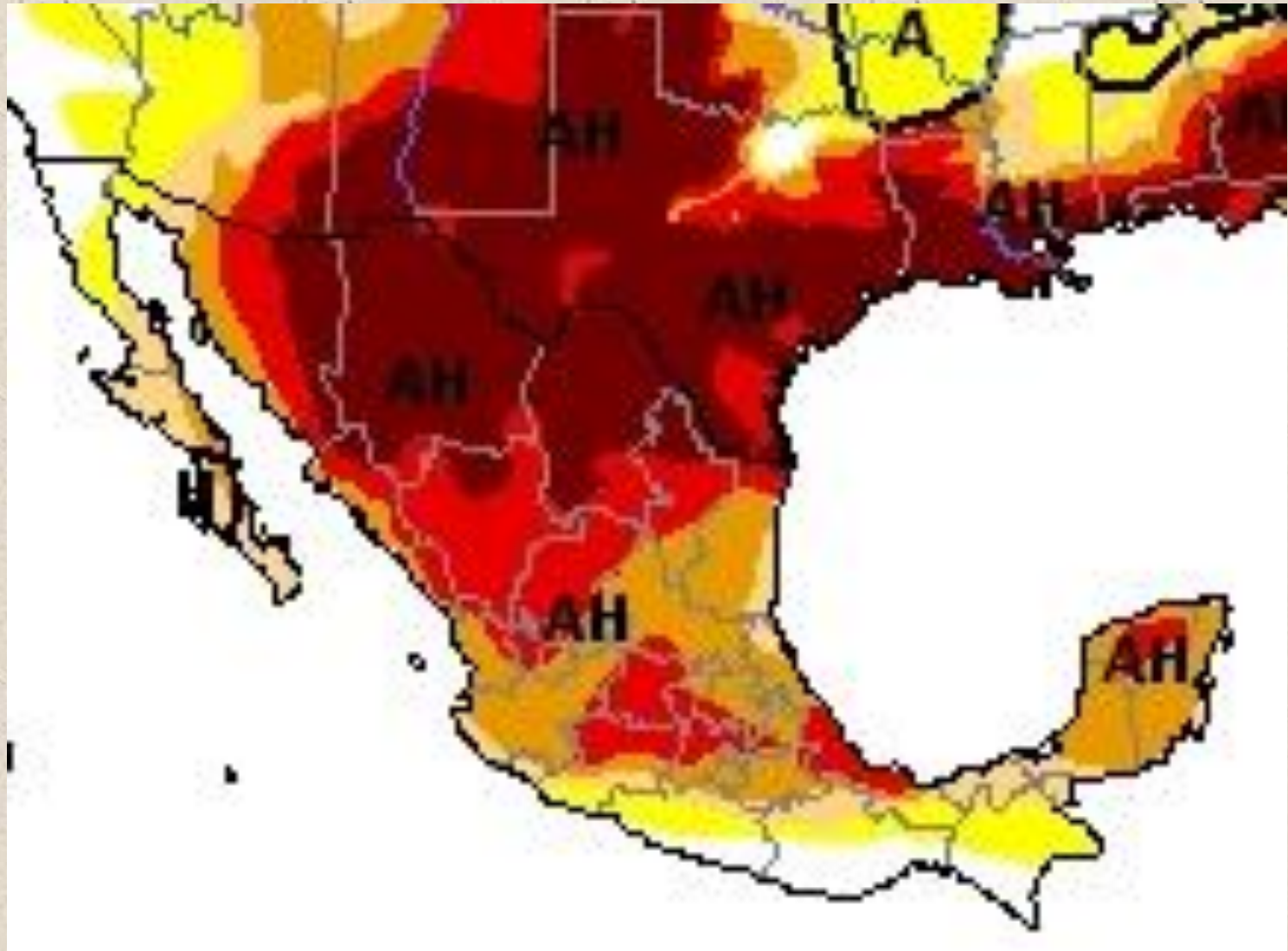
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text for a general summary.



Regions in northern Canada may not be as accurate as other regions due to limited information.

# North American Drought Monitor

June 30, 2011





# North American Drought Monitor

August 31, 2012





Released: Thursday, September 13, 2012

<http://www.ncdc.noaa.gov/nadm.html>


Analysts:

