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Mexico

Poultry and Products

Annual

2003

Approved by:
David Williams
Mexico City

Prepared by:
Dulce Flores/Gabriel Hernandez

Report Highlights:
Mexico’s poultry industry is forecast to continue growing during MY 2004 (Jan-Dec) as the trend toward vertical integration in the chicken industry continues. Exports of U.S. poultry and poultry products are forecast to increase as well. The lifting of key technical requirements on raw poultry for direct consumption should lend a boost to U.S. exports. However, a recently signed safeguard agreement on chicken leg quarters is expected to keep overall export growth in check. The final safeguard agreement was signed on July 25, 2003, and will be in place through January 1, 2008.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1]
[MX]

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SECTION I. Situation and Outlook

Poultry Situation and Outlook

Chicken meat production for MY 2004 (Jan-Dec) is forecast to increase five percent over MY 2003 as the trend toward vertical integration is expected to continue. Population growth and affordable prices relative to other meats are expected to spur demand. Additionally, the recent safeguard agreement on chicken leg quarters should provide some additional protection for the industry. Turkey meat production is also forecast to increase four percent for MY 2004. Domestic turkey meat production still represents less than 10 percent of total consumption.

Chicken and turkey meat imports, mainly mechanically deboned meat and turkey parts for use in the sausage and cold meat industry, are by far the main poultry products imported by Mexico. Imports of these products for MY 2004 are forecast to increase as demand from Mexico's food and meat processors continues for deboned meat. Overall poultry exports are also expected to increase in 2004 as the Government of Mexico lifts technical requirements on Low pathogenic Avian Influenza and Exotic New Castle Disease.

SECTION II. Statistical Tables

Poultry Meat, Chicken-16 weeks

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Broiler			(1000 MT)(MIL HEAD)		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
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	2188	2157	2297	2297	0	2412
Whole, Imports	0	0	0	0	0	0
Parts, Imports	265	254	275	264	0	277
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	265	254	275	264	0	277
TOTAL SUPPLY	2453	2411	2572	2561	0	2689
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	0	1	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	1	0	1	1	0	1
Human Consumption	2452	2411	2571	2560	0	2688
Other Use, Losses	0	0	0	0	0	0
Total Dom.Consumption	2452	2411	2571	2560	0	2688
TOTAL Use	2453	2411	2572	2561	0	2689
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2453	2411	2572	2561	0	2689
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Poultry Meat, Turkey

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
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	14	14	0	14
Whole, Imports	0	0	0	0	0	0
Parts, Imports	149	140	160	147	0	154
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	149	140	160	147	0	154
TOTAL SUPPLY	162	153	174	161	0	168
Whole, Exports	6	6	5	5	0	5
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	6	6	5	5	0	5
Human Consumption	156	147	169	156	0	163
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	156	147	169	156	0	163
TOTAL Use	162	153	174	161	0	168
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	162	153	174	161	0	168
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Broilers Retail Prices

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	17.70	(4.32)
November	17.80	17.74	(0.33)
December	17.40	18.19	4.54
Annual Avg.	17.89	17.51	(2.12)

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	20.40	10.27
November	17.80	20.13	13.08
December	18.50	21.30	15.13
Annual Avg.	18.69	19.70	5.40
* Whole chicken including offal			

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

Leg Quarter Retail Prices

Leg Quarter Retail Prices Pesos/kilogram			
Month	2001	2002	Change %
January	19.95	17.14	(14.09)
February	16.72	15.92	(4.78)
March	17.44	17.69	1.43
April	19.38	17.82	(8.05)
May	24.33	18.35	(24.58)
June	22.71	19.78	(12.90)
July	22.07	19.33	(12.41)
August	17.50	18.69	6.7
September	16.47	18.96	15.1
October	16.99	18.00	6.0
November	16.95	18.30	7.9
December	17.19	18.91	3.3
Annual Avg.	18.97	18.24	(3.84)

Source: UNA (National Poultry Association)

