



FREE TRADE AND MEXICO'S MEAT SECTOR

September 27, 2012

Contents

- I. Trade Agreements signed by Mexico
- II. Benefits of Foreign Trade
- III. External Challenges of Foreign Trade
- IV. Foreign Trade and the Mexican meat sector
- V. Foreign Trade Indicators (meat sector)
- VI. Trade Liberalization and Challenges for the Mexican
meat sector
- VII. Final Thoughts

I. Trade Agreements signed by Mexico

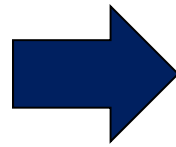
Since 1986, Mexico has been promoting an expansive foreign trade policy.

Mexico currently has 11 Free Trade Agreements with 43 countries (FTAs), 28 Bilateral Investment Treaties (BITs) and 10 trade agreements (Economic Complementation Agreements and partial scope agreements) within the framework of the Latin American Integration Association (LAIA).

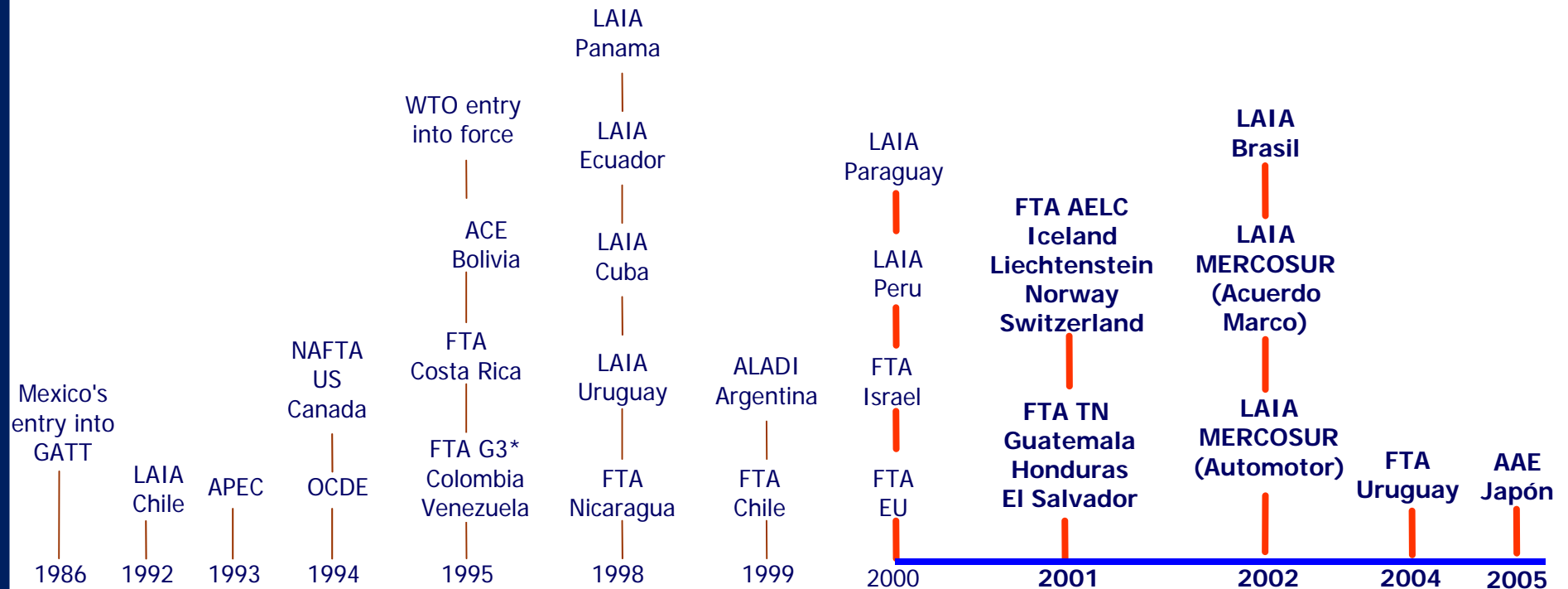
Mexico also participates actively in international organizations and multilateral and regional forums such as the World Trade Organization (WTO), the Mechanism of Asia Pacific Economic Cooperation (APEC), the Organization for Economic Cooperation and Development (OECD) and the LAIA.