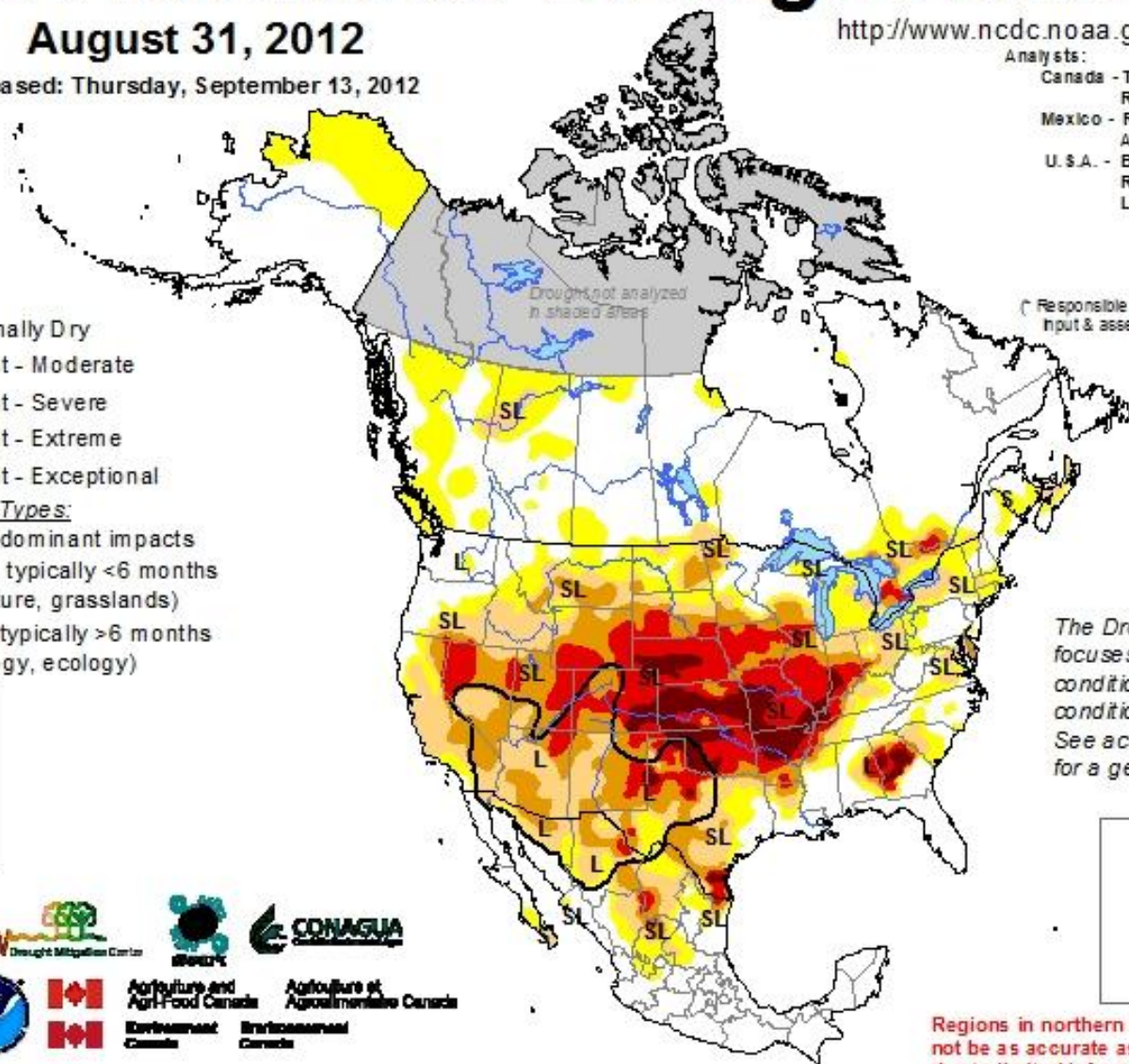
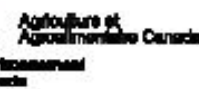
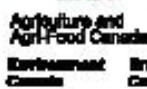
Canada - Trevor Hadwen  
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Liz Love-Brotak

## Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

## Drought Impact Types:

-  Delineates dominant impacts
- S = Short-Term, typically <6 months  
(e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months  
(e.g. hydrology, ecology)



(\* Responsible for collecting analysts' input & assembling the NA-DM map)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text for a general summary.

