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Poultry and Products

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Report Highlights:

Supply and demand estimates for MY 2005 and 2006 are unchanged from previous Post estimates. Mexico's poultry industry is expected to grow in MY 2006 as the trend toward vertical integration continues. Production, consumption and imports are projected to increase, reflecting continued overall growth in Mexico's poultry industry and market. Mexico lifted Low Pathogenic Avian Influenza (LPAI) restrictions on 9 U.S. states, but a ban on poultry from 11 Texas counties remains.

Includes PSD Changes: Yes
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SECTION I. Situation and Outlook

The 2006 forecasts for Mexico's chicken meat supply and use remain unchanged from previous Post estimate (see MX 5059). Production continues to grow, spurred by increasing demand and greater production efficiencies. Concentration, integration and modernization are key factors in the growth of Mexico's poultry industry. The July 2003 safeguard agreement that established a tariff-rate quota for imports of U.S. chicken leg quarters (CLQ) continues to provide some protection for the Mexican industry. Turkey production is expected to remain unchanged in 2006 even as domestic demand increases, while imports are forecast to rise.

Mexico is in the process of obtaining an equivalence agreement with USDA's Food Safety Inspection Service (FSIS) that would allow for exports of domestically produced poultry meat and egg products to the United States.

Mexico's poultry imports are largely comprised of chicken leg quarters (CLQ), turkey cuts for further processing, and mechanically separated (chicken and turkey) meat (MSM). Imports of these products are forecast to increase, reflecting strong demand from Mexico's processing sector. Imports of U.S. chicken leg quarters under the safeguard TRQ reached 85 percent of the in-quota volume as October 2005.

Overall consumption of poultry products is expected to continue growing in 2006. In November 2005, consumption temporarily dipped due to consumer concerns about highly pathogenic strains of avian influenza (HPAI) in other countries. However, demand quickly rebounded due to poultry's lower price compared to other meats and industry and government assurances regarding AI. Strong seasonal demand leading up to the holidays also helped demand to rebound. A detection of low pathogenic avian influenza (LPAI) in Chiapas in December 2005 had little impact on Mexico's poultry market.

Mexico's agriculture ministry, Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA), recently lifted LPAI restrictions on 9 U.S. states, but continues to ban imports from 11 counties in Texas due to an outbreak of HPAI in 2004. SAGARPA is expected to publish the final version of the NOM-44 rule on avian influenza measures early in 2006.

SECTION II. Statistical Tables

➤ POULTRY, MEAT, BROILER

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

➤ POULTRY, MEAT, TURKEY

Country	Mexico					
Commodity	Poultry, Meat, Turkey (1000 MT)(MIL HEAD)					
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official Post Estimate	USDA Official Post Estimate	USDA Official Post Estimate	USDA Official Post Estimate	USDA Official Post Estimate	USDA Official Post Estimate
	[Old]	[New]	[Old]	[New]	[Old]	[New]
Market Year Begin	01/2003		01/2004		01/2005	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	13	13	13	13	13	13
Whole, Imports	0	0	0	0	0	0
Parts, Imports	144	144	170	170	179	179
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	144	144	170	170	179	179
TOTAL SUPPLY	157	157	183	183	192	192
Whole, Exports	0	0	1	1	1	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	1	1
Human Consumption	156	156	182	182	191	191
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	156	156	182	182	191	191
TOTAL Use	157	157	183	183	192	192
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	157	157	183	183	192	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	22.00	13.70
JULY	22.36	20.38	22.67	11.24
AUGUST	21.60	20.25	22.17	9.48
SEPTEMBER	22.50	20.21	21.38	5.79
OCTOBER	16.50	18.10	20.25	11.88
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	22.98	19.69
JULY	21.00	21.84	27.75	27.06
AUGUST	18.95	22.40	27.07	20.85
SEPTEMBER	16.54	19.64	22.32	13.65
OCTOBER	16.63	19.55	18.23	(6.75)
NOVEMBER	16.07	20.32	17.17	(15.50)
DECEMBER	17.32	21.16	19.50	(7.84)
ANNUAL AVG.	18.88	19.87	21.57	8.56

SOURCE: NATIONAL INFORMATION MARKET SERVICE, (SNIIM)

