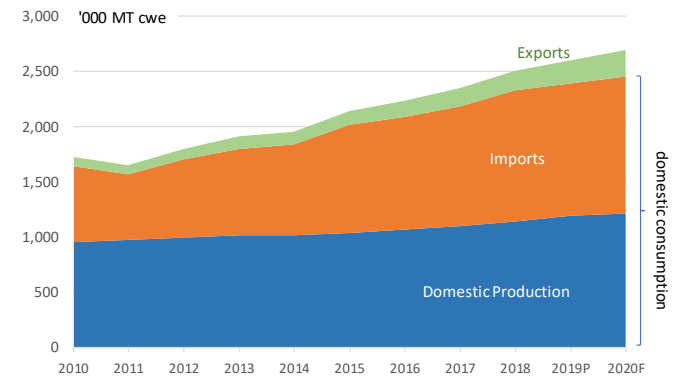


The Mexico office of the USDA Foreign Agriculture Service issued an update last week on **the Mexican livestock industry** and we thought this is a good time to offer our readers a primer of this important market for the US meat industry. While China talk has dominated the market for the last 18 months, it is important to remember that **Mexico accounted for about 27% of US pork exports last year, far higher than China and Japan that had a 17% share each.** While China may surpass Mexico in terms of pork purchases in 2020, Mexico will likely remain a close second. USDA is currently forecasting **Mexican pork production** to be 1.465 million MT (3.2 billion lb. carcass wt.), 60k MT or **4.3% higher than the previous year.** However, **about half of the increase in domestic output is expected to go to export markets, thanks to lower supplies in Asia and higher global prices.** Even as domestic production has grown, it has not kept up with the increase in domestic consumption. Pork is a relatively inexpensive protein and there is wide acceptance among Mexican consumers. Since 2010, Mexican domestic pork consumption has increased by 532k MT (1.2 billion lb. cwe). **More than half of the increase in Mexican domestic pork consumption was supported by higher pork imports, with the US being the main supplier.** The latest USDA post report noted that Mexican pork imports are expected to surpass 1 million MT in 2020 (2.2 billion lb. cwe), 2.5% higher than the previous year. That forecasts may be somewhat conservative, reflecting the high prices that futures were projecting for US pork back in January and prospects of sharply higher US pork exports to China. Strong demand in Asian markets will continue to underpin demand for Mexican pork there and the weak Peso will continue to encourage higher shipments. We would expect Mexican traders to continue to rely on the US to backfill some of their needs. The higher demand for Mexican pork should be viewed in the context of only modest increases in the domestic breeding stock and thus domestic supplies. According to USDA, the Mexican sow herd at the start of 2020 was 1.245 million head, 15k head or 1.2% higher than a year ago.

While Mexican domestic beef production has been steadily increasing in recent years, **domestic beef consumption remains fairly stable.** In part this may be due to the far higher cost of beef relative to other proteins but also because the US consumer is willing/able to pay more for Mexican beef and thus **more product is going north of the border.** USDA is currently estimating Mexican beef production for 2020 at 2.065 million MT (4.6 billion lb. cwe), 45k MT or 2.2% higher than the previous year. In the last 10 years Mexican beef production has increased by 320k MT (705 million lb.) and yet the amount of Mexican beef going into domestic channels in 2020 is expected to be only marginally higher than what it was back in 2010. Beef imports into Mexico during the past 10 years have been steadily declining as well and in 2020 US is forecasting imports to be 205k MT vs. 200k MT in 2019 and 296k MT in 2010. On the other hand, beef exports in 2020 are forecast to be 390k MT, up almost 10% from the previous year and an almost three fold increase from just 10 years. **Mexico has become an increasingly important imported beef supplier to the US.** Last year, beef imports from Mexico were 64% higher than those from New Zealand and just 9% smaller than Australia. However, the difference is that Mexico tends to ship cheaper cuts that compete with US fed beef rather than the lean grinding beef coming from AU/NZ.

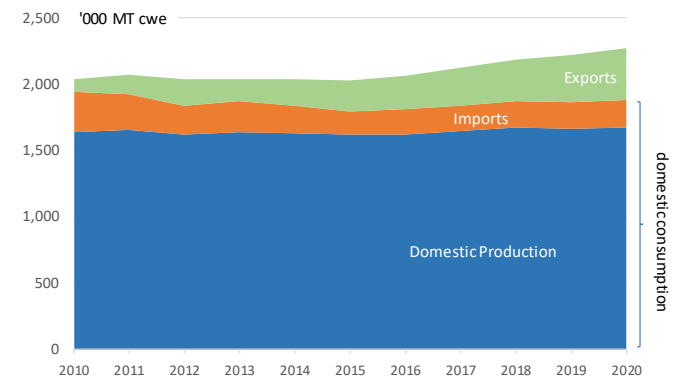
## Mexican Domestic Pork Consumption and Pork Exports

Source: USDA-FAS. Analysis by Steiner Consulting



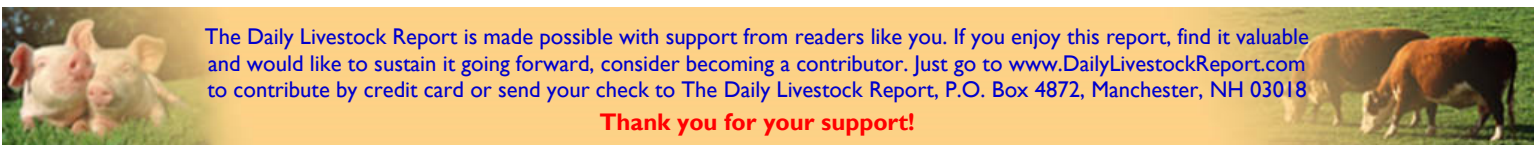
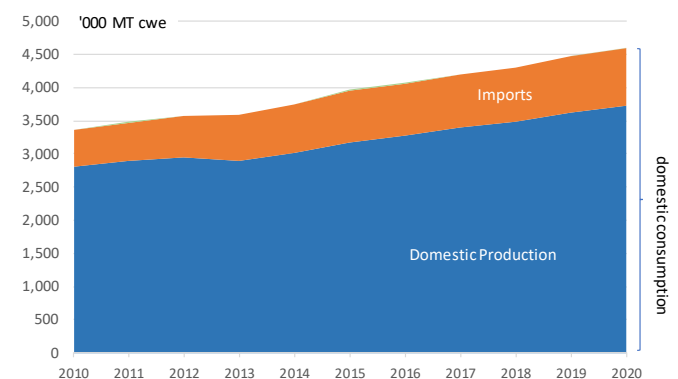
## Mexican Domestic Beef Consumption and Beef Exports

Source: USDA-FAS. Analysis by Steiner Consulting



## Mexican Domestic Chicken Consumption and Chicken Exports

Source: USDA-FAS. Analysis by Steiner Consulting



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