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## Mexico

## Poultry and Products

## Semi-Annual

2003

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**Report Highlights:**

As a result of the imposition of new quarantine requirements and the establishment of a provisional safeguard tariff, Mexico's total imports of poultry products will likely increase only marginally in MY 2003. Mexico's broiler and turkey meat sectors are anticipating growth of 5 and 7.7 percent, respectively, as previously projected.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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**SECTION I. Poultry Situation and Outlook**

The forecast for chicken meat production for MY 2003 (Jan-Dec) remains unchanged at 2.3 MMT due to continued consumer demand for relatively competitively priced chicken, the trend toward vertical integration in the industry, and the expectation that the growing number of technical import requirements on poultry will slow import growth.

Despite expectations that imports of poultry would maintain or exceed previous growth rates with the full implementation of the NAFTA and the subsequent lifting of all tariffs and tariff rate quotas, the government of Mexico recently established a provisional safeguard measure that will implement a tariff-rate quota on chicken leg quarters. This action coupled with recent sanitary measures relating to low path Avian Influenza, Exotic New Castle Disease, and Listeria are all expected to slow import growth.

The turkey meat production forecast for MY 2003 remains unchanged. Domestic sausage and cold cut firms continue to be major users of turkey parts in Mexico.

The estimates of Mexican turkey imports have been lowered for MY 2002 and 2003 based on newly-released data from the Secretariat of the Economy and the technical import measures, respectively, outlined in paragraph one.

## SECTION II. Statistical Tables

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Broiler			(1000 MT)(MIL HEAD)		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	2067	2067	2188	2188	2297	2297
Whole, Imports	5	0	0	0	0	0
Parts, Imports	230	235	255	225	290	238
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	235	235	255	225	290	238
TOTAL SUPPLY	2302	2302	2443	2413	2587	2535
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	1	1	0	0	0	0
Human Consumption	2301	2301	2443	2413	2587	2535
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2301	2301	2443	2413	2587	2535
TOTAL Use	2302	2302	2443	2413	2587	2535
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2302	2302	2443	2413	2587	2535
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Turkey			(1000 MT)(MIL HEAD)		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	13	13	13	13	14	14
Whole, Imports	4	4	0	0	0	0
Parts, Imports	167	167	160	150	180	153
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	171	171	160	150	180	153
TOTAL SUPPLY	184	184	173	163	194	167
Whole, Exports	8	8	5	0	5	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	8	8	5	0	5	0
Human Consumption	176	176	168	163	189	167
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	176	176	168	163	189	167
TOTAL Use	184	184	173	163	194	167
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	184	184	173	163	194	167
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

**BROILERS RETAIL PRICE**

Broilers Retail Price Pesos/kilogram			
Month	2001	2002	Change %
January	18.00	18.06	0.33
February	18.83	16.12	(14.39)
March	17.97	15.08	(16.08)
April	18.54	16.98	(8.41)
May	19.10	17.92	(6.18)
June	18.47	18.54	0.38
July	17.30	18.25	5.49
August	16.93	17.93	5.91
September	15.86	17.59	10.91
October	18.50	N/A	N/A
November	17.80	N/A	N/A
December	17.40	N/A	N/A
Annual Avg.	17.89	N/A	N/A

**BROILERS WET MARKET PRICES**

Broilers* Wet Market Prices Pesos/kilogram			
Month	2001	2002	Change %
January	18.38	18.00	(2.07)
February	17.75	17.50	(1.41)
March	18.13	18.17	0.22
April	19.80	19.75	(0.25)
May	22.14	20.30	(8.31)
June	18.75	20.25	8.00
July	17.50	19.92	13.83
August	19.13	20.71	8.26
September	18.00	20.00	11.11
October	18.50	N/A	N/A
November	17.80	N/A	N/A
December	18.50	N/A	N/A
Annual Avg.	18.69	N/A	N/A

Source: UNA (National Poultry Association)

Avg. Exchange rate 2001 US \$1.00 = \$9.35 pesos

Avg. Exchange rate 2002 US \$1.00 = \$9.82 pesos

## WHITE EGGS FARMGATE PRICES

White Eggs Farmgate Prices Pesos/kilogram			
Month	2001	2002	Change %
January	7.80	6.76	(13.33)
February	7.52	6.50	(13.56)
March	7.30	5.90	(19.18)
April	8.13	5.98	(26.45)
May	7.69	4.84	(37.06)
June	6.08	5.56	(8.55)
July	6.32	6.60	4.43
August	7.85	7.91	0.76
September	7.10	6.91	(2.68)
October	7.09	N/A	N/A
November	7.00	N/A	N/A
December	7.65	N/A	N/A
Annual Avg.	7.29	N/A	N/A

