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## Mexico

## Poultry and Products

## Semi-Annual

## 2001

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### Report Highlights:

**Despite rumors about possible restrictions on duty-free over-quota access for poultry in 2001, imports of U.S. mechanically deboned meat for this year are expected to continue to exceed the NAFTA TRQs. Imports of U.S. eggs for 2001 are expected to fill TRQs levels. Mexico's poultry meat and egg sectors are anticipating growth of 5 and 1 percent respectively, as previously projected.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
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## SECTION I. SITUATION AND OUTLOOK

**Economic Situation and Outlook:** Mexico's 2001 economic prospects augur continuing growth. It will be a good year, but not exceptional, because of the slowdown of the U.S. economy. The Fox Administration faces several challenges that call for fundamental structural changes. Appropriately implemented, they would enhance Mexico's ability to withstand the harmful effects of external economic shocks.

The outlook for the Mexican economy for 2001 remains positive although real growth may be a little more than half of what it was in 2000. Since final domestic demand and exports will remain strong, GDP growth could average 3.8 percent in 2001. This performance would be a far cry from the unsustainable 7.1 percent real growth recorded in 2000. Inflation in 2001 may be slightly lower than it was in 2000. The average was 8.9 percent last year, and forecasters are predicting 7.9 percent for 2001.

Mexico's economic growth depends on its export market, essentially the United States. Ninety percent of Mexico's exports, including half of its manufacturing output, are exported to the United States. In 2000, Mexico exported \$166.4 billion, a 22.0 percent increase over 1999. Exports may increase by 11.0 percent in 2001, reflecting the slow-down of the U.S. economy. Mexico's most dynamic export sector, the maquiladora plants, assembles goods for the U.S. market. The import needs of the sector explain the 22.9 percent increase in imports in 2000, to \$174.4 billion. Imports may rise by 18.0 percent in 2001, to \$206 billion.

Personal consumption continues to fuel Mexico's economic growth. Demand for goods and services, including imports, grew by about ten percent in real terms in 2000. That figure may average eight percent in 2001. Since the U.S. economic slowdown will force exporters to reduce their margins, they will try to keep costs down, including labor costs. The government has proposed a value-added tax on exempt products and services. All these factors will crimp personal demand in 2001.

Mexico's external accounts may cause concern in 2001. In 2000, its current account deficit totaled \$19 billion, 3.3 percent of GDP. But for high oil prices, that deficit might have been 4.7 percent of GDP in 2000. The current account deficit rose in each of the last six years except 1998. Forecasters agree that the decline in U.S. economic growth, and possibly in international oil prices, will again widen Mexico's current account deficit in 2001. The effect could be a 11.0/1.0 peso/US\$ exchange rate by the end of the year, about thirteen percent depreciation relative to the average rate of 9.5 in 2000. Since Mexico's exports enabled it to accumulate \$2.8 billion in international reserves (\$33.6 billion) in 2000, a less dynamic export environment and a lower level of foreign short- and long-term capital inflows, especially from the United States, could result in a stable reserve level in 2001.

The Fox Administration aims to pursue conservative fiscal and monetary policies. It will encounter difficulty in achieving a balanced budget in the absence of legislative support. In December 2000, the Fox Administration proposed a fiscal deficit of 0.5 percent of GDP in 2001. Congress decided that the target should be 0.65 percent. Mexico's fiscal deficit was 1.0 percent of GDP in 2000.

The fiscal deficit approved by the Congress is complicating the Fox Administration's task of achieving sustainable 7.0 percent economic growth and measurable improvement in living standards, which President Fox promised during the presidential campaign. Financing such a deficit puts upward pressure on domestic interest rates. The result will be lower domestically driven fixed capital investment, with reduced employment and personal income. At the same time, higher domestic interest rates attract foreign capital. Such flows, even if neutralized, strengthen the peso and reduce the competitiveness of Mexican exports while making imports more attractive. Without fundamental change, the net effect could be a run on the peso, such as happened in December 1994. Avoiding this calls for major structural changes in public finance, in labor legislation, and in the energy sector, but the opposition-dominated Congress seems reluctant to approve the necessary changes.

Mexico's ability to absorb the effects of the U.S. economic slowdown, and possibly of a fall in oil prices, will determine whether Mexico will maintain buoyant economic growth during Fox's administration. Mexico's expansion of trade with its non-NAFTA partners could mitigate the effects of the U.S. slowdown. In particular, Mexico's free trade agreement with the European Union could initiate robust growth in Mexican exports to Europe. Europe's demand for manufactured imports could be critical to Mexico in the event of a prolonged economic downturn in the United States, given that Mexico's oil exports account for less than 10.0 percent of its total exports.