Beef Carcass Wholesale Prices

Beef Carcass Wholesale Prices Pesos/kilogram			
Month	2002	2003	Change %
January	24.58	24.04	(2.20)
February	24.72	24.18	(2.18)
March	24.83	24.30	(2.13)
April	24.68	24.19	(1.99)
May	24.29	24.10	(0.78)
June	24.27	24.11	(0.66)
July	24.24	N/A	N/A
August	24.15	N/A	N/A
September	24.13	N/A	N/A
October	24.17	N/A	N/A
November	24.06	N/A	N/A
December	24.04	N/A	N/A
Annual Avg.	24.34	N/A	N/A

Source: National Market Information Service (SNIM)

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS Jan-Dec 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.	1448
	NETHERLANDS	169
	OTHER	
	SUBTOTAL (Thousand head)	1747
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.	507
	NETHERLANDS	58
	OTHER	
	SUBTOTAL (Thousand head)	629
0105.11.99	Other	
	U.S. and subtotal	80
0105.19.99	Other (Chickens)	
	U.S.	1
	OTHER	22
	SUBTOTAL (Thousand head)	23
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	1474
0207.12.01	Other frozen whole poultry	
	U.S.	430
	CHILE	996
	OTHER	
	SUBTOTAL	1433
0207.25.01	Whole frozen turkey	
	U.S.	1320
	CHILE	153
	OTHER	
	SUBTOTAL	1473
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S.	601
	OTHER	0
	SUBTOTAL	601
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	3411
0207.26.99	Fresh & chilled turkey parts	

H.S. Tariff Number	Description & Country of Origin	Volume MT
	U.S.	67213
	Other	19
	SUBTOTAL	67232
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. and subtotal	68089
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	44388
	CHILE	
	SUBTOTAL	46507
0207.13.99	Fresh & chilled chicken parts	
	U.S. and subtotal	31769
0207.14.99	Frozen poultry parts	
	U.S.	77877
	OTHER	
	SUBTOTAL	79643
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	15220
	OTHER	
	SUBTOTAL	16391
0207.27.99	Frozen turkey parts	
	U.S.	47991
	OTHER	
	SUBTOTAL	48455
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S. and subtotal	14
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. and subtotal	1
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	5584
	OTHER	
	SUBTOTAL	2813
1602.31.01	Processed meat (Turkey)	
	U.S.	2047
	OTHER	
	SUBTOTAL	2568
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	6372

H.S. Tariff Number	Description & Country of Origin	Volume MT
	OTHER	421
	SUBTOTAL	6793
1602.39.99	Other processed poultry meat	
	U.S.	67
	OTHER	
	SUBTOTAL	92
0207.13.02	Chicken carcasses	
	U.S.	18317
	OTHER	0
	SUBTOTAL	18317
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
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
This line will apply for 2003	U.S.	0
	OTHER	0
	SUBTOTAL	0
0207.14.04	Chicken Leg Quarter, Frozen	
This line will apply for 2003	U.S.	0
	OTHER	0
	SUBTOTAL	0

Source: BANCOMEXT, APRIL 2003.

NAFTA POULTRY AND EGGS TARIFF RATE QUOTAS FOR 2002

PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) CY 2002	% filled
EGGS Fresh: Border regions a/ Other regions Fertilized: Nationwide	0407.00.01	8,233.95	Direct allocation Auction Direct allocation	2,583.80	31.37%
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/.	2,065.23	81.51%
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.	1,474.25 429.55	
Total				1,903.81	11.56%
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/	0.0 601.08	
Total				601.08	60.16%
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	68,088.58 44,387.57 3,410.73 15,220.40	
Total				131,107.28	383.32%
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.	67,212.77 47,991.49	
Total				115,204.26	324.80%
Poultry cuts (broilers or hens) fresh, chilled or Frozen	0207.13.99 0207.14.99	30,608.34	Direct allocation to border region and the northern border line	31,768.75 77,877.29	
Total				109,646.04	358.22%

PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) CY 2002	% filled
Duck, goose and guinea cuts, fresh chilled or frozen	0207.35.99 0207.36.99	10.00	(only ducks, geese and guineas) d/	0.00 13.77	
Total				13.77	137.7%
Source: UNA (Based on data from General Customs Administration-Treasury Minister, SHCP)					

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 Comitan de Dominguez, Chiapas and Salina Cruz, Oaxaca. This region included former free-trade border areas.