➤ MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS Jan-Sep 2005

H.S. Tariff Number	Description & Country of Origin	Volume MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S.	1,325
	SPAIN	51
	OTHER	37
	SUBTOTAL (Thousand head)	1,413
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.	500
	NETHERLANDS	8
	OTHER	0
	SUBTOTAL (Thousand head)	508
0105.11.99	Other	
	U.S. and subtotal	168
0105.19.99	Other (Chickens)	
	U.S.	3
	FRANCE	4
	OTHER	0
	SUBTOTAL (Thousand head)	7
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	7,182
0207.12.01	Other frozen whole poultry	
	U.S.	376
	CHILE	26
	SUBTOTAL	402
0207.25.01	Whole frozen turkey	
	U.S.	1,101
	CHILE	659
	OTHER	0
	SUBTOTAL	1,760
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S.	693
	OTHER	29
	SUBTOTAL	722
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	9,753
0207.26.99	Fresh & chilled turkey parts	
	U.S.	76,740
	Other	0
	SUBTOTAL	76,740
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. and subtotal	82,698
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	27,518
	CHILE	9,875
	SUBTOTAL	37,393
0207.13.99	Fresh & chilled chicken parts	
	U.S. and subtotal	1,461
0207.14.99	Frozen poultry parts	
	U.S.	2,051
	OTHER	28,901
	SUBTOTAL	30,952
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
	U.S.	43,897
	OTHER	0
	SUBTOTAL	43,897
0207.14.04	Chicken Leg Quarter, Frozen	
	U.S.	51,826
	OTHER	1,071

H.S. Tariff Number	Description & Country of Origin	Volume MT
	SUBTOTAL	52,897
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	7,032
	OTHER	3,446
	SUBTOTAL	10,478
0207.27.99	Frozen turkey parts	
	U.S.	27,656
	OTHER	976
	SUBTOTAL	28,632
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S.	41
	OTHER	2
	SUBTOTAL	43
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. and subtotal	2
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	171
	OTHER	0
	SUBTOTAL	171
1601.00.01	Sausages of broiler or turkey	
	U.S.	10,806
	OTHER	2
	SUBTOTAL	10,808
1602.31.01	Processed meat (Turkey)	
	U.S.	1,635
	OTHER	24
	SUBTOTAL	1,659
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	3,901
	OTHER	993
	SUBTOTAL	4,894
1602.39.99	Other processed poultry meat	
	U.S.	10
	SPAIN	4
	OTHER	3
	SUBTOTAL	17
0207.13.02	Chicken carcasses	
	U.S. & subtotal	10,714
0207.14.03	Chicken carcasses	
	U.S. & subtotal	1,383
0207.26.02	Turkey carcasses	
	U.S. & subtotal	0
0207.27.03	Turkey carcasses	
	U.S. & subtotal	19

➤ PER CAPITA CONSUMPTION

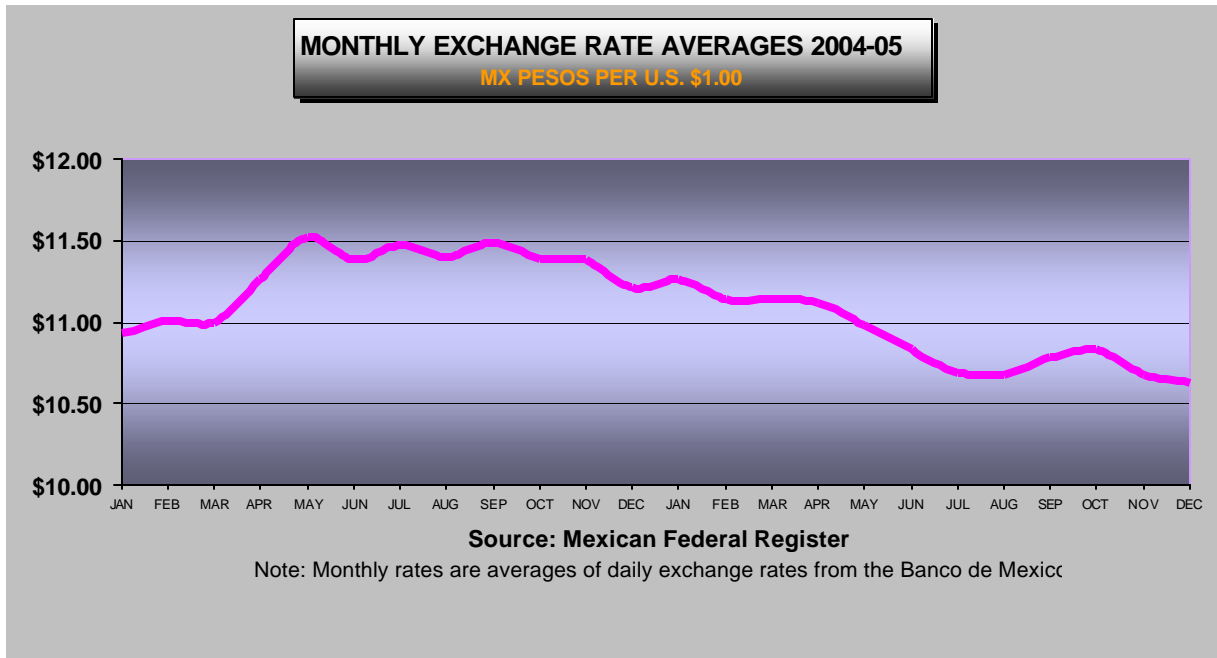
Products / pounds-	2003	2004	2005 ^①
EGGS	44.93	47.35	47.81
CHICKEN MEAT	49.77	51.54	53.74
TURKEY MEAT ^②	3.17	3.21	3.24

