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Mexico Initiates An Anti-dumping Investigation on U.S. CLQs

Report Categories:

Poultry and Products

Trade Policy Incident Report

Trade Policy Monitoring

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Report Highlights:

On February 8, 2011, the Secretariat of Economy (SE) announced in the *Diario Oficial* (Mexico's Federal Register) an anti-dumping investigation of U.S. fresh, chilled or frozen chicken leg-quarters (CLQs) (HTS # 0207.13.03 and 0207.14.04). The result of this investigation may be imposition of countervailing import duties on U.S. fresh, chilled or frozen CLQs exported to Mexico.

General Information:

Disclaimer

This summary is based on a *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the resolution in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete resolution or announcement as published in Spanish, the latter shall prevail.

Title of Notice: “Resolution to accept the petition on behalf of the interested party and declare the initiation of an antidumping investigation on imports of CLQs, merchandise classified in tariff codes 0207.13.03 and 0207.14.04 of the General Import Tax Law, originating in the United States of America, independently of their country of origin.”

Type of Resolution: Initial investigation on antidumping claims.

Important Dates

1. Publication Date: February 8, 2011
2. Effective Date: February 9, 2011
3. Start of Public Comment Period: Initial questionnaires must be submitted within 28 **working** days from publication date of this official announcement. (On March 18, 2010)
4. Timeframe for the investigation: October 1st 2009 to September 30th 2010
5. Timeframe for analysis of damages: January 1st, 2007 to September 30th, 2010

Products Affected: CLQs (fresh, chilled or frozen) as classified in tariff codes 0207.13.03 (legs, thighs or legs joined to the thigh, fresh or chilled) and 0207.14.04 (legs, thighs or legs joined to the thigh, frozen). According to the petitioners, these U.S. chicken products enter Mexico under the following commercial product names: leg quarter, thigh and drumstick, chicken quarters, chicken leg, chicken thigh, chicken thigh with back portion, back quarters, drumsticks skinless boneless, thighs skinless boneless, thighs skin up, boneless skinless thigh meat, legs whole, black [*sic*] meat and rear meat.

Agency in Charge: International Commercial Practices Unit (UPCI), Secretariat of Economy

Notice Summary:

SE published on February 8, 2011, a notice in the *Dario Oficial* announcing an anti-dumping investigation with respect to U.S. CLQs (HTC # 0207.13.03 and 0207.14.04) exported to Mexico. The investigation is in response to a petition submitted to UPCI by Bachoco, S.A. de C.V. (“Bachoco”), Productos Agropecuarios de Tehuacán, S.A. de C.V. (Patsa) y Buenaventura Grupo Pecuario, S.A. de C.V. (“Buenaventura”). The petitioners claim the U.S. market price for these exported chicken products is below the U.S. cost of production. The notice does not include any countervailing import duties which are allowed under Mexico’s Foreign Trade Law. Countervailing import duties are permitted to be imposed at the initiation, preliminary report, and at the conclusion of the investigation.

Exporters, importers and other interested parties have twenty-eight (28) working days from February 9, 2011 to respond to questionnaires from SE.

Key Points of the Notice:

In addition to the petitioners, UPCI's initial analysis involved seeking information from five (5) additional Mexican poultry companies. Three companies were supportive of the UPCI's actions to conduct an anti-dumping investigation (Pollo de Querétaro, S.A. de C.V., Productora Pecuaria Alpera, S.A. de C.V. and Agroindustrias Quesada, S. de R.L. de C.V.). One company was indifferent to this action and the fifth firm was no longer a CLQs producer.

Imports of fresh, chilled and frozen CLQs from the United States have allegedly entered Mexico at a market price significantly below the cost of production. Furthermore, the petitioners presented information and claims these chicken products have a high consumer demand in Mexico while these products have low consumer demand in the U.S. market.

Additionally, the petitioners based their conclusions on the following research studies along with an econometric study conducted for this petition:

- "Poultry Yearbook". U.S. Department of Agriculture, Economic Research Service. July 2006. Datasets published at [Poultry Yearbook](#),
- [Factors Affecting Trade in Mexican Imports of Poultry Meat From the United States](#). Jonathan R. Coleman and Warren Payne. U.S. International Trade Commission, Office of Industries. March 2003,
- Poultry Market Prices. Georgia Department of Agriculture. ([Poultry Prices](#)),
- As well as information from U.S. Department of Agriculture, [Economic Research Service](#).

Bachoco, Patsa and Buenaventura claim that exporters and importers of selected U.S. poultry meats, particularly fresh, chilled and frozen CLQs conducted discriminatory pricing practices from January 1, 2007 to September 30, 2010. The three companies have identified seventeen (17) Mexican importers and twenty (20) U.S. exporters as responsible for said alleged action. The petitioners claim that discriminatory pricing practices have resulted in displacement of the domestic production endangering the domestic sector and its existence due to low prices and profitability for chicken products.

The petitioners cited recent bans of imports of U.S. poultry products in Russia, dumping duties on U.S. poultry products in China, and the recent investigations conducted by the countries of Ukraine and South Africa as further support of its claims that the United States is conducting discriminatory pricing practices around the world. Consequently, the petitioners state that U.S. chicken exports to China and Russia have declined while U.S. chicken exports to Mexico have increased.

As further evidence to support the claim, the petitioners cited the significant amount of infrastructure investment which occurred during the bilateral safeguard period, which ended in 2007. The petitioners stated these new facilities are underutilized, which has resulted in job losses and income losses for owners.

In its petition, the three companies requested confidentiality once this notice was published. They argued that it could affect their commercial relationship with those affected by this investigation. This request for confidentiality was denied.

Investigation Timeframes

The Mexican Foreign Trade Law states the SE has 90 business days (from February 9, 2011) to publish the preliminary resolution. SE may impose preliminary compensatory duties at the time of publication or not, but SE will continue the investigation until it is concluded.

A public hearing will be held on November 16, 2011, at 10:00 a.m. at the office of UPCI located at Insurgentes Sur 1940, Colonia Florida, Zip Code 01030, Mexico D.F. All participants in the investigation can participate in the public hearing and present comments until November 23, 2011 at 14:00 hrs.

The final resolution must be concluded by SE within 210 business day from February 9, 2011. However, SE may delay the conclusion of this investigation at any time depending on the amount of information obtained during this period. In the final resolution, SE may impose import duties, revoke any import duties applied at the publication of the preliminary resolution, or conclude the investigation without duties.

To participate in the investigation

All interested parties, companies or associations must complete the UPCI application to participate. This application may be obtained from the UPCI office located at Insurgentes Sur 1940, Colonia Florida, C.P. 01030, Mexico D.F. between 9:00 A.M. to 14:00 or from the following web-site: ([application](#))

Additional background: A bilateral safeguard agreement between the United States and Mexico regarding the trade of CLQs was announced on July 25, 2003. The provisions of this agreement established a five (5) year lineal tariff phase down for CLQs (HTS # 0207.13.03 and 0207.14.04) beginning with 79 percent in 2004, 59.3 percent in 2005, 39.5 percent in 2006, 19.8 percent in 2007 and zero in 2008. In addition, a duty-free quota of 100,000 MT per year with a 1 percent annual increase was established during the enforcement of this bilateral measure.