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Avian Flu Outbreak in Guanajuato Raises Concerns about Price Speculation for Eggs, Chicken

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Category/Department: Mexico
Published: 2013-02-27

The dreaded avian flu has returned to central Mexico again this year, this time causing significant poultry deaths in Guanajuato state. The outbreak of the H7N3 virus—which had forced poultry farmers in the state to destroy more than 2 million birds as of the end of February—appears confined to the municipalities of Dolores Hidalgo, Juventino Rosa, and San Felipe in northern Guanajuato. The Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria (SENASICA) said the outbreak originated at a poultry farm operated by the company Pilgrim’s, initially spreading to 17 farms owned by the firm Bachoco. The virus was later discovered on 20 other farms in the area.

Health authorities worked hard to prevent the flu from spreading to neighboring Aguascalientes and Jalisco, the latter Mexico’s largest poultry and egg-producing state. Jalisco suffered a major avian-flu outbreak in the summer of 2012 (SourceMex, July 11, 2012), which resulted in heavy price speculation in eggs (SourceMex, Aug. 22, 2012). Jalisco accounts for about 52% of Mexico’s egg production, compared with only 3% for Guanajuato, according to statistics from the Unión Nacional de Avicultores (UNA). Puebla state ranks second in egg production with 17% of the national total.

Authorities slaughter 2.1 million birds

As part of its emergency measures, the Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA) announced that health authorities had destroyed 1.2 million egg-producing chickens, along with 900,000 birds being fattened for their meat.

In addition, SENASICA, SAGARPA’s health-protection agency, established a quarantine zone in the affected area of Guanajuato to prevent the virus from spreading outside the more than three-dozen poultry farms where infections were found. Health inspectors tested 4 million birds, of which 1.3 million were initially deemed not to be infected by the H7N3 bird flu. Poultry lack natural defenses against the H7N3 virus, and officials said the vaccine is the only way to protect the birds. SENASICA director Enrique Sánchez Cruz told reporters that the inoculation campaign "has functioned extraordinarily well.

The UNA, which is working closely with SAGARPA and the Secretaría de Economía (SE) to prevent the virus from spreading outside the quarantined areas, agreed that the inoculations have been effective. "[Vaccines] are being used successfully in the farms in Guanajuato, creating a protective circle and limiting any potential problems," Jaime Crivelli Espinoza, president of the UNA management council, told the Mexico City daily newspaper La Jornada.

Agriculture Secretary Enrique Martínez said SAGARPA is close to controlling the outbreak, but noted that this was "a complex task since it deals with a very pathogenic virus that requires great efforts to prevent its spread."

Even with the strict measures implemented by federal authorities, agriculture officials in Guanajuato state said the number of infected farms continued to increase within the quarantined...
zone after the initial outbreak, with a total of 38 poultry farms within the quarantined area infected as of the end of February. But authorities are confident that the situation has been stabilized. "The outbreak is under control, and that’s what’s important," said Javier Usabiaga Arroyo, Guanajuato’s agricultural development secretary.

Egg prices rise as much as 10%

The SE said the number of poultry that needed to be destroyed was just 0.3% of the total inventory of egg-laying chickens in Mexico. Even though the number is miniscule compared with the national inventory, news of the outbreak caused some price speculation for eggs. And there was some concern that prices might also increase for chicken.

In the aftermath of the outbreak, egg prices in Mexico City rose by as much as 10% in some areas. In self-service stores, prices rose as high as 41 pesos (US$3.21) per kg, said the Cámara de Comercio, Servicios y Turismo en Pequeño de la Ciudad de México (CANACOPE). A more typical price was 28 pesos (US$2.19) per kg.

But authorities moved quickly to prevent large-scale price increases. "The SE will apply all the instruments at its disposal to maintain the stability of prices and protect consumers," the economy ministry said in a statement.

The SE noted that the consumer-protection agency (Procuraduría Federal del Consumidor, PROFECO) has intensified monitoring efforts throughout the country but especially in Guanajuato state. Officials said all violators would face stiff sanctions.

The retailers organization Asociación Nacional de Tiendas de Autoservicio y Departamentales (ANTAD) also vowed to do its part to prevent unjustified price increases. "Our stores are making every effort to offer the best prices and at times sacrifice profit margins so they don’t hurt consumers during crucial times," ANTAD president Vicente Yáñez Solloa said in an interview.

Yáñez said egg and chicken supplies should remain ample because of the small area of the outbreak and the move by authorities to quickly create the quarantine zone.

But some market analysts said the long-term trends point to inflationary pressures on egg and chicken prices. Pablo Sherwell, an analyst at Rabobank in Mexico City, said the 2012 outbreak in Jalisco brought egg prices to a new level, rising to about 30 pesos (US$2.35) per kg, from about 22 pesos (US$1.72) previously (SourceMex, July 11, 2012). "In the long run, the price of eggs will not return to the levels before that outbreak," Sherwell told the Mexico City daily newspaper Reforma.

Sherwell said chicken inventories were falling, which would have repercussions for consumers during 2013. "We expect the price of chickens to continue increasing as long as inventories remain low." [Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb. 27, 2013, reported at 12.76 pesos per US$1.00.]