I. Trade Agreements signed by Mexico

Network agreements



**11 FTA's with 43 countries
10 agreements LAIA
28 signed BITs**



II. Benefits of foreign trade

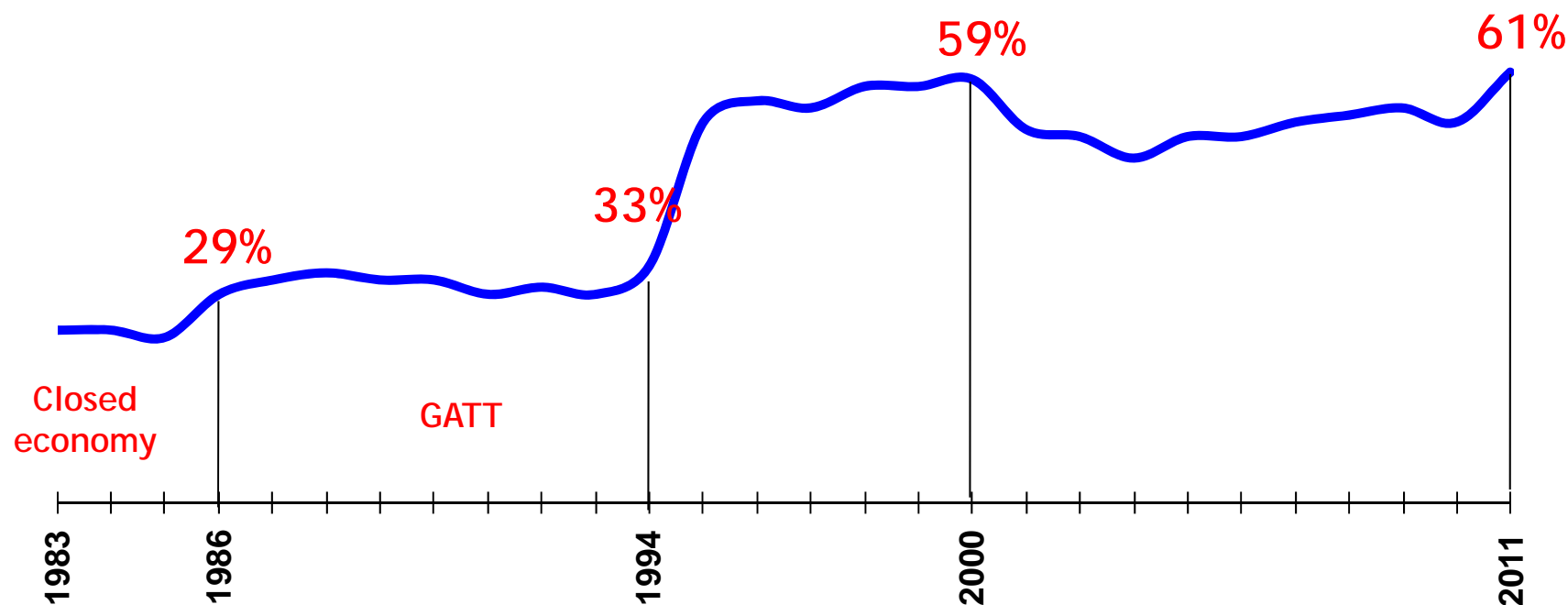
Foreign trade offers:

- Foreign markets for Mexican products and services
- Inputs at competitive prices and quality
- Consumer choice
- Certainty to domestic and foreign investment
- More and better-paid jobs
- Price stability (inflation controlled)
- Increased international competitiveness (higher quality products)

II. Benefits of Foreign Trade

Trade role in the GDP of Mexico

Openness degree of Mexico
($Xs + Ms / GDP$)

