USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 7/14/2005

GAIN Report Number: MX5059

Mexico

Poultry and Products

Poultry Annual Report

2005

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Report Highlights:
Mexico's poultry industry is forecast to continue growing during MY 2006 (Jan-Dec), as the trend toward vertical integration in the chicken industry continues. Imports of U.S. poultry and poultry products are forecast to increase as well. However, Chile has emerged as a significant supplier of frozen poultry for further processing in recent years as Mexican importers have sought to diversify their suppliers in response to recent disease detections in the United States. Sanitary import restrictions due to Avian Influenza detections in the United States continue for nine U.S. states.

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

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SECTION I. Situation and Outlook.

POULTRY SITUATION AND OUTLOOK

Chicken meat production is again expected to increase in 2006. Growth in chicken production continues to outstrip both beef and pork, as Mexico's rapidly growing poultry industry becomes increasingly concentrated, integrated, and modern. The industry appears to have benefited from the safeguard agreement that was signed in July of 2003 and establishes a tariff-rate quota for imports of U.S. chicken leg quarters (CLQ\s). Producers are now taking steps to improve quality and sanitary practices while seeking export opportunities. Mexico still does not have an equivalence agreement with USDA's Food Safety Inspection Service that would allow for exports of domestically produced poultry meat and egg products to the United States. However, officials are working towards this objective.

Imports of both chicken and turkey meat are forecast to increase in 2006 in response to strong demand from Mexican food processors for mechanically separated meat and parts for further processing. CLQ imports are almost filling the annual zero-duty tariff-rate quota volume established under the safeguard agreement, despite being limited to the border area.

Sanitary restrictions remain in place for certain U.S. states following the detection of Low Pathogenic Avian Influenza during 2004. At this stage, it is not clear when these restrictions will be lifted.

SECTION II. Statistical Tables

POULTRY MEAT, BROILER PS&D

Mexico						
Poultry, Meat, Broiler					(1000 MT)(MIL HEAD)	
	2004 Revised		2005 Estimate		2006 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2004		01/2005		01/2006	
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	2400	2389	2520	2510	0	2635
Whole, Imports	0	0	0	0	0	0
Parts, Imports	326	326	360	360	0	378
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	326	326	360	360	0	378
TOTAL SUPPLY	2726	2715	2880	2870	0	3013
Whole, Exports	0	0	0	0	0	0
Parts, Exports	2	1	1	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	2	1	1	1	0	1
Human Consumption	2724	2714	2879	2869	0	3012
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2724	2714	2879	2869	0	3012
TOTAL Use	2726	2715	2880	2870	0	3013
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2726	2715	2880	2870	0	3013
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

POULTRY MEAT, TURKEY PS&D

	Mexico					
Poultry, Meat, Turkey					(1000 MT)(MIL HEAD)	
	2004 Revised		2005 Estimate		2006 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2004		01/2005		01/2006	
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	14	13	14	13	0	13
Whole, Imports	0	0	0	0	0	0
Parts, Imports	144	144	170	170	0	179
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	144	144	170	170	0	179
TOTAL SUPPLY	158	157	184	183	0	192
Whole, Exports	0	0	1	1	0	1
Parts, Exports	1	1	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	1	1	0	1
Human Consumption	157	156	183	182	0	191
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	157	156	183	182	0	191
TOTAL Use	158	157	184	183	0	192
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	158	157	184	183	0	192
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

BROILERS WET MARKET PRICES

BROILERS* WET MARKET PRICES, MEXICO CITY PESOS / KILOGRAM				
MONTH	2003	2004	2005	% Change 04/05
JANUARY	20.70	18.08	21.63	19.63
FEBRUARY	21.00	18.17	22.38	23.17
MARCH	21.20	19.63	22.50	14.62
APRIL	21.00	18.88	22.83	20.92
MAY	21.67	16.83	23.00	36.66
JUNE	22.17	19.35	N/A	N/A
JULY	22.36	20.38	N/A	N/A
AUGUST	21.60	20.25	N/A	N/A
SEPTEMBER	22.50	20.21	N/A	N/A
OCTOBER	16.50	18.10	N/A	N/A
NOVEMBER	17.25	18.50	N/A	N/A
DECEMBER	18.08	19.40	N/A	N/A
ANNUAL AVG.	20.50	18.98	N/A	N/A
* Whole chicken including offal				

SOURCE: NATIONAL POULTRY ASSOCIATION, UNA.

