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

Thousands

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

Million lbs.
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?
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.

2005 2006 2007 2008 2009 2010 2011 2012

Exports
Imports
U.S. Imports of Mexican Beef
January-July, 2012

<table>
<thead>
<tr>
<th>HS Classification</th>
<th>Product</th>
<th>% of Total</th>
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<tbody>
<tr>
<td>0201305</td>
<td>Boneless, Not Proc, FC</td>
<td>50%</td>
</tr>
<tr>
<td>0201205</td>
<td>Bone-In, Not Proc, FC</td>
<td>39%</td>
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<tr>
<td>0201303</td>
<td>Boneless, Proc, FC</td>
<td>3%</td>
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<tr>
<td>0202303</td>
<td>Boneless, Proc, Froz</td>
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<tr>
<td>0201203</td>
<td>Bone-In, Proc, FC</td>
<td>2%</td>
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<tr>
<td></td>
<td>Total</td>
<td>41,400.7 MT</td>
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</table>
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
Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS
Slaughter Cattle Price, Mexico City
Monthly, Jan 2002 – Aug 2012
Cattle Imports from Mexico
Major Categories, Annual

1000 head

2004 2005 2006 2007 2008 2009 2010 2011

- hfrs
- strs <90
- strs >90
North American Drought Monitor

June 30, 2011

Released: Friday, July 8, 2011

Intensities:
- 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
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

Source: SNIIM
# Mexican Cattle Imports by State of Origin, Head

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<tbody>
<tr>
<td>CHIHUAHUA</td>
<td>377238</td>
<td>311231</td>
<td>-17.5%</td>
</tr>
<tr>
<td>COAHUILA</td>
<td>85684</td>
<td>87553</td>
<td>2.2%</td>
</tr>
<tr>
<td>DURANGO</td>
<td>57579</td>
<td>223795</td>
<td>288.7%</td>
</tr>
<tr>
<td>NUEVO LEON</td>
<td>61581</td>
<td>127987</td>
<td>107.8%</td>
</tr>
<tr>
<td>SONORA</td>
<td>138697</td>
<td>350090</td>
<td>152.4%</td>
</tr>
<tr>
<td>SINALOA</td>
<td>17139</td>
<td>35885</td>
<td>109.4%</td>
</tr>
<tr>
<td>VERACRUZ</td>
<td>36174</td>
<td>50422</td>
<td>39.4%</td>
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<tr>
<td>ZACATECAS</td>
<td>30534</td>
<td>106433</td>
<td>248.6%</td>
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<tr>
<td>TAMAULIPUS</td>
<td>130145</td>
<td>217748</td>
<td>67.3%</td>
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Source: SNIIM
Mexican Cattle Imports
Percent of Annual Total

[Chart showing percentage of annual total for each month, with data for 10 yr ave, 2010, and 2011]
Cattle Imports from Mexico
January-July

1000 head

2010 2011 2012

1250
1100
1000

hfrs
strs <90
strs >90

500

0
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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