

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/7/2001 GAIN Report #MX1026

# **Mexico**

# **Product Brief**

# The Mexican Market for Poultry and Poultry

# **Products**

2001

Prepared by:

Chad R. Russell U.S. Embassy

Drafted by: Carlos Zertuche

Report Highlights: This report was prepared by the USDA's Foreign Agricultural Service for U.S. exporters of food and agricultural products. This information is in the public domain and may be reprinted without permission. Use of commercial or trade names does not imply approval nor constitute endorsement by USDA/FAS.

GAIN Report #MX1026 Page 1 of 11

This report is for informational purposes only to assist exporters of U.S. produced food and agricultural products in their sales and promotional efforts in Mexico. The data in this report were collected from local trade and government sources and are not necessarily official U.S. Department of Agriculture (USDA) data. While every effort has been made to provide an accurate list of contacts, telephone and fax numbers change frequently in Mexico. Also, there may be other qualified firms in Mexico and the United States, and their exclusion from any lists or directories is unintentional. Neither the U.S. Agricultural Trade Office nor the USDA endorses any firm contained herein. U.S. exporters should take normal commercial cautions when dealing with any potential importer, including checking credit references.

#### SECTION I. MARKET OVERVIEW

**Product Definition**. The products included in this report are Poultry and Poultry products, including chicken, turkey, meat and chicken eggs. These products are classified under Chapter 2 of the Harmonized Tariff System (HTS) of Mexico.

<u>Chicken</u>. In Mexico, prepacked chicken continues to be an intermediate product rather than a high value product because Mexican consumers prefer fresh, whole chickens. The purchasing of parts, however, is increasingly more common, mainly in supermarkets. Consumers prefer to buy uncooked, fresh chicken meat, preferably with yellow-skin. Retail distributors located along the US-Mexico border are the main customers for US chicken meat exports, followed by Mexican meat processors who import mainly mechanically deboned chicken (MDC) as an input for the domestic production of sausage and cold-cuts.

<u>Turkey</u>. There has been a continuous increase in turkey meat consumption in Mexico in the last three years. The most significant increase is seen in the consumption of cold meats and sausages prepared with a mix of domestic pork and imported US turkey thighs, due these are substantially lower in price as compared to sausages prepared with whole pork. Imports of raw whole turkey in 2000 remained similar to imports of raw whole turkey in 1999. The import of raw whole turkey is mainly limited to the months of November and December, for Christmas festivities. In 1999 the estimated per capita consumption of turkey meat was 2.3 pounds.

**Eggs.** The trend of US egg exports to Mexico is down, due to a combination of high prices of the US product and overproduction in Mexico. For the year 2000 imports of US table egg destined to regions in Mexico other than Baja California were minimal.

Advantages	Challenges
Strong demand from the leading meat packers for (MDM) as an input for the domestic production of sausage and cold-cuts.	The Mexican swine industry lobbies against NAFTA TRQ allocations for MDM imports because they perceive that "excessive" imports of poultry parts and paste imports lowers demand for processing domestic pork.
Duty-free access for US uncooked whole poultry and poultry parts, basically chicken meat parts, is granted to domestic trading companies operating in the northern border region.	In early December 1999, the Mexican government de-listed 17 US meat plants, of which 9 were poultry plants, for more details see (FAS Report MX0092).

GAIN Report #MX1026 Page 2 of 11

Import quotas will be totally eliminated by 2003.	Restricted access for uncooked US poultry products.
A wide price differential, in favor of the US, between US and Mexican poultry meat prices.	Sanitary measures in Mexico have become barriers to trade for US exports.

#### SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Chicken meat consumption for the year 2000 is forecast to increase three percent over 1999 due to increased domestic poultry production and improved consumer purchasing power. Industry sources indicate that broiler consumption continues to increase because it is less expensive compared to red meats. According to the National Poultry Producers Association (UNA), consumption for 2000 is expected to increase to approximately 40 pounds, per capita, from 36.3 pounds in 1998, because poultry meat prices continue to be affordable. The Mexican government does not provide consumer subsidies for purchase of poultry meat.

