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Mexico Launches Anti-dumping Investigation on Some Imports of U.S. Chicken Parts

by *Carlos Navarro*

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President Felipe Calderón's administration has launched an investigation to determine whether imports of certain chicken products from the US are being sold in the Mexican market at unfair prices. The Secretaría de Economía (SE) said the decision to pursue the anti-dumping probe was based on complaints filed in July 2010 by three Mexican poultry companies—Bachoco, Buenaventura Grupo Pecuario, and Productores Avícolas de Tehuacán SA de CV (PATSA).

Hugo Pérez Cano, head of the SE's trade-practices unit (Unidad de Prácticas Comerciales e Internacionales, UPCI), said the three Mexican companies contend that cheap imports of US chicken parts, supplied primarily by Tyson Foods Inc. and Pilgrim's Pride Corp., have displaced their domestic sales.

Import-tariff lines included in the notification cover a range of fresh and frozen dark-meat chicken products, such as leg quarters, thighs, drumsticks, and boneless legs and thighs.

Action based on complaint by three poultry companies

The three Mexican chicken companies based their complaint on a study of price trends for imports of US chicken between April 2009 and March 2010. "The imports of US origin were sold at prices that were significantly below those offered by domestic producers and were also below the price of imports from other countries," said the government's daily register (Diario Oficial de la Federación), which on Feb. 8 published the SE's intention to pursue the anti-dumping investigation.

The Mexican producers said the trends revealed not only a growth in the volume of imports but also an increase in the share of the Mexican market by Tyson Foods and Pilgrim's Pride.

The complaint said that the price of thighs and legs imported from the US were between 31% and 39% below those of comparable Mexican products. In addition, the price of those US chicken parts was 11% to 36% below the price of chicken imported from other countries.

"The combination of low prices for chicken parts, the excess production in the US, and the strong preference for legs and thighs on the part of Mexican consumers translates into a serious problem for Mexico's poultry industry," said the published complaint.

A recent report from the US Department of Agriculture (USDA) confirms that Mexico has become a more lucrative market for US chicken products. The report said Mexican imports of US chicken in January-November 2010 increased by 18% to 876.53 million pounds compared with the same period in 2009.

And there is concern that import restrictions imposed by other importers of US poultry products could have an impact on Mexico. "The tariffs imposed by China on US poultry products and restrictions placed by Russia on chicken of US origin have generated pressure on the US to sell its

excess capacity to other markets, particularly in northern Mexico," said the Web site El Sitio Avícola, quoting a report from the Foreign Agricultural Service (FAS), a unit of the USDA.

Because of a reduction in exports to Russia, Mexico became the top market for US chicken in 2010.

The increase in imports comes a time when Mexico is projected to boost its own poultry output. The FAS says that production of poultry meat, including chicken and turkeys, in Mexico is expected to grow by 1.5% in 2011.

The Mexican poultry industry is also concerned about the Calderón government's intention to pursue a free-trade agreement with Brazil ([SourceMex, March 3, 2010](#)), since the South American country has recently become one of the world's largest poultry producers. In addition, there are concerns that Mexico could face other barriers in exporting poultry to Brazil, including a limited supply of feed and poor credit in Mexico and strict sanitary restrictions on animal imports on the part of the South American country.

Imports of US poultry have been a concern for Mexican producers since the inception of the North American Free Trade Agreement (NAFTA). In 2003, the US and Mexico negotiated an agreement to open Mexico's market to US poultry products more gradually than stipulated by NAFTA. Under this accord, endorsed by the poultry industries in both countries, Mexico was allowed to implement a tariff of 98.8% once duty-free imports of US leg quarters reached 55,000 tons ([SourceMex, Jan. 29, 2003](#)). The agreement was kept in place for five years, although the tariff was reduced gradually each year until it was finally eliminated in 2008.

US industry group pledges to fight back

The complaint against the US imports was presented by three private companies, but Mexico's largest poultry-producing organization, the Unión Nacional de Avicultores (UNA), was silent about the dispute in the aftermath of the publication in the *Diario Oficial de la Federación*. The USA Poultry & Egg Export Council (USAPEEC) said the action was presented to the Mexican government without the consent of UNA. "We find it quite interesting that Bachoco has brought these charges against our industry without the knowledge of the Mexican Poultry Producers Association (UNA) or many public officials in Mexico," said USAPEEC president Jim Sumner. "In fact, UNA has said that the organization does not support the anti-dumping investigation."

Tyson also issued a brief statement saying that it was not aware of any improprieties in US chicken exports to Mexico. But the company pointed out that exports from its US plants to Mexico amounted to less than 1% of its US\$1.9 billion in international chicken sales in fiscal 2010.

Pérez Cano said the UPCI would proceed with the complaint by soliciting information from all affected parties on both sides of the border during a 28-day period following publication of the complaint.

The USAPEEC said it intends to take full advantage of this opportunity, retaining legal counsel both in Mexico and the US. "We intend to fight these baseless allegations aggressively on behalf of the US chicken industry, and in cooperation with the US government," said Washington-based trade attorney Gary Horlick, who is representing the industry group. "This case lacks justification. The main petitioner just reported a sales increase for 2010 of nearly 10%, and our calculations show that US companies were not selling their chicken to Mexico at prices below the US price, which is the definition of dumping."

In an interview on the radio program *Fórmula Financiera*, Pérez Cano said imports of US chicken legs and quarters will continue without restriction until there is a resolution to the case, which might not be forthcoming for at least a year and possibly as long as 18 months.

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