



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 9/27/2000

GAIN Report #MX0127

Mexico

Poultry and Products

Annual

2000

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Report Highlights:

Mexico's poultry industry is forecast to continue expanding during MY 2001. Poultry meat production is forecast to grow 5 percent, but the turkey meat and egg sectors are forecast to grow at slower rates. Imports of U.S. mechanically deboned meat are forecast to continue growing beyond the NAFTA tariff rate quotas (TRQ's). According to official sources, the Newcastle outbreak in Mexico is under control and poultry production is expected to return to normal by September/October.

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

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SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook

The Economy

The outlook for the Mexican economy for the remainder of the year 2000 remains bright. Aggregate demand is exceptionally strong and sustaining GDP growth that could average 6.0 percent in 2000. This year's performance will surpass last year's, when GDP rose by 3.7 percent in real terms. The figure for inflation, too, is expected to be lower than the 12.3 percent of 1999 and may decline to about 9.5 percent by the end of the year, the first time the rate will be below 10.0 percent in six years. The Government of Mexico's (GOM) conservative fiscal and monetary policies have helped offset the unusually strong consumer demand and thus prevent the overheating of Mexico's economy. The GOM is conscious of this danger, and is taking steps to ensure that the economy grows at a sustainable rate during the next few years.

Mexico's domestic and foreign trade continues to grow at rates that warrant optimism. Domestic consumption grew by nearly 9.5 percent in real terms during the first half of 2000. Investment rose by about 11.5 percent during this semester relative to the level of a year earlier. This rate could well be sustained during the second half of 2000. Mexico's exports increased about 24.5 percent in nominal terms during the first six months of 2000 relative to those of the same period a year earlier. Imports rose by about 25.0 percent during the same period. In the year that ended in June 2000, Mexico's net international assets increased \$4.2 billion to a total of \$29.6 billion. The result reflected the benefits to Mexico of high oil prices and a robust U.S. economy. The latter's affect on Mexico is overwhelming, given that the United States remains Mexico's most important export market (87 percent in 1999), its most important source of imports (74 percent), and its primary source of foreign short- and long-term capital.

Mexico's current account deficit is projected to be approximately \$19 billion by the end of year 2000. This figure would represent 3.1 percent of expected GDP, 0.2 percentage points higher than the corresponding value in 1999. Forecasters generally agree that inflation, as measured by the consumer price index, may drop to about 9.5 percent by the end of the year. The exchange rate for 2000 is forecast to be around 10.0 pesos/US\$ by the end of the year, which would represent about a five percent depreciation relative to the rate that prevailed in 1999 (9.5). Mexico's fiscal deficit will likely reach approximately 1.0 percent of GDP this year, about the same as last year's.

Continuation of these positive macro-economic indicators into 2001 will depend on how well the GOM responds to internal and external developments during the next several months. Exceptionally strong consumer demand could lead to serious overheating of Mexico's economy, which could cause inflation to rise. The growth that this demand provokes attracts capital inflows and strengthens the peso. This can encourage excessive imports. If undiminished, at some point the current account will weaken and may provoke a correction that could induce a fall in economic growth. The Bank of Mexico is implementing monetary restrictions to prevent such overheating.

The GOM's ability to absorb the effects of a U.S. economic slowdown, and possible fall in oil prices, will also determine whether Mexico will be able to maintain buoyant economic growth in the years to come. A significant downturn in the U.S. economy could cause a substantial fall in U.S. equity prices, which would provoke an increase in U.S. interest rates. The end result could trigger a downturn in Mexico. The expansion of trade with Mexico's non-NAFTA partners could mitigate the effects of a slowdown in the United States. Mexico's free trade agreement (FTA) with the European Union could initiate robust growth in Mexican exports to Europe without posing a threat to the commercially most important U.S. agricultural exports to Mexico. This is true because Mexico did not make tariff rate concessions to the E.U. on any products for which the E.U. provides export subsidies (grains, meat, dairy, etc.). Its development as an export market may more than offset the likely decline in world oil prices during the next few years, given that oil exports now account for less than 10.0 percent of total Mexican exports. Oil revenues nonetheless remain of great significance to Mexico. They account for nearly 35 percent of government budgetary revenue. The GOM thus 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 GOM assumed that Mexico would obtain \$16.0 per barrel for its oil exports when it prepared the fiscal year 2000 budget, but the price of Mexico's oil has averaged about \$24 per barrel during the first six months of 2000.

On July 2, 2000, Mexican voters elected Vicente Fox as their new President. This was a historic event because he is from the National Action Party (PAN by its Spanish initials), not the Institutional Revolutionary Party (PRI by its Spanish initials) which had dominated Mexican politics for over 70 years. He ran on a pro-business, free trade platform, but it is too early to tell as of this writing what economic policies he will implement to support that platform. He will take power on December 1, 2000.