<u>Retail Food Sector</u>. In Mexico, consumers prefer fresh, whole chickens. The purchasing of parts, however, is increasingly more common, mainly in supermarkets. Consumers prefer to buy uncooked, fresh chicken meat. Consumer awareness of cholesterol problems is resulting in greater marketing opportunities for chicken meat.

**HRI Sector.** Roasted chickens (whole chicken without offal) account for 27 percent of chicken meat consumption, while chicken sold in wet markets and stalls (whole chickens including offal) account for approximately 19 percent of the total. Live birds represent 42 percent of total chicken meat consumption. Only nine percent is purchased in supermarkets (whole chicken without offal), and chicken cuts account for just three percent of total consumption.

<u>Processing Sector.</u> As a result of NAFTA, imports of poultry products have increased and are expected to reach a volume of over 200 thousand tons per year, over the next three years. The primary import will be mechanically deboned chicken meat (MDM) for the Mexican processing industry, which competes with beef in the production of sausages and with pork in cold meats. Sausages and cooked ham packing companies also import turkey thigh meat. Mexico imports poultry meat only from the United States. Duty-free access for US uncooked whole poultry and poultry parts, i.e., chicken meat parts, in practice, is only

Duty-free access for US uncooked whole poultry and poultry parts, i.e., chicken meat parts, in practice, is only granted to domestic trading companies operating along Mexico's northern border area. This area comprises the territory of Baja California Norte and Sur, including the county of Cananea, Sonora. The region includes major cities such as Tijuana, Mexicali, Ensenada, San Luis Rio Colorado and La Paz. The demand for uncooked poultry in the rest of the country is supplied by domestic production.

#### **Distribution Channels, Trends**

The distribution of uncooked poultry in the border area is estimated to be 70 percent through retail outlets and 30 percent through food service. These products will enter all of Mexico duty free in the year 2003. Imports have remained stable during the last three years at an average of US \$ 70 million.

The distribution of pre cooked and fully cooked chicken parts is estimated to be 60 percent through retail outlets and 40 percent through food service. Imports of these products have decreased during the last few years due to the increasing competition from domestic suppliers.

GAIN Report #MX1026 Page 3 of 11

#### Market Size, Structure, Trends

# MEXICO: PRODUCTION, FOREIGN TRADE AND CONSUMPTION OF CHICKEN, 1998 – 2001 (1000MT)

	1998	1999	2000(e)	2001(f)
Production	1587	1784	1891	1986
Imports	123	135	159	163
Exports	0	0	0	0
Consumption	1710	1919	2050	2149
Imports as a % of consumption	7.2	7.0	7.8	7.6
Per capita consumption (lbs)	40.7	44.6	46.3	47.4

Source: FAS/Mexico, Poultry Producers Assn. (UNA) e: Estimated, f: Forecast.

#### **Eggs**

Traditionally, table eggs in Mexico are not washed or refrigerated prior to distribution. However, according to Mexican regulations (NOM-159-SSA1-1996) eggs that have been initially refrigerated must remain refrigerated during the whole import process until it reaches the end consumer. Consequently, imports of refrigerated eggs from the United States face the limitation of insufficient refrigerated storage and transportation.

Total egg imports in 1999 were 14.2 million dozen, representing less than one percent of the total production because marketing channels are completely covered by local producers. In addition, consumers prefer fresh eggs.

#### **Distribution Channels, Trends**

The distribution of eggs and egg products is carried out by wholesalers, who distribute mainly to restaurants, the food service industry, bakeries, food canners, and confectionery manufacturers.

# MEXICO: PRODUCTION, FOREIGN TRADE AND CONSUMPTION OF EGGS, 1998 – 2001 (Million Pieces)

(1.1111011 1 10005)				
	1998	1999	2000(e)	2001(f)
Production	29,898	32,428	33,310	33,640
Imports	270	171	176	178
Exports	0	0	0	0
Consumption	30,168	32,599	33,486	33,818

Imports as a % of consumption	0.9	0.5	0.5	0.5
Per capita consumption (pieces)	326	343	343	338

Source: FAS/Mexico, UNA (National Poultry Association)

e: Estimated. f: Forecast

#### **Turkey**

In 1995, turkey meat imports (including whole, pieces, and offal) were about 10,000 MT; by the end of 1999, imports increased to 100,000 MT. A hundred percent of these imports are from the United States.