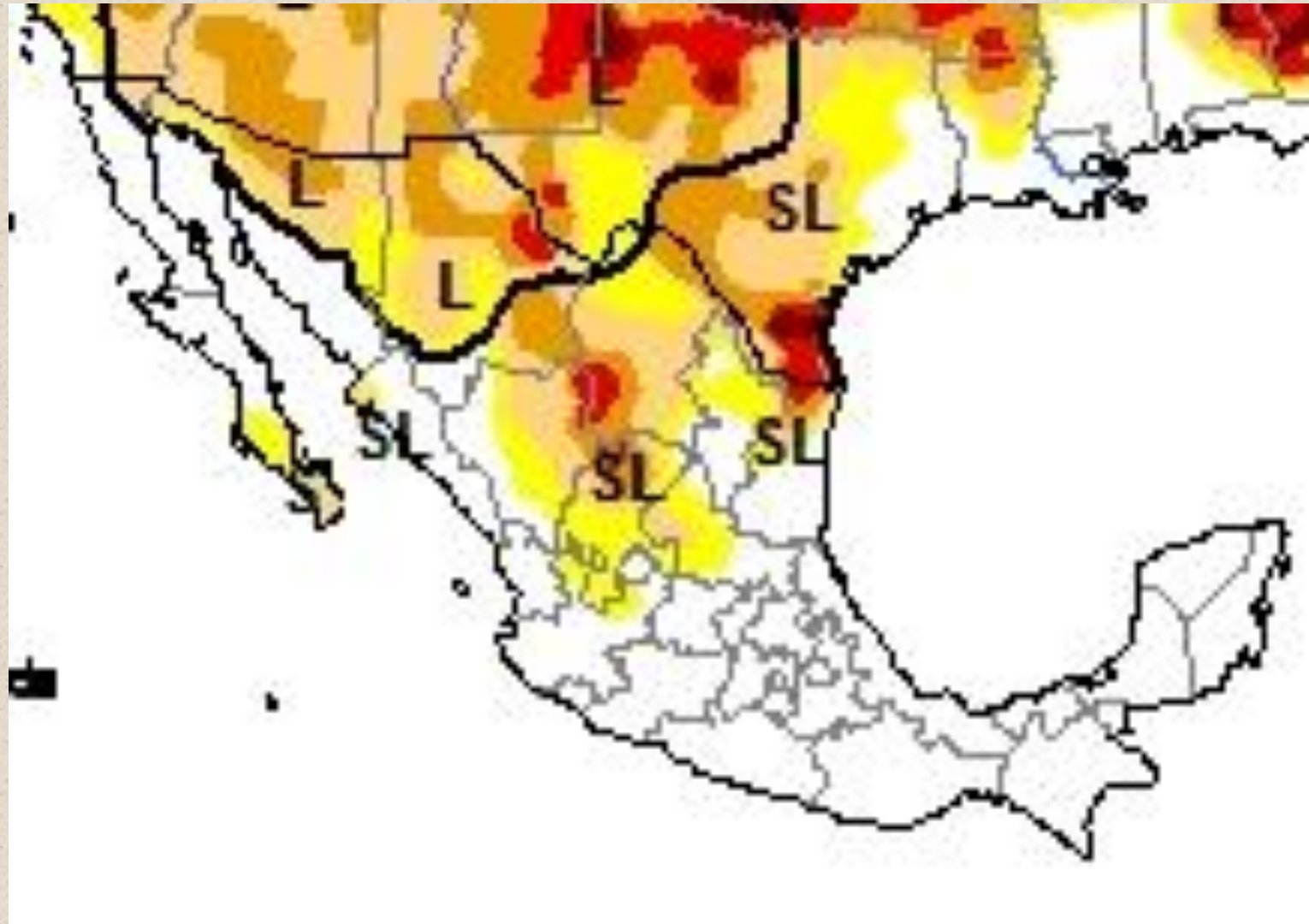


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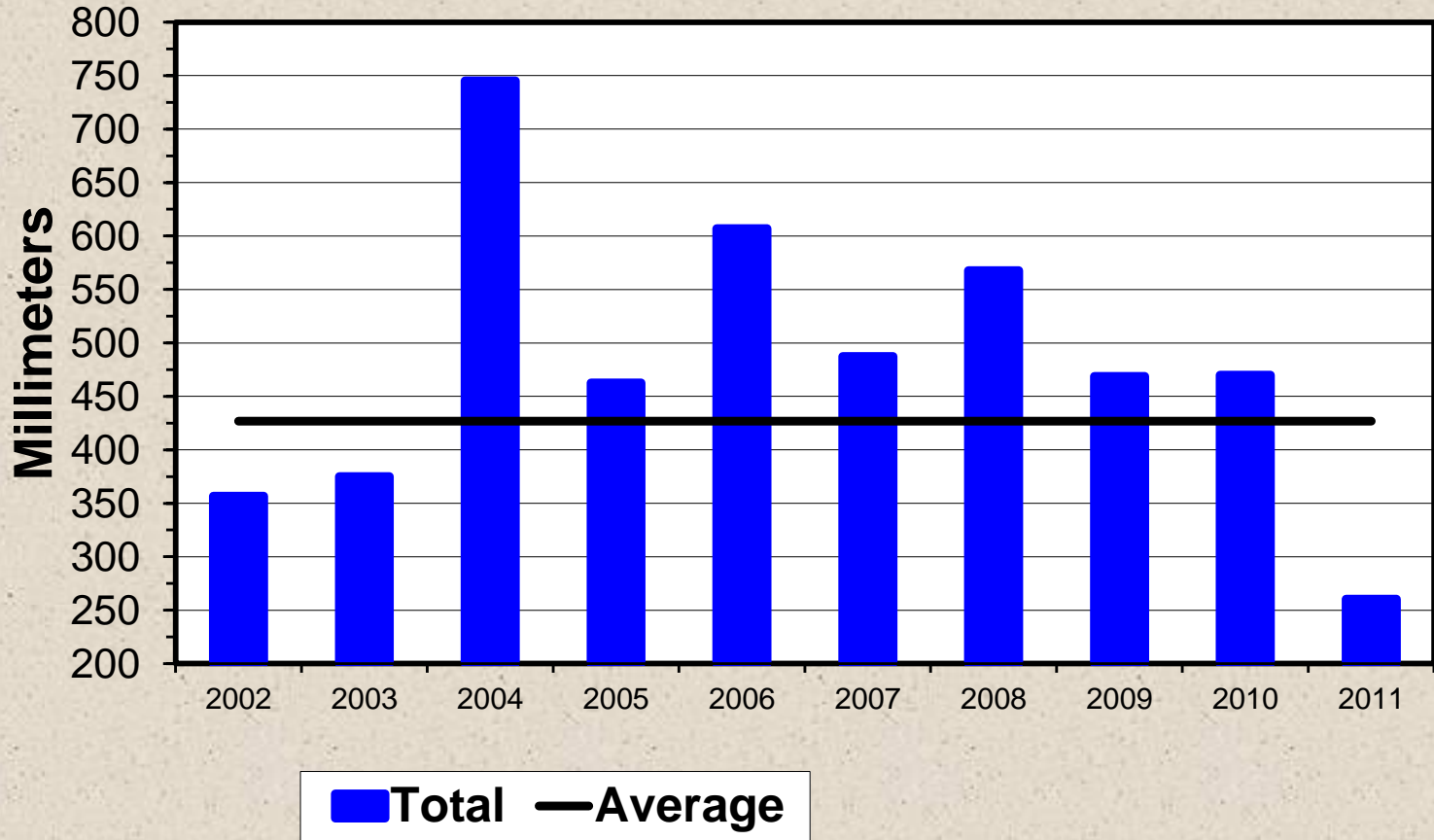