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.

c/ Whole ducks, geese, and guineas TRQ is part of the Other Whole Poultry TRQ.

d/ Cuts of ducks, geese, and guineas TRQ is part of the Poultry Cuts TRQ.

Note: In cases where TRQ amounts were exceeded, the Government of Mexico approved additional import permits.

Poultry Numbers

MEXICO: POULTRY NUMBERS, 2002	
Type of Bird	**Thousand of Head**
Laying Hens in production*	115,287
Pullets in grow out	34,586
Light Breeding Hens in production	872
Light Breeding Hens in grow out	340
Light Progenitor Hens in production	0
Light Progenitor Hens in grow out	0
Heavy Breeder Hens in production	8,955
Heavy Breeder Hens in grow out	6,102
Heavy Progenitor Hens in production	159
Heavy Progenitor Hens in grow out	107
Broilers (Per cycle)	225,593
Turkeys (Per cycle)	821
Total Poultry Flock	392,822

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

Per Capita Consumption

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.

Monthly Exchange Rate

MONTHLY EXCHANGE RATE AVERAGES			
Month	2001	2002	2003
January	9.76	9.16	10.59
February	9.70	9.10	10.93
March	9.60	9.07	10.92
April	9.33	9.14	10.61
May	9.14	9.49	10.25
June	9.09	9.75	10.50 *
July	9.15	9.79	N/A
August	9.12	9.83	N/A
September	9.40	10.05	N/A
October	9.45	10.09	N/A
November	9.25	10.19	N/A
December	9.16	10.21	N/A
Annual Avg.	9.35	9.82	N/A

Source: Mexican Federal Register
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.
* as of June 26, 2003.

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

CHICKEN MEAT

PRODUCTION

Mexican chicken meat production for MY 2004 (Jan-Dec) is forecast to increase five percent over MY 2003 production, similar to the growth rate of the past two years. Despite the slowdown in the economy during 2002-2003, chicken producers continue to face favorable demand for their products. The provisional poultry safeguard which was in place from January 22 to July 22, 2003, and the final safeguard, which was put in place on July 25, 2003, should help the domestic industry to continue expanding production (See Trade Section). Chicken is still considered as the least expensive meat in Mexico. Feed costs account for nearly 55 percent of the cost of production, however, increased vertical integration in the industry helps to lower production costs.

The chicken meat production estimate for MY 2003 remains unchanged. Effective marketing campaigns, strong financial positions among chicken processors, and continued improvement in product quality should all help to spur demand and production during the balance of the marketing year. The estimate of MY 2002 production was revised downward about 1 percent based on revised industry (UNA) data. This decrease was mainly the result of damage caused by the Hurricane Isidore in Merida, Yucatan.

According to industry sources, poultry feed consumption for MY 2004 is expected to grow about 5 percent over MY 2003. Producers indicate that 60 percent of imported feedstuffs are sorghum and corn, 23 percent oilseeds and protein meals, and 17 percent other products such as safflower, orthophosphate, calcium, and methionine. By the end of June 2003, domestic white corn prices averaged 1,700 pesos/MT (US$162.00/MT) and domestic sorghum prices averaged from 1,000 to 1,300 pesos/MT (US$95.23 to $123.80/MT).

Modern technology continues to be widely used by domestic poultry producers. UNA indicates that 60 percent or more of the industry is mechanized. About 80 percent of total Mexican chicken meat is produced in large vertically integrated companies. Genetics are usually sourced from the United States. The main broiler breeding flocks in Mexico are ROSS BREEDERS and HYBRO, which, combined, represent approximately 70 percent of the total broiler breeding stock. For the layer breeding flocks, 90 percent of production is white eggs, and the most representative genetic lines are HY LINE with 33 percent of total domestic production and ISE BABCOCK-300 with 35.3 percent of total production. The main genetic line for brown egg production is HISEX BROWN with 5.1 percent of total domestic production.