#### Market Size, Structure, Trends

Mexico's demand for turkey increases during the Christmas - New Year period. In 1999, it is estimated that 2.5 million turkeys were consumed in the months of November and December, of which 1.5 million were frozen smoked turkeys imported from the United States. The retail sector markets 60 percent of this total, while the rest is purchased by several Mexican government agencies to distribute as fringe benefits to government employees.

MEXICO: PRODUCTION, FOREIGN TRADE AND CONSUMPTION
OF TURKEY, 1998 – 2001
(1000 MT)

	1998	1999	2000(e)	2001(f)
Production	11	12	12	13
Imports	106	100	111	122
Exports	0	0	0	0
Consumption	117	112	123	135
Imports as a % of consumption	90.6	89.3	90.2	90.4
Per Capita Consumption (lbs)	2.79	2.60	2.78	2.98

Source: FAS/Mexico, UNA (National Poultry Association)

e: Estimated. f: Forecast

Domestic production of turkey parts and further-processed products is very limited. Mexican producers find it difficult to compete against turkey imports due to poor economies of scale and limited integration. According to the industry, the cost of production is high despite the availability of feedstuffs at attractive prices. Two large companies represent almost 90 percent of total domestic production.

#### SECTION III. COSTS AND PRICES

Under NAFTA, duty-free access to Mexico for the year 2001 is established at 116,850 MT of poultry meat from the United States. This amount is scheduled to grow at a three percent annual compound rate until 2003, when all imports will be duty free.

As of October 2000, the Mexican Commerce Ministry (SECOFI) has issued import certificates for

GAIN Report #MX1026 Page 5 of 11

approximately 221,672 MT of US poultry meat, which is well above the original NAFTA zero tariff rate quota (TRQ) for this year. The increase of import certificates is mainly for MDM and turkey thigh meat. SECOFI changed its name to Secretaria de Economia (SECO) in December 2000.

## **Import Duties**

Mexican import duties for poultry products are classified according to the Standard International Harmonized System, as established under the previsions of the North America Free Trade Agreement (NAFTA). US exporters should take note that Mexican foreign trade data for poultry products does not necessarily correlate with US trade data.

The following import duties are applicable in 2001. The import duties for these products will reach a zero import tariff on January 1, 2003:

HST Code	Description	Quota (Kgs)	Over Quota % Duties
02.07	Meat and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen.		
	- Of chickens:	14,929	
0207.11	Not cut in pieces, fresh or chilled.		
0207.11.01	Not cut in pieces, fresh or chilled.		148.2
0207.12	Not cut in pieces, frozen.		
0207.12.01	Not cut in pieces, frozen.		148.2
0207.13	Cuts and offal, fresh or chilled.	30,736	
0207.13.01	Mechanically deboned.		148.2
0207.13.02	Carcasses		148.2
0207.13.99	Other.		148.2
0207.14	Cuts and offal, frozen.	33,206	
0207.14.01	Mechanically deboned.		148.2
0207.14.02	Livers.		3.0*
0207.14.02	Carcasses		148.2
0207.14.99	Other.		148.2
	- Of turkeys:		
0207.24	Not cut in pieces, fresh or chilled.	2,460	
0207.24.01	Not cut in pieces, fresh or chilled.		75.7
0207.25	Not cut in pieces, frozen.		

