The Role of U.S. Beef in the Mexican Market

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Improved Policy Decisions

• Understanding industries in both countries
  – Production
  – Consumption

• Industry changes
  – Change in either country affects both countries

• Increased economic integration
  – More rapid and dramatic impacts
CATTLE IMPORTS FROM MEXICO
Annual

Thou. Head


2000000
1500000
1000000
500000
0


Mexico

I-N-13
10/09/01
CATTLE EXPORTS TO MEXICO

Annual

Thou. Head


Mexico

I-N-14

10/09/01
U. S. Beef Exports to Mexico
(Variety Meat Excluded)
Cattle and Beef Markets

- Many products => different markets
- Different values
  - Production system
  - Consumer preferences
- Regional differences in Mexico
  - Production
  - Consumption
Factors Affecting U.S. Beef in the Mexican Market

• Insufficient domestic production
• Changing preferences of Mexican consumers
• Price
  – Specific products and quality
Domestic Mexican Production
Mexican Beef Demand

- Quantity
  - Total Kgs/Year
- Consumption Profile
  - Carne Norte, Carne de Engorda, Tradicional, Carne de Vaca
- Regional Consumption Profile
  - Different Tastes and Preferences
- Population
Mexican Beef Demand is Changing

- Income
- Population demographics
- Urban Migration
- Lifestyle changes
Income by Decile, Q3, 2000
Household Food Expenditures
Cereals/Veg decreased from 30.3% in 1998 to 28.3% in 2000
Meat decreased from 24.3% in 1998 to 23% in 2000
Dairy/Eggs unchanged from 16.5% to 16.7%; dairy up/eggs down
Low-Income Food Expenditures, 1998 and 2000

- Cereals/Veg decreased from 45.9% in 1998 to 43.2% in 2000
- Meat increased from 14.3% in 1998 to 14.9% in 2000
- Dairy/Eggs increased from 11.5% to 12.5%; dairy up/eggs down
Food Expenditures by Income Group, 1998

- Total food exp by low 10% are 36% of national average
- Exp on meat by low 10% is 21% of National average
Food Expenditures by Income Group, 2000

- Total food exp by low 10 are 38% of national average
- Exp on meat by low 10 is 25% of National average
Food Budget Allocation, 1998

- Cereals/Veg are 46% of exp by Low 10 compared to 30.3% nationally
- Meat is 14.3% of exp by Low 10 compared to 24.3% nationally
- Dairy/Eggs 11.5% compared to 16.5%
Food Budget Allocation, 2000

- Cereals/Veg are 43% of exp by Low 10 compared to 28.3% nationally
- Meat is 14.9% of exp by Low 10 compared to 23% nationally
- Dairy/Eggs 12.5% compared to 16.7%
## Income-Expenditure Elasticities by Income Decile

<table>
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<tr>
<th>Income Decile Range</th>
<th>Elasticity Value</th>
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### Food

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<td>VII to IX</td>
<td>0.22</td>
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<td>IX to X</td>
<td>-0.09</td>
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</tbody>
</table>
Rural-Urban and Other Regional Differences
States with more than 40 percent rural population

States with more than 60 percent large urban population
Mexican Meat Types

• “Carne Norte”
  – Quasi-American style, more fat and some marbling
• “Carne de Engorda”
  – Finishing in feedlots or on pasture with supplementation
  – Little fat (but white) and no marbling
• “Carne Tradicional”
  – Grass finished
  – Little fat (yellow) and no marbling
• “Carne de Vaca” or “Carne de Desecho”
  – Cull cow and bull beef
Changes in Meat Retailing

Traditional
Changes in Meat Retailing

“Old” Modern
Changes in Meat Retailing

Modern
Food Service
Different Consumer Preferences
Summary

• Mexican industry is in transition
  – Demand changes are driving production changes
• U.S. beef is providing needed supply
• U.S. beef helps improve the product mix
• U.S. beef is price competitive (for specific products)
Gracias!
Observations

• The impacts of beef demand change on the Mexican cattle and beef industry depend on the quantity of beef demand and on the composition of beef demand.
• The increase in demand for fed beef implies increased semi-intensive production with impacts on total production potential
• Changes in regional animal and product flows
Observations

• Equilibrium between U.S. and Mexican markets
• Growth in cow-calf and stocker production
• Limited growth in feedlot production
• Productivity growth?
• International trade
Household Food Expenditures, 2000

• National
  – Food Expend = 44.1 Pesos/day ($4.66/day)
  – Meat Expend = 10.1 Pesos/day ($1.07/day)

• Low 30 Percent
  – Food Expend = 25.4 Pesos/day ($2.69/day)
  – Meat Expend = 5.0 Pesos/day ($0.53/day)

• Low Income
  – Food Expend = 16.7 Pesos/day ($1.77/day)
  – Meat Expend = 2.5 Pesos/day ($0.26/day)