Oil-related revenues remain important to Mexico. Since they account for about 30 percent of government budgetary revenue, the Government of Mexico has a strong interest in cooperating with the OPEC producers to ensure that the price of oil remains at what they consider an acceptable level. The Government assumes that Mexico will obtain \$18.0 per barrel for its oil exports in 2001 and that it will export an average of 1.750 million barrels per day. The government's yield will be about \$11.5 billion in 2001.

### **Poultry Situation and Outlook**

The forecast for poultry meat production for 2001 remains unchanged from our previous estimate of 2.139 MMT due to continued low feed grain prices and a dynamic domestic demand. Consumption for 2001 remains flat as prices have continued to be affordable and the gradual recovery of consumer purchasing power. FAS/Mexico revised slightly downward poultry meat consumption for 2000 to reflect more recent available information.

Total Mexican imports of poultry meat were revised downward for 2000 as the contraction in the domestic supply, caused by the Newcastle disease outbreak in northern Mexico, was not as large as had been expected (see MX 0127). The Mexican Government (GOM), however, again allocated duty-free mechanically deboned meat (MDM) import levels substantially above the 2000 NAFTA tariff rate quota because of shortage in domestic production. This trend is expected to continue in 2001. The GOM, for example, allocated recently 31,000 MT of turkey cuts and 79,800 MT of MDM for the first half of 2001. Despite rumors about possible restrictions on duty-free over-quota access for MDM and turkey cuts, official and private sources indicated imports for 2001 are expected to surpass the total TRQ's again. It should be noted, for example, that the first-half of 2001 quota for turkey cuts is nearly equal to the NAFTA TRQ for the entire year, which is 34,436 MT.

On December 29, 2000, Mexico's Secretariat of Treasury (SHCP) announced in the Diario Oficial (Federal Register) that as of December 30, 2000, it would impose an estimated price system on imported poultry meat, salted or in brine, for the purpose of calculating the duty. These prices, as implied by their name, are "estimated" prices. SHCP, using price lists, data from Mexican producers, as well as other sources of information, derives an "estimated" price for the selected products. Importers of poultry meat (salted or in brine) will have to deposit money in an account against the difference of the duty between the estimated price and the "export value" (including transportation costs and broker's fees) if the latter is lower (see MX1002)

The turkey meat production forecast for 2001 remains unchanged. Domestic sausage and cold meat firms continue to be major users of turkey parts in Mexico. Also, the egg production estimates for 2001 remain unchanged. Imports of U.S. eggs in 2001 are expected to cover the NAFTA TRQ level. As in 2000, hatching eggs are projected to account for the majority of the total.

In October 2000, U.S. and Mexican poultry and egg industries signed an agreement, with the idea of sharing markets between both countries instead of competing for the same markets. Under the agreement, the NAFTA Egg and Poultry Partnership (NEPP) will be created. The new international organization will work to strengthen communication and cooperation between the industries, advance mutual understanding, promote poultry and egg consumption, and improve competitiveness. Industry sources estimate NEPP will likely be established formally during the first quarter of 2001.

## SECTION II. STATISTICAL TABLES

## Poultry Meat, Total

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Total			(1000 MT)(MIL HEAD)		
	Revised1999		Preliminary2000		Forecast2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
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	1922	1922	2036	2036	2139	2139
Whole, Imports	7	6	13	8	7	7
Parts, Imports	228	229	257	257	277	277
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	235	235	270	265	284	284
<b>TOTAL SUPPLY</b>	2157	<b>2157</b>	2306	<b>2301</b>	2423	<b>2423</b>
Whole, Exports	0	0	0	0	0	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	0	0	0	0	0	0
Human Consumption	2152	2152	2301	2296	2418	2418
Other Use, Losses	5	5	5	5	5	5
Total Dom. Consumption	2157	2157	2306	2301	2423	2423
TOTAL Use	2157	2157	2306	2301	2423	2423
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	2157	<b>2157</b>	2306	<b>2301</b>	2423	<b>2423</b>
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