Source: UNA (National Poultry Association)

Avg. Exchange rate 2001 US \$1.00 = \$9.35 pesos

Avg. Exchange rate 2002 US \$1.00 = \$9.82 pesos

## MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS Jan-Sep 2002

H.S. Tariff Number	Description & Country of Origin	Volume MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S.	1,004
	GERMANY	91
	OTHER	
	SUBTOTAL (Thousand head)	1,192
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	
	U.S.	430
	NETHERLANDS	52
	OTHER	44
	SUBTOTAL (Thousand head)	526
0105.11.99	Other	
	U.S. and subtotal	0
0105.19.99	Other (Chickens)	
	U.S.	1
	OTHER	14
	SUBTOTAL (Thousand head)	15
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	1,016
0207.12.01	Other frozen whole poultry	
	U.S.	239
	CHILE	996
	OTHER	7
	SUBTOTAL	1,242
0207.25.01	Whole frozen turkey	
	U.S.	105
	CHILE	153
	OTHER	1
	SUBTOTAL	257
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S.	449
	OTHER	0
	SUBTOTAL	449
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	3,031

H.S. Tariff Number	Description & Country of Origin	Volume MT
0207.26.99	Fresh & chilled turkey parts	
	U.S.	49,788
	SUBTOTAL	48,788
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. and subtotal	50,724
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	33,463
	CHILE	2,120
	SUBTOTAL	35,583
0207.13.99	Fresh & chilled chicken parts	
	U.S. and subtotal	22,846
0207.14.99	Frozen poultry parts	
	U.S.	51,788
	OTHER	1,747
	SUBTOTAL	53,535
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	10,997
	OTHER	1,123
	SUBTOTAL	12,120
0207.27.99	Frozen turkey parts	
	U.S.	35,397
	OTHER	415
	SUBTOTAL	35,812
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S. and subtotal	6
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. and subtotal	1
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	2,567
	OTHER	229
	SUBTOTAL	2,796
1602.31.01	Processed meat (Turkey)	
	U.S.	923
	OTHER	11
	SUBTOTAL	934

H.S. Tariff Number	Description & Country of Origin	Volume MT
1602.39.99	Other processed poultry meat	
	U.S.	66
	OTHER	23
	SUBTOTAL	89
0207.13.02	Chicken carcasses	
	U.S.	12,885
	OTHER	0
	SUBTOTAL	12,885
0207.14.03	Chicken carcasses	
	U.S.	0
	OTHER	0
	SUBTOTAL	0
0207.26.02	Turkey carcasses	
	U.S.	0
	OTHER	0
	SUBTOTAL	0
0207.27.03	Turkey carcasses	
	U.S.	0
	OTHER	0
	SUBTOTAL	0

SOURCE: BANCOMEX, SEPTEMBER 2002.

## NAFTA POULTRY END EGGS TARIFF RATE QUOTAS FOR 2002

PRODUCT	H.S. Tariff Number	ORIGINAL MT TRO	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) September 2002	% filled
EGGS Fresh: Border regions a/ Other regions Fertilized: Nationwide	0407.00.01	8,233.95	Direct allocation Auction Direct allocation	2,567.02	31.17%
Whole fresh, chilled & frozen turkey	0207.24.01 0207.25.01	2,533.53	Direct allocation to the border region and the northern line b/.	197.66	7.80%
Other whole Poultry (Broilers or hens) fresh, chilled or frozen)	0207.11.01 0207.12.01	16,467.91	Direct allocation to the border region and the northern border line.	1,015.87 238.51	
Total				1,254.38	7.61%
Ducks ,geese, and guineas, whole, fresh chilled or frozen	0207.32.01 0207.33.01	999.00	A nationwide auction (only ducks, geese, and guineas) c/	0.0 449.05	
Total				449.05	44.94%
Mechanically Deboned Meat	0207.13.01 0207.14.01 0207.26.01 0207.27.01	34,202.66	Direct allocation to sausage companies and cold meat producers nationwide	50,723.37 33,462.78 3,030.50 10,996.81	
Total				98,213.46	287.15%
Fresh or chilled Turkey parts Frozen Turkey parts	0207.26.99 0207.27.99	35,469.49	Direct allocation to border region and the northern border line Direct allocation to sausage companies.	49,788.27 35,396.87	
Total				45,185.14	240.11%

PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) December 2002	% filled
Poultry cuts (broilers or hens) fresh, chilled or Frozen	0207.13.99	30,608.34	Direct allocation to border region and the northern border line	22,846.19	
	0207.14.99			51,787.69	
Total				74,633.88	243.83%
Duck, goose and guinea cuts, fresh chilled or frozen	0207.35.99	10.00	(only ducks, geese and guineas) d/	0.00	
	0207.36.99			5.83	
Total				5.83	58.03%
Source: UNA (Based on data from General Customs Administration-Treasury Minister, SHCP)					
<p>a/ Border region: Includes states of Baja California, Baja California Sur, Quintana Roo and a portion of the state of Sonora; the southern border region along with Guatemala and the municipalities (counties) of Comitán de Domínguez, Chiapas and Salina Cruz, Oaxaca. This region included former free-trade border areas.</p> <p>b/ Northern border line: The Mexican territory between the International line with the US. and a 20 km parallel line from the International limit, including a portion of the state of Sonora and the Gulf of Mexico, and the municipality (county) of Cananea, Sonora.</p> <p>c/ Whole ducks, geese, and guineas TRQ is part of the Other Whole Poultry TRQ.</p> <p>d/ Cuts of ducks, geese, and guineas TRQ is part of the Poultry Cuts TRQ.</p>					

TARIFF REDUCTIONS FOR NAFTA POULTRY PRODUCTS			
Year	Shell Eggs <sup>①</sup>	Poultry Meat <sup>②</sup>	Turkey Meat <sup>③</sup>
0	50%	260%	133%
1/ JAN 1994	48%	249.6%	127.68%
2/ JAN 1995	46%	239.2%	122.36%
3/ JAN 1996	44%	228.8%	117.04%
4/ JAN 1997	42%	218.4%	111.72%
5/ JAN 1998	40%	208.0%	106.40%
6/ JAN 1999	38%	197.6%	101.08%
7/ JAN 2000	28.5%	148.2%	75.81%
8/ JAN 2001	19%	98.80%	50.54%
9/ JAN 2002	9.5%	49.40%	25.27%
10/ JAN 2003	0%	0%	0%

①Including fertilized or hatching eggs.

②Other whole poultry, other poultry parts, turkey cuts, MDM ( MDC or MDT)

③Whole turkey

2002 NAFTA TARIFF RATE-QUOTAS	
PRODUCT	TRQs (MT)
Whole Turkey	2,533.3
Other Whole Poultry	16,467.9
Turkey Parts and Offal	35,469.3
Other Poultry parts and Offal	30,608.3
Mechanically Deboned Meat	34,202.7
TOTAL	119,281.5

MEXICO: POULTRY NUMBERS, 2001	
Type of Bird	Thousand of Head
Laying Hens in production*	113,590
Pullets in grow out	34,077
Light Breeding Hens in production	825
Light Breeding Hens in grow out	376
Light Progenitor Hens in production	0
Light Progenitor Hens in grow out	0
Heavy Breeder Hens in production	8,659
Heavy Breeder Hens in grow out	5,722
Heavy Progenitor Hens in production	165
Heavy Progenitor Hens in grow out	113
Broilers (Per cycle)	216,561
Turkeys (Per cycle)	801
Total Poultry Flock	380,889

\*There are an estimated 19 million laying hens in the second cycle  
Source: UNA (National Poultry Association)

PER CAPITA CONSUMPTION				
Products / pounds-	2000	2001	2002*	2003*
EGGS	43.87	44.50	44.54	44.76
CHICKEN MEAT	43.87	45.97	47.80	49.30
TURKEY MEAT**	3.57	4.18	4.29	4.41

Source: UNA (National Poultry Association)

\*Forecast

\*\*Includes whole turkey, turkey parts and processed products.

