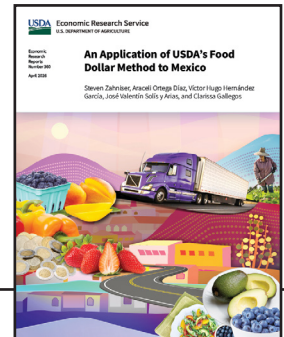




A report summary from the Economic Research Service

## An Application of USDA's Food Dollar Method to Mexico

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### Key Points

- This report applies the USDA, Economic Research Service (ERS) Food Dollar methodology to Mexico for the first time in a comprehensive fashion. This methodology provides a consistent way to measure annual expenditures on domestically produced, domestically consumed food, allowing for comparisons to be made between the United States and Mexico across multiple years.
- The study period, 2003–18, includes the final stages of the transition to intraregional free trade among the United States, Mexico, and Canada under the North American Free Trade Agreement (NAFTA) and was marked by a dramatic expansion in Mexico's agricultural trade.
- Although the agricultural markets of Mexico and the United States became more closely integrated during the period studied, the economies of the two countries still exhibited sharp contrasts.
- In 2018, per capita income equaled \$10,130 in Mexico and \$62,301 in the United States (in nominal terms, i.e., not inflation-adjusted), and 35.0 percent of Mexico's total household expenditures went to food and beverages, compared with 12.9 percent in the United States.
- Households in Mexico dedicated a larger share of their food expenditures to food at home (FAH) (rather than food away from home (FAFH)) than their U.S. counterparts in 2018 (77.1 percent versus 56.3 percent).
- The annual farm share of Mexico's FAH expenditures averaged 22.1 percent during 2003–18, compared with 24.5 percent in the United States. The farm share of FAFH expenditures averaged 4.0 percent in Mexico and 5.2 percent in the United States.
- The share of FAH expenditures in Mexico that went to embedded imports—imported inputs used in domestic food production—climbed from 13.4 percent in 2003 to 18.4 percent in 2018, revealing the growing importance of such imports in Mexico's domestic food production. Most of these imported inputs came from the United States.

### Why Does This Matter?

This report features the first comprehensive application of USDA, ERS's Food Dollar methodology to Mexico. This methodology provides a consistent way to measure a country's annual consumer expenditures on domestically produced, domestically consumed food and to analyze the distribution of those expenditures. Although USDA, ERS has used the Food Dollar approach for more than a decade to study U.S. food expenditures, this methodology has not been previously applied to Mexico in a

