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Report Highlights:

Though no substantial changes were made to Mexico's import restriction on bovine products in the last year, total bovine product imports are expected to increase slightly to 380,000 tons in CY 2008. CY 2008 ending cattle inventories are expected to remain basically the same as CY 2007. The larger, and better capitalized, hog operations in Mexico continue to become more vertically integrated, and thus are realizing additional efficiencies due to their greater scale and scope. Hog production and slaughter are forecast to increase slightly in CY 2008 as the low price and improving quality of pork products continues to stimulate demand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico City [MX1]
[MX]

TABLE OF CONTENTS

SECTION I. SITUATION AND OUTLOOK	3
Executive Summary.....	3
SECTION II. STATISTICAL TABLES	4
PS&D, Animal Numbers, Cattle (1000 Head).....	4
PS&D, Meat, Beef and Veal (1000 Head) (K Metric Tons).....	4
PS&D, Animal Numbers, Swine, (1000 Head).....	5
PS&D, Meat, Swine (1000 Head) (K Metric Tons).....	5
Trade Matrix.....	6
Grass Fed Live Steer Average Wholesale Prices in Mexico City.....	7
Beef Carcass Average Wholesale Prices in Mexico City.....	7
Finished Live Hog Wholesale Prices in Mexico City.....	8
Pork Carcass Average Wholesale Prices in Mexico City.....	8
Cattle and Hog Slaughter.....	9
Related OAA/Mexico Reports	10
SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING...	11
Production.....	11
Cattle/Beef.....	11
Swine/Pork.....	11
Consumption.....	12
Cattle/Beef.....	12
Swine/Pork.....	12
Trade.....	13
Cattle/Beef.....	13
Swine/Pork.....	13
Policy.....	14
Cattle/Beef.....	14
Swine/Pork.....	14
Marketing.....	15
Cattle/Beef.....	15
Swine/Pork.....	15

NOTE: Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psd>

SECTION I. SITUATION AND OUTLOOK**Executive Summary****BOVINE/BEEF**

CY 2008 ending cattle inventories are expected to remain basically even with those of CY 2007 and CY 2006. Domestic beef cattle production for CY 2008 is expected to increase modestly by nearly two percent. The domestic beef cattle industry is aided by government slaughtering subsidies of \$110 pesos per head at federally inspected TIF plants, which equates to roughly fifty percent of the cost of slaughtering cattle. Domestic beef consumption is expected to increase only very slightly to 2.53 MMT over the revised CY 2007 of 2.515 MMT. This less than one percent increase may be an early indicator of how higher food prices are starting to influence the purchasing patterns of Mexico's burgeoning middle class. Mexico is expected to continue importing grain-fed beef to meet demand from the tourist and restaurant sectors as well as growing demand from supermarkets, particularly in urban areas. Total beef imports are expected to increase in CY 2008 by 1.3 percent.

PORCINE/PORK

The trend toward vertical integration and industry consolidation continues in Mexico. Higher grain prices over the past year have forced many smaller, and less efficient, pork producers out of the market, leaving opportunities for larger operations to gain market share. Hog production and slaughter rates are forecast to increase slightly in CY 2008 as lower prices and higher quality pork and pork products helps to stimulate demand. Additionally, many of Mexico's pork producers are also taking advantage of government slaughtering subsidies of \$100 pesos per head at federally inspected TIF plants. This subsidy equates to about fifty percent of the normal cost of slaughtering pigs. Despite the growth in hog production, and the growth in popularity of pork meat, Mexico's pork producers have expressed concern over the potential for rising imports of meat from the United States, and have petitioned the Government of Mexico to approach the WTO to request a safeguard investigation on U.S. pork exports to Mexico. To date the GOM has not approached the WTO on this issue, but it has employed some administrative measures at the border inspection points that have caused some disruptions in the trade.