Industry consolidation and investment in infrastructure are expected to continue in the medium term and it is expected that the expansion of large vertically integrated companies will continue through growing investment in large-scale production operations. Currently, three leading companies account for nearly 60 percent of total domestic production of chicken meat. Over the next five years, the industry is expected to consolidate further and these three companies could account for as much as 80 percent of production. Medium size companies will likely merge into cooperatives and associations, with smaller players becoming contract producers. According to UNA data, large poultry producers accounted for 33 percent of the total production in 1996, compared to 52 percent in 2001. Whereas small farms accounted for 27 percent of production in 1996, compared to 14 percent in 2001.

The average bird grow-out period depends largely where and how the bird will be sold. For live birds and whole chickens including offal, which are commonly sold in street markets, the average grow-out period is 49-56 days. Birds for the broiler market (whole chicken without offal) have an average grow-out period of 40-44 days. Those grown for sale in supermarkets (whole chicken without offal and chicken cuts) are typically grown-out in 44-49 days. The average daily gain is 36-44 grams per bird. The average bird weight when marketed is 1.775 kg. UNA reports that the average feed conversion ratio is 2.2 kg of feed to 1 kg of poultry meat.

CONSUMPTION

Chicken meat consumption for MY 2004 is forecast to increase 5 percent due to population growth, the affordability of chicken relative to other meat, effective marketing, and improved product quality. Chicken meat demand is relatively elastic, so changes in price result in significant changes in consumption. However, broiler consumption continues to increase because it is cheaper compared to red meats. Increased consumer awareness of cholesterol problems is resulting in greater marketing opportunities for chicken meat. Consumers continue to prefer fresh whole chickens to chicken parts. Although, purchases of chicken parts are increasing slowly, mainly in supermarkets servicing higher-income consumers. Mexican consumers tend to prefer dark meat over white meat.

Domestic consumption estimates for MY 2003 were revised downward, due to animal health and food safety regulations that have slowed imports, but still reflect an increase over MY 2002. Wholesale prices for the month of June 2003 were on average about $22.00 pesos/Kg (US$2.09/kg) for chicken leg quarters and $14.25 pesos/kg (US$1.35/kg) for broilers. Industry sources estimate that chicken prices were higher due in part to import restrictions on Avian Influenza (AI), Exotic Newcastle disease (END), and other sanitary measures (See Trade Section). Consumption estimates for MY 2002 were also revised downward based on industry information and slightly higher prices during the latter part of the year.

Roasting chickens (whole chicken without offal) account for 25 percent of chicken meat consumption, while chickens sold in wet markets and stalls (whole chicken including offal) account for approximately 27 percent of the total. Live birds represent 29 percent of total chicken meat consumption. Only 5 percent of total chicken meat consumption is purchased in supermarkets (whole chicken without offal), and chicken cuts account for less than 10 percent of total consumption. Value added products account for about 4 percent of total consumption.

TRADE

Chicken and turkey meat are the primary poultry products imported by Mexico. Tariffs and tariff rate quotas were lifted for 2003 to comply with NAFTA. Imports of cuts and mechanically deboned meat (MDM) for MY 2004 are expected to increase 5 percent over MY 2003 imports. Due to concerns that duty free imports of U.S. chicken leg quarters (CLQs) bone-in could injure the domestic industry, a safeguard was negotiated between the U.S.- and Mexican poultry industries that establishes a tariff-rate quota for CLQs (see details later in this section).

Imports of poultry cuts and mechanically deboned chicken (MDC) for MY 2003 were revised downward, however, imports are estimated 4 percent over MY 2002 revised imports. Quarantine requirements implemented by the Mexican government on imported poultry products during 2002 and 2003 were a key factor in slowing imports during MY 2003. MY 2002 poultry imports were revised downward based on available data. Also, according to official Mexican trade data, further processed chicken products imports (HTS 160232) have not been increasing as expected, lowering total poultry imports for 2002 and 2003.

(Note: Mexican trade data for January 2003 show a huge increase in chicken parts imports (HTS 0207.14) of about 104,323 MT, while U.S data is about 1,285 MT. Although the Mexican poultry industry claims that this product was imported, importers and brokers indicate that this volume was never physically imported. It appears that importers filed import documents (master pedimentos) in order to buy large quantities of CLQs, but the imports did not take place. Nevertheless, it appears that the documents were counted as if the products had been physically imported. Mexican authorities are still reviewing this issue).