Poultry Situation and Outlook

Total poultry meat production is forecast to continue growing during MY 2001. According to sources, improved consumer purchasing power and a stable exchange rate will allow for growth in poultry meat consumption. Mexican chicken meat production for 2001 is forecast to increase 5 percent as chicken meat continues to be more accessible to consumers because of lower prices when compared to red meat. Turkey meat is forecast to increase at a slower rate of approximately 3 percent. Domestic turkey production still represents approximately 10 percent of total consumption. Therefore, broiler production remains far more profitable than turkey due to lower production costs resulting from the vertical integration of the broiler industry. On the other hand, egg production is not forecast to increase more than 1 percent for MY 2001 due to overproduction problems in the last two years and persistent low market prices.

The largest poultry imports continue to be in the form of mechanically deboned meat (MDM) and turkey parts for use in the sausage and cold meat industry. Imports of MDM for MY 2001 are forecast to continue to grow over the NAFTA quotas. Mexico's new regulations on Avian Influenza (AI) caused more paper-work problems, but did not decrease trade as previously expected.

Problems with Newcastle disease in northern Mexico decreased poultry production and increased prices for several weeks in the region. However, this decrease did not affect overall production. According to the Mexican government, the Newcastle disease is under control and an emergency program was implemented in the region to control and eradicate the disease. It still remains unclear if the area will be able to market product to free areas, or only to areas under Newcastle control.

The Mexican government continues to strengthen its global presence by negotiating market access in different parts of the world. On July 1, 2000, a Free Trade Agreement was signed between Mexico and the European Union (EU). Although fresh poultry meat was excluded from this agreement, Mexico has access to the EU market for processed egg products.

SECTION II. STATISTICAL TABLES

Poultry Meat, Total

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Total				(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	1919	1922	2033	2036	0	2139
Whole, Imports	6	7	7	13	0	7
Parts, Imports	237	228	242	257	0	277
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	243	235	249	270	0	284
TOTAL SUPPLY	2162	2157	2282	2306	0	2423
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	2157	2152	2277	2301	0	2418
Other Use, Losses	5	5	5	5	0	5
Total Dom. Consumption	2162	2157	2282	2306	0	2423
TOTAL Use	2162	2157	2282	2306	0	2423
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2162	2157	2282	2306	0	2423
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Poultry Meat, Chicken - 16 wks

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	1783	1784	1890	1891	0	1986
Whole, Imports	3	3	3	9	0	3
Parts, Imports	132	132	135	150	0	160
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	135	135	138	159	0	163
TOTAL SUPPLY	1918	1919	2028	2050	0	2149
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	1913	1914	2023	2045	0	2144
Other Use, Losses	5	5	5	5	0	5
Total Dom. Consumption	1918	1919	2028	2050	0	2149
TOTAL Use	1918	1919	2028	2050	0	2149
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1918	1919	2028	2050	0	2149
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)	
	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	10	12	11	12	0	13
Whole, Imports	4	4	4	4	0	5
Parts, Imports	96	96	106	107	0	117
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	100	100	110	111	0	122
TOTAL SUPPLY	110	112	121	123	0	135
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	109	111	120	122	0	134
Other Use, Losses	1	1	1	1	0	1
Total Dom. Consumption	110	112	121	123	0	135
TOTAL Use	110	112	121	123	0	135
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	110	112	121	123	0	135
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)	
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Layers	103	103	106	105	0	106
Beginning Stocks	0	0	0	0	0	0
Production	32354	32428	33324	33310	0	33640
Hatch Eggs, Imports	132	135	140	140	0	142
Shell Eggs, Imports	25	24	28	24	0	24
Other Imports	5	12	5	12	0	12
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	162	171	173	176	0	178
TOTAL SUPPLY	32516	32599	33497	33486	0	33818
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	145	140	0	142
Shell Eggs, Human	30380	30463	31351	31345	0	31676
Shell Eggs,OT.Use/Loss	2000	2000	2000	2000	0	2000
Other Dom. Consumption	1	1	1	1	0	0
Total Dom. Consumption	32516	32599	33497	33486	0	33818
TOTAL Use	32516	32599	33497	33486	0	33818
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	32516	32599	33497	33486	0	33818
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS**Jan-Dec 1999**

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.	2,007
	EL SALVADOR	121
	NETHERLANDS	108
	OTHER	126
	SUBTOTAL (Thousand of heads)	2,362
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.	402
	NETHERLANDS	106
	CANADA	30
	OTHER	17
	SUBTOTAL (Thousand of heads)	555
0105.11.99	Other	
	U.S. and subtotal (Thousand of heads)	10
0105.19.99	Other (Chickens)	
	U.S.	203
	CANADA	9
	OTHER	7
	SUBTOTAL (Thousand of heads)	219
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	2,383

H.S. Tariff Number	Description & Country of Origin	
0207.12.01	Other frozen whole poultry	
	U.S. and subtotal	404
0207.25.01	Whole frozen turkey	
	U.S.	1,415
	CHILE	894
	SUBTOTAL	2,309
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S. and subtotal	595
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	2,040
0207.26.99	Fresh & chilled turkey parts	
	U.S.	33,570
	CANADA	110
	SUBTOTAL	33,680
0207.13.01	Mechanically deboned chicken meat fresh or chilled	
	U.S. and subtotal	52,787
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S. and subtotal	50,050
0207.13.99	Fresh & chilled chicken parts	
	U.S.	33,817
	OTHER	7
	SUBTOTAL	33,824
0207.14.99	Frozen poultry parts	
	U.S.	43,286
	OTHER	44
	SUBTOTAL	43,330
H.S. Tariff Number	Description & Country of Origin	

