COMPETITION ASSESSMENT REVIEW

Poultry Meat Sector in Jalisco and Sinaloa

2019
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Foreword

Competition is essential to the proper functioning of the Mexican economy and society. A large number of studies confirm that more competitive industries experience faster productivity growth, which, in turn, leads to economy-wide growth. Competition creates incentives for firms to innovate and remain technologically up to date, while encouraging resources to be reallocated towards more productive activities.

To function properly, however, markets need regulations. Yet regulations that impose excessive restrictions to competition can negatively affect businesses and consumers. This makes it vitally important for a country’s economic performance to have a regulatory policy that includes competition analysis of both new legislation and pre-existing provisions.

In recent years, Mexico has strived to improve its regulatory policy in order to support business activity and discourage anti-competitive practices. For example, in 2012, the Mexican government, through the Ministry of Economy and the Federal Regulatory Improvement Commission, introduced a modification to its Regulatory Impact Assessment tool to include a specific section to assess competition of new draft regulations.

Regulatory improvement policy in Mexico is part of the Mexican federal government’s broader policy objective of economic growth and development. The Ministry of Economy, through the Under-ministry of Competitiveness and Business Regulation promotes competitiveness in the business and economic sectors by contributing to the improvement of integral regulatory reform, and enhancing consistency and regulatory neutrality. The Ministry’s competition powers were strengthened in May 2014 in the new Federal Economic Competition Law, which gives the Ministry the ability to make requests, on behalf of the Federal Executive Branch, to the competition authorities to begin enforcement and advocacy proceedings in competition matters. The Ministry is the authority responsible for promoting the productivity and competitiveness of the country’s economy for the benefit of consumers; to create a better business environment; to strengthen Mexico’s internal market; and to attract national and international investment.

Among regulations for different economic sectors, state authorities have the power to issue sanitary requirements for poultry. The objective of this report is to identify regulatory restrictions in the states of Sinaloa and Jalisco that may unduly restrict competition in their respective poultry markets and to improve competitiveness for the benefit of consumers and businesses.

This following report complements a previous OECD project in Mexico, the Competition Assessment Review of Legislation of the Mexican Medicine and Meat Sector (chicken meat, beef and pork), on which the OECD collaborated with the federal Ministry of Economy. While the previous project analysed federal legislation, this project looks at state-level provisions.

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The OECD Secretariat thanks the Ministry of Economy for its input, review and fruitful cooperation, in particular José Eduardo Mendoza Contreras, former Head of the Competition and Public Policies for Market Efficiency Unit; and his successor David López Victoriano; Gustavo Rodrigo Pérez Valdespín, General Director at the Competition and Public Policies for Market Efficiency Unit; and Alín Martínez Morales, Director at the Competition and Public Policies for Market Efficiency Unit.
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbreviations and acronyms</td>
<td>7</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>9</td>
</tr>
<tr>
<td>Chapter 1. The poultry meat market in Mexico, Jalisco and Sinaloa</td>
<td>11</td>
</tr>
<tr>
<td>1.1. The poultry-meat sector in Mexico</td>
<td>11</td>
</tr>
<tr>
<td>1.2. The poultry-meat sector in Jalisco</td>
<td>15</td>
</tr>
<tr>
<td>1.3. The poultry-meat sector in Sinaloa</td>
<td>19</td>
</tr>
<tr>
<td>Chapter 2. Restrictions and recommendations</td>
<td>25</td>
</tr>
<tr>
<td>2.1. Restrictions to competition in the poultry-meat sectors of the states of Jalisco and Sinaloa</td>
<td>25</td>
</tr>
<tr>
<td>Annex A. Toolkit Checklist</td>
<td>40</td>
</tr>
<tr>
<td>Annex B. Restrictions in Jalisco</td>
<td>41</td>
</tr>
<tr>
<td>Annex C. Restrictions in Sinaloa</td>
<td>55</td>
</tr>
</tbody>
</table>

## Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Production of meat carcasses (thousands of tonnes), 2006-2016</td>
<td>12</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Annual per capita consumption of chicken meat (in kilograms)</td>
<td>13</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Consumer price indexes: general, food, and poultry meat</td>
<td>14</td>
</tr>
<tr>
<td>Figure 4</td>
<td>Trade balance of chicken meat (in thousands of tonnes)</td>
<td>15</td>
</tr>
<tr>
<td>Figure 5</td>
<td>Volume of meat carcasses produced in Jalisco, all types and poultry (tonnes)</td>
<td>16</td>
</tr>
<tr>
<td>Figure 6</td>
<td>Value of meat-carcass production in Jalisco, all and poultry (MXN, millions)</td>
<td>17</td>
</tr>
<tr>
<td>Figure 7</td>
<td>Jalisco’s share of national production of poultry meat carcasses: volume and value</td>
<td>17</td>
</tr>
<tr>
<td>Figure 8</td>
<td>Volume of meat-carcass production in Sinaloa, all and poultry (tonnes)</td>
<td>19</td>
</tr>
<tr>
<td>Figure 9</td>
<td>Value of meat-carcass production in Sinaloa, all and poultry (MXN, millions)</td>
<td>20</td>
</tr>
<tr>
<td>Figure 10</td>
<td>Sinaloa’s share of national poultry-meat carcass production: volume and value</td>
<td>20</td>
</tr>
</tbody>
</table>

## Boxes

<table>
<thead>
<tr>
<th>Box</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box A.1</td>
<td>OECD Competition Checklist</td>
<td>40</td>
</tr>
</tbody>
</table>
### Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAGR</td>
<td>Average annual growth rate</td>
</tr>
<tr>
<td>COFECE</td>
<td>Federal Economic Competition Commission (Comisión Federal de Competencia Económica)</td>
</tr>
<tr>
<td>COFEPRIS</td>
<td>Federal Commission for the Protection against Sanitary Risk (Comisión Federal para la Protección contra Riesgos Sanitarios)</td>
</tr>
<tr>
<td>COMECARNE</td>
<td>Mexican Meat Council (Consejo Mexicano de la Carne)</td>
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<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>INEGI</td>
<td>National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía)</td>
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<tr>
<td>MXN</td>
<td>Mexican pesos</td>
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<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<td>NOM</td>
<td>Mexican Official Standards (Normas Oficiales Mexicanas)</td>
</tr>
<tr>
<td>SAF</td>
<td>Ministry of Administration and Finance (Secretaría de Administración y Finanzas) of Sinaloa state</td>
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<tr>
<td>SAG</td>
<td>Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería) of Sinaloa state</td>
</tr>
<tr>
<td>SAGARPA</td>
<td>Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación)</td>
</tr>
<tr>
<td>SE</td>
<td>Ministry of Economy (Secretaría de Economía)</td>
</tr>
<tr>
<td>SEDCO</td>
<td>Jalisco Ministry of Economic Development (Secretaría de Desarrollo Económico)</td>
</tr>
<tr>
<td>SEDER</td>
<td>Jalisco Ministry of Rural Development (Secretaría de Desarrollo Rural)</td>
</tr>
<tr>
<td>SENASICA</td>
<td>National Service for Agro-Alimentary Public Health (Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria)</td>
</tr>
<tr>
<td>SIAP</td>
<td>Agrifood and Fisheries Information Service (Servicio de Información Agroalimentaria y Pesquera)</td>
</tr>
<tr>
<td>SIAVI</td>
<td>Tariff Information System (Sistema de Información Arancelaria vía Internet)</td>
</tr>
<tr>
<td>SINIIGA</td>
<td>System of Individual Cattle Identification (Sistema Nacional de Identificación Individual de Ganado)</td>
</tr>
<tr>
<td>SSA</td>
<td>Ministry of Health (Secretaría de Salud)</td>
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<td>SSJ</td>
<td>Ministry of Health of Jalisco (Secretaría de Salud de Jalisco)</td>
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<tr>
<td>TIF</td>
<td>Federal Inspection Type (Tipo Inspección Federal)</td>
</tr>
<tr>
<td>UNA</td>
<td>National Poultry Association (Unión Nacional de Avicultores)</td>
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<tr>
<td>USDA</td>
<td>United States Department of Agriculture</td>
</tr>
</tbody>
</table>
Executive Summary

The OECD was asked by the Mexican government to carry out an independent policy assessment to identify rules and regulations that may hinder the competitive and efficient functioning of chicken-meat markets in the states of Jalisco and Sinaloa. For the purpose of this report, and unless it is specifically stated otherwise, poultry meat and chicken meat are to be considered as synonyms. Turkey meat production in these two states is almost negligible with respect to chicken meat production.

The poultry-meat sector plays a significant role in the Mexican economy, by value (in 2015, MXN 88 164.26 million) and by volume (in the same year, 1 643.705 million head of chicken were slaughtered). Consumption of chicken in Mexico has steadily increased in the recent past. Jalisco is the most important state in Mexico in terms of chicken-meat production; Sinaloa is number nine. In 2017, 11.63% of the national volume of chicken-meat carcasses was produced in Jalisco and 3.96% in Sinaloa. In the period from 2007 to 2017, Jalisco accounted for 11.3% of the national production of chicken-meat carcasses.

