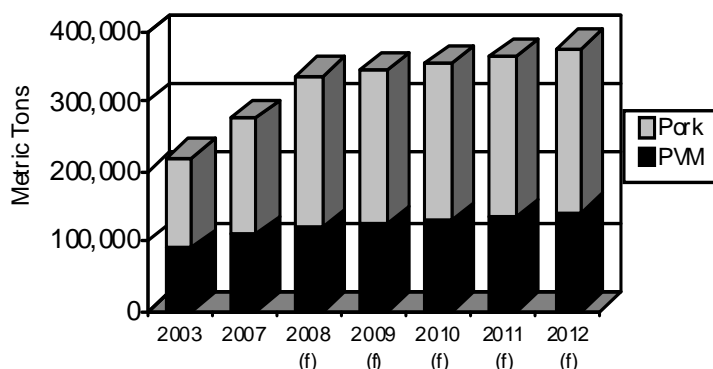


MEXICO PORK

U.S. Pork & Pork Variety Meat Exports



MARKET OVERVIEW

In 2007, Mexico held the number two position for U.S. pork exports – representing 20% of all U.S. pork exports – despite a 22% decrease in volume and a 20% decrease in value. The primary causes for the decrease was a liquidation of Mexican hogs due to higher feed costs, a decrease in domestic pork meat prices, and an increase in prices of U.S. pork. There has been a turn around in 2008, however, with export volume up 35% and value up 46% through August 2008. Longer term, Mexico’s pork industry is expected to move closer toward vertical integration and

consolidation with higher grain prices forcing many smaller producers out of the market. As this trend continues, local product quality and consistency is expected to improve resulting in stiffer competition from the Mexican pork industry. In addition, Mexican pork producers continue to apply political pressure on the Mexican government to impose trade restrictive measures on imports of U.S. pork and to disseminate false information in the media about the quality and safety of U.S. pork entering the market.

MARKET OPPORTUNITIES

- An estimated 70% of all U.S. pork is utilized by the processing sector which manufactures hams, hotdogs, sausage and other meat products. Many medium-sized processors are not using U.S. pork on a regular basis nor are they aware of its positive attributes, creating new opportunities for growth.
- The training of personnel (processors, salesmen and waiters) working in Mexico’s meat industry can help the U.S. industry more fully exploit opportunities for market expansion.
- There remain untapped opportunities to market more U.S. pork through Mexico’s growing and consolidating retail sector (supermarkets and meat boutiques). Purchasing behaviors of end consumers are best influenced by deploying marketing resources at points of sale within this sector.
- Many importers purchase significant quantities of pork from competitor suppliers and are not thoroughly informed about the attributes of U.S. pork, which represent an opportunity to target and design USMEF programs to capture their business.

Strategic Objective: Buyer Loyalty Build and reinforce long-term purchasing loyalty among targeted buyers in Mexico by continuing to provide information on the U.S. as a reliable supplier of safe, high quality pork that consistently meets buyers’ expectations, demonstrating the profitability of sustained purchasing of U.S. pork, and persuading consumers that U.S. pork is a safe, nutritious and delicious protein alternative.

Budget Allocation (FY09)	
Buyer Loyalty	57%
Market Expansion	40%
Issue Management	3%

Strategic Objective: Market Expansion Introduce a broader audience of potential buyers to the positive attributes of U.S. pork and educate them on how to effectively handle and merchandise a variety of products.

Strategic Objective: Issue Management Build relationships with Mexican industry groups that are in a position to influence Mexican government policy on pork imports, and support the U.S. government by providing industry input on trade and technical issues to key Mexican government decision makers as well as to provide comments on Mexican laws and regulations that have the potential to have an impact on U.S. pork exports.

MARKET BACKGROUND INFORMATION

Market Trends and Growth Potential

	2007	2002
Per Capita Pork Consumption	13.95 kg	13.19 kg
Total Pork Imports	346,634 mt	249,739 mt
Total Pork Variety Meat (PVM) Imports	156,715 mt	163,491 mt

- Demand and exports of U.S. pork are expected to moderate over the balance of 2008, due to a slowing economy and weakening peso.
- Many Mexican meat processors, who use U.S. pork as an ingredient, substitute water for meat in their final processed products, which diminishes quality and tends to limit demand for U.S. pork over time.
- The long-term prognosis for exports of U.S. pork to Mexico are promising, so long as efforts to maintain market access are successful.

Competitiveness & Product/Industry Image

	2007	2002
U.S. Share of Total Pork/PVM Import Market	87%	80%
Other Pork/PVM Suppliers & Market Shares	Canada 11%	Canada 16%
	Denmark <1%	Chile 3%
	Chile <1%	
Domestic Self Sufficiency	76%	80 %

- U.S. pork remains very competitive in Mexico; Canada is the primary foreign competitor but it has lost some market share in 2008.
- Consistently identifying U.S. pork in the meat cases at retail outlets will improve consumer awareness and distinguish it from the competition.
- U.S. pork has a good reputation in the market, but there are concerns that other growing markets like Russia and Hong Kong/China would bid away product from Mexico.
- Less efficient Mexican pork producers are leaving the industry, while those who survive will modernize their operations and overtime will improve quality and production.

Market Penetration

Customers for U.S. Pork Imports	Processing 70%
	HRI 5%
	Retail 25%
Top Imported U.S. Pork Cuts: picnics, hams, bone-in loins	
Top Imported U.S. Pork Variety Meat (PVM) Items: feet, tongues, glands	

- Through increased market intelligence, several importers/processors have been identified as importers of significant quantities of pork from other foreign suppliers and, as such, will be targeted for USMEF marketing programs and resources
- There is a limited presence of U.S. pork in regional supermarket chains; notably in areas where pork is a popular protein source.

Operating/Marketing Environment & Trade/Distribution Issues

- Increasing pressure on the Mexican government to impede imports of U.S. pork, which was exacerbated by the recent suspension of exports of Mexican meat to the U.S. due to an FSIS audit.
- The consumer perception of pork as not being clean and safe continues to limit demand for U.S. pork.
- The ambiguity of NOM-30, Mexico's principal regulation governing imports of meats, and some of its provisions that confuse quality issues with serious food safety problems continue to be used by the Mexican government to harass and stop imports of U.S. pork.
- Other noteworthy issues include: a) animal welfare and traceability provisions, among others, of regulations currently being drafted which could impede U.S. pork exports; b) draft changes to Mexico's Red Meat Regulation (NOM 30), which include non-science based requirements, such as zero tolerance for salmonella, 100% box inspection at customs and zero tolerance for bone chips; c) more rigorous enforcement of NOM-30, the provisions of which are often broadly interpreted by inspectors and often confuse quality issues for health concerns; and d) continuing pressure by pork producer groups on their government to impose trade restrictive measures on imports of U.S. pork.

Import and market share data is based on import data of Mexico (from GTA), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.