0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	17,283
	CANADA	128
	SUBTOTAL	17,411
0207.27.99	Frozen turkey parts	
	U.S.	61,328
	OTHER	384
	SUBTOTAL	61,712
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S. and subtotal	7
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. and subtotal	0
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	7,162
	OTHER	188
	SUBTOTAL	7,350
1602.31.01	Processed meat (Turkey)	
	U.S.	6,342
	OTHER	7
	SUBTOTAL	6,349
1602.39.99	Other processed poultry meat	
	U.S.	147
	OTHER	3
	SUBTOTAL	150

SOURCE: GLOBAL TRADE INFORMATION SERVICES, INC. "WORLD TRADE ATLAS"
MEXICO EDITION, DECEMBER 1999.

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	N/A	N/A
June	18.04	N/A	N/A
July	17.96	N/A	N/A
August	17.90	N/A	N/A
September	18.00	N/A	N/A
October	18.15	N/A	N/A
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
 Exchange rate, July 25, 2000, US \$1.00 = \$9.33 pesos

Broilers Wet Market Prices

BROILERS* WET MARKET PRICES			
Pesos/Kilogram			
Month	1999	2000	Change %
January	16.93	18.83	11.22
February	16.25	19.17	17.97
March	16.50	18.88	14.42
April	16.64	19.20	15.38
May	16.93	N/A	N/A
June	16.22	N/A	N/A
July	17.21	N/A	N/A
August	15.86	N/A	N/A
September	15.92	N/A	N/A
October	15.10	N/A	N/A
November	15.25	N/A	N/A
December	17.40	N/A	N/A
Annual Average	16.35	N/A	N/A
*whole chicken incl. offal			

Source: UNA (National Poultry Association)
 Avg. Exchange rate 1999, US \$1.00 = \$9.55 pesos
 Exchange rate, July 25, 2000, US \$1.00 = \$9.33 pesos

White Eggs Farmgate Prices

WHITE EGGS FARMGATE PRICES			
Pesos/Kilogram			
Month	1999	2000	Change %
January	6.91	5.99	(13.31)
February	6.87	6.32	(8.01)
March	6.14	5.61	(8.63)
April	5.82	6.58	13.06
May	5.06	N/A	N/A
June	5.50	N/A	N/A
July	5.72	N/A	N/A
August	6.72	N/A	N/A
September	6.58	N/A	N/A
October	6.98	N/A	N/A
November	6.50	N/A	N/A
December	6.20	N/A	N/A
Annual Average	6.25	N/A	N/A

Source: UNA (National Poultry Association)
 Avg. Exchange rate 1999, US \$1.00 = \$9.55 pesos
 Exchange rate, July 25, 2000, US \$1.00 = \$9.33 pesos

Beef Carcass Wholesale Prices

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

Source: National Market Information Service (SNIM)

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

Exchange rate, July 25, 2000, US \$1.00 = \$9.33 pesos

NAFTA POULTRY AND EGGS TARIFF RATE QUOTAS 1999					
PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) 1999	% filled
EGGS	0407.00.01	7,535.37		7,161.93	95.04%
Fresh: Border regions a/ Other regions			Direct allocation Auction		
Fertilized: Nationwide			Direct allocation		
Whole fresh, chilled & frozen turkey	0207.24.01 0207.25.01	2,318.53	Direct allocation to the border region and the northern line b/.	1,415.21	61.04%
Other whole Poultry (Broilers or hens) fresh, chilled or frozen)	0207.11.01 0207.12.01	15,070.54	Direct allocation to the border region and the northern border line.	2,382.56 403.93	
Total				2,786.49	18.49%
Ducks ,geese, and guineas, whole,fresh chilled or frozen	0207.32.01 0207.33.01	999.00 c/	A nationwide auction (only ducks, geese, and guineas)	0.00 595.39	
Total				595.39	59.60%
Mechanically Deboned Meat	0207.13.01 0207.14.01 0207.26.01 0207.27.01	31,300.36	Direct allocation to sausage companies and cold meat producers nationwide	52,787.49 50,050.55 2,040.00 17,283.39	
Total				122,161.43	390.29%
Fresh or chilled Turkey parts	0207.26.99	32,459.67	Direct allocation to border region and the northern border line	33,570.52	
Frozen Turkey parts	0207.27.99		Direct allocation to sausage companies.	61,328.30	
Total				94,898.82	292.36%
Poultry cuts (broilers or hens) fresh, chilled or frozen	0207.13.99 0207.14.99	28,981.83	Direct allocation to border region and the northern border line	33,816.89 43,286.08	
Total				77,102.97	266.04%

