



INTERNATIONAL EGG AND POULTRY REVIEW



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Agricultural Marketing Service

Poultry Programs

Market News and Analysis Branch

Mexico and U.S. Resolve Cross-Border Dispute

The United States and Mexico signed a Memorandum of Understanding on Cross-Border Motor Trucking on Wednesday, July 6, 2011. Two days later the Government of Mexico posted an official notice that beginning July 8, 2011 Mexico would reduce retaliatory tariffs by 50%. Mexico will lift all retaliatory tariffs within five days after the first Mexican carrier is certified to operate in the U.S.

Under NAFTA, by December 1995, the U.S. and Mexico were supposed to have access to highways in border states for the delivery and backhaul of goods. By January 2000, Mexico was to have full access for cross border trucking to and from any point in the U.S.; the U.S. was to have full access for cross border trucking to and from any point in Mexico. In February 2007, the U.S. and Mexican Secretaries of Transportation announced a demonstration project to implement the NAFTA trucking provisions. In March 2009, funding for the pilot program that allowed Mexican-registered trucks to operate beyond the 25 mile border commercial zone inside the U.S. was terminated in the FY2009 Omnibus Appropriations Act.

In March 2009, Mexico responded by imposing retaliatory tariffs on 89 U.S. agricultural and industrial products totaling about \$2.4 billion in exports from 40 states. On August 19, 2010, Mexico added some new products and removed others, bringing the revised list to 99 types of goods, including 54 agricultural products. The retaliatory tariffs ranged from 5% to 25%; no poultry or egg products were affected.

Background

The North American Free Trade Agreement (NAFTA) went into force on January 1, 1994. The U.S. – Canada FTA had already gone into effect in 1989. Canada and Mexico reached a separate bilateral NAFTA agreement that maintained the tariffs between the two countries affecting trade in dairy, poultry, eggs, and sugar. The U.S. agreement with Mexico eliminated all non-tariff barriers to agricultural trade and many tariffs were eliminated immediately. Other tariffs were phased out over periods of 5 to 15 years.

Under NAFTA, the U.S. and Mexico were to have allowed access to each other's border states for the delivery and backhaul of cargo by December 1995; by 2000 all restrictions on cross-border trucking were to be lifted. Trucks would not be allowed to move goods between points once they are in the country. Over 95% of agricultural products exported to Mexico from the U.S. cross through inland ports-of-entry located in northern Mexico.

Mexico was the United States' second largest goods export market in 2010 (\$163.3 billion) and the third largest market for agricultural goods (\$11.8 billion). Mexico was the third largest supplier of goods to the U.S. in 2010 (\$229.7 billion); the second largest supplier of agricultural products (\$13.6 billion.)

Source: Office of the United States Trade Representative; USDA Foreign Agricultural Service; U.S. Department of Transportation; news wires

Mexico's Broiler Industry

Mexico's broiler production increased one percent in 2010 and is forecast to grow one percent in 2011. Higher feed prices have slowed growth in broiler production. Price volatility in grains affects medium and small producers to a greater effect as they are less likely to use risk management practices. For 2011, producers are hedging against price risks by using the government's program *Agricultura por Contrato*, under which the price-risk volatility for domestic corn and sorghum is covered. Forty percent of feed grains are sourced domestically.

Poultry Production, Supply and Demand (1000 MT)

	2005	2006	2007	2008	2009	2010	2011
Broiler							
Production	2,498	2,592	2,683	2,853	2,781	2,809	2,850
Imports	364	419	380	433	492	549	580
Exports	1	1	2	5	9	14	16
Dom.Con	2,861	3,010	3,061	3,281	3,264	3,344	3,414
Turkey							
Production	14	14	15	15	11	13	15
Imports	180	183	196	197	144	145	150
Exports	-	-	-	-	-	-	-
Dom. Con	194	197	211	212	155	158	165

Source: Foreign Agricultural Service, Official USDA Estimates

Increased consumption is supported by stronger consumer purchasing power. Demand by lower-income consumers is expected to continue increasing; the preference of middle-income consumers is shifting from chicken to beef, limiting per-capita consumption growth.

Mexico's broiler exports are expected to grow 20% in 2011 as a result of approval given to certain establishments to export to foreign countries, including the U.S. According to UNA, during 2010 Mexico started exporting chicken feet to Asia; chicken breast and boneless chicken leg quarters (CLQs) to Japan; and powdered egg to Africa. Chicken sausage exports (HS 16011001) were estimated at 4,000 MT in 2010. The 2011 Mexican congressionally approved budget includes 400 million pesos (US\$31.7 million) for export promotion of agricultural products. As the Mexican poultry sector continues to focus on exports, a portion of this funding could be used for foreign market development.