Section II. Statistical Tables

PSD Table									
Country México									
Commodity Animal Numbers, Cattle (1000 Head)									
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Total Cattle Beg. Stks	26949	26949	26949	26644	26644	26644			26519
Dairy Cows Beg. Stocks	2200	2200	2200	2200	2200	2200			2200
Beef Cows Beg. Stocks	11700	11700	11700	11800	11800	11800			11900
Production (Calf Crop)	7950	7950	7950	8200	8200	8200			8350
Intra EU Imports	0	0	0	0	0	0			0
Other Imports	72	95	72	100	125	100			95
Total Imports	72	95	72	100	125	100			95
Total Supply	34971	34994	34971	34944	34969	34944			34964
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	1275	1300	1275	1300	1400	1300			1200
Total Exports	1275	1300	1275	1300	1400	1300			1200
Cow Slaughter	1700	1700	1700	1700	1700	1700			1700
Calf Slaughter	1500	1500	1500	1500	1500	1500			1500
Other Slaughter	3300	3300	3300	3400	3400	3400			3500
Total Slaughter	6500	6500	6500	6600	6600	6600			6700
Loss	552	550	552	525	500	525			525
Ending Inventories	26644	26644	26644	26519	26844	26519			26539
Total Distribution	34971	34994	34971	34944	35144	34944			34964

Not official USDA Data

PSD Table									
Country México									
Commodity Meat, Beef and Veal (1000 Head) (1000 MT CWVE)									
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Slaughter (Reference)	6500	6500	6500	6600	6600	6600			6700
Beginning Stocks	0	0	0	0	0	0			0
Production	2175	2175	2175	2200	2200	2200			2215
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	372	365	372	375	375	375			380
Total Imports	372	365	372	375	375	375			380
Total Supply	2547	2540	2547	2575	2575	2575			2595
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	38	35	38	40	40	40			40
Total Exports	38	35	38	40	40	40			40
Human Dom Consumption	2489	2485	2489	2515	2515	2515			2530
Other Use, Losses	20	20	20	20	20	20			20
Total Dom. Consumption	2509	2505	2509	2535	2535	2535			2550
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	2547	2540	2547	2575	2575	2575			2590

Not official USDA Data

PSD Table									
Country Mexico									
Commodity	Animal Numbers, Swine (1000 Head)								
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Total Beg. Stks	10125	10125	10125	10250	10250	10250			10410
Sow Beg. Stocks	950	950	950	955	955	955			960
Production (Pig Crop)	15700	15700	15700	15800	15800	15800			15900
Intra EU Imports	0	0	0	0	0	0			0
Other Imports	196	200	196	225	225	175			175
Total Imports	196	200	196	225	225	175			175
Total Supply	26021	26025	26021	26275	26275	26225			26485
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Sow Slaughter	15	15	15	15	15	15			15
Other Slaughter	14785	14785	14785	14825	14825	14825			14835
Total Slaughter	14800	14800	14800	14840	14840	14840			14850
Loss	971	975	971	975	975	975			975
Ending Inventories	10250	10250	10250	10460	10460	10410			10660
Total Distribution	26021	26025	26021	26275	26275	26225			26485

Not official USDA Data

PSD Table									
Country Mexico									
Commodity	Meat, Swine (1000 Head) (1000 MT CWE)								
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Slaughter (Reference)	14800	14800	14800	14840	14840	14840			14850
Beginning Stocks	0	0	0	0	0	0			0
Production	1200	1200	1200	1190	1250	1190			1250
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	446	450	446	460	460	460			430
Total Imports	446	450	446	460	460	460			430
Total Supply	1646	1650	1646	1650	1710	1650			1680
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	66	65	66	70	70	70			80
Total Exports	66	65	66	70	70	70			80
Human Dom Consumption	1580	1585	1580	1580	1640	1580			1600
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	1580	1585	1580	1580	1640	1580			1600
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	1646	1650	1646	1650	1710	1650			1680

Not official USDA Data

NOTE: All PS&D import and export figures for CY2007 are based on World Trade Atlas data. All trade matrix figures for CY2006 are also based on World Trade Atlas data.