NAFTA POULTRY AND EGGS TARIFF RATE QUOTAS 1999					
PRODUCT	H.S. Tariff Number	ORIGINAL MT TRQ	ALLOCATION MECHANISM	TOTAL IMPORTS (MT) 1999	% filled
Duck, goose and guinea cuts, fresh chilled or frozen	0207.35.99 0207.36.99	10.00 d/	A nationwide auction (only ducks, geese and guineas)	0.00 6.84	
Total				6.84	68.40%

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%

MEXICO: POULTRY NUMBERS, 1999	
Type of Bird	Thousand of Head
Laying Hens in production*	103,376
Pullets in grow out	32,316
Light Breeding Hens in production	717
Light Breeding Hens in grow out	360
Light Progenitor Hens in production	5
Light Progenitor Hens in grow out	3
Heavy Breeder Hens in production	6,614
Heavy Breeder Hens in grow out	5,473
Heavy Progenitor Hens in production	172
Heavy Progenitor Hens in grow out	120
Broilers (Per cycle)	186,879
Turkeys (Per cycle)	755
Total Poultry Flock	336,789

*There are an estimated 22 million laying hens in the second cycle
Source: UNA (National Poultry Association)

PER CAPITA CONSUMPTION

Products / pounds-	1999	2000*	2001*
EGGS	41.14	41.36	41.36
CHICKEN MEAT	40.10	41.69	42.90
TURKEY MEAT**	2.95	3.57	4.17

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 need feeding during transport	10.0	N/A	N/A
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	Ex	N/A	N/A
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

Source: UNA (National Poultry Association)

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	N/A
August	9.38	N/A
September	9.33	N/A
October	9.52	N/A
November	9.40	N/A
December	9.38	N/A
Annual Avg.	9.55	N/A

Monthly rates are averages of daily exchange rates from the Banco de Mexico.
Source: Mexican Federal Register

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

CHICKEN MEAT

PRODUCTION

Mexican chicken meat production for MY 2001 is forecast to increase by 5 percent over MY 2000 production. According to sources, there has been a gradual recovery in the consumer purchasing power. Low production costs, a stable peso exchange rate, better financial situation in the leading companies, as well as gradual economic recovery appears to be the major factors influencing Mexico's poultry meat production. Mexico's chicken meat production continues to grow supported by lower feed grain prices both domestic and international. Nearly 60 percent of total production costs for poultry production are feed costs. This forecast of poultry production is based mostly on the Mexican National Poultry Association (UNA) statistics and other poultry market contacts. It is important to note, however, that there is no accurate data available for inventory and slaughter figures. According to UNA, during 1999 Mexico's poultry industry represented 59.1 percent of the total production value in the livestock and poultry sectors, where production of chicken meat was 29 percent and eggs were 29.8 percent. This percentage is not expected to change much for 2000.

The chicken meat production estimate for MY 2000 has been revised upward based on industry information. The industry indicates that this growth is a result of better quality products offered to the final consumer at affordable prices, attractive returns by leading companies, and good publicity campaigns. This increase also reflects the consumer preference over other higher priced meats. Production estimates for MY 1999 have also been revised upward based on industry sources.

Production problems arose during April 2000 in northern Mexico when the Mexican government reported an outbreak of velogenic Newcastle disease. According to industry sources, more than 13 million birds were destroyed. This outbreak occurred in a region called "La Laguna" in the states of Durango and Coahuila. La Laguna is the second leading production area for broilers and fifth in production of table eggs. The Mexican Secretariat of Agriculture (SAGAR) maintained a strict quarantine and activated National Emergency Measures to control and eradicate Newcastle disease. This emergency rule became effective on April 28, 2000, for the states of Durango, Coahuila, Nuevo Leon, and Tamaulipas. (See Report MX 0069). Local producers claim that the gradual lift of quarantine restrictions will lead to normal output by September/October 2000, since farms have been gradually repopulated.

According to industry sources, poultry feed consumption for MY 2000 is expected to grow approximately 7 percent over MY 1999 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 \$1,500 pesos/MT (US\$160.77/MT), while imported yellow corn averaged \$1,015 pesos/MT (US\$108.64/MT). Domestic sorghum prices averaged \$1,050 pesos/MT (US\$112.54/MT) by the end of June 2000, while imported sorghum averaged \$918 pesos/MT (US\$98.37/MT).

POULTRY FEED CONSUMPTION (MT)*		
	1998	1999
Feed Grain	6,062,924.30	6,502,978.40
Oilseeds	1,924,737.90	2,064,437.60
Other Ingredients	1,636,027.20	1,754,772.00
TOTAL	9,623,689.40	10,332,188.00

* Includes basically broilers, layers and turkeys
Source: National Poultry Association (UNA)

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. About 80 percent of total Mexican chicken meat is produced in large vertically integrated companies. Genetics are usually sourced from the United States. The main broiler breeding flocks in Mexico are 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 SAGAR, there are now 14 Federally Inspected Plants (TIF) up from 11 over the last two years and the number of birds slaughtered in the TIF plants has increased.