**Poultry, Meat, chicken-16wks**

PSD Table						
Country	Mexico					
Commodity	Plty, Meat, Chicken -16 wks		(1000 MT)(MIL HEAD)			
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
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	1784	<b>1784</b>	<b>1891</b>	<b>1891</b>	1986	1986
Whole, Imports	3	3	9	4	3	3
Parts, Imports	132	132	150	150	160	160
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	135	135	159	154	163	163
<b>TOTAL SUPPLY</b>	1919	<b>1919</b>	<b>2050</b>	<b>2045</b>	<b>2149</b>	<b>2149</b>
Whole, Exports	0	0	0	0	0	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	0	0	0	0	0	0
Human Consumption	1914	1914	2045	2040	2144	2144
Other Use, Losses	5	5	5	5	5	5
Total Dom. Consumption	1919	1919	2050	2045	2149	2149
TOTAL Use	1919	1919	2050	2050	2149	2149
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	1919	<b>1919</b>	2050	<b>2045</b>	2149	<b>2149</b>
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)		
	Revised1999		Preliminary2000		Forecast2001	
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
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	12	12	12	12	13	13
Whole, Imports	4	3	4	4	5	5
Parts, Imports	96	97	107	107	117	117
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	100	100	111	111	122	122
<b>TOTAL SUPPLY</b>	112	<b>112</b>	123	<b>123</b>	135	<b>135</b>
Whole, Exports	0	0	0	0	0	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	0	0	0	0	0	0
Human Consumption	111	111	122	122	134	134
Other Use, Losses	1	1	1	1	1	1
Total Dom. Consumption	112	112	123	123	135	135
TOTAL Use	112	112	123	123	135	135
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	112	<b>112</b>	123	<b>123</b>	135	<b>135</b>
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0



**Poultry, Eggs**

PSD Table						
Country	Mexico					
Commodity	Poultry, Eggs			(MIL HEAD)(MIL PCS)		
	Revised1999		Preliminary2000		Forecast2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Layers	103	103	105	106	106	106
Beginning Stocks	0	0	0	0	0	0
Production	32428	32428	33310	33310	33640	33640
Hatch Eggs, Imports	135	135	140	140	142	142
Shell Eggs, Imports	24	24	24	24	24	24
Other Imports	12	12	12	12	12	12
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	171	171	176	176	178	178
<b>TOTAL SUPPLY</b>	32599	<b>32599</b>	33486	<b>33486</b>	33818	<b>33818</b>
Hatch Eggs, Exports	0	0	0	0	0	0
Shell Eggs, Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Hatch Eggs,Consumption	135	135	140	140	142	142
Shell Eggs, Human	30463	30463	31345	31345	31676	31676
Shell Eggs,OT.Use/Loss	2000	2000	2000	2000	2000	2000
Other Dom. Consumption	1	1	1	1	0	0
Total Dom. Consumption	32599	32599	33486	33486	33818	33818
TOTAL Use	32599	32599	33486	33486	33818	33818
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	32599	<b>32599</b>	33486	<b>33486</b>	33818	<b>33818</b>
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

## MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS

Jan-Sep 2000

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.	2,106
	EL SALVADOR	125
	OTHER	140
	SUBTOTAL (Thousand of heads)	2,371
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.	292
	NETHERLANDS	79
	OTHER	25
	SUBTOTAL (Thousand of heads)	396
0105.11.99	Other	
	U.S.	16
	CHILE	21
	SUBTOTAL (Thousand of heads)	37
0105.19.99	Other (Chickens)	
	U.S.	172
	OTHER	22
	SUBTOTAL (Thousand of heads)	194
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	7,373

H.S. Tariff Number	Description & Country of Origin	Volume MT
0207.12.01	Other frozen whole poultry	
	U.S.	845
	CHILE	541
	SUBTOTAL	1,386
0207.25.01	Whole frozen turkey	
	U.S.	115
	CHILE	312
	SUBTOTAL	427
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S.	408
	OTHER	5
	SUBTOTAL	413
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	18
0207.26.99	Fresh & chilled turkey parts	
	U.S. and subtotal	35,091
0207.13.01	Mechanically deboned chicken meat fresh or chilled	
	U.S. and subtotal	48,504
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	36,036
	OTHER	348
	SUBTOTAL	36,384
0207.13.99	Fresh & chilled chicken parts	
	U.S.	22,797
	OTHER	16

	SUBTOTAL	22,813
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H.S. Tariff Number	Description & Country of Origin	Volume MT
0207.14.99	Frozen poultry parts	
	U.S.	32,662
	OTHER	750
	SUBTOTAL	33,412
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	12,037
	OTHER	2
	SUBTOTAL	12,039
0207.27.99	Frozen turkey parts	
	U.S.	43,231
	OTHER	346
	SUBTOTAL	43,577
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	3
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	7,201
	OTHER	137
	SUBTOTAL	7,338
1602.31.01	Processed meat (Turkey)	
	U.S.	662
	OTHER	6
	SUBTOTAL	668