Trade Matrix

Animal Numbers, CATTLE			Units: Head		
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	1,570,146	368,547	U.S.	806	622
Other			Other		
El Salvador	56	0	Australia	11,290	3,305
Colombia	32	0	Nicaragua	30,536	11,368
Belize	76	241	New Zealand	25,134	12,890
			Costa Rica	2,075	0
Total of other	164	241	Total of other	69,035	27,563
Other not listed	228	127	Other not listed	13	0
Grand Total	1,570,538	368,915	Grand Total	69,854	28,185

Meat, Beef & Veal			Units: Metric Tons		
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	16,673,261	4,557,594	U.S.	223,039,080	68,811,160
Other			Other		
So. Korea	228,474	1,538,767	New Zealand	4,885,721	943,587
Japan	1,128,829	1,811,537	Canada	33,771,185	12,110,862
Puerto Rico	0	888,809	Australia	2,546,456	961,747
Costa Rica	0	203,823	Chile	3,508,913	1,146,330
			Nicaragua	303,341	94,134
			Panama	330,344	259,556
			Costa Rica	753,361	463,261
Total of other	1,357,303	4,442,936	Total of other	46,099,321	15,979,477
Other not listed	9	73,873	Other not listed	415,057	492,875
Grand Total	18,030,573	9,074,403	Grand Total	269,553,458	85,283,512

Animal Numbers, SWINE			Units: Head		
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	0	0	U.S.	176,373	37,109
Other	0	0	Other		
	0	0	Canada	20,016	4,372
Total of other	0	0	Total of other	20,016	4,372
Other not listed	0	0	Other not listed	2	2
Grand Total	0	0	Grand Total	196,391	41,483

Meat, Swine			Units: Metric Tons		
Exports to:	2006	2007*	Imports from:	2006	2007*
U.S.	6,599,982	3,323,441	U.S.	292,406,813	91,367,316
Other			Other		
Japan	36,988,608	14,760,719	Canada	24,688,619	7,189,476
So. Korea	1,477,158	837,558	Chile	4,327,772	824,979
Guatemala	0	0	Spain	0	0
Canada	0	10		0	0
Total of other	38,465,766	15,598,287	Total of other	29,016,391	8,014,455
Other not listed	0	0	Other not listed	0	0
Grand Total	45,065,748	18,941,403	Grand Total	321,423,204	99,381,771

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition
 Figures for meat are in product weight equivalent (PWE)

*As of April 30, 2007

Grass Fed Live Steer Average Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2006	2007	% Change
January	0.868	0.895	3.11
February	0.867	0.906	4.50
March	0.857	0.910	6.18
April	0.864	0.911	5.44
May	0.896	0.896	0
June	0.885	0.833	-5.88
July	0.885	0.833	-5.88
August	0.803	N/A	N/A
September	0.813	N/A	N/A
October	0.793	N/A	N/A
November	0.824	N/A	N/A
December	0.855	N/A	N/A

Source: National Market Information Service (SNIM)

Note: 1/ N/A not available

Beef Carcass Average Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2006	2007	% Change
January	1.34	1.36	1.49
February	1.34	1.32	-1.49
March	1.34	1.33	-.75
April	1.33	1.34	.75
May	1.34	1.35	.75
June	1.33	1.35	1.50
July	1.33	1.36	2.26
August	1.27	N/A	N/A
September	1.27	N/A	N/A
October	1.31	N/A	N/A
November	1.31	N/A	N/A
December	1.35	N/A	N/A

Source: National Market Information Service (SNIM)

Note: 1/ N/A not available

Finished Live Hog Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2006	2007	% Change
January	0.679	0.579	-14.73
February	0.670	0.579	-13.58
March	0.650	0.575	-11.54
April	0.642	0.546	-14.95
May	0.616	0.534	-13.31
June	0.596	0.579	-2.85
July	0.627	0.627	0.00
August	0.629	N/A	N/A
September	0.620	N/A	N/A
October	0.606	N/A	N/A
November	0.544	N/A	N/A
December	0.579	N/A	N/A

Source: National Market Information Service (SNIM)

Note: 1/ N/A not available

Pork Carcass Average Wholesale Prices in Mexico City
(US\$/Lb.)