Industry consolidation as well as investment and the building infrastructure is expected to continue in the medium term because of strategic alliances that should give each company a better share in the market. Currently, six leading companies account for nearly 50 percent of total domestic production of chicken meat. BACHOCO, the largest integrated poultry company, bought Grupo CAMPI, the fourth largest poultry producer in Yucatan. This increased BACHOCO's share of the chicken meat market from 23 percent in 1999 to 31.2 percent in the first quarter of 2000.

The poultry industry in Mexico is also moving toward the idea of sharing markets between Mexico and the U.S. instead of competing for the same markets. Meetings between UNA, the U.S. poultry producers and USAPEEC are looking to strengthen relations between these sectors. Both countries are contemplating optimum border trade and costs of production, the establishment of a strategic alliance, the opening and sharing of the markets as well as integrated productive processes. These relations will also enhance very similar market regulations and generic promotional campaigns.

The average bird grow-out period depends largely where and how they will be sold. For live birds and whole chicken-including-offal 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) grow-out in 44-49 days. The average daily gain is 36-44 gr. per bird. The average bird weight when marketed is 1.775 kg. UNA reports that the average conversion ratio is 2.2 kg of feedstuffs to 1 kg. of poultry meat.

CONSUMPTION

Chicken meat consumption for MY 2001 is forecast to increase almost 5 percent due to increased poultry production and better consumer purchasing power. Chicken meat demand is income elastic, so higher incomes should result in increased consumption. Sources indicate that broiler consumption continues to increase because it is cheaper compared to red meats. Domestic consumption estimates for MY 2000 have been revised upward based on recent industry information. According to UNA, consumption for MY 2000 is expected to increase to approximately 40 pounds per capita from 36.3 pounds per capita in 1998, because poultry meat prices are expected to continue to be affordable. Consumption estimates for MY 1999 have been updated based on industry sources. Prices at all levels are determined by market forces. The Mexican government does not provide consumer subsidies on poultry meat.

In Mexico, prepacked chicken continues to be a commodity 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, preferable with yellow-skin. Consumer awareness of cholesterol problems is resulting in greater marketing opportunities for chicken meat.

Roasting chickens (whole chicken without offal) account for 30 percent of chicken meat consumption, while chicken sold in wet markets and stalls (whole chicken including offal) account for approximately 30 percent of the total. Live birds represent 20 percent of total chicken meat consumption. Only 10 percent is purchased in supermarkets (whole chicken without offal), and chicken cuts account just for 10 percent of total consumption.

TRADE

Chicken and turkey meat are by far the main poultry products imported by Mexico. Whole chicken imports for MY 2001 are forecast to fall to more normal import levels, close to MY 1999 imports. This TRQ has gone unfilled. This situation is expected to continue until 2003, when all imports will be duty free. The whole chicken import estimate for MY 2000 was revised upward because of the unexpected imports that resulted from the problems caused by the Newcastle disease outbreak in northern Mexico. Due to previous commitments of local companies in the area affected by Newcastle, SECOFI authorized imports under the TRQ of approximately 6,000 MT of whole chicken meat up to August 15, 2000. Chicken parts imports are forecast to increase for MY 2001, based on expectations of better income levels and increased familiarity with the import requirements for AI regulations. The rate of growth, however, is not expected to continue at the same rate as in MY 2000, when imports increased

due to the Newcastle disease outbreak. This problem allowed the U.S. to export more chicken meat under the TRQ to supply the Mexican border and local companies' contracts. The Newcastle outbreak did not cause a significant shortage of product. The prices for poultry products, however, did rise momentarily in the region affected. These high poultry imports are not expected to continue at the same rate for MY 2001 because the domestic production will be almost back to normal. U.S. export and Mexican import data differ somewhat.

According to trade sources, AI import requirements set in place since April 1999, did not hamper trade as anticipated, because products were imported almost as usual. The regulation requires that exporters provide an official certificate stating that products come from a farm free of AI or that tests at the farm level were conducted within 15 days of processing. Contraband and illegal trade of poultry products, however, have reportedly increased because of a lack of sufficient local supplies at the border at competitive prices. To date only a few U.S. companies conduct the required flock testing requirements.

The *La Laguna* area that is presently under quarantine due to the Newcastle outbreak, will probably remain as a "under eradication area" for several months. Meanwhile, it is expected that the area will cover the demand for poultry products of that same area and will be able to market poultry products to other areas that are still under the Newcastle control or eradication programs. Since SAGAR has implemented its program, the companies that operate through a TIF plant may be able to market their products in free areas. It still remains unclear, however, when this will happen and how it will be implemented. No live chickens, however, can be marketed outside the quarantined area.

Mechanically deboned meat (MDM), particularly mechanically deboned chicken (MDC), is imported by Mexican processors,. The domestic production of MDC is still incipient, approximately 10,000 MT. The leading meat packers account for more than 80 percent of the total MDC imports. As in MY 2000, MDM imports for MY 2001 are forecast to surpass the total tariff rate quotas (TRQs). As local production of MDC is not enough to meet demand, the Mexican government has continued to waive the enforcement of the original TRQ for this product. As reported, for MY 2000 the government published an announcement which imposed a minimum 30 percent duty for agriculture imports in excess of NAFTA TRQ's (see MX0014). Consequently, SECOFI found it difficult at first to assign the over-quotas imports, but, as of this writing the 30 percent over quota duty has not been enforced.

