Comparative Advantage and Labor Issues in the Livestock and Meat Industry in Mexico and the U.S.

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Comparative Advantage

• What will be produced?
  – Resource allocation

• Trade Implications
U.S. Beef Exports to Mexico

Thousand Lbs.

Geoclimatic Resources

- 1.97 million square kilometers in total
- 1.1 million square kilometers used for grazing
  - 9 hectares/AU stocking rate
- 11 percent arable land
  - 21-24 million hectares planted
  - 0.2 hectares/person
Traditional Cattle Marketing System

Most Sales are Pasture Finished Cattle
EXPORTS
NATIONAL
MEXICAN CATTLE AND BEEF MARKET REGIONS
Changes in Consumer Beef Demand

• Increasing Quantity
• Growing preference for fed beef
Percent of Slaughter Cattle by Type in Mexico City
Monthly, April 2000 – February 2008

Percent of Total Slaughter Plant Arrivals

- Pradera
- Corral
- Cows

Fuente: SNIIM
New Cattle Marketing System

Types of Cattle Sold:
- Feeder Cattle
- Feedlot Finished
- Pasture Finished

Local Market

Regional Feedlot

Central Market

Local cow/calf production/stocker production, some pasture finishing

Local cow/calf production

Local cow/calf production/stocker production

Local cow/calf production/stocker production, some pasture finishing
Cattle Feeding Centers
Cattle Exports by State of Origin
Comparative Advantage in the Livestock and Meat Industries

• Other issues
  – Public infrastructure
    • Roads
    • Legal/financial systems
  – Industry infrastructure
    • TIF slaughter plants
    • Boxed beef
  – Retail Food Marketing
Important Factors

• Changes in beef demand
• More intensive production systems
• Internal animal and product flows
• Regional considerations
• Competition with other meat industries
A Delicate Balance

• Opportunity
  – The increase in beef demand and especially in the proportion of demand for fed beef.

• Threat
  – The need to use more intensive production systems and the increase in concentrate feeds in competition with pork, poultry and milk production.
Comparative Advantage Summary

• Forage and feeder cattle production
  – Export and domestic markets
• Limited cattle feeding and meat processing industries
  – Market focused
  – Feed disadvantage
    • Less intensive, more by-product use
  – Small-medium scale integrated operations
• Continued beef imports
  – Quantity and specific products
  – South American product?
Labor Issues in the Livestock and Meat Industries

• Changes in the U.S. Meatpacking industry
  – Large scale operations using more technology and large amounts low-medium skilled labor
  – Located in rural areas
• Hispanic labor is very important