Month	2006	2007	% Change
January	0.885	0.679	-23.28
February	0.965	0.670	-30.57
March	0.965	0.650	-32.64
April	0.894	0.642	-28.19
May	0.966	0.616	-36.23
June	0.894	0.596	-33.33
July	0.951	0.627	-34.06
August	0.894	N/A	N/A
September	0.894	N/A	N/A
October	0.889	N/A	N/A
November	0.883	N/A	N/A
December	0.892	N/A	N/A

Source: National Market Information Service (SNIM)

Note: 1/ N/A not available

Cattle Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

Total	2006	2007*	% Change
	1,794,374	1,821,648	1.52

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*Forecast data from Industry and SAGARPA for 2007

Cattle Slaughtered in Municipal Slaughterhouses

Total	2006	2007*	% Change
	2,533,478	2,574,971	1.64

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*Forecast data from Industry and SAGARPA for 2007

Cattle Slaughtered In-Situ Slaughtering Facilities

Total	2006	2007*	% Change
	2,170,000	2,200,000	1.38

NOTE: In-Situ slaughter is calculated

*Forecast data from Industry and SAGARPA for 2007

Total Cattle Slaughtered in Mexico

Total	2006	2007*	% Change
	6,497,852	6,596,619	1.52

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*Forecast data from Industry and SAGARPA for 2007

Hogs Slaughtered in Federal Inspected Type (TIF) Slaughterhouses

Total	2006	2007*	% Change
	5,175,695	5,201,500	0.5

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*Forecast data from Industry and SAGARPA for 2007

Hogs Slaughtered Municipal Slaughterhouses

Total	2006	2007*	% Change
	4,568,201	4,636,700	1.5

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*Forecast data from Industry and SAGARPA for 2007

Hogs Slaughtered In-Situ Slaughtering Facilities

Total	2006	2007*	% Change
	5,060,974	5,001,700	(1.1)

NOTE: In-Situ slaughter is calculated on basis of industry information

*Forecast data from Industry and SAGARPA for 2007

Total Hogs Slaughtered in Mexico

Total	2006	2007*	% Change
	14,804,870	14,839,900	0.2

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

*Forecast data from Industry and SAGARPA for 2007

Related Fas/Mexico Reports

Report Number	Title of Report	Date
MX7006	DDGS MARKET	1/19/07
MX7007	TRQ MILK POWDER WTO	1/23/07
MX7008	TRQ MILK POWDER USA	1/23/07
MX6005	PORK LEG ANTIDUMPING RESOLUTION	1/13/06
MX7018	SEMI-ANNUAL POULTRY	3/8/07
MX7021	LIVESTOCK SEMI-ANNUAL	3/15/0
MX7022	DAIRY PREPARATIONS IMPORT CUPOS	3/22/07
MX7038	DAIRY SEMI-ANNUAL	5/16/07

Section III. Narrative on Supply, Demand, Policy and Marketing

Production

BOVINE/BEEF

Cattle production for CY 2008 is forecast to increase by 1.8 percent from the previous year's estimate due to improved moisture conditions from rainfall in Mexico's cattle producing regions in the north. Sufficient rainfall this year and last year has also allowed for prairie grass to grow abundantly, leading to higher fertility levels and a larger calf crop. However, feedlot placements have declined because of higher feed costs caused by the corn crisis of late 2006. Cattle inventories are expected to increase very slightly in the northern regions of Mexico, as well as the central and southern areas, as production costs continue to rise. Competitively priced and rising imports of beef, tight credit, and low profitability have discouraged investment in the cattle and beef sectors.