On February 8, 2011, the Secretariat of Economy (SE) published a notice announcing an anti-dumping investigation of U.S. fresh, chilled or frozen CLQs (HS 0207.13.03 and 0207.14.04) exported to Mexico. The reference period is from January 1, 2007 through September 30, 2010, focusing on the period from October 1, 2009 through September 30, 2010. The petitioners claim U.S. export chicken prices are below the U.S. cost of production. This investigation was initiated without preliminary import duties.

Source: USDA GAIN Report MX1013, 2/14/2011

U.S. Exports to Mexico Poultry Meat, Eggs & Products in Millions of Dollars

	January – December					Jan - May	
	2006	2007	2008	2009	2010	2010	2011
Poultry Meat	457	489	571	561	665	253	328
Eggs & Products	35	29	27	30	27	12	17
Total	492	519	598	590	693	265	346

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

U.S. Exports to Mexico Poultry Meat and Egg Products metric tons, Eggs in Million Dozens

	January – December					Jan - May	
	2006	2007	2008	2009	2010	2010	2011
Poultry Meat	388,343	402,072	483,921	502,171	595,101	235,929	265,079
Hatching Eggs	9,797	7,654	7,151	6,674	8,074	2,778	5,484
Shell Eggs	5,445	2,669	465	3,025	1,372	713	444
Egg Products	2,813	3,295	2,191	2,389	1,285	692	521

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

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

Type	Year-To-Date*			
	2011	2010 /1	2011 /2	2010
Liquid	48	48	771	1,981
Frozen	0	0	0	88
Dried	0	45	139	259
Total	48	93	910	2,328

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

Type	Year-To-Date*			
	2011	2010 /1	2011 /2	2010
Liquid	534	512	8,695	11,294
Frozen	40	47	548	259
Dried	0	50	0	102
Total	574	609	9,243	11,655

Inspected Shell Eggs

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

Type	Year-To-Date*			
	2011	2010 /1	2011 /2	2010
Jumbo	0	0	0	0
Extra Large	900	2,850	42,979	47,631
Large	1,050	3,640	73,683	67,635
Medium	607	540	22,965	25,812
Ungraded	120	192	80,834	96,143
Misc	0	0	0	900
Total	2,677	7,222	220,461	238,121

/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 Jul 16, 2011 (Preliminary)

U.S. fowl slaughtered domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,390	1,553	2,943
Last Week	1,154	1,573	2,727
Same week yr ago	1,420	1,602	3,022
To-date/2011*	39,069	42,252	81,321
To-date/2010*	40,235	38,552	78,787

U.S. fowl slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	271	13	284
Last Week	427	26	453
Same week yr ago	239	38	277
To-date/2011*	10,723	285	11,008
To-date/2010*	10,176	240	10,416

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	1,661	1,566	3,227
Last Week	1,581	1,599	3,180
Same week yr ago	1,659	1,640	3,299
To-date/2011*	49,792	42,537	92,329
To-date/2010*	50,411	38,792	89,203

*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.)

Prices trended steady on all fat contents of MSC. Supplies of MSC were light to moderate. Schedules were normal. Demand was moderate to good into both domestic and export channels. Market activity was moderate to active with most movement and interest on fresh 15-20% MSC into Mexico. Domestically finished product sales have been slightly less following the seasonal pattern, however sales continue to be stronger than a year ago driving current buyer activity. The future of the spot marketplace continues to be unpredictable for many in industry in light of so many factors currently facing the marketplace (i.e. sustained heat throughout the country, lighter bird weights and higher mortality rates, industry production cutbacks, high grain costs, seasonal domestic and improved export demand, etc.). Raw material supplies remain tight and sought after. Frame values were steady trading between 11-14.5 cents FOB, mostly 12-13 cents FOB.

