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## **Avian Flu Outbreak Reported in Jalisco, Mexico's largest Poultry- and Egg-Producing State**

*by Carlos Navarro*

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An avian-flu outbreak in Jalisco state in late June caused the cost of eggs and chicken to increase sharply by the beginning of July, forcing the government to implement emergency price controls.

The avian-flu outbreak was reported on several large commercial farms in the municipalities of Tepatitlán and Acatic in the Altos de Jalisco region, Mexico's principal chicken-producing region.

Federal health authorities said avian flu was detected in 2.5 million of the 14.4 million poultry in Jalisco state. A total of 29 farms are thought to be affected.

Mexico's poultry producers organization, the Unión Nacional de Avicultores (UNA), estimates that Mexico produces close to 2.5 million tons of eggs and 1.2 million tons of feedlot poultry meat per year. Jalisco accounts for about 55% of national production.

In a report to the World Organization for Animal Health (OIE), Mexican health authorities said a series of tests revealed that a highly pathogenic H7N3 subtype of the avian flu was the cause of the current outbreak. The government's animal health agency (Servicio de Sanidad, Inocuidad y Calidad Agroalimentaria, SENASICA) has begun intensive control efforts in Jalisco. SENASICA comes under the auspices of the Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA).

Jalisco Gov. Emilio González Márquez said state and federal authorities had managed to keep the infected farms in isolation and halted the spread of the virus. About 1 million birds had died or been slaughtered since the flu outbreak. "We are still in a containment phase," said González Márquez. "We cannot yet ascertain the full magnitude of economic losses."

To prevent the disease from spreading further, authorities announced they had acquired about 2 million doses of vaccine from China through the middle of July, and SENASECA director Enrique Sánchez Cruz said Mexico expects to have about 6 million does available by the end of the month.

But that is only a fraction of the birds that will need to be inoculated. To remedy the situation, Mexico is expected to supplement the supply of vaccines against the H7N3 with output from its own laboratories. "Mexico is in the process of developing the vaccine, and, by August, we should be able to produce 80 million doses here at home," President Felipe Calderón told reporters.

The situation forced SAGARPA and the Secretaría de Economía (SE) to intervene on two fronts. The first was to safeguard the poultry industry in Jalisco, which is worth about US\$2.5 billion. Producers in Jalisco complained that other states had placed an embargo on all eggs and poultry products originating in Mexico, effectively shutting off sales to the rest of the country.

### ***Government moves to prevent price speculation on eggs***

The second action was to protect the interests of consumers, as the outbreak of avian flu resulted in numerous cases of price speculation even though Mexico has an ample supply of eggs and chicken

to meet domestic demand. Eggs are an important staple of the Mexican diet, with consumption estimated at about 20.3 kg per capita annually, reported the Instituto Nacional Avícola.

The sharp increase in prices prompted the federal consumer protection agency (Procuraduría Federal del Consumidor, PROFECO) to conduct an investigation, and inspectors found that speculation was especially rampant at distribution centers and at some supermarket chains like Soriana, Chedraui, and Walmart.

Economy Secretary Bruno Ferrari said eggs sold for about 22 or 23 pesos (US\$1.65-US\$1.72) per kg before the news of the outbreak but later jumped to about 30 pesos (US\$2.25) per kg. There were some extreme cases, such as Soriana stores in Culiacán, Sinaloa state, where the price of eggs increased by 140% following the news of the avian flu outbreak in Jalisco state.

"Mexico is self-sufficient in egg production. In fact, we export eggs," Ferrari said, pointing out that the chickens infected with avian flu represent only 1.7% of Mexico's total number of egg-producing poultry. "So one can't justify the rise in prices."

### *Producers angry at government's decision to boost imports*

Still, the SE took immediate steps to halt price increases and cracking down on speculators and expanding the supply of eggs by temporarily increasing imports for this year. On July 7, the SE said the quota for egg imports this year would be increased to about 211,000 tons, almost 60% above the original target of 132,000 tons.

A share of the imports would come from the US and Canada, Mexico's two partners in the North American Free Trade Agreement (NAFTA). But Ferrari said Turkey, Poland, China, and Ukraine have been identified as countries that export eggs at competitive prices. Imports from these countries would be facilitated by eliminating tariffs, which are currently as high as 45%.

But the decision to boost imports did not sit well with the Mexican poultry industry. Ricardo Estrada, president of the Asociación de Avicultores de Tepatitlán said the imports are a new threat to Jalisco poultry producers, who already have to deal with the outbreak of avian flu.

"There is no shortage of eggs," Estrada said in an interview with the Mexico City daily business newspaper *El Economista*. He blamed authorities in neighboring states for contributing to the price speculation by banning imports of eggs and poultry products from Jalisco, regardless of whether they came from the infected farms. The restrictions were imposed by health authorities in Mexico City, México state, Guanajuato, and Querétaro. The Mexico City area consumes a large share of the eggs produced in Altos de Jalisco, said Estrada.

Estrada and other local leaders are pushing for the state and federal governments to create a special contingency fund to compensate the affected poultry producers and the workers who have lost their jobs as a result of the outbreak. By some estimates, the outbreak has already cost 1,800 jobs in Los Altos de Jalisco and other parts of the state. [Peso-dollar conversions in this article are based on the Interbank rate in effect on July 11, 2012, reported at 13.30 pesos per US\$1.00.]

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