CHICKEN LEG QUARTER WHOLESALE PRICES

CHICKEN LEG QUARTER WHOLESALE PRICES, MEXICO CITY PESOS / KILOGRAM				
MONTH	2003	2004	2005	% Change 04/05
JANUARY	18.50	18.34	21.96	19.73
FEBRUARY	20.12	18.83	22.55	19.75
MARCH	19.98	20.10	20.95	4.22
APRIL	19.61	18.62	18.08	(2.90)
MAY	19.54	18.50	20.34	9.94
JUNE	22.30	19.20	N/A	N/A
JULY	21.00	21.84	N/A	N/A
AUGUST	18.95	22.40	N/A	N/A
SEPTEMBER	16.54	19.64	N/A	N/A
OCTOBER	16.63	19.55	N/A	N/A
NOVEMBER	16.07	20.32	N/A	N/A
DECEMBER	17.32	21.16	N/A	N/A
ANNUAL AVG.	18.88	19.87	N/A	N/A

SOURCE: NATIONAL INFORMATION MARKET SERVICE, (SNIIM)

BEEF CARCASS WHOLESALE PRICES

BEEF CARCASS WHOLESALE PRICES, MEXICO CITY PESOS / KILOGRAM			
MONTH	2004	2005	Change %
JANUARY	26.91	31.58	17.35
FEBRUARY	27.33	32.11	17.48
MARCH	27.11	32.04	18.18
APRIL	27.10	N/A	N/A
MAY	27.12	N/A	N/A
JUNE	27.16	N/A	N/A
JULY	27.36	N/A	N/A
AUGUST	29.00	N/A	N/A
SEPTEMBER	30.91	N/A	N/A
OCTOBER	31.60	N/A	N/A
NOVEMBER	31.79	N/A	N/A
DECEMBER	32.08	N/A	N/A
ANNUAL AVG.	28.78	N/A	N/A

SOURCE: NATIONAL MARKET INFORMATION SERVICE (SNIM)

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS Jan-Dec 2004

H.S.T.	Description & Country of Origin	Volume MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S.	1,464
	SPAIN	99
	OTHER	143
	SUBTOTAL (Thousand head)	1,706
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.	452
	DENMARK	13
	OTHER	31
	SUBTOTAL (Thousand head)	496
0105.11.99	Other	
	U.S. and subtotal	207
0105.19.99	Other (Chickens)	
	U.S.	4
	FRANCE	18
	OTHER	1
	SUBTOTAL (Thousand head)	23
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	0
0207.12.01	Other frozen whole poultry	
	U.S.	34
	OTHER	1
	SUBTOTAL	35
0207.25.01	Whole frozen turkey	
	U.S.	2,050
	CHILE	1,120
	OTHER	0
	SUBTOTAL	3,170
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S.	550
	OTHER	247
	SUBTOTAL	797
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	3,442
0207.26.99	Fresh & chilled turkey parts	
	U.S.	73,775
	Other	0
	SUBTOTAL	73,775
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. and subtotal	89,572
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	41,160
	CHILE	32,160
	SUBTOTAL	73,320
0207.13.99	Fresh & chilled chicken parts	
	U.S. and subtotal	608