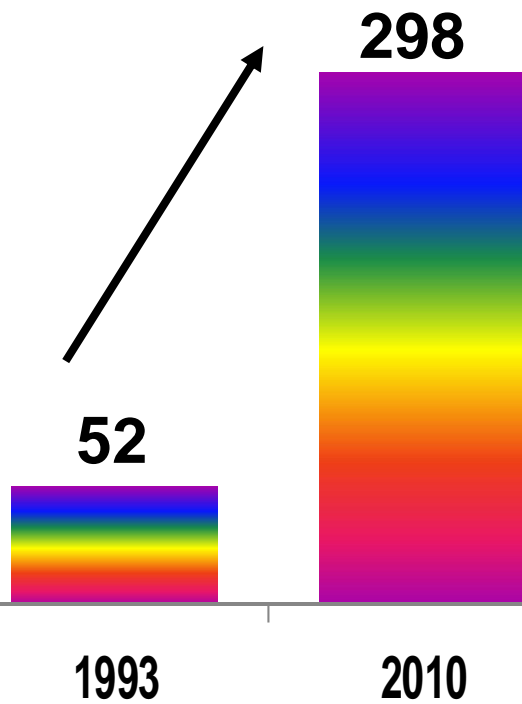


Fuente: BANXICO e INEGI

II. Benefits of Foreign Trade

Exports

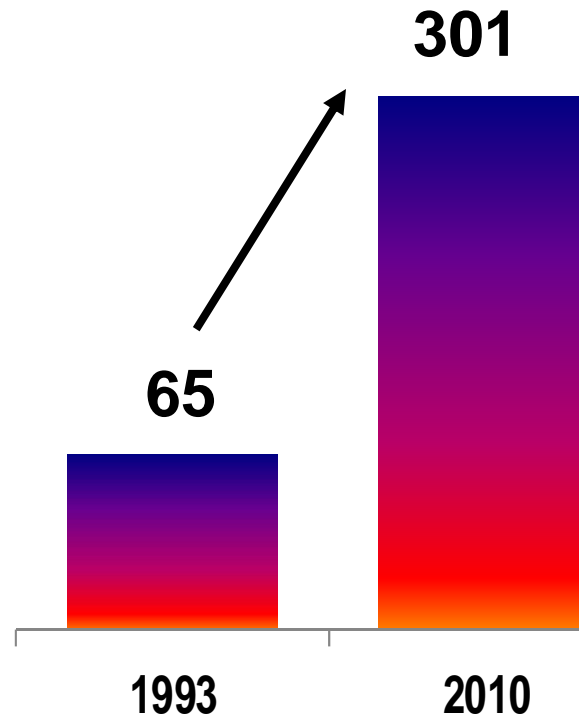
6 times



Imports

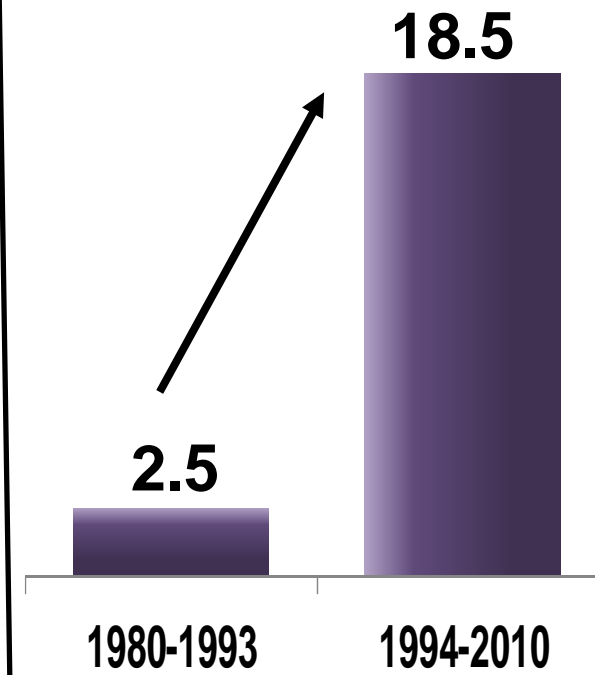
Billion dollars

4.6 times



IED

7 times
(annual average flow)



Fuente: Secretaría de Economía y BANXICO.

III. External Challenges of Foreign Trade

- Preference erosion
- Increased competition from emerging economies
- Regionalism
- Multiple rules and stricter regulation
- Increased competition for domestic suppliers and industry
- Direct impact from major events in the global economy (2008 crisis)

IV. Foreign Trade and Mexican meat sector

Free trade agreements have played a determinant role in Mexican meat industry due to the following factors:

- ✓ Opening of new markets for Mexican meat products.
- ✓ Larger regional economic benefits from new markets that demand specific cuts.
- ✓ Strengthening of food safety standards by primary producers and industry.
- ✓ Investment in infrastructure to increase competitiveness in the sector.
- ✓ Vital inputs for a growing market sector dedicated to low-income public (MDM)
- ✓ Product diversity at competitive prices.
- ✓ Timely supply in case of any eventuality. (AH7N3)
- ✓ Zero or low-tariff sources for Mexico's insufficient meat production.

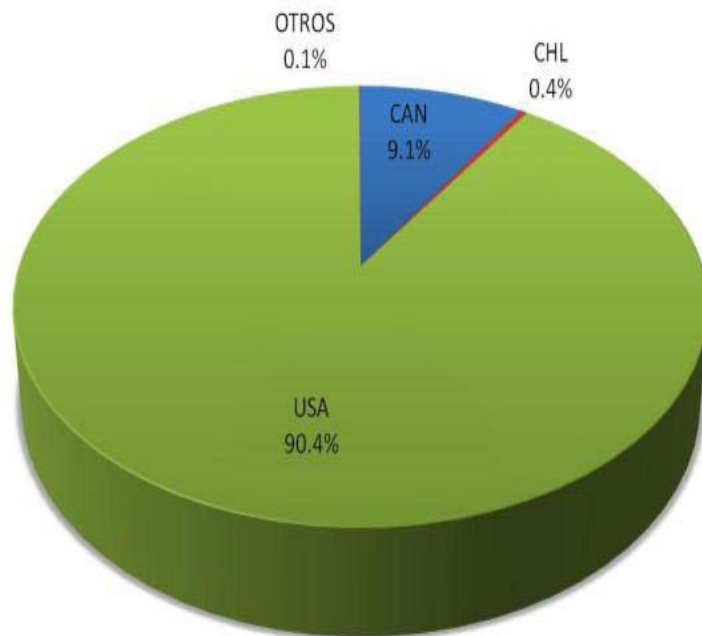
V. Foreign trade indicators of mexican meat sector (meat imports 2010-2011)

