



# INTERNATIONAL EGG AND POULTRY REVIEW

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## CAFTA-DR

In January of 2002, the Bush Administration announced plans to form a free trade agreement (FTA) with Central American countries and plans for a future trade agreement amongst all the countries in the Americas (FTAA.) The agreement would economically unify the continent making it a powerful trade force in the international market. Negotiations took place between the U.S., Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua in 2003. Agreements were reached in January of 2004 with signing of the Central America Free Trade Agreement (CAFTA) taking place in May 2004.

During 2004, the Dominican Republic (DR) expressed interest in joining and negotiations between the U.S. and Central American countries began once again with an agreement being reached and signed on August 5, 2004. Since then, the CAFTA-DR agreement was ratified in El Salvador in December 2004 and in Honduras in March of 2005; the balance of CAFTA-DR countries are still pending legislative approval.

On April 21, 2005 U.S. Trade Representative (USTR) Peter F. Allgeier outlined CAFTA-DR's potential benefits and encouraged Congress to approve the agreement. In his testimony to the House Committee on Ways and Means, Allgeier mentioned strengthening economic ties between the countries, "leveling the playing field" through reduced tariffs and the creation of tariff-rate quotas (TRQ,) developing product safeguards and sanitary and phytosanitary measures, making export subsidy arrangements, eliminating the unilateral trade preference, increasing market access to 44 million consumers, developing labor laws and standards, introducing some ground-breaking environmental laws, encouraging democracy, as well as many other opportunities.

Collectively, the CAFTA-DR countries would make up the second largest U.S. export market in Latin America. The export market would be larger than Brazil or Australia and larger than the combined countries of Russia, India, and Indonesia. According to estimates provided by the American Farm Bureau Federation, CAFTA-DR would expand U.S. farm exports by \$1.5 billion a year, doubling our current agricultural exports to the region. U.S. commodities standing to gain and in some cases regain from lost market shares due to preferences are as follows: poultry, pork, beef, dairy products, and various others.

On April 20, 2005 Brazilian President Luiz Inacio Lula da Silva announced Brazil would be supporting Mercosur, a trade agreement between Argentina, Uruguay, and Paraguay, instead of supporting the FTAA. This broader rejection than those made in the past could make passage of CAFTA-DR less likely. CAFTA-DR was seen as the second step to a hemisphere-wide trade agreement minus Cuba and FTAA as the third step.

## BEFORE CAFTA-DR

Tariffs will be phased out according to specific schedules on a product and country specific basis. Phase-outs will be immediate (more than 80 percent of goods,) 5 years, 10 years, 12 years, or 15 years (17-20 years for chicken leg quarters, rice, and certain dairy products.) U.S. poultry currently faces tariffs as high as 164 percent on both fresh and frozen products, and the WTO permits between 35 to 250 percent.

From 2002 to 2004, U.S. poultry meat suppliers annually shipped on average 73,195 metric tons (MT) valued at \$51.4 million to all six countries combined. During this period, chicken leg quarters accounted for approximately 55 percent (in value terms) of total U.S. poultry exports to the Dominican Republic and Central America. Also, non-science based sanitary-phytosanitary (SPS) restrictions coupled with stringent import requirements further restrict U.S. poultry meat exports to the CAFTA-DR region.

## AFTER CAFTA-DR

Under the agreement, each country will provide immediate duty-free access on chicken leg quarters through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years. Some tariffs on poultry products such as wings, breast meat, and mechanically de-boned meat will be reduced more quickly with many being eliminated within 10 years.

Costa Rica will establish a 330 MT TRQ for chicken leg quarters in year 1, growing by 10 percent annually. The other CAFTA-DR countries will establish a total initial regional TRQ of 21,810 MT (with individual country minimum quota levels.) After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production. Tariffs on chicken leg quarters will be eliminated in 17 years in Costa Rica and 18 years in the other four Central American countries.

The Dominican Republic will establish an initial TRQ for chicken leg quarters of 550 MT, growing by 10 percent annually. It will also establish a 440 MT TRQ for mechanically de-boned chicken, growing by 10 percent a year, and eventually be phased out over 10 years; a 3,850 MT TRQ for turkey products will be established, which will be phased out over 15 years.

In addition to providing market access through TRQs and tariff reductions, each CAFTA-DR country is working to recognize the U.S. meat inspection and certification systems in order to facilitate U.S. exports. U.S. tariffs on imported poultry meat from CAFTA-DR countries are currently zero due to preferences granted under the Caribbean Basin Initiative. Under the agreement, the tariff will be set at zero immediately on poultry and poultry products for all CAFTA-DR countries. In recent years, the U.S. has not imported any poultry meat from these countries.