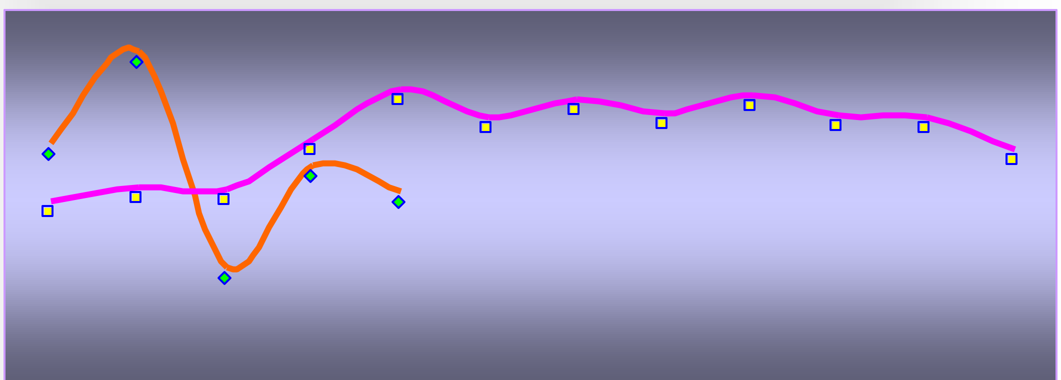
H.S.T.	Description & Country of Origin	Volume MT
0207.14.99	Frozen poultry parts	
	U.S.	1,334
	CHILE	4,154
	SUBTOTAL	5,488
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
	U.S.	32,157
	OTHER	0
	SUBTOTAL	32,157
0207.14.04	Chicken Leg Quarter, Frozen	
	U.S.	91,685
	OTHER	721
	SUBTOTAL	92,406
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	8,624
	CHILE	4,461
	SUBTOTAL	13,085
0207.27.99	Frozen turkey parts	
	U.S.	39,422
	OTHER	168
	SUBTOTAL	39,590
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S.	20
	CANADA	11
	SUBTOTAL	31
0207.14.02 0207.36.01	Poultry livers	
	U.S. and subtotal	0
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	99
	OTHER	0
	SUBTOTAL	99
1601.00.01	Sausages of broiler or turkey	
	U.S.	14,848
	OTHER	24
	SUBTOTAL	14,872
1602.31.01	Processed meat (Turkey)	
	U.S.	2,874
	OTHER	141
	SUBTOTAL	3,015
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	4,702
	OTHER	235
	SUBTOTAL	4,937
1602.39.99	Other processed poultry meat	
	U.S.	9
	FRANCE	5
	OTHER	3
	SUBTOTAL	17

H.S.T.	Description & Country of Origin	Volume MT
0207.13.02	Chicken carcasses	
	U.S. & subtotal	10,618
0207.14.03	Chicken carcasses	
	U.S. & subtotal	6,694
0207.26.02	Turkey carcasses	
	U.S. & subtotal	0
0207.27.03	Turkey carcasses	
	U.S. & subtotal	0

MONTHLY EXCHANGE RATE

MONTHLY EXCHANGE RATE AVERAGES

MX PESOS PER U.S. $1.00



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2005	$11.24	$11.73	$10.58	$11.12	$10.98							
2004	$10.93	$11.01	$11.00	$11.26	$11.52	$11.38	$11.47	$11.40	$11.49	$11.39	$11.38	$11.21

Source: Mexican Federal Register

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

2004 Exchange Rate Avg.: U.S.$1.00 = 11.29 pesos

2005 May Exchange Rate Avg; U.S. $1.00 = 11.13 Pesos

*As Of May 16, 2005

POULTRY NUMBERS

MEXICO: POULTRY NUMBERS, 2004	
Type of Bird	**Head**
Laying Hens in production*	124,196,390
Pullets in grow out	37,258,917
Light Breeding Hens in production	909,034
Light Breeding Hens in grow out	382,773
Light Progenitor Hens in production	0
Light Progenitor Hens in grow out	0
Heavy Breeder Hens in production	9,157,000
Heavy Breeder Hens in grow out	5,989,000
Heavy Progenitor Hens in production	161,368
Heavy Progenitor Hens in grow out	100,432
Broilers (Per cycle)	240,549,554
Turkeys (Per cycle)	810,459
Total Poultry Flock	419,514,927

*THERE ARE AN ESTIMATED 30 MILLION LAYING HENS IN THE SECOND CYCLE
SOURCE: UNA (NATIONAL POULTRY ASSOCIATION)

Per Capita Consumption

PER CAPITA CONSUMPTION			
Products / pounds-	2003	2004	2005①
EGGS	44.93	47.35	47.81
CHICKEN MEAT	49.77	51.54	53.74
TURKEY MEAT ②	3.17	3.21	3.24

Source: UNA (National Poultry Association)
① Forecast
② Includes whole turkey, turkey parts and processed products.

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

CHICKEN MEAT

PRODUCTION

Mexican chicken meat production for MY 2006 (Jan-Dec) is forecast to increase, just as it has in each of the preceding 20 years. Chicken producers continue to enjoy favorable demand for their products. Effective marketing campaigns, strong financial positions among chicken processors, and continued improvement in product quality are expected to contribute to increased production. Producers also appear to have benefited from the trade protection afforded by the safeguard agreement for CLQs, which has been in place since 2003 (see Trade Section). Compared to pork and beef, chicken is still generally the least expensive meat in Mexico.