H.S. Tariff Number	Description & Country of Origin	Volume MT
1602.39.99	Other processed poultry meat	
	U.S.	71
	OTHER	5
	SUBTOTAL	76

### Broilers Retail Prices

BROILERS RETAIL PRICES Pesos/Kilogram			
Month	1999	2000	Change %
January	18.12	17.80	(1.77)
February	18.09	18.34	1.38
March	17.88	17.58	(1.68)
April	18.00	18.39	2.17
May	17.84	19.10	7.06
June	18.04	18.48	2.44
July	17.96	19.28	7.35
August	17.90	18.91	5.64
September	18.00	18.40	2.22
October	18.15	18.23	0.44
November	18.25	N/A	N/A
December	18.25	N/A	N/A
Annual Average	18.04	N/A	N/A

Source: UNA (National Poultry Association)  
Avg. Exchange rate 1999, US \$1.00 = \$9.55 pesos  
Avg. Exchange rate 2000, US \$1.00 = \$9.40 pesos

**Broilers Wet Market Prices**

<b>BROILERS* WET MARKET PRICES</b>			
<b>Pesos/Kilogram</b>			
<b>Month</b>	<b>1999</b>	<b>2000</b>	<b>Change %</b>
<b>January</b>	<b>16.93</b>	<b>18.83</b>	<b>11.22</b>
<b>February</b>	<b>16.25</b>	<b>19.17</b>	<b>17.97</b>
<b>March</b>	<b>16.50</b>	<b>18.88</b>	<b>14.42</b>
<b>April</b>	<b>16.64</b>	<b>19.20</b>	<b>15.38</b>
<b>May</b>	<b>16.93</b>	<b>19.26</b>	<b>13.76</b>
<b>June</b>	<b>16.22</b>	<b>19.83</b>	<b>22.26</b>
<b>July</b>	<b>17.21</b>	<b>18.75</b>	<b>8.95</b>
<b>August</b>	<b>15.86</b>	<b>17.90</b>	<b>12.86</b>
<b>September</b>	<b>15.92</b>	<b>18.56</b>	<b>16.58</b>
<b>October</b>	<b>15.10</b>	<b>17.33</b>	<b>14.77</b>
<b>November</b>	<b>15.25</b>	<b>N/A</b>	<b>N/A</b>
<b>December</b>	<b>17.40</b>	<b>N/A</b>	<b>N/A</b>
<b>Annual Average</b>	<b>16.35</b>	<b>N/A</b>	<b>N/A</b>
<b>*whole chicken incld. offal</b>			

Source: UNA (National Poultry Association)  
 Avg. Exchange rate 1999, US \$1.00 = \$9.55 pesos  
 Avg. Exchange rate 1999, US \$1.00 = \$9.40 pesos

**White Eggs Farmgate Prices**

<b>WHITE EGGS FARMGATE PRICES</b> <b>Pesos/Kilogram</b>			
<b>Month</b>	<b>1999</b>	<b>2000</b>	<b>Change %</b>
<b>January</b>	<b>6.91</b>	<b>5.99</b>	<b>(13.31)</b>
<b>February</b>	<b>6.87</b>	<b>6.32</b>	<b>(8.01)</b>
<b>March</b>	<b>6.14</b>	<b>5.61</b>	<b>(8.63)</b>
<b>April</b>	<b>5.82</b>	<b>6.58</b>	<b>13.06</b>
<b>May</b>	<b>5.06</b>	<b>6.78</b>	<b>33.99</b>
<b>June</b>	<b>5.50</b>	<b>5.68</b>	<b>3.27</b>
<b>July</b>	<b>5.72</b>	<b>5.58</b>	<b>(2.45)</b>
<b>August</b>	<b>6.72</b>	<b>7.15</b>	<b>6.40</b>
<b>September</b>	<b>6.58</b>	<b>7.35</b>	<b>11.70</b>
<b>October</b>	<b>6.98</b>	<b>8.70</b>	<b>24.64</b>
<b>November</b>	<b>6.50</b>	<b>N/A</b>	<b>N/A</b>
<b>December</b>	<b>6.20</b>	<b>N/A</b>	<b>N/A</b>
<b>Annual Average</b>	<b>6.25</b>	<b>N/A</b>	<b>N/A</b>

