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Mexican Poultry and Egg Sector

The Mexican poultry industry is recovering from the outbreak of highly pathogenic avian influenza (HPAI) H7N3 that was detected in June 2012. As of November 16, it has been more than 90 days since its most recent detection of H7N3 commercial egg-layer flocks.

During the outbreak the National Service of Health, Food Safety, and Food Quality (SENASICA) surveyed 513 farms (271 layers, 200 broilers, and 42 breeders) for the H7N3 virus and detected it only on 44 layer farms in the state of Jalisco. The source of the outbreak was not definitively determined, but Mexican officials report that the source likely was wild and/or migratory birds or waterfowl. The outbreak resulted in the death or culling of around 22.4 million layers and, according to Mexico's poultry and egg industry organization (UNA), reduced national egg production by 15% for calendar year 2012.

Mexico is considered to have the greatest per capita consumption of eggs in the world and the high level of egg consumption coupled with the production decrease and HPAI-related market speculation pushed egg prices higher for all major population centers. UNA reported that industry members attempted to maintain supplies and dampen the price spike by reducing or eliminating egg and egg product exports while also extending egg-layer production cycles to between 125 to 128 weeks. Still, prices more than doubled during the outbreak and are still hovering more than $0.50 per kilogram (kg) greater than the same period one year ago whereas U.S. egg prices in dollars per dozen are virtually unchanged from the same period last year. In response, Mexico opened its market more broadly to imported eggs.

Mexico: Imports of Eggs and Products by Country in Metric Tons
Mexico Import Statistics, Commodity: Eggs & Products
Annual Series: 2007 - 2011, Year To Date: 08/2011 & 08/2012
Quantity (Metric Tons)

	Calendar Year			Year to Date	
	2009	2010	2011	08/2011	08/2012
World	11,129	10,718	14,597	10,061	10,444
US	11,128	10,694	14,552	10,030	10,418
Canada	0	0	23	20	0
New Zealand	0	22	22	11	21
Spain	0	1	0	0	5

Source of Data: INEGI [2006-present]

Most egg imports as a result of the AI outbreak did not get into full swing until September. U.S. shell egg exports to Mexico totaled 1,998,343 dozen for January-August 2012; in September alone the U.S. exported 7,890,121 dozen eggs.

Mexican authorities and industry members indicate that egg prices (both farm-gate and wholesale market) have stabilized albeit at levels greater than before the outbreak. The pre- and post-incident prices are considerably different in Mexico while prices in the U.S. are similar to one year ago. In addition to disrupting the general supply and demand of Mexico's egg market, escalating prices pushed Mexico's Foreign Trade Commission (COCEX) to refrain from imposing antidumping duties on imported U.S.-origin CLQs. U.S. CLQs remain a low-cost protein source for many Mexican consumers and are much cheaper than their Mexican equivalent CLQ as feed grain input costs and consumption preferences between the countries differ significantly.

At the time when COCEX and the International Trade Practices Unit (UPCI) of the Mexican Secretariat of Economia announced that antidumping duties would not be imposed, the government bodies indicated that they would be monitoring prices and could impose duties when market circumstances dictated. As of November 28, 2012, the Mexican Government has not imposed any duties on U.S. CLQs, but the issue remains active as the U.S. industry appealed the decision to the NAFTA Secretariat and the Mexican industry filed the equivalent of an injunction to overturn the decision to refrain from imposing duties.

Mexico: Imports of Broiler and Turkey Meat by Country Mexico
Import Statistics in metric tons
Commodity: _PSD BROILER and TURKEY MEAT
Annual Series: 2007 - 2011, Year To Date: 08/2011 & 08/2012

	Calendar Year			Year to Date	
	2009	2010	2011	08/2011	08/2012
World	635,737	701,405	730,541	483,013	508,842
US	605,074	681,420	712,485	470,698	497,239
Chile	30,436	19,709	17,706	12,082	11,368
Canada	227	277	350	233	234

Source of Data: INEGI [2006-present]

There is a significant markup on CLQ prices at Mexican wholesale markets over imported chilled or frozen U.S. CLQs and even U.S.0-based domestic bulk CLQ prices. The Mexican wholesale markets could both sell imported and domestic origin CLQs; U.S. industry sources report that these markets carry negligible volumes of U.S. origin product and that the prices generally reflect Mexican-origin product prices.