The estimate of chicken meat production for MY 2005 was reduced slightly as the detection of Low Pathogenic Avian Influenza in a major growing region in March and unusually hot temperatures in May and June affected production. Production is expected to recover during the second half of the year. Major producers have also opted to direct capital resources to improving technology along with sanitary and quality systems in an effort to better compete against imports and enhance export prospects, rather than using resources to maximize production. Stable and lower grain and oilseed prices, both domestic and imported, are expected to keep 2005 production costs in check. Feed costs are 55 to 60 percent of the total cost of production. Producers complain that higher prices for electricity, packing materials and transportation costs continue to add to production costs. The estimate for MY 2004 production was revised slightly downward based on final industry data, which is used as the basis for final production estimates.

Poultry producers continue to be major users of imported feedstuffs from the United States. Producers indicate that 60 percent of their imports are comprised of sorghum and yellow corn, 23 percent in oilseeds and protein meals, and 17 percent in other products such as safflower, orthophosphate, calcium, and methionine. Poultry producers tend to prefer yellow corn to sorghum because of its better nutritional value and the color it gives to the birds' skins. According to the Poultry Producers Association (UNA), feed consumption for MY 2004 was estimated at 12.4 MMT, (7.8 MMT of feed grains, 2.6 MMT of oilseeds and protein meals, and 2.0 MMT of other raw materials).

The average bird grow-out period depends largely on 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 1.92 kg. The poultry industry reports that the average feed conversion ratio is 2.2 kg of feed to 1 kg of poultry meat.

Industry consolidation and investment in infrastructure are expected to continue in the medium-term, which, in turn, is expected to spur the expansion of large vertically-integrated companies. In 2004, three leading companies accounted for 52 percent of total domestic production of chicken meat. Over the next three to four years, the industry is expected to consolidate further and these three companies are expected to account for an even larger share of production. Medium-size companies will likely merge into cooperatives and associations, with smaller players becoming contract producers.

CHICKEN FARM COMPOSITION				
	COMPANIES		% PARTICIPATION IN PRODUCTION	
	1996	2004	1996	2004
LARGE	2	3	33	52
MEDIUM	27	32	40	36
SMALL	181	165	27	12

Source: UNA

U.S. firms are significant suppliers of genetics to the Mexican poultry industry and an estimated 75 percent of Mexican broilers come from lines produced by two U.S. companies. For layers, about 90 percent of production is white eggs and U.S. firms are also the dominant suppliers of genetic lines.

CONSUMPTION

Chicken meat consumption for MY 2006 is forecast to increase almost 5 percent due to population growth, the affordability of chicken relative to other meats, effective marketing, increased usage in processed food products, and improved product quality. Lower tariffs for chicken CLQs under the terms of the safeguard agreement (see trade section) could result in significant shipments of imported CLQs beyond the border area for the first time since at least the signing of the agreement in 2003. Increased consumer concerns about cholesterol and other health issues are resulting in greater marketing opportunities for chicken meat.

Consumers continue to prefer fresh whole chickens to chicken parts. Purchases of chicken parts are increasing slowly, mainly in supermarkets servicing higher-income consumers. Mexican consumers tend to prefer dark meat to white meat. According to current industry information, roasting chickens (whole chicken without offal) account for 23 percent of chicken meat consumption, while chickens sold in wet markets and stalls (whole chicken including offal) account for approximately 26 percent of the total. Live birds represent 30 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 11 percent of total consumption. Value-added products account for about 5 percent of total consumption.

The MY 2005 domestic consumption estimate was revised downward from previous estimates, in part because of an expected reduction in production and strong poultry prices during the first part of the year. Higher prices are common during the winter months as production declines due to cooler winter temperatures, but the detection of avian influenza and hot May and June temperatures have reduced supplies and pushed prices higher in the face of strong demand. Industry sources expect prices to moderate over the second half of the year. It is expected that CLQ consumption will continue to increase at the border due to affordable prices. For the month of May, CLQ prices were about $21 pesos/kg (US$1.89/kg) in the Mexico City market, while imported CLQ marketed at the border only were, on average, $11.50 pesos/kg (US$1.03kg). Due to trade restrictions that closed the border city of Reynosa to frozen CLQs in December 2004 (see Trade Section), frozen CLQs have to cross through other border areas like Brownsville, which results in an additional transportation cost for Reynosa of about US$250 per truck. The consumption estimate for MY 2004 was revised based on final industry information.