Source: UNA (National Poultry Association)  
 Avg. Exchange rate 1999, US \$1.00 = \$9.55 pesos  
 Avg. Exchange rate 1999, US \$1.00 = \$9.40 pesos



**Beef Carcass Wholesale Prices**

<b>BEEF CARCASS WHOLESALE PRICES</b>			
<b>Pesos/Kilogram</b>			
<b>Month</b>	<b>1999</b>	<b>2000</b>	<b>Change %</b>
<b>January</b>	<b>20.67</b>	<b>22.04</b>	<b>6.63</b>
<b>February</b>	<b>20.99</b>	<b>22.20</b>	<b>5.76</b>
<b>March</b>	<b>21.04</b>	<b>22.36</b>	<b>6.27</b>
<b>April</b>	<b>21.11</b>	<b>22.43</b>	<b>6.25</b>
<b>May</b>	<b>21.05</b>	<b>22.55</b>	<b>7.13</b>
<b>June</b>	<b>21.21</b>	<b>22.77</b>	<b>7.36</b>
<b>July</b>	<b>21.21</b>	<b>22.71</b>	<b>7.07</b>
<b>August</b>	<b>21.20</b>	<b>22.94</b>	<b>8.21</b>
<b>September</b>	<b>21.23</b>	<b>22.76</b>	<b>7.21</b>
<b>October</b>	<b>21.27</b>	<b>22.75</b>	<b>6.96</b>
<b>November</b>	<b>21.37</b>	<b>22.83</b>	<b>6.83</b>
<b>December</b>	<b>21.75</b>	<b>N/A</b>	<b>N/A</b>
<b>Annual Average</b>	<b>21.17</b>	<b>N/A</b>	<b>N/A</b>

Source: National Market Information Service (SNIM)

Avg. exchange rate 1999 USD\$1.00 = \$9.55 pesos

Avg. Exchange rate 1999, US \$1.00 = \$9.40 pesos

NAFTA POULTRY AND EGGS TARIFF RATE QUOTAS 2000					
PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) As of Sep. 2000	% filled
EGGS	0407.00.01	7,761.30		7,200.67	92.78%
Fresh: Border regions a/ Other regions			Direct allocation Auction		
Fertilized: Nationwide			Direct allocation		
Whole fresh, chilled & frozen turkey	0207.24.01 0207.25.01	2,388.10	Direct allocation to the border region and the northern line b/.	115.19	4.82%
Other whole Poultry (Broilers or hens)	0207.11.01	15,522.60	Direct allocation to the border region and the	7,372.51	
fresh, chilled or frozen)	0207.12.01		northern border line.	845.60	
Total				8,218.11	52.94%
Ducks ,geese, and guineas, whole, fresh	0207.32.01	999.00	A nationwide auction	0.00	
chilled or frozen	0207.33.01	c/	(only ducks, geese, and guineas)	407.92	
Total				407.92	40.83%
Mechanically Deboned Meat	0207.13.01	32,239.30	Direct allocation to sausage companies	48,503.87	
guineas, whole, fresh	0207.14.01		and cold meat producers	36,036.02	
	0207.26.01		nationwide	18.49	
	0207.27.01			12,037.01	
Total				96,595.39	299.62%
Fresh or chilled Turkey parts	0207.26.99	33,433.40	Direct allocation to border region and the northern border line	35,090.59	
Frozen Turkey parts	0207.27.99		Direct allocation to sausage companies.	43,231.06	
Total				78,321.65	234.26%
Poultry cuts (broilers or hens)	0207.13.99	28,851.30	Direct allocation to border region and	22,797.29	
fresh, chilled or frozen	0207.14.99		the northern border line	32,661.87	
Total				55,459.16	192.22%

NAFTA POULTRY AND EGGS TARIFF RATE QUOTAS 2000					
PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) As of Sep. 2000	% filled
Duck, goose and guinea cuts, fresh chilled or frozen	0207.35.99 0207.36.99	d/	(only ducks, geese and guineas)	0.00 6.22	
Total				6.22	62.20%
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 Comitán de Domínguez, 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.					