Imported products are always cheaper than Mexican origin product by a significant degree and virtually always more expensive than U.S. domestic recorded CLQ prices. Interestingly, U.S. imported CLQ prices are often less expensive than even Mexican wholesale market egg prices.

Mexico: Events in the Mexican Poultry and Egg Sector

Date	Event
0/1/2009	Beginning Point of AD Investigation
9/20/2009	Ending Point of AD Investigation
2/8/2011	Mexico (GOM) Publishes Federal Register Notice Announcing AD Investigation
10/28/2011	Mexican Poultry Industry Member Bachoco Reaches Agreement to Acquire U.S. Firm O.K. Foods
12/21/2011	U.S. Meets with UPCI to Explore AD Process and Industry Negotiations
1/19/2012	GOM Publishes Preliminary Determination of AD Investigation
5/15/2012	U.S. Expresses Concerns with AD Methodology at GOM Public Hearing
5/23/2012	U.S. Meets with UPCI to Reiterate Concerns with AD Case
6/18/2012	Jalisco Producers Notify GOM of Possible AI Outbreak
6/20/2012	GOM Confirms H7N3 Outbreak and Notifies the OIE
7/6/2012	GOM Announces Intention to Open Egg Tariff Rate Quota (TRQ)
7/26/2012	GOM Introduces H7N3 Vaccine Into Production System
7/31/2012	GOM Publishes Final Determination of AD Investigation
8/22/2012	GOM Exempts Table and Industrial Use Eggs from Import Duties
9/3/2012	U.S. Poultry Industry Appeals GOM Decision to the NAFTA Secretariat Mexican Poultry Industry Appeals GOM Decision to Not Impose AD Duties and Requests New Final Determination
11/12/2012	GOM Announces Fine on Bachoco for Antitrust Violation in the Yucatan Peninsula
►11/16/2012	GOM Surpasses 90 Days from H7N3 Detection in Commercial Flock

Source: USDA FAS GAIN Report MX2087; Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics; World Organization for Animal Health (OIE)

INSPECTED EGG PRODUCTS-U.S. & CANADA IMPORT/EXPORT TRADE

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

Week Ending Dec 01, 2012 Year-To-Date*

Type	2012	2011 /1	2012 /2	2011
Liquid	50	99	3,354	2,232
Frozen	0	0	1	0
Dried	0	0	319	219
Total	50	99	3,674	2,451

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

Week Ending Dec 01, 2012 Year-To-Date*

Type	2012	2011 /1	2012 /2	2011
Liquid	10	365	13,946	13,908
Frozen	7	6	1,147	991
Dried	0	0	0	54
Total	17	371	15,093	14,953

INSPECTED SHELL EGGS

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

Week Ending Dec 01, 2012 Year-To-Date*

	2012	2011 /1	2012 /2	2011
Jumbo	0	0	0	0
Extra Large	6,000	4,560	120,533	94,459
Large	11,800	4,650	218,662	186,331
Medium	800	0	32,891	38,011
Ungraded	10,590	844	283,988	219,660
Misc	780	0	2,400	1,440
Total	29,970	10,054	658,474	539,901

/1 Comparable Week, to-date figures may not total due to rounding.
/2 Includes revisions to previous week(s)
*Note: Year to-date totals reflect comparable time periods.
Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

U.S./CANADIAN LIVE POULTRY SLAUGHTERED UNDER INSPECTION

Week Ending Dec 01, 2012 (Preliminary)

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
	----------Thousands----------		
Head	1,544	1,131	2,675
Last Week	674	772	1,446
Same week yr ago	1,155	1,477	2,632
To-date/2012*	70,208	75,928	146,136
To-date/2011*	64,022	73,501	137,523

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
	----------Thousands----------		
Head	401	0	401
Last Week	289	0	289
Same week yr ago	0	0	0
To-date/2012*	12,766	36	12,802
To-date/2011*	15,779	439	16,218

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	1,945	1,131	3,076
Last Week	963	772	1,735
Same week yr ago	1,155	1,477	2,632
To-date/2012*	82,974	75,964	158,938
To-date/2011*	79,801	73,940	153,741

*Note: Year to-date totals reflect comparable time periods.