TRADE

Chicken and turkey meat are the primary poultry products imported by Mexico. Imports of cuts, mainly leg quarters, and mechanically separated chicken (MSC) for MY 2006 are forecast to increase 5 percent over MY 2005 imports, due to rising demand from the processing industry. The processing industry imports most of the MSC and chicken cuts as inputs for the domestic sausage and cold-cuts industries. Large meat processors prefer fresh, refrigerated product and medium-small sized processors tend to use frozen product.

U.S. exporters have had to adjust to shifting trade requirements and restrictions stemming from Mexico's reaction to detections of avian influenza in the United States beginning in 2002. While export suppliers in individual states have clearly been hurt by these policies, overall exports have increased each year except for 2004 when Highly Pathogenic Avian Influenza was detected in the United States and led to a short-term closure of the Mexican market. However, Mexican poultry importers have recently expressed an interest in diversifying their suppliers and significant quantities of frozen chicken meat have been imported from Chile recently. Additionally, Mexican meat processors have asked the Government of Mexico to consider ways of reducing tariffs and sanitary restrictions for other potential exporting countries in the event of another major supply disruption in the United States.

CLQs imported under the poultry safeguard (see report MX 3099) are expected to reach the 102,010 MT tariff-rate-quota (TRQ) limit for MY 2005. According to official data the CLQ TRQ for MY 2004 was 85 percent filled. The final safeguard imposed on U.S. chicken leg quarters in July 2003 has been administered in accordance with the terms of the agreement (see report MX 3099). According to industry trade data, imported CLQs under H.T.S. 0207.13.03 & 0207.14.04 were 37,125 MT, as of April 2005, above the 30,164 MT imported as of April 2004. The tariff phase-out schedule and the annual one percent increase in TRQ volume for CLQs are shown in the following table.

YEAR	TRQ (MT)	TARIFF	HIGH-TIER TARIFF
2003	100,000	0	98.8
2004	101,000	0	79.0
2005	102,010	0	59.3
2006	103,030	0	39.5
2007	104,060	0	19.8
2008	0	0	0

Effective January 1, 2008, Mexico will provide full duty-free access and eliminate the import licensing requirements for U.S. CLQs.

The poultry industry in Mexico has been concerned about CLQ "leakage" following the signing of the July 2003 safeguard agreement. This leakage has reportedly occurred in two forms, via companies who obtained court injunctions *(amparos)* exempting them from the terms of the safeguard agreement and through under invoicing of CLQs subject to the high-tier tariff under the terms of the safeguard agreement. In response, during December 2004, the government halted CLQ imports via the border city of McAllen-Hidalgo/Reynosa to frozen CLQs in an effort to address issues relating to the port's administration and concerns about the use of court injunctions (*amparos*), see report MX 5010. The Government of Mexico is considering a plan to re-open this crossing point, but thus far the port remains closed to frozen CLQs. Imports of poultry products other than frozen CLQs are allowed through Reynosa, however, most importers in the area prefer to handle frozen CLQs. To address concerns about under invoicing, the government announced on February 25, 2005, a reference price for CLQs of US$0.667/kg (US$0.30 per lb), for imports that do not have a duty-free import certificate (cupo) to import under the current tariff-rate quota (TRQ) for CLQs (see report MX5031.) So far, prices of U.S. CLQs have been above this reference price.

In early March 2005, Mexico detected Low Pathogenic Avian Influenza (LPAI) in Northern Mexico in an area called La Laguna within the limits of the states of Durango and Coahuila. Mexican official reported to APHIS that the outbreak was H5N2, which the Government of Mexico believes is the lone LPAI strain that exists in Mexico. Affected farms were placed under quarantine and inter-state movement of product is not currently allowed under official regulations. No more outbreaks have been reported recently. The Japanese Government was also advised of this situation and banned effected states from exporting poultry meat to Japan.