TARIFF REDUCTIONS FOR NAFTA POULTRY PRODUCTS			
Year	Table Eggs	Poultry Meat	Turkey Meat
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%

<b>MEXICO: POULTRY NUMBERS, 1999</b>	
<b>Type of Bird</b>	<b>Thousand of Head</b>
Laying Hens in production*	103,137
Pullets in grow out	32,316
Light Breeding Hens in production	680
Light Breeding Hens in grow out	388
Light Progenitor Hens in production	6
Light Progenitor Hens in grow out	3
Heavy Breeder Hens in production	6,614
Heavy Breeder Hens in grow out	5,807
Heavy Progenitor Hens in production	185
Heavy Progenitor Hens in grow out	126
Broilers (Per cycle)	186,730
Turkeys (Per cycle)	650
Total Poultry Flock	336,641

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

### PER CAPITA CONSUMPTION

<b>Products / pounds-</b>	<b>1999</b>	<b>2000*</b>	<b>2001*</b>
EGGS	41.14	41.36	41.45
CHICKEN MEAT	40.10	41.69	41.89
TURKEY MEAT**	2.95	3.57	4.18

Source: UNA (National Poultry Association)

\*Forecast

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

STRATEGIC INDICATOR TABLE: POULTRY PRODUCTS TARIFFS				
Country: Mexico				
Report Year: 2001				
H.S.	Product Description	Tariff current Year	TRQ	If filled TRQ
0105.11.01	Day old chicks, which do not	10.0	N/A	N/A
	need feeding during transport			
0105.11.02	Breeding stock, layer-type with	Ex	N/A	N/A
	selected breed certificate when			
	imports are no more of 15,000			
	heads in each operation			
0105.11.99	Other	2.0	N/A	N/A
0105.19.99	Other (Chickens)	2.0	N/A	N/A
0207.11.01	Other fresh or chilled whole poultry	Ex	15,988.3	98.8
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	30,746.8	98.8
0207.14.99	Frozen poultry parts	Ex		
0207.26.99	Fresh & chilled turkey parts	Ex	34,436.4	98.8
0207.27.99	Frozen turkey parts	Ex		
0207.24.01	Whole fresh turkey	Ex	2,459.7	50.5
0207.25.01	Whole frozen turkey	Ex		
0207.13.01	Mechanically deboned chicken meat fresh or chilled	Ex	33,206.5	98.8
0207.14.01	Mechanically deboned chicken meat frozen	Ex		
0207.26.01	Mechanically deboned turkey meat	Ex		
0207.27.01	Mechanically deboned turkey meat,frozen	Ex		
0407.00.01	Table eggs, fresh, including hatching eggs	Ex	7,994.2	19.0
1602.31.01	Processed meat (Turkey)	4.0	N/A	N/A
1602.39.99	Other processed poultry meat	4.0	N/A	N/A

MONTHLY EXCHANGE RATE AVERAGES		
	1999	2000
January	10.13	9.02
February	10.01	9.43
March	9.75	9.28
April	9.43	9.37
May	9.38	9.50
June	9.53	9.81
July	9.37	9.43
August	9.38	9.27
September	9.33	9.33
October	9.52	9.52
November	9.40	9.50
December	9.38	9.44
Annual Avg.	9.55	9.40

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

For 2001, Mexican poultry meat production remains unchanged from earlier estimates. This estimate, however, represents an increase of 5 percent over 2000 production due to stable production costs, particularly for feedstuffs. The larger poultry firms face better financial situation as a result of the on-going economic recovery and attractive returns. Nearly 60 percent of total production cost of poultry firms continue to be feed costs. This increase also reflects the consumer preference over other higher priced meats.

According to industry sources, chicken feed consumption for 2001 is expected to grow approximately 5 percent over 2000 consumption. Producers indicate that approximately 60 percent of imported feedstuffs corresponds to sorghum, corn and wheat, approximately 23 percent to oilseeds and oilseed meals, and 17 percent to other products such as safflower, orthophosphate, calcium, and methionine. Domestic white corn prices averaged \$1,375 pesos/MT (US\$137.50/MT), while imported yellow corn averaged \$1,036 pesos/MT (US\$103.60/MT). Domestic sorghum prices averaged \$1,125 pesos/MT (US\$112.50/MT) by December 15, 2000, while imported sorghum averaged \$1,063 pesos/MT (US\$106/MT).

<b>CHICKEN FEED CONSUMPTION (MT)</b>	
	<b>2000</b>
Feed Grain	3,649,704
Oilseeds	1,158,636
Other Ingredients	985,840
<b>TOTAL</b>	<b>5,796,180</b>

Source: National Poultry Association (UNA)

According to industry sources the Newcastle outbreak problem in "La Laguna" region (see MX0127) has been practically over. Farms were gradually repopulated after the gradual lift of quarantine restrictions taken place. It led to normal output on October/November 2000.

