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Mexico's Broiler Situation

Production

Broiler meat production in 2011 is projected to increase a little over 1%. However this production increase depends on both international grain prices and the effect of economic recovery on domestic consumption of broiler meat. Production for 2010 has been revised 1% higher, due to better than anticipated economic recovery. Conversely, 2009 production levels were revised 0.39% lower. The Mexican poultry industry expects the economy to return to 2008 levels in 2011; however broiler meat production is not expected to surpass 2008 levels due to an excess supply of US chicken leg quarters.

Consumption

Consumption of broiler meat in 2011 is forecast to increase 2% following a 2% increase in 2010. Mexico's per capita consumption of broiler meat in 2010 is predicted to maintain its 2009 levels, which was about 25.88 kg per capita per year. Per capita consumption of chicken meat has increased 30% over the past 10 years, though this trend is not expected to continue without the introduction of new, economic value-added products.

In 2009, Mexican broiler meat consumption was as follows: ready-to-cook (RTC) whole broilers 26%, roasters sold in wet markets 20%, live birds 29%, RTC broilers and roasters sold in supermarkets 14%, chicken cuts sold in supermarkets 8%, and value-added products (i.e. nuggets, marinades, cordon blue, etc.) 3%. The consumption of processed chicken products (value-added items) like hams and sausage are also predicted to recover in 2011 returning to 2008 levels. It is also expected that value-added production will increase 2%.

Mexico's Broiler Meat Situation (thousand Metric Tons (MT))

	Revised 2009			Estimated 2010			Forecast 2011		
	Official	Old Post	New Post	Official	Old Post	New Post	Official	Old Post	New Post
Prod.	2,789	2,789	2,781	2,792	2,792	2,809	-	-	2,850
Imports	492	521	492	525	545	526	-	-	545
Exports	9	9	9	10	10	10	-	-	12
Cons.	3,272	3,301	3,264	3,307	3,327	3,325	-	-	3,383

Note: Prod. = Production. Imports = Total Imports. Exports = Total Exports. Cons. = Total Consumption. Source: USDA FAS Production, Supply, and Demand.

Imports

The US is expected to maintain its leading position as Mexico's top supplier of chicken imports with a 95% share. The remainder of chicken imports will be managed by Chile and Canada. Mexico primarily imports fresh or chilled mechanically deboned chicken meat (MSC) for its domestic sausage and cold-cut industries and chilled or frozen leg quarters for its retail industry.

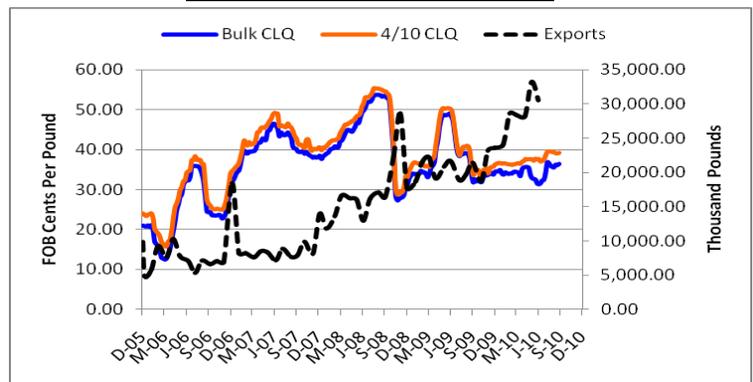
In 2011, Mexico is forecast to import 4% more chicken cuts (mostly leg quarters) and mechanically deboned meat. Imports of chicken cuts and MSC in 2010 are predicted to increase 7% from 2009, whereas whole chicken imports are expected to decline. Imports of leg quarters increase 33% from January-April 2010, while imports of whole chickens decreased 90% during the same time period due to prices. From January-May 2010 imports of frozen MSC from the US fell 12.6% and Chile 32%. However strong demand for raw materials such as MSC is expected to continue in 2011.

Total broiler meat imports in 2010 and 2009 were revised lower. In 2009, Mexico imported USD 475.3 million dollars of chicken products (+6.6% from 2008).

Exports

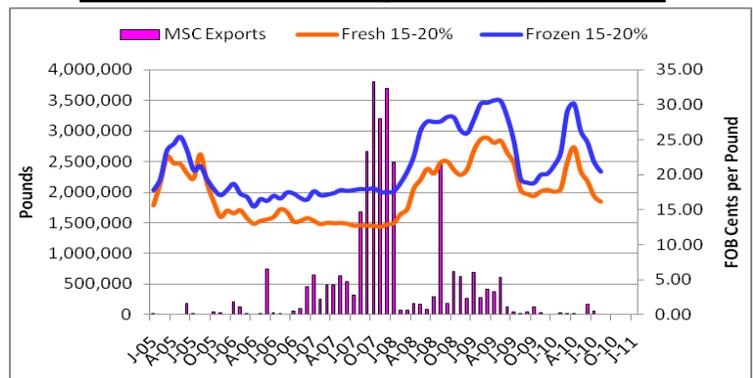
Mexican exports of broiler meat are projected to rise 20% in 2011 as a result of some of its establishments being approved for export to foreign countries such as the US. Mexico is expected to add an additional plant to its list eligible to ship to Japan by the end of 2010. Total broiler meat exports for 2010 and 2009 remain unchanged. However Mexican exports of whole chicken were revised up while parts were revised lower. In addition, Mexico began shipping chicken feet to Asia, chicken breasts and leg quarters to Japan, and powdered eggs to Africa in 2010. Chicken sausage exports were estimated at 4,000 MT for 2010. Mexico exported USD 16.6 million dollars of chicken to the world in 2009 mostly to the US, Vietnam, and the Congo.