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

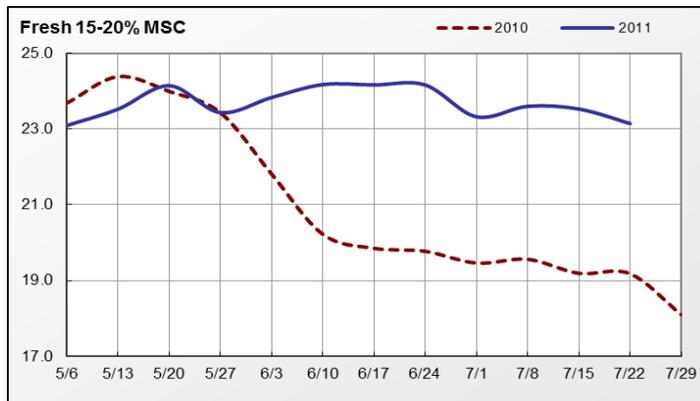
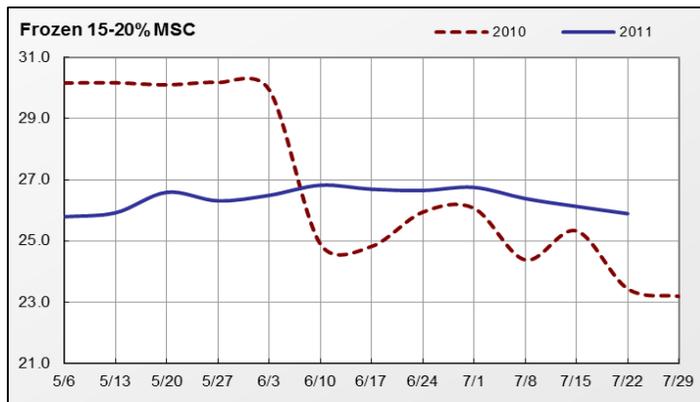
Fat Content	Frozen			Fresh		
	22-Jul-11	Last Week	Last Year	22-Jul-11	Last Week	Last Year
15% or Less						
Price Range			-	22.00 - 25.00	22.00 - 25.00	24.00-25.00
Wtd Avg Price			-	24.00	24.14	24.45
Volume Traded	-	-	-	122	143	363
Volume Exported	-	-	-	-	-	200
15-20%						
Price Range	24.00 - 28.00	24.00 - 28.00	22.00-28.00	18.00 - 26.50	18.00 - 27.00	16.00-23.00
Wtd Avg Price	25.89	26.13	23.44	23.14	23.53	19.18
Volume Traded	1,590	1,608	1,383	4,304	5,408	2,264
Volume Exported	1,430	1,488	1,343	571	286	143
20% or More						
Price Range	-	-	-	20.00	20.00	20.00
Wtd Avg Price	-	-	-	20.00	20.00	20.00
Volume Traded	-	-	-	82	82	41
Volume Exported	-	-	-	-	-	-

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

Fat Content	Frozen			Fresh		
	Jun 2011	May 2011	Jun 2010	Jun 2011	May 2011	Jun 2011
15% or Less						
Wtd Avg Price	-	-	-	25.65	24.88	26.13
Volume Traded	-	-	-	755	673	866
Volume Exported	-	-	-	-	-	305
15-20%						
Wtd Avg Price	26.66	26.13	26.22	24.09	23.54	20.44
Volume Traded	6,656	7,008	7,079	17,625	14,807	13,264
Volume Exported	5,816	6,186	6,499	898	938	653
20% or More						
Wtd Avg Price	-	-	-	20.00	19.78	20.60
Volume Traded	-	-	-	408	367	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 22 Jul 2011.

The market on tom bulk parts is steady with frozen tom drums, necks and 2-joint steady to firm. Demand was mixed and ranged from light to good. Offerings light to moderate. Fresh white meat is steady and frozen steady to barely steady along with tenders. Demand was light to moderate. Offerings mixed and ranged from light to heavy. Mechanically separated turkey market is steady. Demand and offerings light to moderate. Trading for all parts slow to moderate.

Export Trading

	Price Range	L.S.T. Code 1/	Wtd Avg Price	Volume (000)	Weekly Wtd Avg Price	Weekly Volume (000)
Friday, July 22, 2011						
Drumsticks, Toms	84.00-94.00		90.67	162	92.66	402
Wings Full-Cut - Toms		R	82.00	54	81.50	108
Wings, V-Type, Tom		M	104.00	120	104.00	120
Tails	43.00		43.00	40	43.57	94
Mechanically Separated 2/ Thigh Meat - Frozen		W	28.00	27	28.00	27
		R	130.33	120	131.75	160
Thursday, July 21, 2011						
Drumsticks, Toms	94.00		94.00	240		
Wings Full-Cut - Toms	82.00		82.00	54		
Wings, V-Type, Tom		M	104.00	120		
Tails		T	44.00	54		
Mechanically Separated 2/ Thigh Meat - Frozen	130.00-131.00	W	28.00	27		
			130.33	120		
Wednesday, July 20, 2011						
Drumsticks, Toms		F	89.00	324		
Wings Full-Cut - Toms	81.00		81.00	54		
Wings, V-Type, Tom		M	104.00	120		
Tails		T	44.00	54		
Mechanically Separated 2/ Thigh Meat - Frozen	28.00 136.00		28.00 136.00	27 40		
Tuesday, July 19, 2011						
Drumsticks, Toms		F	89.00	324		
Wings Full-Cut - Toms						
Wings, V-Type, Tom		M	104.00	120		
Tails	44.00		44.00	54		
Mechanically Separated 2/ Thigh Meat - Frozen		F	133.13	94		
Monday, July 18, 2011						
Drumsticks, Toms		F	89.00	324		
Wings Full-Cut - Toms						
Wings, V-Type, Tom	104.00		104.00	120		
Tails		W	42.00	54		
Mechanically Separated 2/ Thigh Meat - Frozen		F	133.13	94		

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.