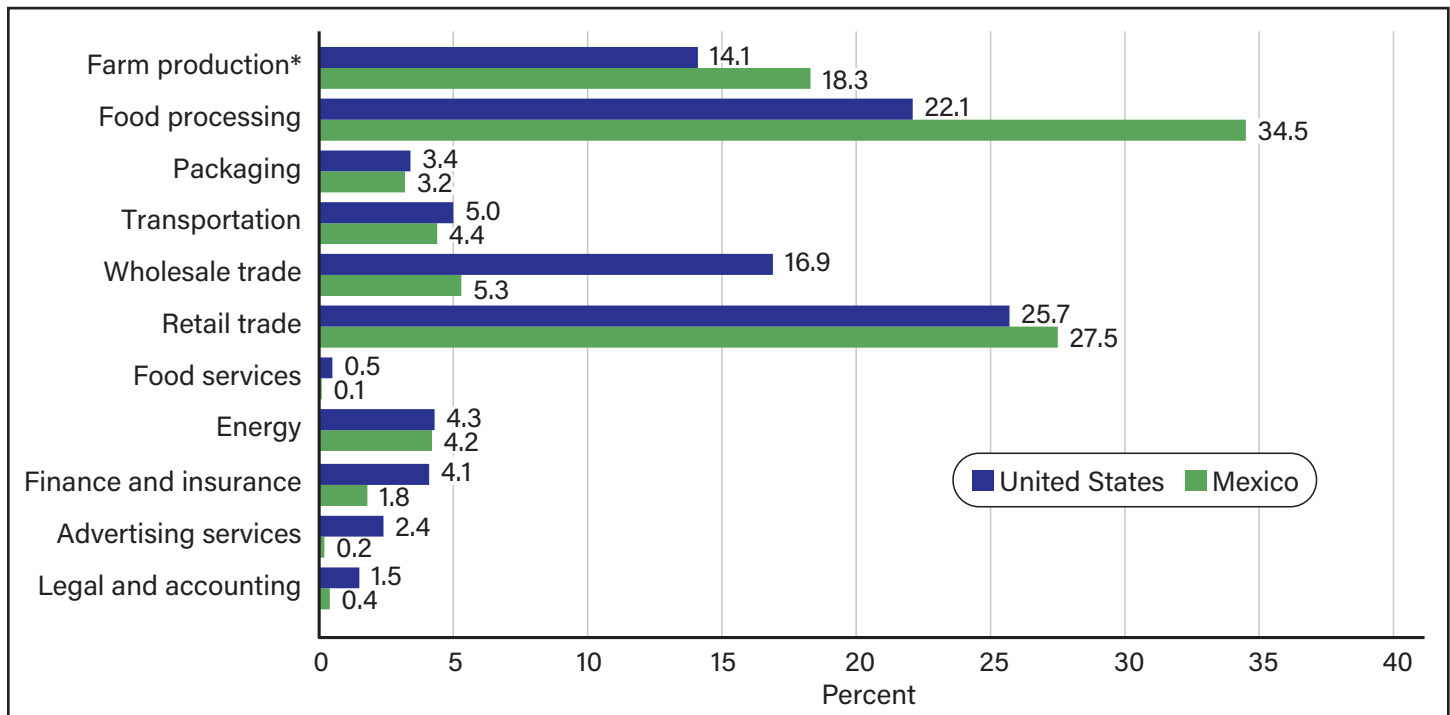
comprehensive fashion. Using input-output data from 2003–18, we measure the share of Mexico's food expenditures that went to the country's farm sector, as well as the contributions to value added made by the primary factors of production and by the different industry groups that make up Mexico's food value chain (FVC). This results in a set of data series for Mexico that correspond closely to the data series for the United States in USDA, ERS's Food Dollar data product and help to illustrate the changing food expenditure landscape in a major market for U.S. agricultural products. Overall, the report contributes to

a better understanding of Mexico’s agri-food system and complements past collaborative efforts involving USDA, ERS researchers that apply the Food Dollar methodology to other countries and generate cross-nationally comparable data.

## Applying the Food Dollar Methodology to Mexico

The Food Dollar methodology generates three data series—the marketing bill series, the industry group series, and the primary factor series—each using a unique set of categories to examine different aspects of the food supply system. For example, the industry group series is based on the accounting identity that the market value of all expenditures on domestically produced food equals the value added by all industries that contribute to that food’s production. Thus, the total value added may be categorized by industry group.

**Food-at-home expenditures in Mexico and the United States, 2018: Contributions by industry group to total value added for domestically produced food (percentage)**



\* Includes agribusiness.

Source: USDA, Economic Research Service (ERS) in conjunction with Econoquanty S. de. R.L. and Mexico’s National Institute of Statistics and Geography (INEGI) using data from INEGI and USDA, ERS.

The industry group series on FAH expenditures in 2018 reveal several differences between the food supply systems of Mexico and the United States. First, farms and food processors accounted for a much larger share of value added in Mexico than in the United States. Farm production, agribusiness, and food processing combined to contribute 52.8 percent of value added in Mexico in 2018, compared with 36.2 percent in the United States. Second, retail trade accounted for a larger share in Mexico than in the United States, while wholesale trade contributed a smaller share. These two differences suggest that some of the value-added activities performed by wholesale trade in the United States were carried out by farm production, agribusiness, food processing, and retail trade in Mexico. Finally, certain professional services (finance and insurance, advertising, and legal and accounting) made up a smaller share of value added in Mexico than in the United States.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.