Due to concerns about the presence of Low Pathogenic Influenza (LPAI) in certain U.S. states in 2002 and the Exotic Newcastle Disease (END) outbreaks, the Secretariat of Agriculture (SAGARPA) through the Mexican Animal Health authorities established LPAI and END import requirements for imported poultry products. The regulations required that all raw poultry, hatching and table eggs destined for retail sale (direct raw consumption by consumers) originate from END and LPAI free states, and come from flocks that have undergone two AI tests using the agar gel immunodifusion (AGID) procedure and the hemagglutination inhibition (HI) test. For the 20 km border area, SAGARPA continued to exempt imported poultry products from the HI testing requirement.

However, following technical meetings between the Animal and Plant Health Inspection Service and SAGARPA and as part of the safeguard agreement, the Government of Mexico lifted the HI testing requirement for all of Mexico. Consequently, the test is no longer required. Additionally, on June 16, 2003, SAGARPA lifted the END ban on the five buffer states of Oregon, Idaho, Utah, Colorado and New Mexico. However, poultry and poultry meat imports from those states will have to comply with stringent END certifications required by SAGARPA. Exporters should check requirements with importers before shipping any product. Under the terms of the safeguard agreement, SAGARPA is to lift all remaining END and LPAI restrictions. It is expected that these requirements will be lifted during late August 2003.

The following table shows how the current AI and END regulations are affecting U.S. poultry and poultry products exports to Mexico.

REGULATIONS FOR POULTRY AND POULTRY PRODUCTS EXPORTS

Item	**Raw Poultry for Retail 1/ CLQs.**	**Raw poultry Further Processing 6/**	**Fully Cooked Products**	**Table and Hatching Eggs**	**Three Day Old Chicks**
END states export status 2/	NO	YES	YES	NO	NO
AI states export status 3/	NO	YES	YES	NO	NO
Required language on cleaning and disinfection of trucks	YES	YES	NO	YES	YES
Required sealing of trucks at point of origin	YES	YES	NO	YES	YES
Agar Gel test required	YES	NO	NO	YES 4/	YES 4/
New certification requirements on END 5/	YES	YES	YES	YES	YES
New labeling and export requirements	YES	YES	YES	YES	NO

N.A.- Does not apply

1/ SAGARPA temporarily suspended imports of bone-in chicken leg quarters for further processing because some importers declaring this product was undergoing further processing was in reality being diverted to local markets for direct consumption.

2/ The four states affected by END are: Texas, California, Nevada and Arizona. The ex-buffer states of Oregon, Idaho, Utah, Colorado and New Mexico can now export to Mexico complying with stringent testing END certifications. Except Texas, all END affected states are not eligible to store or consolidate raw product for direct human consumption or further processing. Restrictions should be lifted shortly in accordance with the terms of the safeguard agreement.

3/ The eight states affected by low path AI are: Maine, Connecticut, Pennsylvania, West Virginia, Virginia, North Carolina, Texas and California. Restrictions should be lifted shortly in accordance with the terms of the safeguard agreement.

4/ Test should be conducted on a quarterly basis.

5/ Statement for meat, meat products and by products. -"That the product comes from flocks that have a 70 bird monitoring program which began after the age of 12 days, using viral isolation and velogenic strain identification tests and interbrain pathogenic index test in one-day old chicks; and is carried out on each lot entering a particular farm, obtaining Newcastle Disease velogenic presentation negative results."

6/ Imports are only approved to proceed to Federal Inspected Plants (TIF) and non-TIF meat processing facilities. Meat processors/importers are also responsible of submitting a letter before SAGARPA indicating that all raw poultry ingredients will be subject to thermal treatment. (See reports MX 3002 & MX 3009)

For additional information regarding poultry meat and egg products exports to Mexico see the web page USDA/FSIS/Export Library at- http://www.fsis.usda.gov/OFO/export/Mexico.htm

Source: FAS, USAPEEC Mexico.

While the LPAI requirements (chiefly the HI testing requirements) halted nearly all exports of raw chicken to the interior of Mexico from July 2002 through July 2003, exports of mechanically deboned meat (MDM) and poultry products for further processing were largely unaffected. Mexican processors import MDM as an input for the domestic sausage and cold-cuts industries. Domestic production of MDM is only around 10,000 MT. The leading meat packers account for more than 80 percent of total MDM imports. MDM imports for MY 2003 and 2004 are expected to remain strong.