Modern technology continues to be widely used by domestic poultry firms at the farm level. UNA indicates that 60 percent or more of the industry has been mechanized. Approximately 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 Arbor Acres Avian Farm and HyBro, which together represent approximately 60 percent of the total broiler breeding stock. For the layer breeding flocks, 90 percent of production is white eggs, and the most representative genetic line is Babcock B-300 with 40 percent of total domestic production. Hy Line is second with 28 percent of total production. The genetic line for brown egg production is HiSex Brown with 4 percent of total domestic production. According to the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA), formerly known as SAGAR, there are now 16 Federally Inspected Plants (TIF) up from 14 over the last year and the number of birds slaughtered in the TIF plants has increased.

The continued expansion of large vertically integrated companies has offset the departure of many medium and small sized farms which are not competitive under the current cost/price structure of the industry. According to industry sources, in Mexico more than 50 percent of total poultry meat production is produced by only three companies. An example of this industry concentration is BACHOCO, the largest integrated poultry company in Mexico, which is attempting to buy a medium poultry company in Veracruz. Currently, BACHOCO's share of the chicken market is approximately 33 percent. Similarly, industry sources indicated that Tyson, the third largest poultry company, is also looking to purchase two medium firms of "La Laguna" region in northern Mexico.

## **Consumption**

The domestic consumption forecast for poultry for 2001 is expected to remain unchanged from our earlier estimate of 2.4 MMT, as consumer purchasing power continues recovering. Moreover, retail prices will continue to be low. Consumption estimate for 2000 has been revised downward based on industry information. The industry sources indicated that this decline is a result of lower imports than previously estimated. Chicken meat consumption continued expanding and covering demand of meats, due to lower prices and consumers' awareness of the advantage of eating low fat meat.

UNA forecast that consumption for 2001 will increase to approximately 49.26 pounds per capita from 47.72 pounds per capita in 2000. 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 5 percent is purchased in supermarkets (whole chicken without offal), and chicken cuts account just for 8.5 percent of total consumption in 2000.

## **Trade**

Whole and chicken parts imports were updated for 1999 reflecting final government data. Similarly, whole chicken imports for 2000 were revised downward because of imports that resulted from problems caused by the Newcastle disease outbreak in northern Mexico, were lower than previously estimated. This TRQ for whole chicken has gone unfilled. This situation is expected to continue until 2003, when all imports will be duty free. Imports for 2001 are forecast to remain unchanged from our earlier forecast due to continued gradual recovery on income levels..



As in 2000, MDM imports for 2001 will surpass the total tariff rate quotas (TRQs). As local production of MDM is not enough to meet demand, the Mexican government has continued to waive the enforcement of the original TRQ for this product. As reported, the GOM issued import certificates to 50 meat processors to import 79,800 MT of MDM for the first semester of 2001, which is well above the original NAFTA TRQ for 2001 of 32,206 MT. Industry sources indicated that the duty-free MDM quota for the first half of the year is sufficient to meet meat processors' projected needs. Mechanically deboned meat (MDM), particularly mechanically deboned chicken (MDC), is imported by Mexican processors. The domestic production of MDC is still incipient while demand for this product as an input for the domestic sausage and cold-cuts industry remains strong. The leading meat packers account for more than 80 percent of the total MDC imports.

In addition, the GOM issued 31,000 MT of turkey cuts for the first semester of 2001. Trade sources stated that the allocation of turkey cuts will fill their needs for only about four months. Reportedly, trade has been worked with the new Secretariat of Economy (SE) officials, along with the Mexican poultry and pork industries, in an attempt to get additional duty-free quota for turkey for the rest of the year. Total NAFTA TRQ of turkey cuts is 34,436 MT.

On December 31, 2000 the Mexican Congress passed a law that would allow the Department of the Treasury (SHCP) to collect import duties on agricultural products imported in excess of the tariff rate quotas in NAFTA and in other free-trade agreements negotiated by Mexico. Although duty levels were not announced, industry sources reported that imports of mechanically separated poultry meat and poultry cuts are exempt from the new duties. Last year, intense lobbying by Mexican meat processors headed off an attempt by the Mexican government to impose a 30 percent duty on over-quota poultry imports (see MX0014).

The SE held an auction in mid-December for NAFTA TRQ's to import whole (999 MT) and parts of ducks, geese or guineas (5 MT) from the United States for 2001. These imports are part of the TRQs for whole poultry and other poultry cuts, other than turkey. Whole duck quotas were awarded to five companies and individuals. Industry sources stated that in case importers fill individual quotas, an extension of the duty-free quota may be approved with support from UNA.