STRATEGIC INDICATOR TABLE: POULTRY PRODUCTS TARIFFS				
Country: Mexico				
Report Year: 2002				
H.S.	Product Description	Tariff current Year	TRQ	If Filled TRQ
0105.11.01	Day old chicks, which do not need feeding during transport	5.0	N/A	N/A
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	Ex	N/A	N/A
0105.11.99	Other	1.0	N/A	N/A
0105.19.99	Other (Chickens)	1.0	N/A	N/A
0207.11.01	Other fresh or chilled whole poultry	Ex	16,467.9	49.4
0207.12.01	Other frozen whole poultry	Ex		
0207.32.01	Whole poultry fresh, ducks, geese & guineas	Ex		
0207.33.01	Whole poultry frozen, ducks, geese & guineas	Ex		
0207.13.99	Fresh & chilled chicken parts	Ex	30,608.3	49.4
0207.14.99	Frozen poultry parts	Ex	35,469.4	49.4
0207.26.99	Fresh & chilled turkey parts	Ex	2,533.3	25.2
0207.27.99	Frozen turkey parts	Ex		
0207.24.01	Whole fresh turkey	Ex	34,02.7	49.4
0207.25.01	Whole frozen turkey	Ex		
0207.13.01	Mechanically deboned chicken meat fresh or chilled	Ex		
0207.14.01	Mechanically deboned chicken meat frozen	Ex		
0207.26.01	Mechanically deboned turkey meat	Ex	8,233.9	9.5
0207.27.01	Mechanically deboned turkey meat, frozen	Ex		
0407.00.01	Table eggs, fresh, including hatching eggs	Ex	8,233.9	9.5
1602.31.01	Processed meat (Turkey)	2.0	N/A	N/A
1602.39.99	Other processed poultry meat	2.0	N/A	N/A

Exchange Rate Table			
Month	2000	2001	2002
January	9.02	9.76	9.16
February	9.43	9.70	9.10
March	9.28	9.60	9.07
April	9.37	9.33	9.14
May	9.50	9.14	9.49
June	9.81	9.09	9.75
July	9.43	9.15	9.79
August	9.27	9.12	9.83
September	9.33	9.40	10.05
October	9.52	9.45	10.09
November	9.50	9.25	10.19
December	9.44	9.16	10.21
<b>Annual Avg.</b>	<b>9.40</b>	<b>9.35</b>	<b>9.82</b>

Source: Mexican Federal Register

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.

## SECTION III. Narrative on Supply and Demand, Policy & Marketing

### CHICKEN MEAT

#### PRODUCTION

The forecast of MY 2003 Mexican chicken meat production remains unchanged, up five percent from a year ago. Despite the slowdown in the economy during 2002, chicken producers continue to face favorable demand for their products. Major producers continue to be in a good financial position that has allowed them to afford the increase in feed prices, particularly for imported feed ingredients and animal feed. It is estimated that feed costs represent nearly 55 percent of the total production cost for chicken meat production. Also, nearly 50 percent of total feedstuffs consumed by the poultry sector are imported. However, increased vertical integration in the industry is helping to lower production costs.

Other factors that favored chicken meat producers are the stable peso exchange rate and the expected economic recovery in Mexico, which should help producers to increase output in 2003. Industry consolidation has continued and it is expected that the expansion of large vertically integrated companies will continue through growing investment in very large-scale production operations. Moreover, advances in genetics, nutrition, and equipment have allowed the chicken industry to increase its productivity and competitiveness.

CHICKEN FEED CONSUMPTION (Million MT)		
	2002	2003*
Feed Grain	7.63	7.86
Oilseeds	2.58	2.74
Other Ingredients	1.99	2.00
TOTAL	12.2	12.6

\* Forecast

Source: National Poultry Association (UNA)

Chicken meat production is concentrated mainly in eleven states, located in the center of the country: Queretaro (11%), Jalisco (11%), Veracruz (11%), Puebla (8%), the zone of the Laguna Region (10%), Nuevo Leon (7%), State of Mexico (6%), Guanajuato (5%), Yucatan (4%) Aguascalientes (7%) and Sinaloa (5%).

#### CONSUMPTION

Factors such as growing demand for meat in general, improved quality, affordable prices relative to other meats, and growing consumer awareness of the advantage of eating low fat meat are all helping to spur consumption of chicken. The National Poultry Association (UNA) forecasts that chicken meat consumption for 2003 will increase to approximately 49.30 pounds per capita from 47.80 pounds per capita in 2002.