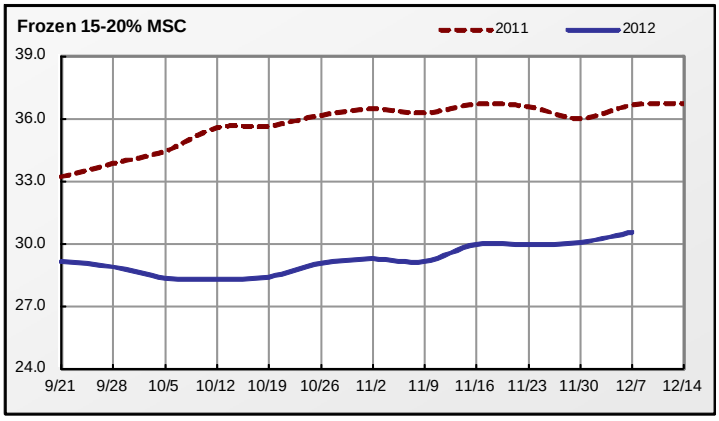
NATIONAL MECHANICALLY SEPARATED CHICKEN

(FOB Shipper Dock or equiv., negotiated prices in trucklot and less-than-trucklot volumes reported in thousand lb. quantities, cents/lb.; delivery within 2 weeks.)

MSC prices are trending steady on all fat contents. Supplies are moderate. Schedules are normal. Domestic and export demand is light to moderate with good interest on frozen MSC for export delivery. Contract negotiations continue for a few with a large percentage of contracts finalized for 2013. Prices have been finalized at prices similar to and lower than last year's levels in addition to formula based pricing. Market activity is slow to moderate. Raw material supplies are moderate. Spot frames traded between 11-14 cents FOB, mostly 12-13 FOB.

Weekly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

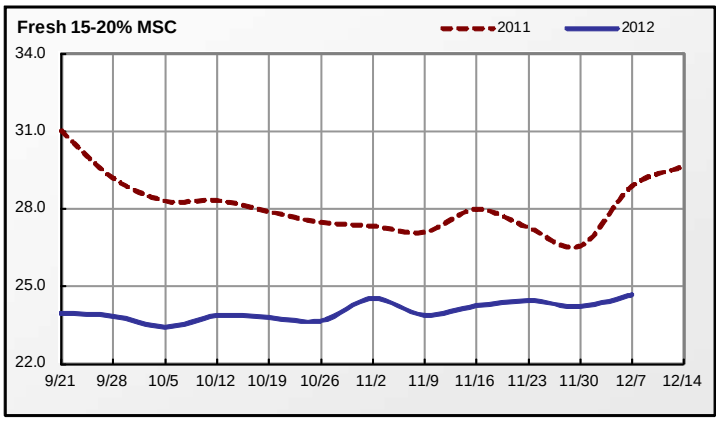
	Frozen			Fresh		
Fat Content	7-Dec-12	Last Week	Last Year	7-Dec-12	Last Week	Last Year
15% or Less						
Price Range	-	30.00	-	23.50 - 26.50	24.00 - 26.00	31.00-32.00
Wtd Avg Price		30.00	-	25.21	25.00	31.80
Volume Traded	-	40	-	143	82	204
Volume Exported	-	-	-	-	-	-
15-20%						
Price Range	29.00 - 32.00	27.00 - 33.00	33.00-41.00	22.00 - 28.00	20.00 - 28.00	25.00-33.00
Wtd Avg Price	30.56	30.07	36.65	24.66	24.21	28.87
Volume Traded	1,750	2,565	1,474	4,182	4,120	3,683
Volume Exported	1,510	2,325	1,314	775	530	1,225
20% or More						
Price Range	-	-	-	20.00	22.00	22.50
Wtd Avg Price	-	-	-	20.00	22.00	22.50
Volume Traded	-	-	-	82	82	82
Volume Exported	-	-	-	-	-	-