GAIN Report #MX1026 Page 6 of 11

	_		
0207.25.01	Not cut in pieces, frozen.		75.7
0207.26	Cuts and offal, fresh or chilled.	34,437	
0207.26.01	Mechanically deboned.		148.2
0207.26.99	Other.		148.2
0207.27	Cuts and offal, frozen.		
0207.27.01	Mechanically deboned.		148.2
0207.27.02	Livers.		3.0*
0207.27.99	Other.		148.2
	- Of ducks, geese, or guineas:		
0207.32	Not cut in pieces, fresh or chilled.	1,060	
0207.32.01	Not cut in pieces, fresh or chilled.		148.2
0207.33	Not cut in pieces, frozen.		
0207.33.01	Not cut in pieces, frozen.		148.2
0207.34	Fatty livers, fresh or chilled.		
0207.34.01	Fatty livers, fresh or chilled.		3.0*
0207.35	Other, fresh or chilled.		
0207.35.99	Other, fresh or chilled.		148.2
0207.36	Other, frozen.		
0207.36.01	Livers.		3.0*
0207.36.99	Other.		148.2
04.07	Birds' eggs, in shell, fresh, preserved or cook.		
0407.00.01	Fresh eggs, including fertile.	15,988	28.5

<sup>\*</sup> In Quota Tariff

Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, molded, frozen, powdered or otherwise preserved are subject to an import duty of six percent.

Mexico also has a fifteen percent value-added tax (VAT, or IVA in Spanish). Mexican Customs collects the VAT on foreign transactions upon entry of the merchandise into the country. The following example illustrates how these duties are calculated as compared to a locally produced item.

F.O.B. Invoice value

Imported
Products

\$100.00

\$100.00

GAIN Report #MX1026 Page 7 of 11

Value-added tax (15 percent)	Sub-total	\$106.00 15.90	\$100.00 15.00
varue added tast (15 percent)	Total	\$121.90	\$115.00

Customs brokers use this total figure to calculate their fees which usually is 0.5 percent on the average plus any storage and handling fees, if any.

The basic Mexican import document is the Pedimento de Importacion (customs entry document), which should be presented to Mexican Customs together with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notice. Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. This form is available from the US Customs Service, freight forwarders, local US Chambers or State Departments of Agriculture, and it does not have to be validated or formalized. Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

#### **Uncooked Poultry**

This category includes fresh, chilled and frozen raw chicken and parts, duck, quail and pheasant. Imports are assisted by a duty free tariff rate quota (TRQ). The TRQ for 2001 for raw chicken and duck, in whole or parts is 79,942 MT. For imports over the TRQ the product is subject to a 275 percent import duty.

## Pre Cooked, Fully Cooked Chicken

Imports of hot wings, nuggets, tender loins, chicken breasts, chicken fingers, patties, hams and sausages are not subject to import quotas. The current import duty applicable to these products is six percent and will go to zero in January 2003.

#### **Eggs**

Table eggs and fertilized eggs are both included in the same duty free TRQ. Egg imports over the duty free quota are subject to an import duty of 28.5 percent. The quota for the year 2000 is 11.5 million dozen. High value egg products, such as frozen, chilled or powdered whole eggs, yolks, whites and blends are not subject to import quotas, but the market in Mexico is still developing and is limited by the high cost of these products.

#### **Turkey**

For the year 2000, turkey meat imports (whole and in pieces) are subject to a TRQ of 34.8 million tons. Mexican authorities have been flexible in accepting over- quota turkey meat imports, mainly due to the Mexican meat packers' demand for MDM.

#### SECTION IV. MARKET ACCESS

For market access, the exporter must comply with the following steps:

GAIN Report #MX1026 Page 8 of 11

1. Must ensure that the shipment complies with the applicable sanitary measures, such as the certificate of wholesomeness issued at a US certified packing plant.

- 2. The shipment is accompanied with an invoice, packing list, certificate of free sale and a certificate of origin.
- 3. The shipment must comply with Mexican labeling regulations NOM-130-SCFI (see page 11).

The importer in Mexico must have:

- 1. A license to import these products.
- 2. An import quota authorization.
- 3. Pay the import duties and all expenses related to customs clearance.

#### **Sanitary Standard Regulations for Poultry and Poultry Products**

NOM-087-SSA1-1994 Fresh poultry, chilled and frozen, whole and parts, canned.

NOM-159-SSA1-1996 Egg and by products. Regulations and sanitary specifications.

NOM-034-SSA1-1993 Meat products. Milled meat, canned. Sanitary Specifications.

NOM-030-Z00-1995 Meat Import Inspection Procedures, Meat, Carcasses, offal.

