

NAFTA Contributes to Growth in U.S. Soybean Exports to Mexico



By Alan Hallman

U.S. soybean exports to Mexico have grown at a tremendous rate since the implementation of NAFTA (the North American Free Trade Agreement). In the last nine years, U.S. soybean sales to Mexico have increased by more than 125 percent, and Mexico has become the third largest market for U.S. soybeans.

NAFTA encouraged expansion of Mexico's livestock production and modernization of its oilseed crushing industry. Despite an economic slowdown, crushing capacity continues to grow, boding well for U.S. soybean exports to Mexico.

When NAFTA was first implemented, the Mexican oilseed industry was



striving to meet the protein requirements of a growing livestock sector with declining domestic oilseed production. By 1994, Mexico's soybean production had fallen by nearly 50 percent to an estimated 500,000 metric tons, down from a high of about 1 million tons in 1989.

NAFTA provided Mexico with improved access to U.S. soybean supplies for their growing livestock industry. This access, combined with Mexico's close proximity to the United States, has helped to solidify the U.S. position as the dominant supplier of soybeans to Mexico.

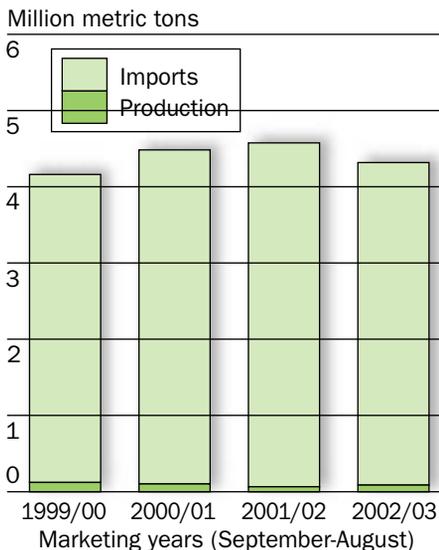
U.S. Soybean Market Share Threatened by Tight Supplies

The second short U.S. soybean crop in as many years has increased soybean prices and may provide an opportunity for South American producers to gain market share in Mexico. Current projections are for Mexican soybean imports to rise by 4 percent to 4.4 million tons in marketing year 2003/04, while U.S. soybean exports to Mexico remain at 2002/03 levels. While high prices will restrain consumption growth, continued expansion in the poultry industry and more integration in the swine sector should lead to higher Mexican soybean meal consumption in 2003/04.

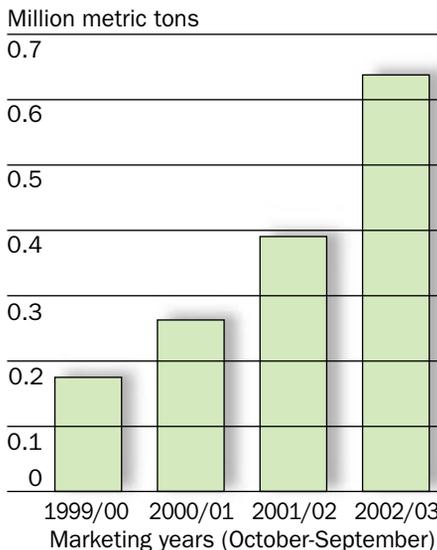
The growth rate of U.S. soybean exports to Mexico has slowed from an average of almost 16 percent in the four years after the inception of NAFTA, to a still impressive average growth rate of 5.4 percent over the past five years. While U.S. soybean meal exports to Mexico have been smaller than soybean exports, trade in soybean meal has started to grow very rapidly. U.S. soybean meal exports to Mexico increased 59 percent in 2002 and are estimated to have grown another 52 percent in 2003.

In marketing year 2002/03 (September-August), U.S. soybean exports to Mexico totaled 4.1 million tons, valued at \$911 million. The United States provides Mexico with about 98 percent of its soybean imports, and all of its soybean meal imports. ■

Mexico's Soybean Supply is Made Up Mostly of Imports



Mexican Soybean Imports Have Risen



The author is an agricultural economist in FAS' Cotton, Oilseeds, Tobacco and Seeds Division. Tel.: (202) 690-6196; Fax: (202) 720-0965; E-mail: Alan.Hallman@usda.gov