# North American Drought Monitor

August 31, 2012

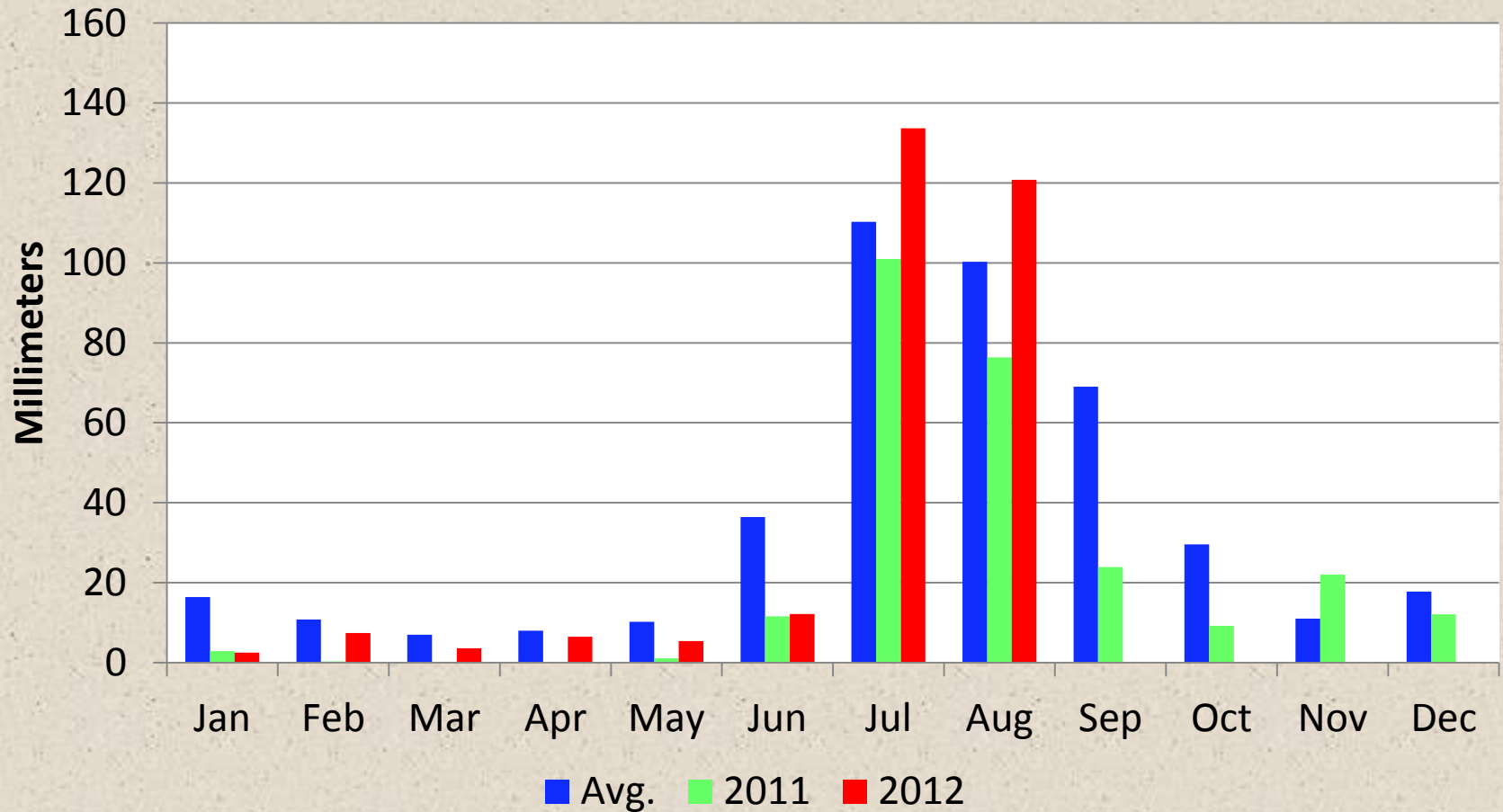


### Precipitation, Chihuahua, Mexico