PRODUCTO	2010			2011			Variación 11/10	
	VOLUMEN	VALOR	Precio Implícito	VOLUMEN	VALOR	Precio Implícito	Volumen	Valor
	(TON)	(Millones de pesos)	(\$/ton)	(TON)	(Millones de pesos)	(\$/ton)		
TOTAL CARNICOS	1,665,245	40,124		1,713,914	44,599		2.9%	11.2%
CARNE DE PORCINO	464,115	11,488	24,752	441,550	11,563	26,187	-4.9%	0.7%
<i>Piernas 1/</i>	323,837	7,629	23,558	317,663	7,840	24,679	-1.9%	2.8%
Despojos comestibles de porcino	164,016	2,135	13,016	180,405	2,704	14,988	10.0%	26.7%
CARNE DE BOVINO	210,481	11,045	52,476	187,803	11,613	61,835	-10.8%	5.1%
Despojos comestibles de bovino	72,217	2,342	32,426	62,399	2,583	41,401	-13.6%	10.3%
CARNE DE POLLO*	495,894	5,452	10,993	568,988	7,108	12,493	14.7%	30.4%
<i>Entero (carne sin trocear)</i>	1,989	37	18,737	24,125	161	6,677	1113.0%	332.2%
<i>Trozos pollo</i>	37,449	1,191	31,804	64,833	1,779	27,439	73.1%	49.4%
<i>Pastas pollo a/</i>	202,573	1,665	8,220	201,417	1,701	8,444	-0.6%	2.1%
<i>Piernas y muslos de pollo</i>	237,311	2,497	10,524	243,271	3,375	13,873	2.5%	35.1%
CARNE DE PAVO	140,405	4,009	28,554	150,783	4,825	32,002	7.4%	20.4%
<i>Entero (carne sin trocear)</i>	15,230	397	26,090	15,641	456	29,181	2.7%	14.9%
<i>Trozos pavo</i>	117,703	3,450	29,308	124,154	4,111	33,114	5.5%	19.2%
<i>Pastas pavo a/</i>	7,472	162	21,683	10,983	258	23,451	47.0%	59.0%
PROCESADOS	118,117	3,654	30,933	121,985	4,202	34,449	3.3%	15.0%

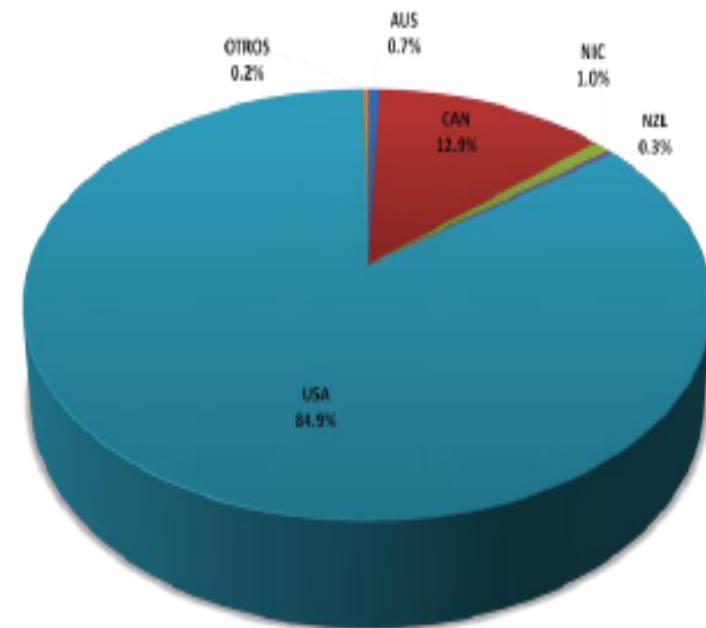
Fuente: Consejo Mexicano de la Carne con datos de la Dirección General de Aduanas, SAT.