NOM-122-SSA1-1994 Meat Sanitary Specifications. Meat, meat products, cured, cooked, basted.

NOM-145-SSA1-1995 Meat. Sanitary Specifications. Meat products in parts, cured and matured.

#### Labeling

Official Mexican Standard NOM-051-SCFI-1994 general specifications for labeling prepackaged food and non-alcoholic beverages.

Following are the specific labeling requirements which became effective July 1, 1997, at the border and at in-country manufacturing facilities. All label information must be in Spanish, but may also include other languages.

- 1. Name or type of product and brand. Note that there is no need to attempt to translate the brand name.
- 2. List of ingredients ("lista de ingredientes"): in descending order for those ingredients equal to or exceeding 5 percent of the product composition; including added water; plus the specific percent content of combined additives or colors.
- 3. Net content ("contenido neto") or drained weight ("masa drenada"), as appropriate, in metric units. It is critical to note here that in the Mexican metric system, a comma is used in place of a decimal point. Other units of measure may also be shown. Complementary standards are found in:

NOM-002-SCFI Pre-packaged Products-Net Content and Verification Methods

NOM-008-SCFI General System of measuring Units

NOM-030-SCFI Commercial Information -Declaration of Quantity on Label Specifications

- 4. Name and address ("nombre y domicilio") of manufacturer or importer.
- 5. Country of origin ("pais de origen"), using language such as "Hecho en" (made in) or "producto de" (product of).
- 6. Lot number ("lote"). This may be any system the manufacturer chooses to use and is intended only for the purpose of product recall if such becomes necessary.
- 7. Expiration date ("fecha de caducidad"), as determined by the manufacturer. This is not the same as preferred

GAIN Report #MX1026 Page 9 of 11

consumption date ("fecha de consumo preferente").

8. Nutritional information, required when the label makes any nutritional claim.

## **Duty Free Import Quotas**

Import certificates are issued to specific companies or individuals according to their registered activity, be it distribution or processing and in accordance to the territory of destination (e.g., chicken and/or turkey paste import quotas are granted to meat packers and import quotas for whole uncooked turkey are issued to distributors located in the border region). There are two ways for the importer to obtain a share of an import quota: a) direct allocation, b) auction.

#### SECTION V. KEY CONTACTS AND FURTHER INFORMATION

#### **KEY TRADE CONTACTS**

The US Agricultural Trade Office (ATO) in Mexico carries out a variety of services geared to helping both first time and seasoned US exporters sell and promote their products in Mexico. The ATO provides background information on many aspects of the Mexican market and suggests strategies which US firms and associations might follow in evaluating their product's sales potential. In Mexico there are a number of non-profit US commodity groups and trade associations that work with the ATO to develop and service the Mexican market. The USA Poultry and Egg Export Council (USAPEEC) is colocated with the ATO and is dedicated to developing the Mexican market for US poultry and poultry products. Contact information for both offices is listed below.

#### Office of Agricultural Affairs

US Embassy
Paseo de la Reforma 305, Col. Cuauhtemoc
06500 Mexico, D.F.
Tel 011-525-209-9100 extn 3750
Fax 011-525-208-2115
e-mail: AgMexico@fas.usda.gov

#### Agricultural Trade Office-ATO, USDA

Jaime Balmes 8-201; Col. Los Morales Polanco 11510 Mexico, D.F.

Tel: 011-525-280-5291, 280-5277, 281-6586 Fax: 011-525- 281-6093

e-mail: atomexico@fas.usda.gov http://www.atomexico.gob.mx

#### **USA Poultry & Egg Export Council**

Jaime Balmes 8-201, Col. Polanco 11510 Mexico, .D.F Tel 011-525-282-0946 Fax 011-525-282-0952 e-mail: luispo@prodigy.net.mx

Secretaria de Agricultura, Ganaderia, Pesca y Desarrollo Rural (Agriculture Secretariat)