## **Policy**

On November 30, Mexico published an announcement that it will implement minimum import permits (cupos) for the year 2001 as established under the General Import Tariff Law and its amendments. These "cupos" are in addition to those established under the NAFTA tariff rate quotas. The announcement includes, among other products, poultry meat and offal, which can be imported from the United States and other countries such as Canada and Chile. According to SE officials, this announcement attempts to prevent that over-quota tariffs could be collected for many sensitive products. Since NAFTA implementation, the GOM has not applied these over-quota tariffs. Several grower groups, have requested that the new GOM impose and collect duties on imports of all agricultural products entering Mexico in excess of NAFTA TRQs (see MX 0196).

On December 29, 2000, Mexico's Secretariat of Treasury (SHCP) announced in the Diario Oficial (Mexico's Federal Register) that starting December 30, 2000, it would impose an estimated price system on imported poultry meat, salted or in brine, for the purpose of calculating the duty. These prices, as implied by their name, are "estimated" prices. SHCP, using price lists, data from Mexican producers, as well as other sources of information, derives an "estimated" price for the selected products. Importers of poultry meat (salted or in brine) will have to deposit money in an account against the difference of the duty between the estimated price and the "export value" (including transportation costs and broker's fees) if the latter is lower (see MX1002 and MX0156).

## **Marketing**

Imports of high value chicken and turkey products are gradually increasing in Mexico, particularly through supermarket chains and distributors. Imports, however, have been adversely affected by supplies of locally produced high value products. Leading companies are aggressively targeting market niches by selling products at very attractive prices, sometimes below production cost in order to introduce and gain market share of new items. Main challenge of U.S. exporters of high value products continues to be find a local distributor with wide distribution capacity. In addition, distribution of imported food products, particularly frozen products, is widely dominated by a few number of local distributors who commonly do not pay much attention to specific brand or line of products. An interesting option to evaluate is to find Mexican partners amongst meat and poultry processors with distribution capabilities. Local processors may be also interested in selling imported products under their local brands. USAPEEC Mexico is providing list of meat and poultry processors to all interested U.S. exporters in evaluating joint ventures.

## **TURKEY MEAT**

### **Production and Consumption**

No change from our previous report. See MX0127 dated 09/22/2000.

### **Trade**

The 1999 estimate for turkey imports (whole and parts) was revised upward according to final official data. Nearly 75 percent of the total production in Mexico continues to be marketed as whole turkeys during the Christmas season and approximately 25 percent is sold as cut-up and further processed turkey meat products. Retail sales of both locally produced whole turkeys and U.S. processed whole turkey, mainly smoked, were reportedly higher in the 2000 Christmas season compared to previous one. A main supermarket chain and a poultry processor imported approximately 160,000 raw, whole turkeys from Chile. Imports of poultry from Chile entered duty-free since Mexico-Chile Free Trade Agreement has been fully implemented since 1998. Retail prices for Chilean turkey, Aristia and Sopraval, fluctuated between 20-24 pesos per kilogram (U.S.\$2.11 -\$2.52/ kg) while locally produced bird prices were 26-28 pesos per kilogram (U.S. \$2.74-2.95 kg). Retail prices for U.S. smoked turkey were 32-36 pesos per kilogram (U.S. \$3.34-3.79 kg). These retail prices were at selected supermarkets in Mexico City.

## EGGS

### Production

The egg production estimates for 2001 remain unchanged from earlier estimates. The egg overproduction that prevailed in 2000 forced prices down and impacted negatively production expectations. Despite the fact relatively higher whole prices at the end of 2000, industry sources expect domestic prices will continue depressed in 2001. Consequently, producers will increase, marginally, egg production. Layers numbers estimate for 2000 were revised upward based on industry updated information. The domestic market for shell eggs and products continue to be dominated by a few large producers. Sources estimate that the average production per hen per year was approximately 294 eggs for 2000. According to UNA, the proposal to create a Mexican Egg Clearinghouse has been postponed due to lack of budget (see MX 0127).

EGG FEED CONSUMPTION (MT)	
	2000
Feed Grain	3,160,740
Oilseeds	986,266
Other Ingredients	838,327
<b>TOTAL</b>	<b>4,987,333</b>

Source: UNA

### Consumption and Trade

No change from our previous report. See MX0127 dated 09/22/2000.