Origin of meat and offal imports, Participation 2011

ORIGEN DE LAS IMPORTACIONES DE CARNE Y DESPOJOS DE CERDO, 2011



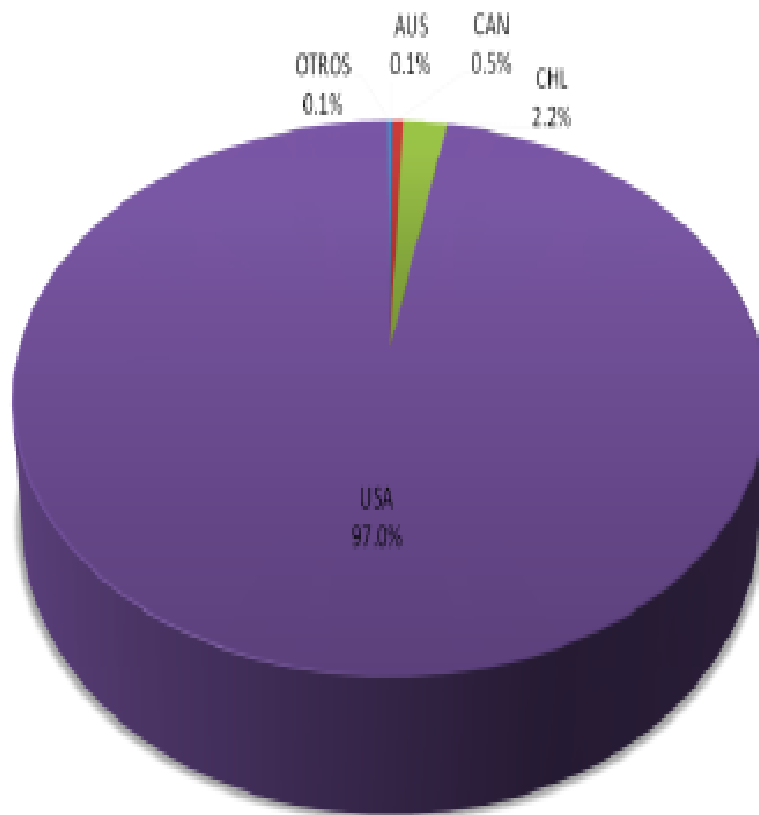
ORIGEN DE LAS IMPORTACIONES DE CARNE Y DESPOJOS DE BOVINO, 2011



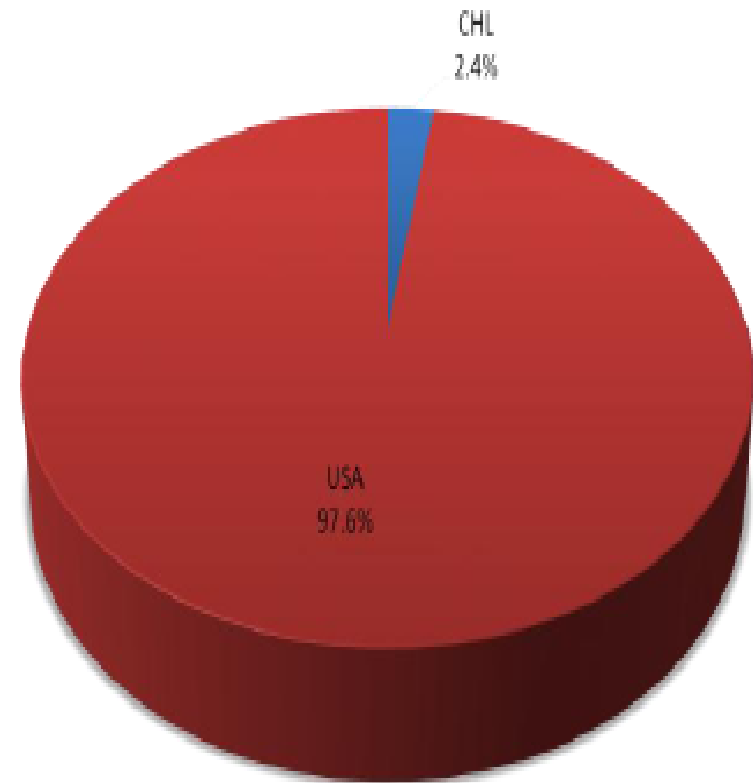
Fuente: Consejo Mexicano de la Carne con datos de la Dirección General de Aduanas

Origin of meat and offal imports, Participation 2011

ORIGEN DE LAS IMPORTACIONES DE POLLO, 2011



ORIGEN DE LAS IMPORTACIONES DE PAVO, 2011



Fuente: Consejo Mexicano de la Carne con datos de la Dirección General de Aduanas