US Domestic Fresh Chicken Leg Quarter Prices (FOB Cents per Pound) Compared with US Chicken Leg Quarter Exports to Mexico ('000 pounds)



Despite strong opposition from the Mexican poultry industry, presidents from both Mexico and Brazil have stated intentions to sign a free trade agreement (FTA). Domestic producers feel the FTA would impede Mexico's ability to compete fairly due to limited feed grain availability and commercial credit in Mexico, as well as limited market access for Mexican products due to Brazil's high sanitary barriers on imported poultry products. Another concern to Mexican producers is Brazil's government support to its agricultural producers. Much of Mexico's poultry industry is also opposed to ongoing trade negotiations with South Korea, as well as any new FTAs. Many in opposition feel the Mexican government should renegotiate some provisions regarding agriculture under other existing FTAs before entering any new FTAs. Source: USDA FAS/USDA FAS PS&D Online/UNA/USDA FSIS/Various News Wires

Comparison of US MSC Exports to Mexico with Fresh and Frozen 15-20% MSC Pricing (FOB Cents per Pound)



Note: Export volumes for HS Code 1602.320.035. Source: Department of Commerce, US Census Bureau, Foreign Trade Statistics/USDA FAS/USDA AMS Poultry Market News and Analysis

INSPECTED EGG PRODUCTS-

U.S. & CANADA IMPORT/EXPORT TRADE

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

Week Ending Oct 02, 2010	Year-To-Date*			
Type	2010	2009 /1	2010 /2	2009
Liquid	0	529	3,008	8,839
Frozen	0	0	88	95
Dried	0	1	345	588
Total	0	530	3,441	9,522

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

Week Ending Oct 02, 2010	Year-To-Date*			
Type	2010	2009 /1	2010 /2	2009
Liquid	339	408	15,111	13,274
Frozen	57	8	469	252
Dried	0	0	151	0
Total	396	416	15,731	13,526

Inspected Shell Eggs

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

Week Ending Oct 02, 2010	Year-To-Date*			
Type	2010	2009 /1	2010 /2	2009
Jumbo	0	0	0	0
Extra Large	2,460	1,500	62,461	59,053
Large	4,870	4,190	106,185	122,791
Medium	420	510	34,222	41,077
Ungraded	11,532	9,024	186,763	286,267
Misc	0	1,776	900	8,930
Total	19,282	17,000	390,531	518,118

/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 2-Oct-10 (Preliminary)

U.S. fowl slaughtered domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,394	1,434	2,828
Last Week	1,564	1,485	3,049
Same week yr ago	1,230	1,550	2,780
To-date/2010*	54,919	55,026	109,945
To-date/2009*	50,374	58,784	109,158

U.S. fowl slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	370	0	370
Last Week	351	27	378
Same week yr ago	300	9	309
To-date/2010*	13,327	418	13,745
To-date/2009*	12,331	35	12,366

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	1,764	1,434	3,198
Last Week	1,915	1,512	3,427
Same week yr ago	1,530	1,559	3,089
To-date/2010*	68,246	55,444	123,690
To-date/2009*	62,705	58,819	121,524

*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.)

The price trend was generally steady on all fat contents. Supplies of fresh and frozen 15-20% were moderate to mostly heavy with the balance of fat contents moderate. Schedules were seasonally normal. Export and domestic demand on fresh and frozen 15-20% was light. Market activity was slow. The 2011 contract negotiation process kicked off for many last Friday with industry intently monitoring the situation. A definite disparity exists between buyers and sellers in their mentality regarding pricing for 2011. In addition, many continue to find themselves competing on the spot marketplace with extra MSC due to seasonal demand reductions and push back from buyers with heavy inventories of finished products. Frames continue to be rendered or sold with buyer interest waning. Supplies of raw materials remain heavy. Frame values were steady to lower with trading between 4.5-7 cents FOB.