Annual, millimeters



Source: SMN

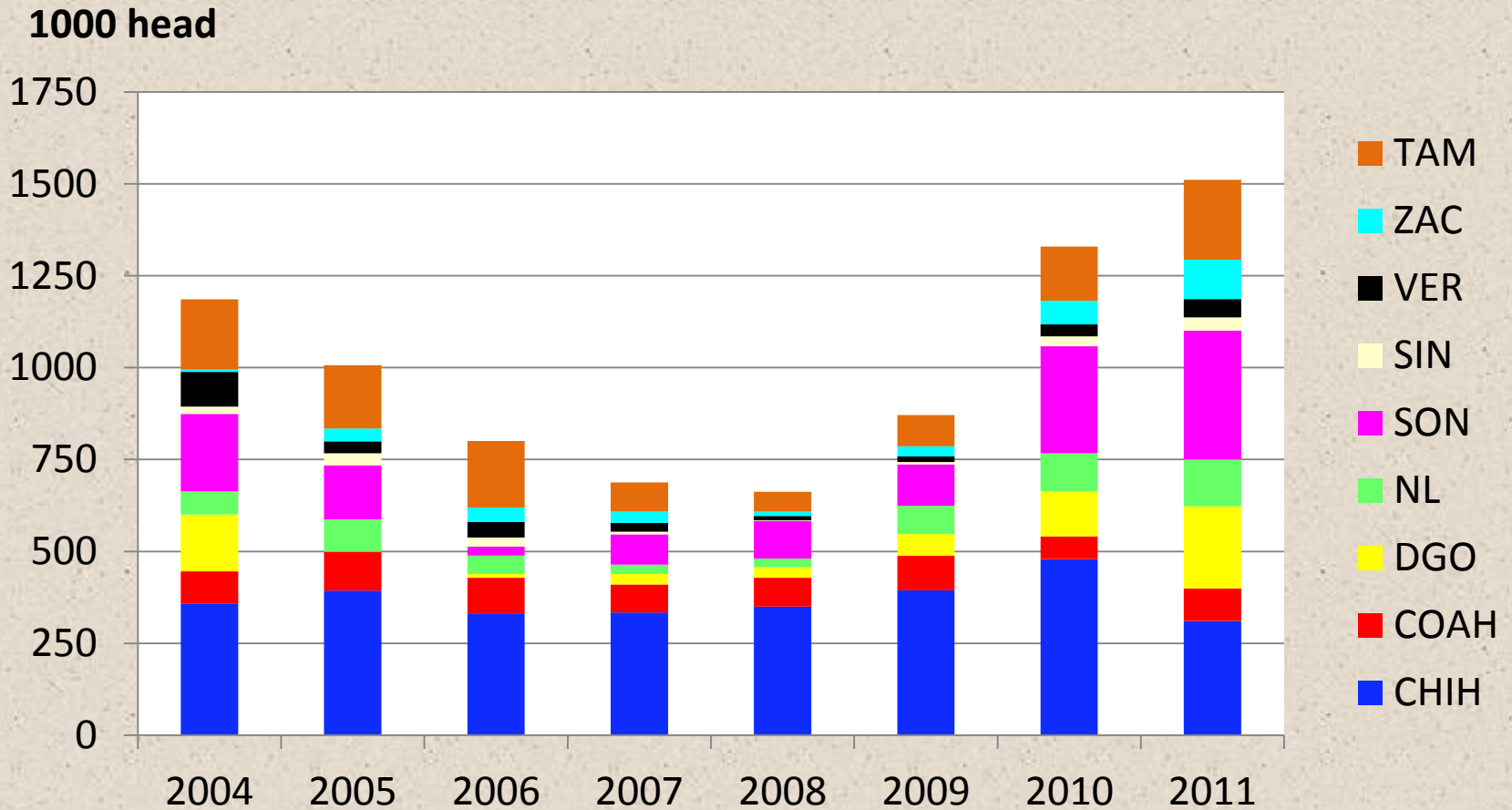
# Monthly Precipitation, Chihuahua, Mexico