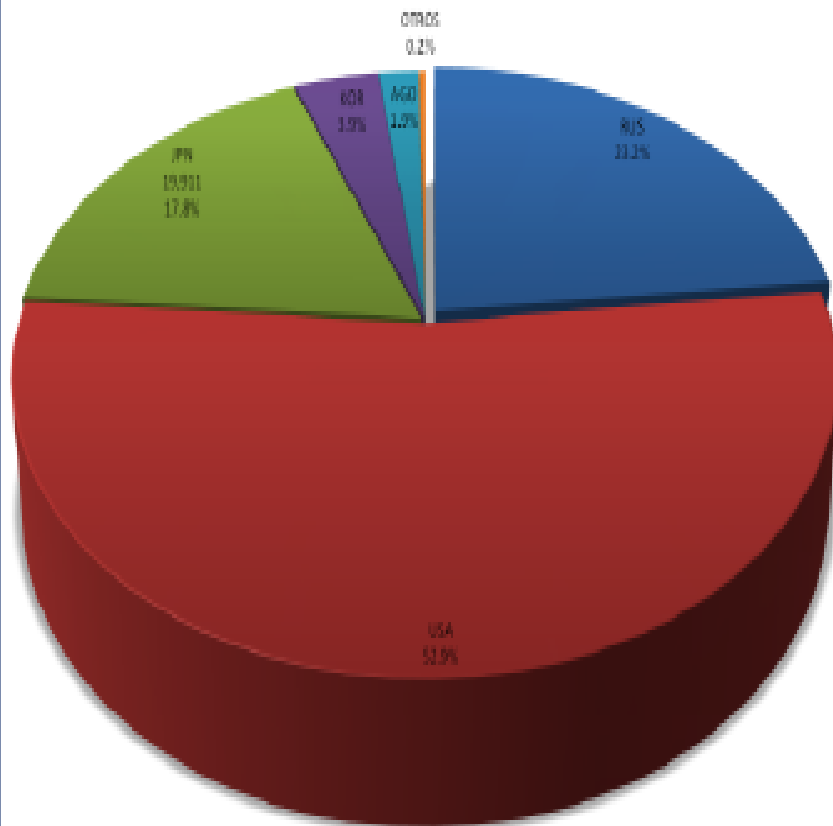
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PRODUCTO	2010			2011			Variación 11/10	
	VOLUMEN	VALOR	Precio Implicito	VOLUMEN	VALOR	Precio Implicito	Volumen	Valor
	(TON)	(Millones de pesos)	(\$/ton)	(TON)	(Millones de pesos)	(\$/ton)		
TOTAL CARNICOS	165,620	8,241		205,250	11,749		23.9%	42.6%
CARNE DE PORCINO	54,045	3,639	67,336	64,482	4,034	62,566	19.3%	10.9%
<i>Piernas 1/</i>	776	41	53,003	643	40	61,468	-17.1%	-3.8%
Despojos comestibles de porcino	675	12	17,596	952	17	18,178	41.0%	45.7%
					0			
CARNE DE BOVINO	71,994	3,630	50,418	104,506	6,602	63,173	45.2%	81.9%
Despojos comestibles de bovino	12,506	304	24,277	7,559	399	52,757	-39.6%	31.4%
					0			
CARNE DE POLLO*	10,284	124	12,010	13,637	194	14,262	32.6%	57.5%
<i>Entero (carne sin trocear)</i>	2,840	30	10,707	420	6	13,712	-85.2%	-81.1%
<i>Trozos pollo</i>	7,054	85	12,023	12,261	156	12,733	73.8%	84.1%
<i>Pastas pollo a/</i>	0	0		163	8	48,937		
<i>Piernas y muslos de pollo</i>	355	8	22,671	757	24	31,869	113.2%	199.7%
					0			
CARNE DE PAVO	0	0		2	0	80,335		
<i>Entero (carne sin trocear)</i>								
<i>Trozos pavo</i>								
<i>Pastas pavo a/</i>				2	0	80,335		
PROCESADOS	16,115	533	33,090	14,113	502	35,560	-12.4%	-5.9%

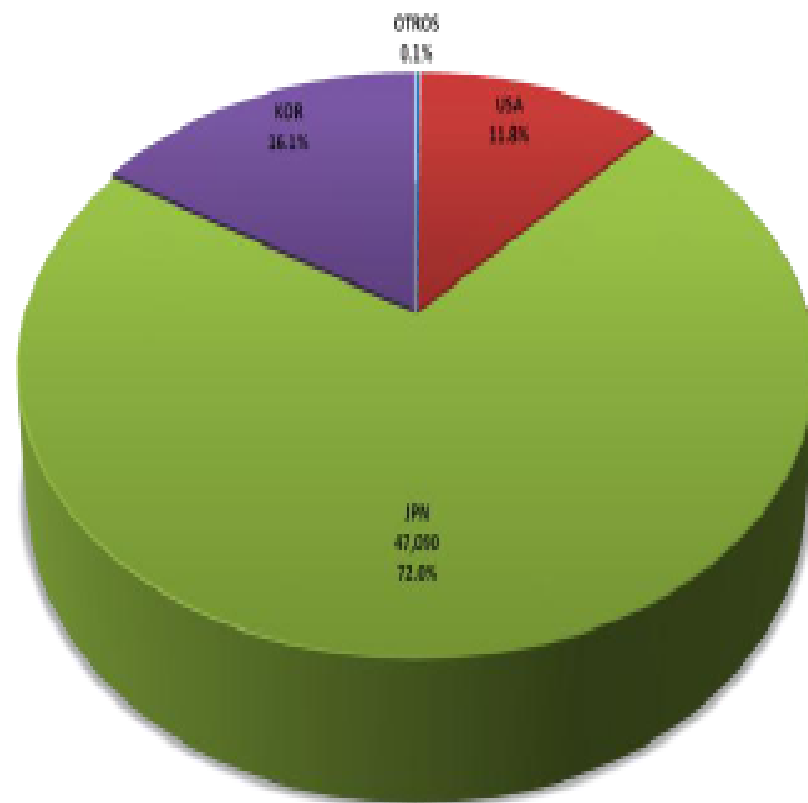
Fuente: Consejo Mexicano de la Carne con datos de la Dirección General de Aduanas, SAT.