The poultry meat consumption estimate for MY 2002 was adjusted downward reflecting higher retail prices and revised data from the poultry industry. Despite the fact that the MY 2003 chicken meat consumption forecast was reduced, it is five percent higher than the revised estimate for MY 2002. Industry sources estimate that chicken prices could increase

slightly if Mexico continues to impose import restrictions because of Avian Influenza (AI), Listeria, and other sanitary issues (see Trade, Quality, Safety & Health Sections). As result, Mexican retailers will have to buy more domestic product to compensate for lost imports. Reportedly, in the Mexican border state markets, for example, chicken leg quarter prices have increased substantially as a result of these import requirements.

Roasting chickens (whole chicken without offal) account for 26 percent of chicken meat consumption, while chicken sold in wet markets and stalls (whole chicken including offal) account for approximately 28 percent of the total. Live birds represent 31 percent of total chicken meat consumption. Only five percent is purchased in supermarkets (whole chicken without offal), and chicken cuts accounted for just 8.5 percent of total consumption in 2002.

In 2002, UNA together with the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), conducted a generic advertising campaign to increase domestic consumption of chicken products. The campaign included radio and press promotions. According to UNA, these types of campaigns have been traditionally sponsored by SAGARPA, with fairly good results in terms of consumer awareness on the benefits of chicken meat consumption. Reportedly, a new campaign will be launched in 2003. UNA sources also stated that the increase in the chicken meat production estimate for MY 2003 reflects continued demand for poultry relative to other more expensive meats. According to UNA data, for example, 6 of every 10 kg of livestock products that Mexicans consume are poultry meat or eggs.

## TRADE

Due to the quarantine requirements implemented by the GOM on imported products, the estimates for poultry meat imports for 2002 and 2003 have been revised downward. Currently, any raw product for direct consumption moving beyond the 20 km border area or Cancun must undergo two different flock tests for AI – the standard agar gel test and the hemagglutination inhibition test (HI). Although most companies that export to Mexico already conduct the agar gel test, the HI test is costly and is not widely performed in the United States (see MX 2086, MX 2124 and MX 2166).

In a recent development affecting U.S. market access for poultry products, SAGARPA published on November 25, 2002 in the *Diario Oficial* (Federal Register), an announcement extending the Official Mexican Emergency Regulation NOM-EM-016-ZOO-2002, "National Campaign against Avian Influenza" published on May 24, 2002. NOM-016 will continue to be enforced for an additional six months, from November 25, 2002. The announcement means that the HI test will be required for all imports of raw poultry for retail when products are marketed in the interior of Mexico. The ban on imports of raw poultry for retail, hatching and table eggs, and live birds from the eight U.S. states (Texas, California, Maine, Virginia, Connecticut, Pennsylvania, North Carolina and West Virginia) where AI was detected continues. Officials at SAGARPA have requested additional information and clarification concerning eradication procedures from the Animal and Plant Health Inspection Service before clearing the eight states.

The domestic poultry industry has encouraged the GOM to enforce all animal health and food safety standards in order to ensure that imported foods are safe and subject to the same requirements as domestic products. Reports indicate that the industry reluctantly supported SAGARPA's proposal to remove the HI test when importing US raw poultry for retail in the border area, ostensibly to control the smuggling of raw poultry. The HI testing issue has adversely affected imports of US poultry in brine (imports of which had increased considerably in recent years because they were not subject to tariff-rate quota provisions) and duck meat that were commonly marketed in the interior of Mexico.

The domestic industry is also warily watching emerging players in the international poultry arena such as Brazil and China, and will likely work with the GOM to ensure that all the proper food safety and animal health procedures are in place and enforced in the event that imports from these origins become a possibility.

## POLICY

On November 22, 2002, the Secretariat Economy (SE) published, in the *Diario Oficial* (Federal Register), the Resolution accepting the request of the national poultry association (UNA), and beginning the investigation of bilateral safeguard measures on imported U.S. chicken leg quarters, classified under tariffs 0207.13.99 and 0207.14.99. According to the Resolution, the time frame for the investigation will be from 1997 to 2001, along with trade projections for 2002 and 2003 (See MX 2166). Based on NAFTA, there will be a public hearing on July 14, 2003. On January 22, 2003 SE announced a provisional safeguard tariff that will be in place for up to six months. According to SE announcement, Mexico will allow 50,000 MT of U.S. chicken leg quarters into Mexico duty-free over the next six months and will impose a temporary, or provisional, safeguard tariff of 98.8 percent on imports of chicken leg quarters above that level. All other U.S. poultry exports will continue to enter Mexico duty free. SE has yet to establish how this TRQ will be administered. Industry sources indicate, however, that this TRQ will be administered as in 2001, by direct allocation to the border region and northern borderline. The decree indicates that the safeguard and the TRQ were established with the objective to maintain a certain degree of protection equivalent to the protections that were in place in 2001.