Mexico's Secretariat of Agriculture (SAGARPA) deems any LPAI strain other than H5N2 as being exotic to Mexico. As a result, detections of various LPAI strains in the United States led to the imposition of import restrictions for several U.S. states during 2004 and 2005. Currently, import restrictions continue for the states of California, Connecticut, Delaware, Maryland, New Jersey, North Carolina, Texas, and Pennsylvania because of detections of LPAI, and for the following Texas counties due to a 2004 detection of High Pathogenic Avian Influenza: Gonzales, Guadalupe, Galdwell, Bastrop, Fayette, La Vaca, De Witt, Karnes, Wilson, Comal and Hays. (see MX5031). USDA technical experts continue to work with SAGARPA in an effort to have these restrictions lifted.

The following table summarizes some of the regulations that are currently being implemented by the Mexican government for U.S. live poultry and poultry meat exports.

REGULATIONS FOR POULTRY AND POULTRY PRODUCTS EXPORTS

ITEM	RAW POULTRY DIRECT CONSUMPTION 1/	RAW POULTRY FURTHER PROCESSING 5/	FULLY COOKED PRODUCTS	TABLE AND HATCHING EGGS	LIVE BIRDS
AI States Export Status **2/**	NO	YES **6/**	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 **3/**	YES **3/**
Certification Requirements On END **4/**	YES	YES	YES	YES	YES

1/ SAGARPA still does not allow imports of bone-in chicken leg quarters for further processing to the interior of Mexico because of concerns about products being diverted to the retail market.

2/ Imports are prohibited from the states of Connecticut, California, Delaware, Maryland, Missouri, New Jersey, North Carolina, Pennsylvania and Texas because of LPAI.

3/ Agar Gel Test should begin 21 days before laying and should continue on a quarterly basis.

4/ END statement for meat, meat products and by products. - "That the product comes from flocks that have a monitoring program of 70 birds that began after 12 days of age, using viral isolation tests and identification of velogenic strains through a test that indicates intracerebral pathogenicity in chicks of one day of age and that is carried out for each lot that is delivered for slaughter, obtaining negative results for Velogenic Newcastle disease, or that comes from a country free of Velogenic Newcastle Disease. "

5/ Imports destined for further processing are only approved to proceed to Federal Inspected Plants (TIF) and non-TIF meat processing facilities authorized by SAGARPA.

6/ Imports are prohibited from California, Connecticut, Delaware, Maryland, Missouri, New Jersey, North Carolina, Pennsylvania and Texas, unless their destination is an establishment authorized by SAGARPA to carry out thermal treatment processes. However, imports of raw materials for thermal processing should not come or originate from the following Texas counties: Gonzales, Guadalupe, Galdwell, Bastrop, Fayette, La Vaca, De Witt, Karnes, Wilson, Comal and Hays.

*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 (Export Requirements for meat and poultry products)

Trade between Mexico and the European Union under their free trade agreement has been small. Fresh poultry meat was not among the agricultural products included in the tariff negotiations. Most of the trade has been Mexican exports of specific pathogen-free (SPF) eggs, which at the moment enjoy a 50-percent reduction of the most favored nation tariff in the EU. Due to AI outbreaks in the U.S., and subsequent exporting problems to certain Asian markets, Mexico began to export some poultry specialty cuts to Japan. Although exports were small in 2004, this is a new market that Mexico is currently exploring.

The industry is hopeful that the recently completed Mexico-Japan Free Trade Agreement will lead to new opportunities. Mexican poultry producers were granted a 10 MT tariff-rate quota (TRQ) at zero duty for tradeshow samples during the first year 04/2005-03/2006. TRQ access will increase to 2,500 MT in year two and will increase by 2,000 MT annually until reaching 8,500 MT in year five. TRQ access will then remain at the 8,500 MT level.

Recently, the Secretariats of Economy and Agriculture, signed an agreement with the National Poultry Association to formulate an export program (Aviexporta) to enhance the export competitiveness for the poultry sector. The program will seek to prioritize export objectives and identify constraints. The goal of the program is to increase total poultry exports by 25 percent within the next ten years.

POLICY

In late 2004, Mexico's Congress passed a law that would have established inspection fees for imports of animal products. The inspection fee for meat would have been about US$25.00 per ton and was intended to provide resources for the Secretariat of Agriculture's inspection service. To date, the fees have not been implemented because Mexico's Secretariat of the Treasury determined that they would have duplicated existing fees. Strong interest remains in the Mexican Congress and within certain segments of the animal and meat industries for the implementation of some kind of fee that would provide funds for import inspections. Industry and government groups are reportedly working to propose an alternative fee structure that would be consistent with Mexico's WTO and NAFTA commitments, existing Mexican law, and would be less costly for Mexican importers and consumers.