Destination of meat and offal exports, Participation 2011

DESTINO DE LAS EXPORTACIONES DE CARNE Y DESPOJOS DE BOVINO, 2011



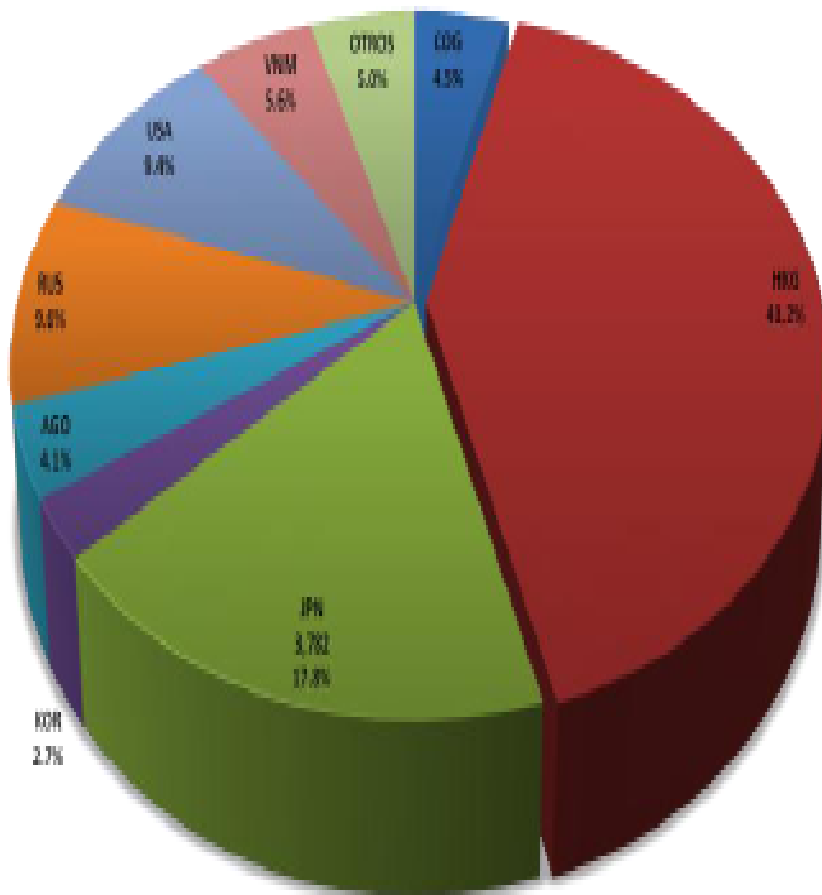
DESTINO DE LAS EXPORTACIONES DE CARNE Y DESPOJOS DE CERDO, 2011



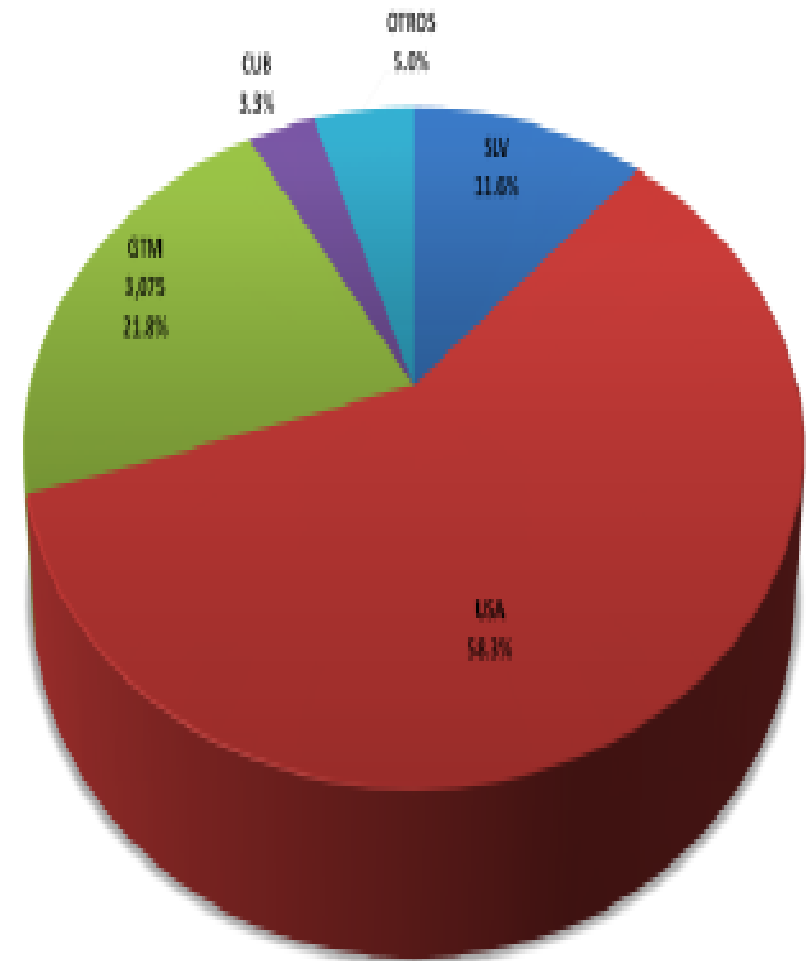
Fuente: Consejo Mexicano de la Carne con datos de la Dirección General de

Destination of meat and offal exports, Participation 2011

DESTINO DE LAS EXPORTACIONES DE CARNE Y DESPOJOS DE POLLO, 2011



DESTINO DE LAS EXPORTACIONES DE CARNE PROCESADA, 2011



Fuente: Consejo Mexicano de la Carne con datos de la Dirección General de Aduanas

VI. Trade liberalization and Challenges

- ✓ **Boosting exports and domestic production.**
- ✓ **Solving structural and sanitary problems.**
- ✓ **Encourage chain improvement and lagging producers in order to raise their competitiveness.**
- ✓ **Animal health status recognition for exporting countries.**
- ✓ **Investment and development of plants approved for export.**
- ✓ **New measures (non-tariff) implemented in other countries on Mexican imports.**
- ✓ **Integration of production chains for poultry, pork and beef.**
- ✓ **Financing.**

VI. Trade liberalization and Challenges

- ✓ Technological investment.
- ✓ Effective policy and regulatory frameworks.
- ✓ Diversify trade routes to reduce dependence on the U.S.
- ✓ Coordination between institutions to mitigate the effects of climate change.
- ✓ Protectionist measures.