Demand for MDM as an input for the domestic sausage and cold-cuts industry remains strong. For 2000, SECOFI has thus far issued import certificates for approximately 221,672 MT of U.S. poultry meat (about 60 percent MDM and 40 percent turkey thigh meat), which is well above the original NAFTA TRQ for 2000 of 65,672.9 MT (32,239.4 MT of MDM and 33,433.5 MT of turkey thigh). According to official sources, the final estimates for MY 1999 imports of MDM and turkey thigh meat are 217,060 MT.

The Mexican swine industry continues to lobby against higher NAFTA TRQ allocations for MDM imports because they perceive that U.S. MDM imports lowers the demand for processing quality pork. Furthermore, in July 2000 the Mexican Pork Council (CMP by its Spanish acronym) filed an official complaint with SECOFI because of the authorized "excessive"

imports of poultry parts and paste. The CMP even alleged that U.S. product was contaminated with harmful bacteria that threatened the health of Mexican consumers. U.S. poultry associations, through the USA Poultry Egg Export Council (USAPEEC), have sent a letter to SECOFI to express their objections to these complaints. In order to issue the TRQ's, SECOFI monitors a commitment made by the meat packers to increase their purchases of domestic pork by 2 percent annually. The CMP, however, is not interested in this commitment anymore and is requesting SECOFI to stop issuing the over-quota TRQ's.

Border companies are the main customers for U.S. chicken meat, followed by Mexican meat processors who import mainly MDC. Duty-free access for U.S. uncooked whole poultry and poultry parts, basically chicken meat parts, is only granted to domestic trading companies operating in the northern border region. This area comprises the territory between the international zone with the United States and a 20 km parallel line from the international limit, including a portion of Sonora and the Gulf of Mexico, and the municipality (county) of Cananea, Sonora. The region includes major cities such as Tijuana, Mexicali, Ensenada, San Luis Rio Colorado, and La Paz.

Under NAFTA, duty-free access to Mexico for MY 2000 is established at 113,434 MT of poultry meat from the U.S. This amount is scheduled to grow at a 3 percent annual compound rate until 2003, when all imports will be duty free. The following is a breakout of the separate poultry meat TRQs for 2001.

2001 NAFTA TARIFF RATE-QUOTAS	
PRODUCT	TRQs (MT)
Whole Turkey	2,459.6
Other Whole Poultry	15,988.3
Turkey Parts and Offal	34,436.3
Other Poultry parts and Offal	30,746.7
Mechanically Deboned Meat	33,206.6
TOTAL	116,837.5

Duck products are also subject to NAFTA TRQs and are included in general poultry categories: "other whole poultry"; and "other poultry cuts". The quantity available that SECOFI makes available through public auctions is so small that many times the importers do not participate. This is because there are very few importers and most of those live far from Mexico City, and its not worth their time and the expense to come to Mexico City for the auctions. Potential importers are small-scale restaurants or are located outside Mexico City. Consequently, importers are asking for the elimination of the TRQ using the argument that imports of duck products would not harm Mexico's small duck industry. The auction includes ducks, geese or guineas from the United States under the NAFTA TRQ of 999 metric tons of imported whole

product, and 10 metric tons of parts.

OTHER TRADE ISSUES

A free trade agreement was signed between Mexico and the European Union (EU) which went into effect on July 1, 2000. This agreement is expected to strengthen the Mexican strategic position in world trade. Fresh poultry meat, however, were not among the agricultural products negotiated in the tariff negotiations, but were left in a waiting list with other sensitive products such as cereals and milk. Mexico will have access to the European market for a quota of 300 MT for hatching eggs at a 50 percent tariff. For processed egg products Mexico will have a quota of 1,000 MT shell egg equivalent also at a 50 percent tariff rate. For other egg albumen and products for laboratory use, Mexico has a quota of 3,000 MT shell egg equivalent at 0 percent duty. On the other hand, Mexico liberalized imports from the European market for day old chicks and laying hens.

POLICY

In early December 1999 the Mexican government de-listed 17 U.S. meat plants, of which 9 were poultry plants. According to SAGAR, inspectors reported sanitary violations in the meat plants. After talks between SAGAR and USDA's Food Safety Inspection Service (FSIS) all the plants have been temporarily reinstated. But until SAGAR indicates the new procedures, the 17 U.S. meat plants will continue to operate until further notice.

Apart from the meat plant inspection issue discussed above, on June 12, 2000, Mexico announced changes to its Federal Animal Law which essentially eliminates the current practice of conducting animal health law verification and border crossing inspections on the U.S. side of the border (MX0092). The announcement contained a 12-month grace period provided the facilities could meet some rather stringent conditions, which few existing facilities could meet. On August 10, 2000, FAS/Mexico received reports that the Government of Mexico had begun to enforce the change. As of this writing, the outcome is uncertain.