Source: UNA (National Poultry Association)

^① Forecast

^② Includes whole turkey, turkey parts and processed products.

➤ MONTHLY EXCHANGE RATE



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

Supply and demand figures for chicken and turkey in this report are unchanged from previous Post estimates (see MX 5059).

CHICKEN MEAT**➤ PRODUCTION**

Mexican chicken meat production for MY 2006 (January - December) is projected to increase by 5 percent from MY 2005 reflecting the continued growth and development of the domestic poultry industry. The growth in chicken production continues to outpace that of beef and pork, as Mexico's industry becomes increasingly concentrated, integrated, and modern. Effective marketing campaigns, the industry's strong financial position, and favorable demand for poultry products point to continued production increases. Producers continue to benefit from the safeguard agreement which, starting in 2003, established a TRQ for imports of U.S. chicken leg quarters (CLQ). Ongoing negotiations to establish an equivalency agreement that would allow Mexican poultry and egg products to be exported to the United States could enhance production once an agreement is reached. Production was hampered early in 2005 due to abnormally warm weather in key production areas. However, favorable weather later in the year enabled production to rebound during the second half of the year.

Overall production costs are expected to remain relatively stable in 2006, despite slight increases in costs for electricity, packing materials and transportation. Stable grain and oilseed prices will also be key factors in 2006.

➤ CONSUMPTION

Chicken meat consumption is expected to grow by about 5 percent in 2006, unchanged from previous Post estimate. In addition to being cheaper than beef and pork, chicken currently enjoys perceived health benefits, reflecting increased consumer awareness about health issues such as high cholesterol. Industry sources also note the expansion of Mexico's fast food chains as a key factor in rising poultry consumption. These restaurants, which traditionally served beef and pork, are increasingly adding poultry products to their menus.

Concerns over Avian Influenza (AI) have had little impact on consumption. In November 2005, consumption temporarily dipped following press reports about HPAI in other countries. However, consumption quickly rebounded due to industry and government efforts to convey accurate information about AI and strong seasonal demand leading up to the holidays. A detection of LPAI in Chiapas in December 2005 had little impact on Mexico's poultry market.

For the last quarter of 2005, estimated average wholesale prices for CLQs in the northern border region were USD\$ 0.34 per lb. Retail prices for the same product in the northern border cities ranged between USD \$ 0.25 - \$ 0.46 per lb during the October-December 2005 period. Wholesale CLQ prices in Mexico City ranged between USD \$ 0.71 and 0.78 cents per lb during the same period, well above prices in the border area, demonstrating that imports of CLQs under the safeguard agreement affected prices near the border, but provided sufficient protection to leave CLQ prices significantly higher in interior markets. In 2004, prices of CLQs marketed at the border averaged USD \$ 0.29 per Lb, compared to an estimated average of USD \$0.25 per lb in 2005. For retail prices in Mexico City see table in Section II.

➤ TRADE

Chicken and turkey meat continue to be the primary poultry products imported by Mexico. Imports of cuts and mechanically separated chicken (MSC) for MY 2006 are forecast to increase 5 percent over MY 2005 due to continued strong demand from the processing industry, which uses MSC and chicken cuts as inputs for sausages and cold-cuts.

Mexico's safeguard on imports of U.S. chicken leg quarters (CLQ) continues to be imposed in accordance with the terms of the agreement (see report MX 3099). According to the most recent Mexican trade data, about 85 percent of the CY 2005 chicken leg quarter TRQ had been filled as of October 2005. The safeguard will in end in January 2008, when the TRQ is phased out and the high-tier tariff drops to 0, as the following table shows:

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

Government of Mexico concerns about the presence of Low Pathogenic Avian Influenza (LPAI) and High Pathogenic Avian Influenza (HPAI) in the United States resulted in the establishment, by SAGARPA, of import restrictions for poultry and poultry products from several U.S. states during 2003 and 2004 (see reports MX4022, MX4023, MX4080, MX4087, MX4101 & MX4123).