As part of an agreement among the members of the North American Plant Protection Organization (NAPPO, Mexico, the United States, and Canada) Mexico will adopt a phased-in approach that will lead to strict enforcement of sanitary measures to prevent pest infestation by using untreated wooden packing materials. See MX5502 for additional details.

MARKETING

Generic advertising campaigns have been successful in increasing domestic consumption of poultry products in Mexico. 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. However, Mexico's supermarket segment is growing rapidly and now accounts for about 40 percent of overall food sales in Mexico. As the industry expands, the share of poultry sold via supermarkets is expected to grow as consumers become more accepting of poultry cuts and other poultry products. USAPEEC's Mexico office has actively promoted poultry products in different large retail and food service exhibitions within USDA/Agricultural Trade Show Pavilions like ANTAD and ABASTUR. For cooked and processed poultry products, USAPEEC has also participated in EXPHOTEL and EXPO-AGROALIMENTARIA. USAPEEC will continue to support marketing strategies within the NEPP (NAFTA Egg and Poultry Partnership), which promotes the exchange of information and technical expertise between both the U.S. and Mexican poultry industries.

TURKEY MEAT

PRODUCTION

Turkey meat production for MY 2006 (Jan-Dec) is forecast flat at 13,000 MT, as domestic producers continue to face competition from U.S. and Chilean imports. Production estimates for MY 2004 were revised downward based on final industry data. Domestic turkey meat production represents less than 10 percent of total poultry meat consumption. Domestic firms sell about 75 percent of their production as uncooked whole turkeys for the Christmas season. The balance is sold as domestic turkey parts and further-processed products such as turkey patties, nuggets, cold cuts and oven-cooked turkey legs. Two companies account for almost 90 percent of total domestic production. Most turkey is produced in the states of Chihuahua and Sonora, which account for 40 and 50 percent, respectively, of total Mexican turkey production.

Genetics are usually sourced from the United States. The main turkey breeding flocks in Mexico are Buta with 45 percent, Orlop with 30 percent, and Nicolas with 25 percent of domestic production. Producers import almost all the progenitor stock and are also importing fertile eggs for light and heavy breeders.

CONSUMPTION

Turkey meat consumption for MY 2006 is forecast to increase in response to growing demand for turkey products from the processing industry. The estimate of MY 2005 consumption was reduced slightly in response to expected lower domestic production, but remains well above the revised MY 2004 consumption estimate. Sanitary trade restrictions following the detection of AI in the United States slowed imports during the first five months of MY 2004, which affected turkey consumption.

Consumption of turkey in the form of cold cuts continues to increase primarily through sales in supermarkets and delicatessen-type restaurants. Cooked hams made from blends of domestic pork and U.S. turkey thigh meat are substantially cheaper than all-pork cooked hams. Most of the whole turkey demand is during the Christmas season, where average bird weight is 15 pounds. The Poultry Producers Association estimates average per capita consumption at 3.24 pounds for 2005 including whole turkey, turkey cuts and other turkey products.

TRADE

MY 2006 turkey meat imports are forecast to increase as demand for turkey parts for further processing continues to increase. Turkey meat import estimates for MY 2004 and 2005 remain unchanged. The processing industry imports most of the turkey parts and mechanically separated turkey (MST) as inputs for the domestic cold-cuts industry. Domestic meat processors use turkey thigh meat to produce cooked hams made up of blends of domestic pork and U.S. turkey thighs. Due to the quarantine restrictions imposed on U.S. poultry imports in 2004, mechanically de-boned turkey meat imports from Chile increased, representing 34 percent of total imports. Chile’s presence in the poultry market is expected to continue as importers seek to diversify their suppliers of poultry in response to changing disease conditions in North America. Chilean products are competitively priced and suitable for processors who are willing to work with frozen product. Whole turkey imports from the U.S. as well as from Chile have increased due to higher demand. Chilean poultry imports are duty free under the Mexico-Chile Free Trade Agreement. However, the United States continues as the main supplier of turkey meat and products to Mexico. 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 Mexican production 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's Mexico office has launched two generic promotional campaigns aimed at increasing turkey consumption. 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 foodservice shows promoting further-processed poultry products (see chicken meat marketing section).