MARKETING

Due to the restricted access for U.S. uncooked poultry products, effective market development activities are focused on raising consumer awareness about further processed poultry products. Generic advertising campaigns have been a good approach to increase domestic consumption of poultry products. USAPEEC's Mexico office has participated in large retail and food service shows promoting further-processed poultry products. Furthermore, U.S. poultry and egg exporters will have an opportunity to showcase their products at a nationwide in-store promotion at Wal-Mart Supercenters in Mexico during the fall along with other U.S. selected food and beverages products. Also, some trade missions, formed with interested Mexican meat packing plants, have visited U.S. plants and traders about distributing high value-added products in Mexico.

TURKEY MEAT

PRODUCTION

Turkey meat production in Mexico has been slowly increasing for the last two years at approximately 3 percent. Therefore the production for 2001 is forecast approximately at 12.8 MT. The production estimates for MY 1999 and 2000 were revised upward only to reflect methodology adjustments in UNA's statistics. According to UNA, turkey meat production for MY 1999 was 12.0 MT and for MY 2000 the production is estimated approximately at 12.4 MT.

Domestic meat production still represents less than 10 percent of total consumption. Domestic firms produce and sell from 80 to 90 percent of the turkey meat mainly as uncooked whole turkey for the Christmas season. Production of domestic turkey parts and further-processed products is very limited. According to industry sources, production of turkey parts is approximately 20 percent. 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 (Parson and Jerome-Mezoro) represent almost 90 percent of total domestic production. Turkey is produced in Chihuahua (60 percent) and Sonora (40 percent).

CONSUMPTION

The consumption forecast for MY 2001 is expected to grow due to improved consumer purchasing power and availability of product at affordable prices. The consumption estimates for MY 1999 and MY 2000 have been revised upward according to the most recent information. Turkey consumption continues to increase at very slow pace, most of which is in the form of cold meat consumption. Sales of delicatessen and other processed turkey products have increased in supermarkets and deli-restaurants. Cooked hams made from blends of domestic pork and U.S. turkey thigh are substantially cheaper than pure pork cooked hams. Most of the whole turkey demand is during the Christmas season. Average weight is no more than 15 pounds each. Average per capita consumption is estimated by UNA at 3.60 pounds for 2000 including whole turkey, turkey cuts and other turkey imported products.

TRADE

Whole turkey imports for MY 2001 are forecast to increase because the demand at Christmas is expected to grow. According to industry sources, whole turkey imports for MY 2000 are estimated to be close to 4.2 MT increasing from 3.6 MT imported during MY 1999. Whole turkey imports under the NAFTA TRQ for 1999 was 99 percent filled according to U.S. data (Mexican data 1,415 MT versus U.S. data 2,745 MT). Whole raw turkey imports are almost completely limited to the Christmas season to eligible border companies. Overall imports increased in part because Chilean poultry imports enter duty free and have no TRQ under the Mexico-Chile Free Trade Agreement. According to sources Chilean imports were close to 1,000 MT for 1999 and could reach the same amount for 2000.

Imports of turkey parts and MDT for 2001 are forecast to increase due to increased domestic demand for cold cuts production. Turkey parts and MDT import estimates for 2000 were revised upward based on U.S. trade data. Imported turkey parts and MDT have been very successful in

Mexico, mainly turkey thigh meat, which is used to produce franks, hams and other cold meats. Mexico continues to waive NAFTA TRQ's for MDM, including MDT and turkey cuts, due to a strong demand from domestic meat processors, but Mexican swine producers are pressing for cut backs (See Chicken Meat, Trade). Imports, however, are expected to continue increasing because domestic producers cannot meet the Mexican packers' demand for MDT.

Mexico continues to be non-competitive in this segment of the poultry industry, and the United States is by far the main supplier of turkey meat and products to Mexico. Turkey meat (raw, frozen whole turkey and cuts) has a great potential at the Mexican border areas due to the duty free import quotas. Also, domestic meat processors are demanding more turkey thigh meat to produce cooked hams made up of blends of domestic pork and U.S. turkey thigh. In fact, domestic "turkey lines" have increased in the domestic market.

As mentioned earlier, the Mexican regulation NOM-044 on AI imposed new import requirements on poultry. Although it has been a burden to comply with these regulations, most of the trade is MDT and turkey thigh meat for further processing.

MARKETING

Nearly 75 percent of the total production in Mexico is marketed as whole turkeys during the Christmas season and approximately 25 percent is sold as cut-up and further processed turkey meat products. USAPEEC, along with local turkey producers, have sponsored generic marketing campaigns to increase overall consumption of selected turkey products in Mexico. USAPEEC in Mexico has also participated in large retail and food service shows promoting further-processed poultry products. Furthermore, USAPEEC member-exporters will have an opportunity to showcase their products at a nationwide in-store promotion at Wal-Mart Supercenters in Mexico during the fall along with other U.S. selected food and beverages products.