Most of the cattle raised in Mexico continue to be grass-fed. Regardless of the improved economic conditions, many cattlemen and feedlot operators still cannot afford imported feedstuffs and generally reformulate their feed rations with lower priced grains and fodder. Modernization and implementation of state of the art technology is also very limited. The government of Mexico continues to recommend that cattlemen introduce improved herd management practices, such as electric fences, artificial insemination, and new varieties of grasses to increase rangeland productivity.

Mexico has 288 TIF (federally inspected) slaughter plants, of which 38 are currently accredited by USDA/FSIS to export beef to the United States. There are also a large number of "municipal" slaughter plants that fall outside of the federal inspection system. Rather than constructing new TIF plants, the Secretariat of Agriculture, Livestock and Rural Development (SAGARPA) reports that some non-TIF plants, particularly sausage and packing plants, are rebuilding facilities to convert into TIF plants. Their main interest is to export products to the U.S. and other markets.

PORCINE/PORK

Production for CY 2008 is forecast slightly upward from the previous year's estimate as the trend towards vertical integration and more modern and efficient production practices continues. This trend was hastened by higher grain prices this past year, which forced many of the smaller and less efficient pork operations in Mexico out of business, thus allowing for greater industry consolidation. CY 2007 production growth among larger producers is being tempered by lower pork meat prices and high input prices. Independent medium sized operations account for only a small portion of swine production in Mexico. There are also a large numbers of small producers who raise pork for self-consumption or sales at the village level. A number of associations and cooperatives of mid-sized producers are active in supplying the larger, vertically integrated processing operations, allowing them to reduce overhead costs considerably. More efficient production techniques at the vertically integrated operations brought swine inventories up during CY 2007. These inventories are expected to continue building through the first part of CY 2008 to meet the anticipated stronger consumer demand, which is largely attributable to lower pork meat prices.

The grain price rally in the fall of 2006 led many pork producers to decide to slaughter their inventory at the beginning of CY 2007, rather than pay the high cost of maintaining inventory levels. Partially as a result of the increased rate of slaughter, pork meat prices in Mexico have fallen considerably this year. In fact, January 2007 prices were nearly 24 percent lower than December 2006 prices. This decline is not part of a natural price cycle resulting from high pork meat demand during the November and December holidays. Prices have been, on

average, 30 percent lower for the first seven months of CY 2007 than they were during the first seven months of CY 2006.

As mentioned, the underlying factor that is driving up production costs for both bovine and pork production has been feed grain prices. Secondary to feed prices are increasing energy and transportation costs, which are more prominently pronounced in Mexico because of a lacking transportation infrastructure. An overview of grain prices in principal production areas is as follows:

Sorghum

La Laguna, 1,500 pesos/ton; San Luis Potosi, 2,300.00 pesos/ton (four percent less than the previous month of June); Nuevo Leon, 2,325.00 pesos/ton; Yucatan, 2,387.72 pesos/ton (five percent less than the previous month).

Soybeans

State of Mexico, 3,900.00 pesos/ton; Yucatan, 3,215.15 pesos/ton (five percent less than the previous month).

Yellow Corn

Jalisco, 2,200.00 pesos/ton (15 percent less than the previous month); State of Mexico, 2,700 pesos/ton; Nuevo Leon, 2,650 pesos/ton (7 percent more than the previous month of June); San Luis Potosi, 2,700.00 pesos/ton.

(1 USD = 10.8 pesos)

Consumption

BOVINE/BEEF

Beef consumption is expected to increase by roughly one percent in CY 2007, and less than .6 percent in CY 2008. This growth in consumption significantly lags both the population and economic growth rates in Mexico. Though 2006-2007 year-over-year beef meat prices have been relatively stable, the stagnant consumption rate may be an early indication that Mexico's burgeoning middle class is beginning to struggle with generally higher food prices, and thus may be scaling back consumption of certain luxury food goods, such red meats, in favor of less expensive protein sources such as poultry and pork. The growth in demand that is taking place is driven mostly by the middle and upper classes in larger cities where there is more disposable income. Total domestic consumption for CY 2006 has been revised slightly upward from our previous estimate based on official data.