Source: SMN

# Cattle Imports from Mexico

## Annual, Sep-Aug Cycle



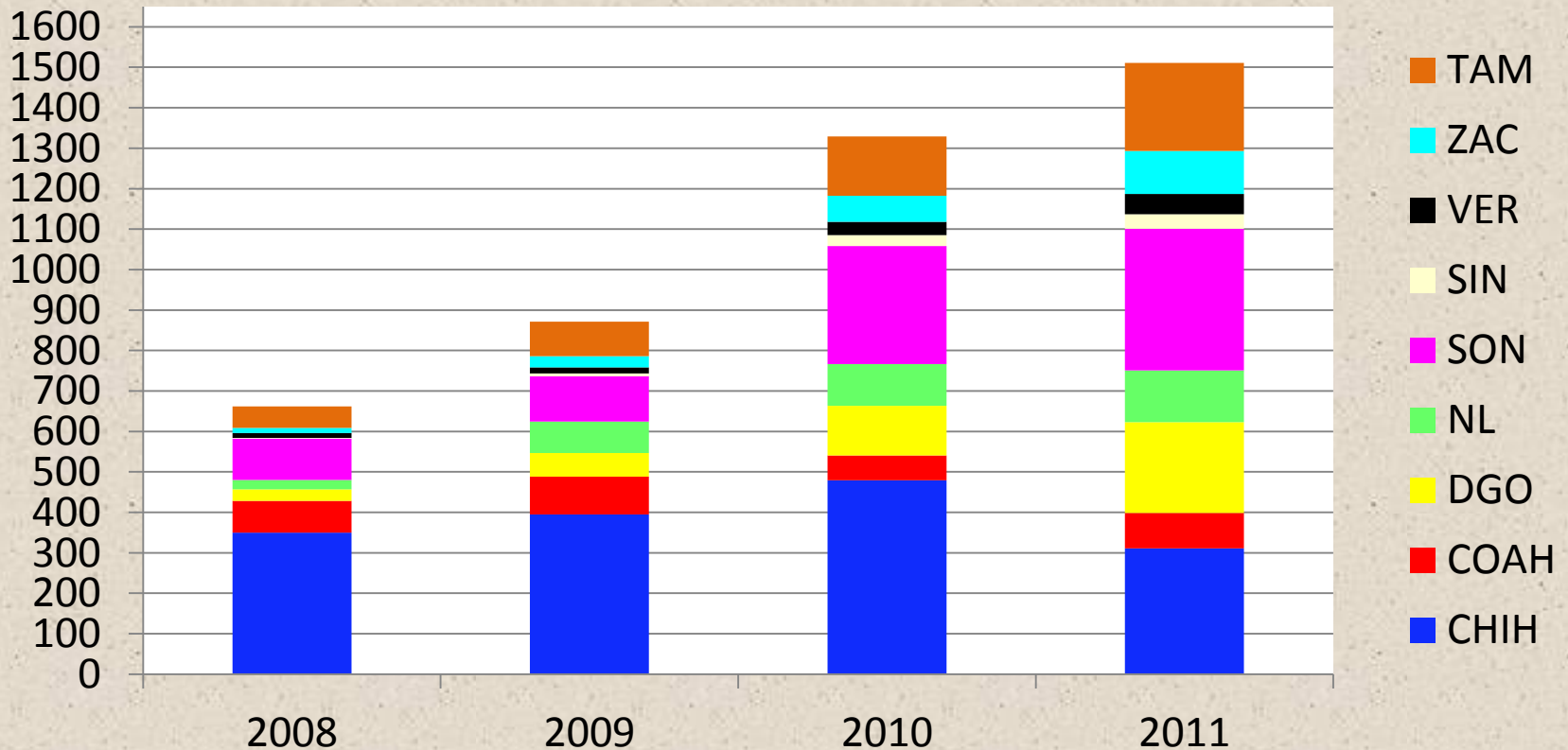
Source: SNIIM



# Cattle Imports from Mexico

## Annual, Sep-Aug Cycle

1000 head



Source: SNIIM

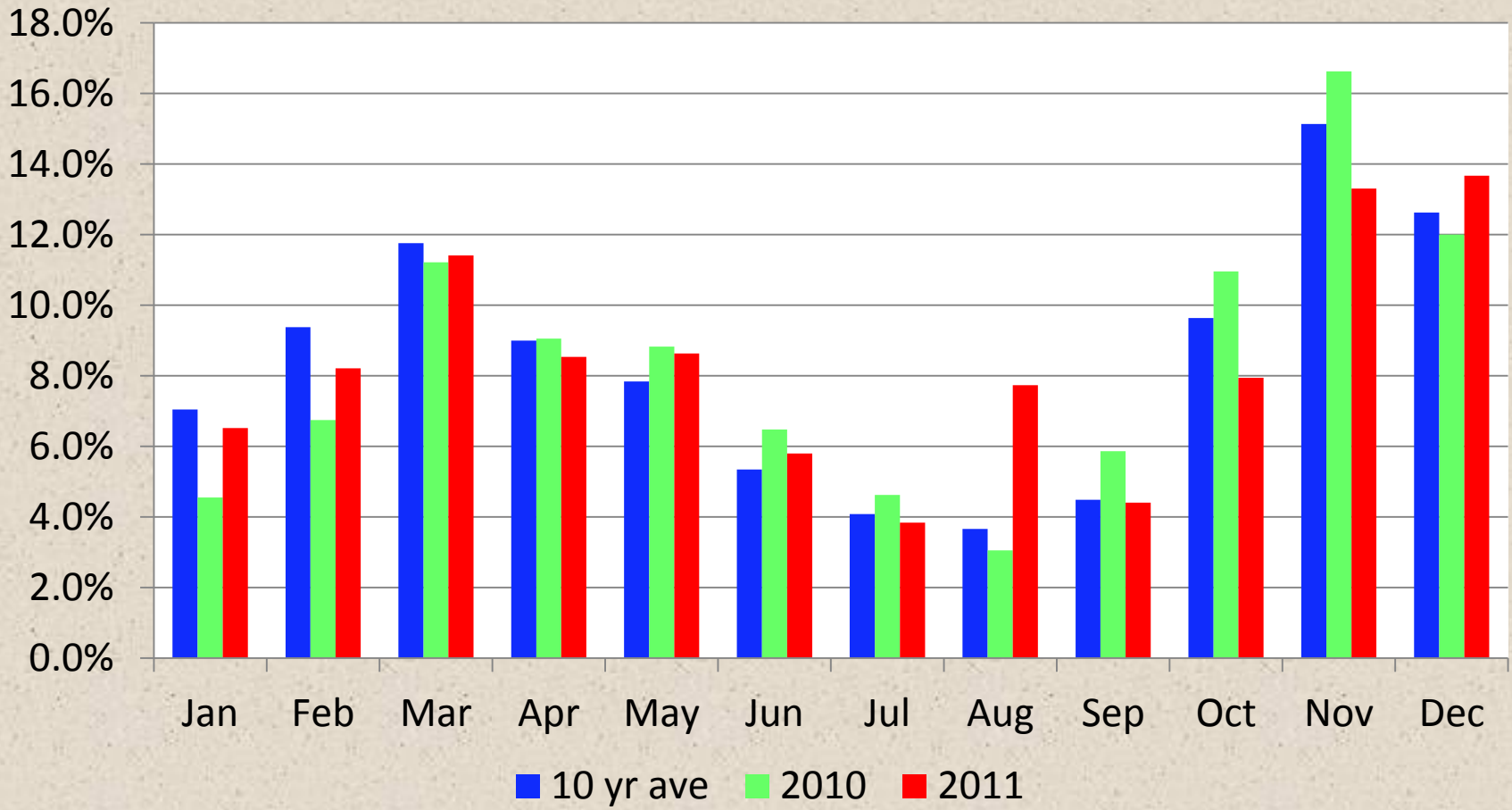
# Mexican Cattle Imports by State of Origin, Head