Monthly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

	Frozen			Fresh		
Fat Content	Nov 2012	Oct 2012	Nov 2011	Nov 2012	Oct 2012	Nov 2011
15% or Less						
Wtd Avg Price	30.00	31.00	-	25.04	25.16	31.74
Volume Traded	40	80	-	938	632	469
Volume Exported	-	-	-	-	-	-
15-20%						
Wtd Avg Price	29.74	28.54	36.48	24.24	23.66	27.39
Volume Traded	8,995	7,585	6,588	20,460	15,891	13,433
Volume Exported	7,875	5,985	5,465	2,447	1,510	2,285
20% or More						
Wtd Avg Price	-	-	-	22.10	22.00	22.55
Volume Traded	-	-	-	408	245	408
Volume Exported	-	-	-	-	-	-

Note: Volume exported refers to that portion of the total volume that is destined for export markets.



Source: USDA AMS Poultry Market News & Analysis (www.ams.usda.gov/pymarketnews.htm)

NATIONAL YOUNG TURKEY PARTS

INCLUDING BULK MEAT and FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 07 DECEMBER 2012.

The market on tom bulk parts was steady. Demand and offerings was light to moderate. The market on breast meat and tenderloins is steady to weak. Demand was light. Offerings moderate to heavy. Thigh meat market was steady. Demand was light to moderate. Offerings light. Mechanically separated turkey was steady to barely steady. Demand was light to moderate. Offerings moderate. Trading was slow to moderate. For domestic: fresh scapula 108-111 cents, fresh full cut wings 42 cents, fresh tom necks 45 cents, livers 25 cents, hearts 36 cents, Grade A breast non basted 8-10 lbs. 157 cents and 14-16 lbs. 167 cents delivered. For export: frozen tom necks 39-46.5 cents, tender straps 90 cents, fresh tom drums 58 cents, machine defatted tom gizzards 89 cents and fresh thigh meat 140.25-142 cents port.

EXPORT TRADING

FRIDAY, DECEMBER 07, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)	WEEKLY WTD AVG PRICE	WEEKLY VOLUME (000)
DRUMSTICKS, TOMS	62.00-63.50		62.39	348	63.88	618
WINGS FULL-CUT - TOMS	39.00-43.00		41.21	618	41.51	996
WINGS, V-TYPE, TOM	90.00		90.00	324	89.79	756
TAILS	52.00		52.00	120	52.43	212
MECHANICALLY SEPARATED 2/	30.00-31.00		30.50	108	30.50	108
THIGH MEAT - FROZEN	144.00-145.0		144.50	108	144.60	135

THURSDAY, DECEMBER 06, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	66.50		66.50	216
WINGS FULL-CUT - TOMS	41.50-42.00		41.67	324
WINGS, V-TYPE, TOM		M	89.63	432
TAILS	53.00		53.00	40
MECHANICALLY SEPARATED 2/		R	31.74	254
THIGH MEAT - FROZEN		M	145.00	27

WEDNESDAY, DECEMBER 05, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		M	63.00	54
WINGS FULL-CUT - TOMS		M	44.00	54
WINGS, V-TYPE, TOM		M	89.63	432
TAILS	53.00		53.00	52
MECHANICALLY SEPARATED 2/		R	31.74	254
THIGH MEAT - FROZEN		M	145.00	27

TUESDAY, DECEMBER 04, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		M	63.00	54
WINGS FULL-CUT - TOMS		M	44.00	54
WINGS, V-TYPE, TOM		M	89.63	432
TAILS		R	51.00	54
MECHANICALLY SEPARATED 2/		R	31.74	254
THIGH MEAT - FROZEN		M	145.00	27

MONDAY, DECEMBER 03, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	63.00		63.00	54
WINGS FULL-CUT - TOMS	44.00		44.00	54
WINGS, V-TYPE, TOM	88.50-90.00		89.63	432
TAILS		R	51.00	54
MECHANICALLY SEPARATED 2/		R	31.74	254
THIGH MEAT - FROZEN	145.00		145.00	27

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