PORCINE/PORK

The CY 2007 pork consumption estimate was revised downward from our previous estimate to 1.58 MMT, equal with the CY 2006 estimate. Though this reflects no growth over the past year, pork consumption in Mexico is expected to increase modestly in the next year, with a forecasted increase of 1.2 percent in CY 2008. This increase is mostly attributable to the fact that pork prices have dropped considerably in the past year while beef prices have risen. The inconsistent quality of pork and pork products in Mexico, which ranges from world-class to product produced in unregulated village level slaughter facilities, tends to impede greater growth rates in pork meat consumption. Furthermore, pork faces stiff competition from poultry meat among Mexican consumers, many of whom still view pork as a health risk. As the trend towards vertical integration in the industry continues, the quality and consistency of pork products is expected to improve.

Trade

BOVINE/BEEF

Slaughter cattle imports in CY 2007 are still prohibited due to BSE concerns. However, because of a recent OIE classification of the U.S. as a minimal BSE risk country, there may be opportunities in the future for the USDA and the GOM to discuss increased access for U.S. slaughter cattle. Trade sources estimate that total beef imports from the U.S. will include 90 percent boxed beef and 10 percent beef carcasses in CY 2008. Most of this beef will be rounds and chucks (70 percent) and high quality cuts (30 percent). The U.S. will continue to export high levels of beef to Mexico because of competitive prices and quality, but beef will continue to face stiff competition from poultry, and pork. The United States is the leading exporter of beef to Mexico, with approximately 85 percent of the import market. U.S. beef cuts continue to be particularly popular with the higher income classes, and the tourist sector, and imports of round and chuck cuts by domestic supermarkets continue to increase. Post forecasts that in CY 2008 beef imports will grow to 380,000 MT, a 1.3 percent increase over the previous year's estimate. Beef imports for CY 2006 have been revised slightly upward from our previous estimate reflecting official data.

In October of 2006 APHIS and SAGARPA finalized negotiations to allow for U.S. exports of dairy cattle to Mexico. Despite the positive reaction from both U.S. and Mexican industries, the import requirements proved overly cumbersome, and Mexico imported no more than 787 dairy cows from the U.S. in 2006. However, the industry is beginning to adjust to the new regulations, and U.S. exports of dairy cattle are starting to increase. Imports of live cattle for 2008 are expected to fall by five percent to 95,000 head. Ongoing restrictions on imports of live cattle from the United States and Canada due to BSE concerns opened the door for Australia, Nicaragua, and New Zealand, which are now the primary suppliers. Cattle imports are comprised of limited numbers of slaughter cattle from Central American countries along with dairy cattle from Australia and New Zealand.

Cattle exports to the U.S. for CY 2008 are forecast to decline by 8.3 percent from the previous year's revised figure. This decline is due to the fact that Mexico is working to gain self sufficiency in satisfying the domestic demand by reducing exports, raising the calf crop, and increasing slaughter rates.

PORCINE/PORK

Hog imports for CY 2008 are forecast to remain unchanged from our previous year's revised estimate of 175,000 head. Most of the breeding hogs imported into Mexico come from Canada and the U.S. supplies a small number of hogs for slaughter. Hog imports for slaughter and breeding will continue at this level because imported live hogs face competition from domestic hog production. Imports of live hogs for slaughter continue to be limited to a single border crossing point at Eagle Pass, Texas.

CY 2007 pork meat import estimates are up slightly over CY 2006. However, pork and pork product imports for CY 2008 are forecast to decrease by roughly six percent, reflecting Mexico's higher domestic production levels and quality competitiveness. Nonetheless, Mexico will remain a good market for U.S. pork variety meats, lard, and greases. Pork imports for CY 2007 remain unchanged reflecting the pace of imports to date. Imports for CY 2006 are revised downward reflecting official data.