Source: USDA FAS/USDA/USTR/USINFO/Congressional Research Service/El Salvador Trade/Various News Wires

## US Poultry Meat Exports to CAFTA-DR in Metric Tons (MT)

Country	2000	2001	2002	2003	2004
Costa Rica	468.9	818.7	1,213.5	1,541.6	1,445.3
Dominican Republic	6,817.8	5,930.2	4,156.3	2,524.8	4,832.6
El Salvador	1,216.3	78.2	27.8	98.3	26.0
Guatemala	30,526.6	36,461.2	46,359.7	60,963.8	51,729.3
Honduras	1,702.9	1,937.0	2,347.7	3,349.1	4,813.6
Nicaragua	1,128.4	604.4	622.2	763.7	645.2
<b>Total</b>	<b>41,860.9</b>	<b>45,829.7</b>	<b>54,727.1</b>	<b>69,241.3</b>	<b>63,492.0</b>

Source: USDA FAS

**Inspected Egg Products-U.S. & Canada Export/Import Trade**

**U.S. Exports to Canada, in Pounds (000) (Preliminary)**

Week Ending April 23, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	405	294	4,109	2,656
Frozen	0	0	21	0
Dried	0	0	107	187
Total	405	294	4,237	2,843

**U.S. Imports From Canada, in Pounds (000) (Preliminary)**

Week Ending April 23, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	84	35	2,228	1,241
Frozen	3	16	327	612
Dried	24	78	340	1,129
Total	111	129	2,895	2,982

**Inspected Shell Eggs**

**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending April 23, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Jumbo	0	0	33	50
Extra Large	1,500	960	9,852	7,920
Large	1,350	3,930	24,143	18,843
Medium	1,425	2,070	19,560	17,610
Ungraded	10,200	23,122	34,700	60,739
Misc	0	2,580	2,263	9,620
Total	14,475	32,662	90,551	114,782

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section  
Source: USDA/AMS Poultry Programs, Market News Branch.

**CENTRAL REGION MECHANICALLY SEPARATED CHICKEN**

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Apr 29, 2005

**CHICKEN WITH SKIN ADDED**

FAT CONTENT	--- PRICES ---		---- VOLUME ----	
	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	24.00	26.00	121,600	40,000
WTD AVERAGE	24.00	26.00		
15-20%				
RANGE	23.00-29.00	18.00-26.00	1,944,800	400,000
WTD AVERAGE	25.85	21.00		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

\* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

**U.S./Canadian Live Poultry Slaughtered Under Inspection**

W/E 23-Apr-05 (PRELIMINARY)

**U.S. Fowl Slaughtered Domestically**

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,651	1,466	3,117
Last Week	1,687	1,411	3,098
Same week yr ago	1,424	1,250	2,674
To-date/2005	24,380	21,289	45,669
To-date/2004	20,758	20,220	40,978

**U.S. Fowl Slaughtered in Canada**

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	232	0	232
Last Week	215	7	222
Same week yr ago	228	4	232
To-date/2005	4,655	18	4,673
To-date/2004	3,917	52	3,969

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

**Total U.S. Fowl slaughtered in the U.S. and Canada**

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,883	1,466	3,349
Last Week	1,902	1,418	3,320
Same week yr ago	1,652	1,254	2,906
To-date/2005	29,035	21,307	50,342
To-date/2004	24,675	20,272	44,947

Source: USDA/AMS Poultry Programs, Market News Branch

**EASTERN REGION MECHANICALLY SEPARATED CHICKEN**

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Apr 29, 2005

**CHICKEN WITH SKIN ADDED**

FAT CONTENT	--- PRICES ---		---- VOLUME ----	
	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	24.50-27.00	320,000	-
WTD AVERAGE		26.06		
15-20%				
RANGE	17.50-30.00	20.00-25.00	1,608,000	1,248,000
WTD AVERAGE	24.90	23.33		
20% OR MORE				
RANGE	-	19.00	120,000	-
WTD AVERAGE		19.00		

\* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

**NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 29 APRIL 2005.**

The market tone on breast trim, fresh tom breast meat and fresh destrapped tenderloins was at least steady, frozen tom breast meat and destrapped tenderloins steady to fully steady, fresh wing meat with skin and scapula steady, frozen wing meat with skin and scapula steady to barely steady. Demand moderate to instances good on fresh tom breast meat due some further processors noting improved cooked and deli demand. Demand on frozen wing meat with skin was extremely light, however, some processors were starting to note improved fresh demand, balance light to moderate with breast trim the most active. Offerings of breast trim light at best, frozen wing meat with skin adequate to instances burdensome, scapula adequate to fully adequate, balance of white meat adequate. Trading heavy on frozen thigh meat for export, balance slow to moderate. For domestic: livers 22 cents shipping point, fresh scapula 119-128 mostly 119-120, plant grade basted 20-24 lb. breasts 139 cents delivered. For export: mature and young hen drums 36 cents shipping point, tom necks 25, fresh thigh meat 90 cents delivered.

<b>EXPORT TRADING</b>	<b>PRICE</b>	<b>L.S.T.</b>	<b>WTD AVG</b>	<b>VOLUME</b>	<b>WEEKLY</b>	<b>WEEKLY</b>
<b>FRIDAY, APRIL 29, 2005</b>	<b>RANGE</b>	<b>CODE 1/</b>	<b>PRICE</b>	<b>(000)</b>	<b>PRICE</b>	<b>VOLUME</b>
DRUMSTICKS, TOMS		R	42.50	40	42.50	40
WINGS FULL-CUT - TOMS	26.00		26.00	52	27.33	156
WINGS, V-TYPE, TOM	42.00		42.00	104	42.00	104
TAILS	22.50		22.50	52	22.50	52
MECHANICALLY SEPARATED 2/	32.50		32.50	80	32.50	132
THIGH MEAT - FROZEN	83.00-86.00		83.85	920	84.22	1128

<b>EXPORT TRADING</b>	<b>PRICE</b>	<b>L.S.T.</b>	<b>WTD AVG</b>	<b>VOLUME</b>
<b>THURSDAY, APRIL 28, 2005</b>	<b>RANGE</b>	<b>CODE 1/</b>	<b>PRICE</b>	<b>(000)</b>
DRUMSTICKS, TOMS	42.50		42.50	40
WINGS FULL-CUT - TOMS	28.00		28.00	104
WINGS, V-TYPE, TOM		F	44.00	104
TAILS				
MECHANICALLY SEPARATED 2/		W	32.50	52
THIGH MEAT - FROZEN		W	85.88	208

<b>EXPORT TRADING</b>	<b>PRICE</b>	<b>L.S.T.</b>	<b>WTD AVG</b>	<b>VOLUME</b>
<b>WEDNESDAY, APRIL 27, 2005</b>	<b>RANGE</b>	<b>CODE 1/</b>	<b>PRICE</b>	<b>(000)</b>
DRUMSTICKS, TOMS		F	40.89	468
WINGS FULL-CUT - TOMS		F	25.51	236
WINGS, V-TYPE, TOM		F	44.00	104
TAILS				
MECHANICALLY SEPARATED 2/	32.50		32.50	52
THIGH MEAT - FROZEN	85.00-87.00		85.88	208

<b>EXPORT TRADING</b>	<b>PRICE</b>	<b>L.S.T.</b>	<b>WTD AVG</b>	<b>VOLUME</b>
<b>TUESDAY, APRIL 26, 2005</b>	<b>RANGE</b>	<b>CODE 1/</b>	<b>PRICE</b>	<b>(000)</b>
DRUMSTICKS, TOMS		F	40.89	468
WINGS FULL-CUT - TOMS		F	25.51	236
WINGS, V-TYPE, TOM		F	44.00	104
TAILS				
MECHANICALLY SEPARATED 2/		R	35.25	80
THIGH MEAT - FROZEN		F	86.90	248

<b>EXPORT TRADING</b>	<b>PRICE</b>	<b>L.S.T.</b>	<b>WTD AVG</b>	<b>VOLUME</b>
<b>MONDAY, APRIL 25, 2005</b>	<b>RANGE</b>	<b>CODE 1/</b>	<b>PRICE</b>	<b>(000)</b>
DRUMSTICKS, TOMS		F	40.89	468
WINGS FULL-CUT - TOMS		F	25.51	236
WINGS, V-TYPE, TOM		F	44.00	104
TAILS				
MECHANICALLY SEPARATED 2/		R	35.25	80
THIGH MEAT - FROZEN		F	86.90	248

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY  
2/ Product contains 15-20% fat with skin added.