Av. Insurgentes Sur 476, Piso 13, Col. Roma Sur

GAIN Report #MX1026 Page 10 of 11

06760 Mexico, D.F. Tel 011-525-584-8000 Fax 011-525-584-2699 http://www.sagar.gob.mx

#### Secretaria de Salud (Health Secretariat)

Sanitary Qualification Office

Donceles 39-PB 06010 Mexico, D.F. Tel: 011-525-518-2692 http://www.ssa.gob.mx

## Direccion General de Normas (DGN)

(Quality Standards Regulatory Agency)

Puente de Tecamachalco 6; Lomas de 53950 Tecamachalco, Estado de Mexico

Tel: 011-525-229-6100, extn 4158

http://www.secofi.gob.mx

## Secretaria de Economia

Alfonso Reyes 30-PB; Col. Hipodromo Condesa,

06710 Mexico, D.F.

Tel: 011-525-229-6100, extn 3395 & 4949;

http://www.secofi.gob.mx

#### **American Chamber of Commerce-AMCHAM**

Lucerna 78

06600 Mexico, D.F. Tel: 011-525-724-3800 Fax: 011-525-703-2911

MEGAMARKETS				
Company Name	Address	Telephone	Facsimile	
Comercial Mexicana, S.A. de C.V.	Fernando Alva Ixtlixochitl 27 Col. Obrera 06800 Mexico, D.F.	011-525-723-7191	011-525-723-7495	
Carrefour	Masaryk 219, 1st. Floor Col. Chapultepec Morales 11570 Mexico, D.F.	011-525-283-2900	011-525-281-5999	
Nueva Walmart de Mexico, S.A. de C.V.	Avenida Universidad 936-A Col. Santa Cruz Atoyac 03310 Mexico, D.F.	011-525-420-0200	011-525-327-9341	
HYPERMARKETS				
Gigante, S.A. de C.V.	Av. Ejercito Nacional 969 Col. Nueva Granada 11520 Mexico, D.F.	011-525-724-8000	011-525-724-8381	

GAIN Report #MX1026 Page 11 of 11

~			044 700 555 555
Soriana Hipermart	Alejandro de Rodas 3102-A Cumbres Octavo Sector 64610 Monterrey, Nuevo Leon	011-528-329-9000	011-528-329-9180
Aurrera	Ave. Nextengo 78 Col. Santa Cruz Acayucan 02770 Mexico, D.F.	011-525-328-3500	011-525-328-3556
Tiendas Chedraui	Priv. Antonio Chedraui Col. Encinal 91180 Xalapa, Veracruz	011-52-28-14-4700	011-28-14-4896
MEAT PACKERS			
Embutidos Supremos, S.A. de C.V.	Fray Teófilo Garcia 919, Col. Alcalde de Barranquitas, 44270 Guadalajara, Jalisco.	011-523-614-01-89 and 658-2469	011-523-658-24-69
Comercializadora Keken, S.A. de C.V.	Km 9 Carretera Puebla-Tehuacan 72990 Chachapa, Puebla	011-52-22-86-0281	011-52-22-86-0470
Empacadora Mexicana de Puebla, S.A. de C.V.	Camino Nacional 182 Col. Indepndencia 72150 Puebla, Puebla	011-52-22-85-0120	011-52-22-85-0840
Empacadora Ponderosa, S.A. de C.V.	Jose S. Chocano 970 Poniente Col. Anahuac 66450 San Nicolas de los Garza Nuevo Leon	011-528-376-1300	011-528-376-0427
Empacadora Trevino, S.A. de C.V.	Miguel Barragan 609 Poniente Fracc. Industrial 64440 Monterrey, Nuevo Leon	011-528-374-6000	011-528-372-1762
KIR Alimentos, S.A. de C.V.	Av. Conductores 600, Lagrange 66490 San Nicolas de los Garza Nuevo Leon	011-528-313-6060	011-528-313-6677
Rastro, S.A. de C.V.	Av. del Estado 1419 Col. Buenos Aires 64800 Monterrey, Nuevo Leon	011-528-384-1857	011-528-358-7482
Sigma Alimentos, S.A. de C.V.	Ernesto Pugibet 2 Industrial Xalostoc 55340 Ecatepec, Estado de Mexico	011-525-227-1700	011-525-714-4072