- ✓ Changes in population's lifestyles.
- ✓ National product innovation (convenience and health)

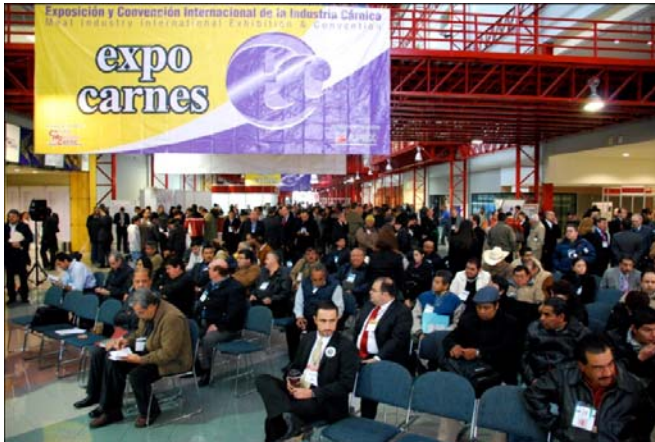
IV. Final Thoughts

- ✓ Free trade agreements have allowed a significant increase in meat-sector exports, access to better inputs and attraction of foreign investment.
- ✓ Access to foreign markets contributes to economic recovery, increased competitiveness and preservation or creation of jobs.
- ✓ Mexican government has made an ongoing effort to integrate into world's economy to strengthen its competitiveness.
- ✓ National meat industry will have to continue working hard to increase the production of meat in order to reduce the huge gap between what is imported vs. what is exported.

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Convention february, 14

www.expocarnes.com

Dr. Grandin is a designer of livestock handling facilities and a Professor of Animal Science at Colorado State University.

Facilities she has designed are located in the United States, Canada, Europe, Mexico, Australia, New Zealand, and other countries.

In North America, almost half of the cattle are handled in a center track restrainer system that she designed for meat plants. Curved chute and race systems she has designed for cattle are used worldwide and her writings on the flight zone and other principles of grazing animal behavior have helped many people to reduce stress on their animals during handling

www.grandin.com