Domestic sausage companies continue to use more imported U.S. pork variety meats and mechanically de-boned poultry meat due to attractive prices and their relative high quality. Domestically produced sausages containing imported ingredients, as well as imported

sausage, continue to gain in popularity in Mexico, particularly among mid and upper-income consumers. While animal health concerns and relatively high prices have limited Mexican pork exports, exporters have established small niches in Japan and Korea.

FAS staff recently met with Mexican Customs officials to address some confusion over how dates are written and recorded on U.S. exports. The way in which U.S. exporters write dates on shipments (Month/Day/Year) was leading to a great deal of confusion on the Mexican side of the border, where customs officials are taught to read dates as Day/Month/Year. This confusion led to accusations that export certificates were being issued before the product was actually packed. The U.S. industry is currently undertaking the task of educating processors on how to correctly write slaughter and packing dates for product intended for export to Mexico.

During this same meeting it was also agreed that both Mexican Customs and OAA/Mexico would cooperate more closely on assembling more accurate import and export statistics, which have been cause for some alarm on both sides of the border because of the very significant differences in quantities being registered. Mexican Customs claims to not know precisely what is causing the differences in the import/export statistics, but they did make an interesting observation which may be part of the problem, caused by the data submitted by the customs broker called the "Pedimento de Importacion". All Mexican brokers prepare and produce their own pedimentos from their offices. In Nuevo Laredo, brokers are electronically linked to the Nuevo Laredo Association of Customs Brokers (AAA) which provides a pedimento number in the order they are requested. Once the broker has prepared and collected all documents he transmits the pedimento to Customs electronically via the AAA. Once Customs received the pedimento electronically, information about the shipment is entered into its system and the broker has three days to cross the shipment. Banco de Mexico (BM), Mexico's central bank prepares import information based on data on the import document "pedimento de importacion" that is registered by customs before the actual merchandise crosses the border, and not the true amount of the merchandise, which is registered at a later date when the merchandise physically crosses the border. Through this process the collected statistics of merchandise crossing the border may erroneously register shipments that have either been retained by the broker for lack of payment by the shipper or importer or the shipment may have been sent to a destination other than Mexico.

Policy

REVISIONS TO MEXICAN ANIMAL HEALTH LAW

On July 25, 2007, the GOM published a revision to the Mexican Animal Health Law in the Diario Oficial (Federal Register). Article 32 of the revision stated that all products for use or consumption by animals will require certificates of free sale (CFS) when imported into Mexico. There is some confusion as to what the exact requirements of the law will be and how broadly the provisions for CFS will apply. The Ministry of Agriculture is currently working with FAS/OAA to clarify these requirements. SAGARPA officials indicated that the GOM will not be amending the HRZs of the products in question because the requirement is in the law itself, and therefore obligatory without further mention in the HRZs. As it is understood currently, the law applies to chemicals, biologicals, pharmaceuticals, and animal feeds, but not to any grains, as they would be further processed, thus regulated under other existing rules, not the new animal health law.

The U.S. Food and Drug Administration (FDA) has been issuing export certificates for animal foods and drugs exported to Mexico for a number of years at the request of exporters. FDA CFSs are currently provided on a company-wide basis, covering all of a company's

operations and products, and are valid for 24 months. Any requirement for a CFS in original form or notarized copies to accompany each shipment could cause delays.

BOVINE/BEEF

Under the PROGAN support program, the Secretariat of Agriculture provides funding for herd and genetic improvements, provided that cattle producers meet certain criteria relating to animal health standards, management practices, and herd composition. Under this program a rancher applies to SAGARPA to be a part of a multi-year program that is designed to improve that rancher's pastureland. SAGARPA grants the rancher a subsidy of \$300- \$500 pesos per year per head of cattle, and with these funds the rancher is to enhance the quality of his own pastureland. The end result of this improved pastureland is a higher quality herd, and more viable beef sector. However, because of cumbersome regulations and administrative delays the program was not used very widely by the ranching sector in Mexico.

Mexico has taken significant steps to re-open its market to bovine products following the discovery of a single case of BSE in Washington State on December 24, 2003. Below is a listing of approved and prohibited products.