State of Origin	2004-2010 Ave.	2011	2011 as % of Ave.
CHIHUAHUA	377238	311231	-17.5%
COAHUILA	85684	87553	2.2%
DURANGO	57579	223795	288.7%
NUEVO LEON	61581	127987	107.8%
SONORA	138697	350090	152.4%
SINALOA	17139	35885	109.4%
VERACRUZ	36174	50422	39.4%
ZACATECAS	30534	106433	248.6%
TAMAULIPUS	130145	217748	67.3%

Source: SNIIM

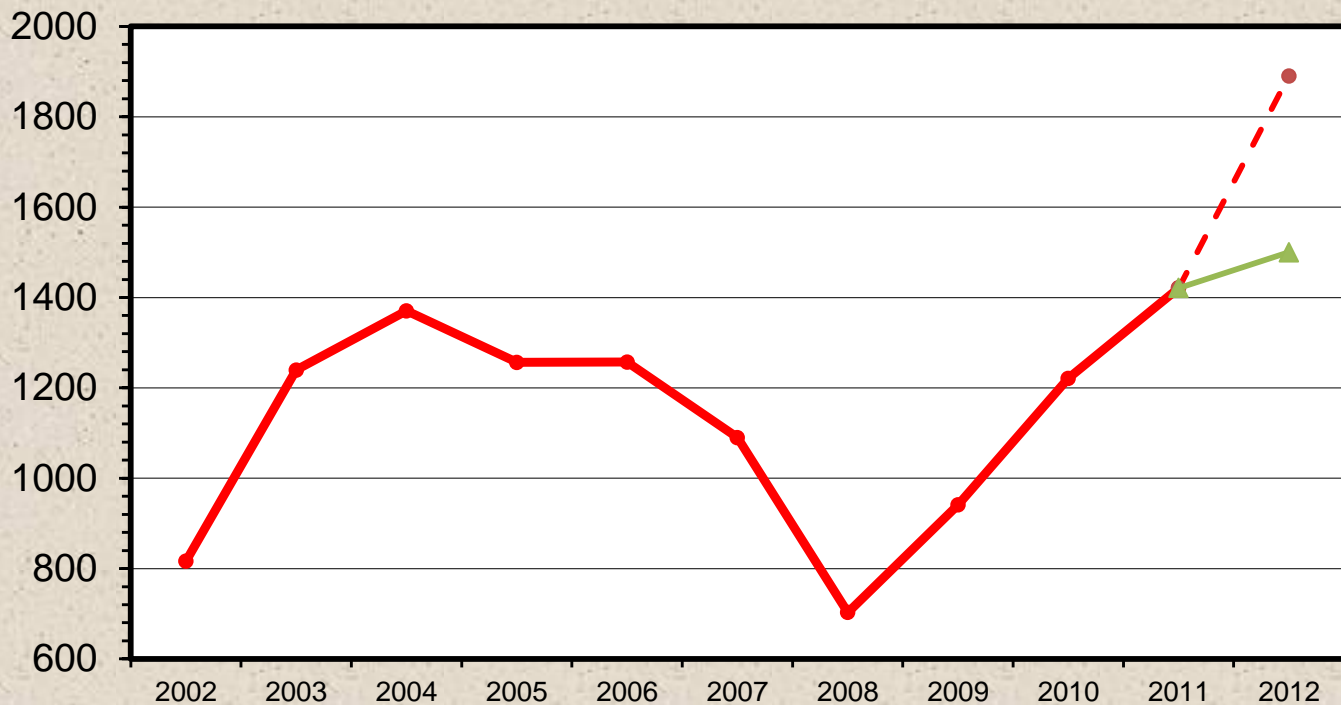
# Mexican Cattle Imports

## Percent of Annual Total



# CATTLE IMPORTS FROM MEXICO Annual

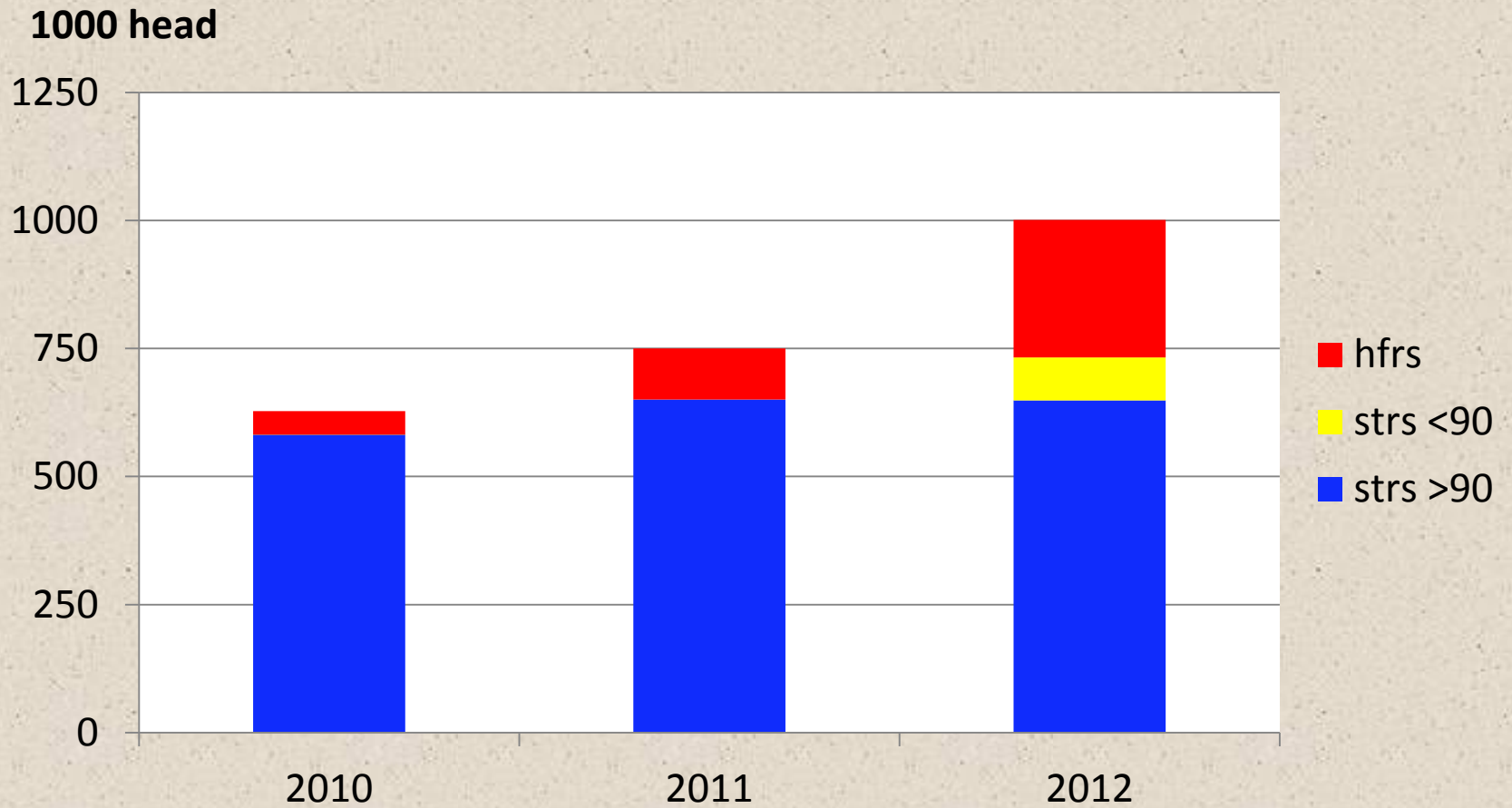
Thou. Head



**Annual**   **Max Proj**   **Proj**



# Cattle Imports from Mexico January-July



# Summary: Mexican Drought Impacts and Future Trade Flows

- U.S. imports of Mexican Cattle
  - Significantly reduced in future
    - Late 2012 – 2014/2015
- U.S. beef exports to Mexico
  - Positive: Reduced Mexican beef production
    - Herd liquidation in drought and need to rebuild
  - Negative: Weak Mexican Peso and economy
    - U.S. beef is expensive
- U.S. imports of Mexican beef
  - Growth but to what level?
  - Value seeking/Improved product mix

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