On August 8, 2005, the Secretariat of the Treasury (SHCP) published in the *Diario Oficial* (Federal Register) a resolution modifying Annex 21 of the 2005 Foreign Trade General Rules authorizing Ciudad Reynosa and Veracruz as eligible border crossing points for frozen chicken leg quarters (CLQs) and bovine edible offal products. On December 28, 2004 SHCP had closed the Mexican border city of Reynosa for the entry of apples, certain variety meats, and frozen chicken leg quarters. (See MX 5002 & MX5069)

On October 4, 2005, SAGARPA lifted the LPAI restrictions on the following U.S. states: California, Connecticut, Delaware, Maryland, Missouri, New Jersey, North Carolina, Texas, and Pennsylvania. Imports of raw poultry meat for direct consumption, for thermal processing as well as table, hatching, and specific pathogen-free (SPF) eggs are now eligible from all U.S. states, except from the following Texas counties: Gonzales, Guadalupe, Galdwell, Bastrop, Fayette, La Vaca, De Witt, Karnes, Wilson, Comal and Hays where restrictions remain in place in response to a 2004 HPAI detection.

The Mexican Government is expected to publish the final version of the NOM-44 rule on avian influenza measures early in 2006. There are some concerns that the new measures could impact trade in poultry products. Post will provide updates on this measure as developments warrant.

The following table summarizes 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
Export Status All U.S. States	YES 2/	YES 2/	YES	YES 2/	YES 2/
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 or ELISA Test Required	YES	NO 6/	NO	YES 3/	YES 3/
Certification Requirements On END 4/	YES	YES	YES	YES	YES
<p>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.</p> <p>2/ Imports are prohibited from the following Texas counties: Gonzales, Guadalupe, Galdwell, Bastrop, Fayette, La Vaca, De Witt, Karnes, Wilson, Comal and Hays, due to HPAI. Restrictions for LPAI were lifted for Connecticut, California, Delaware, Maryland, Missouri, New Jersey, North Carolina, Pennsylvania and Texas.</p> <p>3/ Agar Gel or ELISA Tests should begin 21 days before laying and should continue on a quarterly basis.</p> <p>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. "</p> <p>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.</p> <p>6/ The Agar Gel test or the ELISA test will be required for imports for further processing destined for animal consumption.</p> <p>*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)</p>					

➤ MARKETING

According to industry sources, Mexico's poultry association (UNA) will undertake activities in 2006 to improve the image of Mexico's cold-chain and poultry meat handling systems. These efforts will reportedly emphasize the industry's use of quality control and safety measures to enhance consumer perceptions about poultry products.

In addition to implementing generic promotional campaigns, Mexico's poultry industry has recently undertaken efforts to allay consumer concerns about AI by providing information about the disease. USAPEEC's Mexico office joined this effort and recently launched a series of advertisements in major Mexican newspapers to also provide information about AI. The campaign's objective is to inform consumers that the highly pathogenic strains of influenza discussed in the press are not present in North America.

TURKEY MEAT

➤ PRODUCTION

Turkey meat production for MY 2006 (January - December) remains unchanged from the previous Post estimate. Mexican turkey producers continue to face competition from Chile and the United States.

➤ CONSUMPTION

Demand for turkey meat is expected to continue growing in 2006. Consumption of turkey in the form of cold cuts continues to increase, primarily through sales in supermarkets and delicatessen-type restaurants. Demand for whole turkeys is a smaller portion of the market and normally rises during the holiday season. Industry sources report that consumption patterns for turkey and turkey products are changing as consumers become increasingly health conscious. Mexico's poultry association, UNA, estimates that average per capita consumption of whole turkeys, cuts and processed products was 3.24 pounds in 2005.

➤ TRADE

MY 2006 turkey meat imports are forecast to increase slightly, reflecting stronger demand for turkey cuts for utilization in the processing sector. Imports are primarily composed of cuts and mechanically separated turkey (MST), which are utilized as inputs for the production of deli meats. Import demand is expected to remain strong since domestic production cannot keep pace with demand, particularly for MST. Demand for turkey thigh meat is increasing as processors ramp up production of cooked hams made with pork and turkey meat.

The United States is the primary supplier of turkey meat and products to Mexico. U.S. suppliers dominate the market for MST with a 90% share, while sharing the market for whole turkeys (uncooked and smoked) with Chile.

➤ MARKETING

USAPEEC Mexico and local turkey producers sponsor generic marketing campaigns to increase overall consumption of select turkey products in Mexico. One of Turkey's strengths is the perceived health benefit, which is an increasingly important factor in the Mexican market. Late in 2005, SAGARPA started a program to promote domestically produced turkey by emphasizing quality and safety attributes.