Daily Livestock Report

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The latest update from our Ag officials in Mexico contained some interesting insights about that market. To be clear, these are not official numbers from USDA, which means they have not been reviewed and corrected by USDA staff in Washington. It is our opinion that the ag market information for Mexico is more opaque than what we find either in the US or Canada so the updated reports from our embassy staff are always welcome. Below are some of the highlights from the latest report (you can see the entire report here):

BEEF: The total cattle inventory in Mexico at the start of 2017 is currently estimated at 16.620 head, slightly higher than the official USDA forecast last fall. If correct, this would put the cattle inventory at about the same level as it was in January 2016. Cattle inventories in Mexico appear to have not increased by an appreciable amount even as the calf crop is reported to be higher. This would mean more calves going into the US rather than staying in the herd. The beef cow herd in Mexico is currently estimated at 7 million head, about 100,000 head more than the number presented in the last USDA forecast and 200,000 head more than in January 2016. If correct, this is the largest Mexican beef cow herd since 2011 but still much lower than the +10.8 million head of beef cows that the country had in 2000. The larger beef cow herd matches up with the increase in the calf crop, which the latest Post report now pegs at 7.3 million head compared to the 7.1 million head that was projected by USDA last fall. One of the points that the report made repeatedly is that **Mexican officials appear intent on diversifying the number of markets where they currently source both beef and pork**. Part of this effort has been the introduction of a tariff free quota system for countries that are not part of NAFTA. Brazil looms large here given its outsize production of beef, pork and chicken products. The **new TRQ system now provides for 200,000 MT of beef that can enter Mexico duty free**. We assume this would be on a product weight basis. USDA reported that Mexican beef imports in 2016 were around 180,000 MT on a carcass weight basis. On a product weight basis this would be around 125-130 MT (not sure exactly the conversion USDA is applying). The main point is that the new tariff free TRQ would be more than enough to replace US products. Mexico has significantly increased its beef export volumes, largely to the US in recent years and in 2017 it is forecast to run a positive beef export balance with the US, shipping 290,000 MT (cwe) while importing 190,000 MT (cwe). Any disruptions of trade with the US likely would not cause a net decline in beef availability in Mexico.

PORK: The Mexican pork industry has been expanding in recent years, following the same trajectory we have seen in the US and Canada. Hog inventories at the start of 2017 are estimated at 10.7 million head, almost 8% larger than a year ago. The Mexican sow herd at the start of the year was projected to be 1.210 million head, +2.5% higher than last year and the largest breeding stock in more than 20 years. The larger breeding herd implies a continued increase in the pig crop, which is projected to be 19.8 million head, +3.1% higher than in 2016. Despite domestic supply increases, **pork consumption in Mexico continues to outpace supply availability, hence the need for increased imports**. One reason is that pork and chicken remain significantly cheaper relative to beef (see chart). Pork consumption in 2017 is forecast at 2.360 million MT (carcass wt), 8.5% larger than it was in 2015. Higher imports have accounted for 65% of the increase in consumption in 2016-17.