In its request, UNA is demanding that SE impose a bilateral safeguard that is consistent with NAFTA rules to establish a tariff rate quota for chicken leg quarters through January 1, 2008. Under UNA's proposal, the safeguard would only affect trade in chicken leg quarters; trade in other poultry items would be unaffected, and the tariffs on other products would be eliminated effective January 1, 2003. UNA is requesting the safeguard because of its concerns that duty-free imports of U.S. chicken leg quarters could injure the domestic industry. Moreover, UNA claims that they are not prepared to compete against imported products, particularly chicken leg quarters due to higher local production costs than in the United States. According to UNA, local production costs are 65 percent higher in broilers and 21 percent higher in table eggs than those in the United States

## QUALITY, SAFETY & HEALTH

Mexico recently established testing procedures for Listeria. On November 27, 2002, SAGARPA informed the Food Safety Inspection Service (FSIS) via letter that it was going to implement a testing program for listeria in response to recent detections of listeria in the United States. The letter defines the products to be tested as "hamburgers, nuggets, cold cuts, or any other prepared chicken and turkey product ready for human consumption." The Office of Agricultural Affairs understands SAGARPA's use of the word "hamburger" to include chicken and/or turkey burgers in this case. The testing procedure will take 4-12 working days, although, shipments will be permitted to enter prior to the receipt of final test results. Exporters should plan on this procedure being in place indefinitely (See MX 2168).

Additionally, the Government of Mexico has specified new import requirements resulting from the detection of Exotic New Castle Disease in California and Nevada. At the writing of this report, imports from California and Nevada are banned and the states of Oregon, Utah, Arizona, and Idaho are under review. More detailed information concerning the New Castle import requirements will be provided in a separate report.

## TURKEY MEAT

### PRODUCTION

The MY 2003 forecasts for turkey meat production remains unchanged, up four percent from MY 2002. Mexican production continues to be hampered by limited economies of scale and integration. In addition, domestic firms continue to produce whole turkeys for consumption only during the Christmas season. At the same time, production of domestic turkey meat parts for further processing is negligible.

### CONSUMPTION

Overall turkey consumption estimates were revised downward for MY 2002 based on the most recent industry information. Similarly, the consumption forecast for MY 2003 has been revised downward due to ongoing animal health and food safety regulations, which could slow down imports of U.S. turkey products. As processed turkey products are relatively price elastic, these safety regulations could restrict import supplies and increase prices. This will likely affect consumption, particularly in low-income classes. Nevertheless, UNA estimates that average per capita consumption is expected to increase in 2003 to 4.41 pounds from 4.29 pounds in 2002 and includes whole turkey, turkey cuts, and other turkey-imported products. Population growth and relatively affordable relative prices with other meat are also expected to spur demand. Mexican demand for whole turkeys is at its peak during the Christmas holiday, a large part of which are imported from the U.S. Both importers and distributors indicate that these seasonal imports represent 40-50 percent of annual demand, mainly for smaller birds that are not popular in the U.S.

### TRADE

The estimate of turkey meat imports for MY 2003 was lowered based on the expectation that ongoing sanitary measures will slow trade to some degree. Turkey meat import estimates for MY 2002 have been updated to reflect official government data. According to available information Mexico is the most important market for the U.S. turkey meat. However, for the first ten months of CY 2002, U.S. turkey exports declined 9 percent over the same period in CY 2001. The technical regulations that Mexico imposed on imported products are affecting fresh turkey meat imports from the U.S. (See Chicken Trade Section). Also, imports from Chile continue to be banned due to an earlier outbreak of AI. This situation should remain unchanged in the near future as Chilean officials work with officials at SAGARPA to since Chile has been pending to deliver detailed information on the status of the AI outbreak to SAGARPA.