Prohibited products:

Live cattle (except for dairy cattle)
Boneless and bone-in meat from cattle 30 months of age or older
Bovine offal and viscera other than those currently authorized
Products derived from non-protein-free tallow
Gelatin and collagen prepared from bone
Ruminant meal
Ground beef

Permitted products:

Dairy Cattle
Tallow (human consumption)
Blood (human consumption)
Breeding bulls
Bone-in meat from cattle under 30 months of age
Boneless beef from cattle under 30 months of age
Marinated boneless beef from cattle under 30 months of age
Beef based preparations, beef/pork based preparations, beef/sheep based preparations and beef/pork/poultry based preparations
Veal boneless or bone-in
Hearts, kidneys, tongue and lips from cattle under 30 months of age
Diaphragm and trimmings from cattle under 30 months of age
Tripe from cattle under 30 months of age
Meat, carcasses, viscera, and heads from sheep under 12 months of age
Meat, carcasses, and viscera from goats under 12 months of age
Liver
Milk
Dairy products
Semen
Embryos
Protein-free tallow not fit for animal consumption
Dicalcium phosphate (DCP)
Skins and hides

Gelatin and collagen obtained from hides and skins
Pet Food (see MX4040 for more details)
Sausage made from beef and pork with or without cheese
Live sheep for immediate slaughter

PORCINE/PORK

Mexico's pork producers have been very active in voicing their concerns about increased imports of pork since the elimination of tariffs on U.S. pork and pork products on January 1, 2003 under the provisions of the NAFTA. The industry claims that U.S. pork producer profitability is largely driven by sales of loin and other back-rib cuts. Under this profit structure, U.S. companies can afford to ship large volumes of pork legs at very low prices. However, the Mexican pork producers' profit depends more heavily on the sale of pork legs. Thus, the Mexican pork producers maintain that imports of U.S. pork are driving the domestic price of pork legs to a point where many Mexican producers are forced to operate below the cost of production. As a result, Mexican pork producers have petitioned for a safeguard investigation against U.S. pork exports. The government has not yet made a decision regarding the industry's request. Producers are also concerned about growing imports of mechanically de-boned poultry meat (MDM) and turkey parts. Swine producers claim that rising MDM and turkey parts imports displace utilization of domestic pork.

Marketing

BOVINE/BEEF

The importation of breeding cattle and animal genetic products into Mexico is normally performed directly by cattle growers, medium and large dairy owners, distributors, and government institutions. In some cases, Mexican cattle buyers receive financial assistance from government-funded programs to purchase animals of high quality genetics. Participation in major national and state livestock shows may provide opportunities for sales of U.S. livestock genetics to Mexican livestock producers.

The U.S. Meat Federation's marketing promotion campaigns continue to open niche markets for U.S. red meats in the hotel and restaurant trade. There is both short and long term potential for increased meat sales, fueled by the increase in population, a growing economy, and a burgeoning preference among middle and high income Mexicans for more select cuts of beef. The rapid growth in supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth.

PORCINE/PORK

There are decent marketing opportunities for U.S. pork among large cold cut producers in Mexico. At the retail level, educational seminars in supermarket chains are also useful in increasing awareness of the advantages of the wide variety of U.S. pork cuts, since most consumers are still unfamiliar with U.S. pork. Pork in the retail sector tends to be purchased by consumers in traditional Mexican markets where most butcher shops are located; but increasingly consumers are buying their meat products and special cuts at supermarkets. Supermarkets cater primarily to consumers from higher socioeconomic classes, however, the recent introduction of discount warehouse stores is making shopping at supermarkets more accessible to the average consumer.

In order to mitigate the risk of encountering excessive delays at the U.S.- Mexican border, U.S. companies may wish to consider using a Mexican importer or representative registered with the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico. In addition, it is important for U.S. companies to have an agent or reliable distributor who can maintain regular contact with buyers, interface with the government, handle the requisite paperwork, and ensure that customer service is maintained.