Exports of duck and goose meat, which are typically consumed directly, were hit hard by the HI testing requirement. Now that the HI test is not required, duck and goose meat trade is expected to increase.

Following the elimination of remaining poultry tariffs on January 1, 2003, under the provisions of the NAFTA, the Mexican poultry industry petitioned the Government of Mexico for a safeguard on CLQs. On January 22, 2003, the Secretariat of Economy (SE) announced a provisional safeguard tariff that would be in place for up to six months. SE allowed 50,000 MT of U.S. CLQs into the Mexican border zone at zero duty and imposed a provisional safeguard tariff of 98.8 percent on imported CLQs above that level and for other regions in Mexico. All other U.S. poultry exports continued to enter Mexico duty free. On July 25, 2003, the final safeguard was published establishing a tariff-rate quota of 46,950 MT for the balance of CY 2003 and imposing an over-quota tariff of 98.8 percent on U.S. imported CLQs. This safeguard will be in place for five years when the over-quota tariff will drop to zero on January 1, 2008. The tariff-rate quota will be limited, as in the past, to the northern border line, and the border region. The tariff-rate quota will grow 1 percent annually through 2007. (See Report MX3099) Mexico will allow any imports of U.S. CLQs in excess of the tariff-rate quota to be sold throughout the country.

The northern border line is defined as -- The Mexican territory between the international line with the United States 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 of Cananea, Sonora.

The border region is defined as -- Includes the states of Baja California, Baja California Sur, Quintana Roo (Puerto Morelos -Cancun), and a portion of the state of Sonora; the southern border region along with Guatemala and the municipalities of Comitan de Dominguez, Chiapas and Salina Cruz, Oaxaca.

Due to the fact that Mexican consumers prefer chicken dark meat to white meat, this preference tends to result strong prices for dark meat. During the first half of 2003, wholesale prices in Mexico City for whole chicken breasts were US$1.21/lb to $1.42/lb, while CLQs ranged from US$0.73/lb to US$0.99/lb. Wholesale prices for imported CLQs marketed at the border were on average US$0.33/lb to $0.34/lb. On the other hand, U.S. prices for whole breasts during the same period were approximately US$0.66/lb to US$1.00/lb F.O.B, while CLQs were priced at approximately US$0.16 to $0.26/lb F.O.B.

Trade between Mexico and the European Union under their free trade agreement has been small. Fresh poultry meat was not among the agricultural products negotiated in the tariff negotiations. Most of the trade has been Mexican exports of SPS eggs, which enjoy a 50 percent reduction in the EU tariff.

POLICY

The Government of Mexico has implemented on again, off again *Listeria* and *salmonella* testing procedures. The actions appear to have been initiated by the Secretariat of Health (SSA) in response to perceived concerns about the safety and quality of U.S. meat. Currently, some random sampling of imported meat is taking place, but there are no penalties or requirements in place in the event of a positive finding. However, SSA is considering the publication of NOM-194-2000, which would establish a testing program for salmonella and E. Coli. At this time, it's not clear if or when this regulation will be published.

MARKETING

Although generic advertising campaigns have been a good approach to increase domestic consumption of poultry products, recent import restrictions have resulted in a drop in these kinds of activities. As barriers are lifted, it's expected that these kinds of activities will resume. Some seminars geared towards the processing industry on the use of chicken thighs were held. Currently, most of the poultry meat in Mexico is sold as whole birds. The local industry supplies and delivers whole birds through wholesale public and wet markets overnight to the major cities. Sales of chilled or refrigerated poultry meat through supermarkets account for less than 10 percent of overall consumption.

For cooked and processed poultry products, USAPEEC's Mexico office has participated in large retail and food service shows like EXPHOTEL. The main challenge to U.S. exporters of high value products continues to be finding a local distributor with wide distribution capacity. In addition, distribution of imported food products, particularly frozen products, is dominated by only a few local distributors with established relationships and product lines. One possible way of broadening distribution options would be to find Mexican partners amongst meat and poultry processors with distribution capabilities. Local processors may be interested in selling imported products under their local brands.