EGGS

PRODUCTION

Mexican egg production for MY 2001 is forecast to grow very little because of the egg overproduction that prevailed during MY 2000. Since producers did not want to slaughter layers in 2000, egg production is forecast to increase approximately 1 percent. The expectation of good domestic prices and low feed prices in 1999 increased egg production for MY 2000, resulting in overproduction and low domestic egg prices. The production estimates for MY 2000 were revised downward according to UNA's data but still reflecting higher output. For MY 2001, demand for layers is expected to increase marginally because of the large current number of layers. Production estimates for 1999 were revised upward based on updated industry information. According to sources the egg industry will have to rethink their production strategy because costs of production continue to be high and market prices continue to be low. The domestic market for shell eggs and products is by far dominated by a few large producers. Sources estimate that the average production per hen per year is approximately 294 eggs for 2000. There are approximately 80 or 90 egg producing companies divided in zones: Jalisco with 33 percent of domestic production, Puebla with 28 percent, Sonora with 14 percent, and Nuevo Leon and Yucatan with 9 percent.

According to UNA, there is a proposal to create a Mexican Egg Clearinghouse (Camara de Compensaciones Mexicana de Productos Avicolas). This body will manage and regulate initially the supply of eggs in the market, and will stabilize poultry product prices. The Egg Clearinghouse will be involved in quality standardization, planning, logistics and commercialization. This clearing house expects to begin operating by the first semester of 2001.

CONSUMPTION

According to industry sources, egg consumption for MY 2001 is expected to increase slightly over MY 2000 consumption. Consumption growth will be limited due to negligible production increases beyond the already high levels. Consumption estimates for MY 1999 and 2000 were revised according to recent industry data. According to UNA, egg prices have declined in real terms more than 40 percent during the 1996-2000 period, due mainly to oversupply problems. Eggs are still the cheapest source of animal protein in Mexico. Consumption has increased from approximately 41.1 pounds in 1999 to 41.3 pounds in 2000. Domestic utilization of egg products continues to be very limited.

In general, Mexican eggs usually are not washed, refrigerated, sanitized nor oiled when marketed. Approximately 85 percent of domestic egg supplies are marketed in bulk, 15 percent in one-dozen cartons, and 5 percent to processors. There are voluntary standards for eggs marketed in cardboard boxes.

TRADE

Imports of U.S. hatching eggs alone have always been close to the NAFTA TRQ levels according to U.S. data. For MY 2001, imports of U.S. hatching eggs are forecast to be close to the NAFTA TRQ of 7,994 MT as a result of the continued Leucosis problem in several regions in Mexico. The import estimate for U.S. hatching eggs for MY 2000 remains as forecasted reflecting the sanitary problems caused by Leucosis. Producers have tried to keep a constant number of layers, however, to prevent further overproduction. Estimates for MY 1999 imports were revised upward to reflect U.S. data. On the other hand, U.S. shell egg imports for 2001 are forecast to remain low as a result of domestic oversupply and the implementation of the regulation regarding egg products, NOM-159. This regulation requires that once fresh table eggs have been refrigerated, they must be kept refrigerated until they reach the final consumer. This requirement poses a non-trade tariff barrier for U.S. shell eggs because Mexico lacks a continuous cold chain through the retail level (See MX0001). This regulation has prevented the growth of U.S. table egg imports. Also, the TRQ auctioned for fresh table eggs has not been filled due to domestic oversupplies. Imports of U.S. shell eggs during for MY 1999 and 2000 also remain low because of the domestic oversupply and consequent lower domestic prices.

The trend toward importing more fertilized eggs will continue for MY 2001 because of the Mexican regulations concerning AI which restricts inter-state movement of domestic eggs. Although imports are also regulated by the Regulation NOM-044 on AI (See Chicken Meat, Policy), there have been very few problems if any to export these products to Mexico.

Shell egg imports are trending downward due to a combination of: 1) U.S. higher prices; 2) domestic oversupplies at low prices; 3) Mexican regulation on refrigeration; and, 3) a rigid auction system to allocate a portion of the TRQs'. Thus, shell egg imports beyond the border region will remain almost nil for 2001.

Under NAFTA, Mexico's egg TRQ includes both table eggs and fertilized eggs under a single tariff line. A portion of the yearly quota, (1,004.25 MT - 1.5 million dozen - of fresh table eggs) is auctioned by SECOFI. Apparently, the auctions are of little interest to Mexican importers as a result of the oversupply and so they are left unused. The U.S. industry keeps recommending that hatching eggs be removed from the TRQ system, and that a new mechanism be developed so that the table egg quota can be used.

MARKETING

Nearly 75 percent of the total shell eggs is marketed in bulk, 20 percent are marketed in one-dozen cardboard boxes, and approximately 5 percent is destined to local breakers. Despite the issues relating to table eggs, according to sources there is potential demand for U.S. processed eggs, including liquid, frozen, and dried products. Promotion of these products should interest the bakery industry and other food processors in Mexico. USAPEEC has sponsored seminars that promote the use of processed egg products for the bakery industry. Production of processed egg products in Mexico continues to be very small, approximately 5 percent of total production. Potential users from the hotel and restaurant industries, as well as food processors, are still beginning to realize the advantages of using egg products.