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

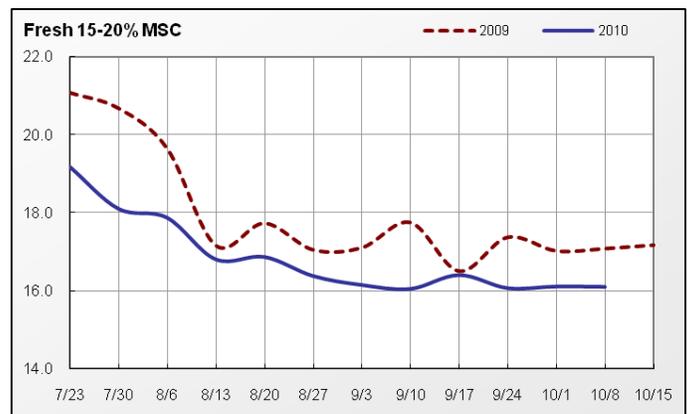
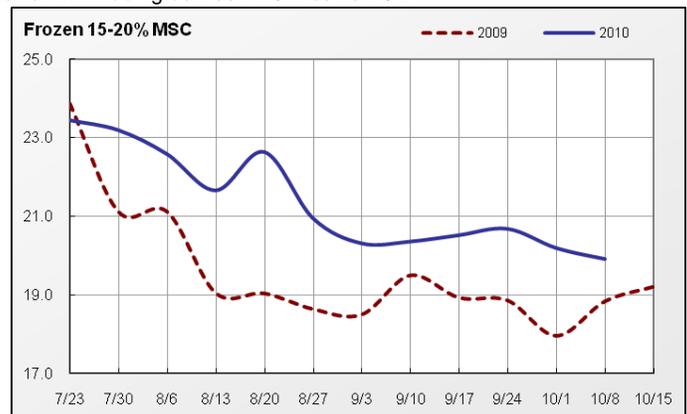
Fat Content	Frozen			Fresh		
	8-Oct-10	Last Week	Last Year	8-Oct-10	Last Week	Last Year
15% or Less						
Price Range			20.00	18.00 - 19.00	18.00	18.00-19.00
Wtd Avg Price			20.00	18.57	18.57	18.50
Volume Traded	-	-	80	143	143	242
Volume Exported	-	-	-	-	-	-
15-20%						
Price Range	15.00 - 22.00	15.00 - 22.00	16.50-22.50	12.50 - 19.00	14.00 - 18.00	15.50-21.00
Wtd Avg Price	19.91	20.19	18.83	16.09	16.10	17.07
Volume Traded	1,284	1,037	1,216	3,372	2,591	2,733
Volume Exported	1,164	937	1,096	612	571	-
20% or More						
Price Range	-	-	-	18.00	18.00	17.00
Wtd Avg Price	-	-	-	18.00	18.00	17.00
Volume Traded	-	-	-	41	41	82
Volume Exported	-	-	-	-	-	-

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

Fat Content	Frozen			Fresh		
	Sep 2010	Aug 2010	Sep 2009	Sep 2010	Aug 2010	Sep 2009
15% or Less						
Wtd Avg Price	-	-	-	18.80	21.51	19.07
Volume Traded	-	-	-	408	628	1,170
Volume Exported	-	-	-	-	200	-
15-20%						
Wtd Avg Price	20.43	21.80	18.86	16.14	16.91	17.21
Volume Traded	6,576	6,995	6,748	12,811	12,159	13,286
Volume Exported	6,336	6,067	5,848	1,999	2,122	3,773
20% or More						
Wtd Avg Price	-	-	-	17.75	18.57	17.80
Volume Traded	-	-	-	163	286	204
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



Source: USDA AMS Poultry Market News & Analysis

NATIONAL YOUNG TURKEY PARTS, INCLUDING BULK MEAT and FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 08 OCTOBER, 2010.

The market on bulk parts is steady to firm. Demand is moderate to good while offerings are light. The white meat market continues steady to firm. Demand is moderate to good. Offerings remain light to unavailable. The market on thigh meat is steady to fully steady, instances firm. Demand is moderate on limited offerings. The mechanically separated market (MST) is steady. Demand is light to moderate. Offerings are mixed. Market activity is slow to moderate with the heaviest reported trading into domestic channels centering on fresh tom drums and fresh MST. For domestic: fresh scapula meat 188-190, fresh tom full-cut wings 77, fresh tom necks 45, fresh MST (pet food) 20 cents delivered. For export: frozen tom necks 45 cents delivered port.

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME	WEEKLY	WEEKLY
FRIDAY, OCTOBER 08, 2010	RANGE	CODE 1/	PRICE	(000)	PRICE	VOLUME
DRUMSTICKS, TOMS	77.00-78.00		77.50	80	75.64	268
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM	88.00		88.00	240	88.00	240
TAILS						
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN	127.00		127.00	216	127.00	216
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
THURSDAY, OCTOBER 07, 2010	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	76.00		76.00	80		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS		R	37.00	108		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	125.00	54		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
WEDNESDAY, OCTOBER 06, 2010	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	74.00		74.00	108		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS		R	37.00	108		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	125.00	54		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
TUESDAY, OCTOBER 05, 2010	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		F	77.88	160		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS		R	37.00	108		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	125.00	54		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
MONDAY, OCTOBER 04, 2010	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		F	77.88	160		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM		M	88.50	280		
TAILS		R	37.00	108		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	125.00	54		

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.