TURKEY MEAT

PRODUCTION

Turkey meat production is forecast to grow around 4 percent during MY 2004 to 14,400 MT. Turkey meat production for MY 2003 is still estimated at 13,800 MT. LPAI and END regulations on imported chicks and fertile eggs has complicated access to genetic stock (See Chicken Trade Section) for turkey producers. Production for MY 2002 remains unchanged. Domestic meat production represents less than 10 percent of total consumption and domestic firms sell 75 percent of their production as uncooked whole turkeys for the Christmas season. Production of domestic turkey parts and further-processed products is very limited. Two large companies (Parson and Jerome-Mezoro) represent almost 90 percent of total domestic production. Most turkey is produced in the states of Chihuahua (40 percent) and Sonora (50 percent).

Genetics are usually sourced from the United States. The main turkey breeding flocks in Mexico are ORLOP with 50 percent, NICOLAS with 40 percent, and BUTA with 10 percent of domestic production. Producers import almost all the progenitor stock and are also importing fertile eggs for light and heavy breeders.

CONSUMPTION

Consumption for MY 2004 is expected to grow more than 4 percent, as sanitary restrictions on imports ease following the signing of the poultry safeguard agreement (see chicken trade section). The consumption estimates for MY 2003 have been revised downward based on the most recent industry information, reflecting the effects of the sanitary import requirements on imports. Consumption of turkey in the form of cold cuts continues to increase, primarily through sales in supermarkets and deli-restaurants, but at a slower pace. Cooked hams made from blends of domestic pork and U.S. turkey thigh meat are substantially cheaper than pure pork cooked hams. Most of the whole turkey demand is during the Christmas season, where average bird weight is 15 pounds. Average per capita consumption is estimated by UNA at 4.41 pounds for 2003 including whole turkey, turkey cuts and other turkey products. Consumption estimates for MY 2002 were revised downward based on the most recent information from UNA.

TRADE

Turkey meat imports are forecast to grow 5 percent for MY 2004. Sanitary measures had some effect on overall Turkey imports as imports of fresh Turkey for direct consumption were slowed in 2003; however, this situation is expected to improve for MY 2004 as sanitary requirements ease (see chicken trade section). Turkey parts and MDT for further processing were not required to comply with stringent LPAI and END regulations. Therefore growth in imports of these products has remained strong. Whole turkey imports have been hit by shifting labeling requirements, but this issue appears to be resolved for now. The labeling requirements primarily affect smoked whole turkeys, which compete directly with domestic production around the Christmas season. Chilean poultry imports were banned during 2002 due to an AI outbreak, which is why overall turkey imports decreased during 2002. However, Mexico lifted the ban it had on Chilean imported poultry products in June 2003. Chilean poultry imports are duty free under the Mexico-Chile Free Trade Agreement.

The United States is by far the main supplier of turkey meat and products to Mexico. Imported parts and MDT have been very successful, mainly turkey thigh meat, which is used to produce franks, hams, and cold cuts. Currently, two large corporations have about 75 percent of the market share for these products. Imports are expected to continue because domestic producers cannot meet Mexican packers' demand for MDT. However, the domestic pork industry continues to be concerned about these imports. The Government of Mexico recently established standards for defining "hams", which is expected to change the name of some of the products that have been labeled as hams previously, but is not expected to affect turkey import demand. Domestic meat processors are demanding more turkey thigh meat to produce cooked hams made up of blends of domestic pork and U.S. turkey thigh. The leading turkey processors have been successful in gaining shelf space for fresh turkey parts, and high value products, by targeting medium and high income segments of the population.

MARKETING

Around 75 percent of the total production in Mexico is marketed as whole turkeys during the Christmas season and approximately 25 percent is sold as cut-up and further processed turkey meat products. USAPEEC, along with local turkey producers, has sponsored generic marketing campaigns to increase overall consumption of selected turkey products in Mexico. These activities are likely to continue, as turkey meat consumption has great potential for growth. USAPEEC in Mexico has also participated in large retail and food service shows promoting further-processed poultry products. For example, USAPEEC members have showcased their products at the ExpoHotel show in Cancun along with other U.S. selected food and beverage products.