In a previous OECD project, *Competition Assessment Review: Mexico*, the OECD analysed the Mexican meat sector at the federal level, including chicken meat, beef and pork. It made a total of 57 recommendations about how to improve competition in this sector at the federal level. Those recommendations included abolishing the requirement of various Mexican states for transport documents (*guías de tránsito*), which impose additional zoosanitary controls to those established by the national authority SENASICA; issuing NOMs for the national classification of beef, pork and chicken carcasses, to foster interstate trade and exports; and clarifying (and partly limiting) the decisional powers of livestock associations.

In the current project, the OECD makes additional recommendations for improving competitive conditions at the state level in Jalisco and Sinaloa, by changing state regulations to complement the above-mentioned recommendations. Using the OECD’s Competition Assessment Toolkit, an OECD team has analysed 19 laws in Jalisco and Sinaloa dealing with chicken meat and makes a total of 19 recommendations (10 for Jalisco and 9 for Sinaloa) to remedy competition problems stemming from 19 identified restrictions. The main restrictions and recommendations are summarised below.

1. Jalisco and Sinaloa require separate transport documents (*guías de tránsito*) in addition to the federal Zoosanitary Transport Certificate. Some conditions in those state documents overlap with the requirements that need to be filled to obtain the Zoosanitary Transport Certificate. **Recommendation:** abolish the requirement for additional Jalisco and Sinaloa transport documents and a Sinaloa authorisation for transporting poultry, poultry products and subproducts. Inspection related to federal sanitary rules should continue at the crossing points (*puntos de paso*).

2. Jalisco and Sinaloa each have their own meat-classification system. Currently, there is no mandatory national classification system. In the absence of a national system, the implementation of a state meat-classification system might hinder interstate trade.
**Recommendation:** clarify that Jalisco’s and Sinaloa’s meat-classification systems are voluntary. It should be up to producers to decide if they wish to seek a state classification (which might follow higher standards than the national ones) in addition to a national classification. Moreover, state authorities in Jalisco and Sinaloa should ensure that out-of-state producers are not discriminated against in terms of the grading of meat quality.

3. The Jalisco Ministry of Rural Development (Secretaría de Desarrollo Rural, SEDER) promotes the implementation of standards superior to the minima established in the federal NOM and NMX for livestock products and sub-products produced in Jalisco. 

**Recommendation:** clarify that state standards higher than the minima established in federal NOM and NMX are voluntary.

4. In Jalisco, livestock associations shall “contribute to regulate offer and demand” during shortages of livestock.

**Recommendation:** abolish this provision.

5. In Sinaloa, so-called *animales orejanos* (i.e. unidentified or non-marked animals that do not belong to the owner of the property where they are found), must be reported to the regional livestock union or local livestock association, which will decide their further use, particularly about the possibility of transporting them. **Recommendation:** leave decisions about the use of unidentified animals to Sinaloa state authorities.

6. In Jalisco, three state ministries, in cooperation with livestock producers and auxiliary cooperation organisms can promote actions that improve Jalisco-based producers’ competitiveness against non-Jalisco producers. The actions are not further defined.

**Recommendation:** clarify the permissible ways in which the Jalisco authorities can support Jalisco’s livestock producers and guarantee that these actions do not create undue barriers to competition to non-Jalisco producers.

7. In Sinaloa, the state’s food-assistance programmes must only use food inputs produced by Sinaloa livestock and agricultural producers.

**Recommendation:** abolish the provision.

8. In Sinaloa, retailers must separate Sinaloan livestock products from non-Sinaloan ones.

**Recommendation:** abolish the provision.

9. In Jalisco, SEDER can “verify at any time and any place the compliance of zoosanitary regulations and programmes”. Companies have to pay the costs of those verifications.

**Recommendation:** issue guidelines to establish the frequency under which SEDER can verify that companies are complying with zoosanitary regulations and programmes.

10. In Jalisco, organisations of local livestock producers, in coordination with federal, state and municipal authorities, “will manage the processes of price diffusion, stock and transport costs; financing; volumes of supply and demand, among other factors”.

**Recommendation:** in the relevant provision, clarify that any exchange of commercially sensitive data between Jalisco livestock producers is prohibited.

11. In Jalisco, there is a requirement that regional livestock supervisors must have lived for at least the past three years in the state; a comparable requirement exists in Sinaloa.

**Recommendation:** abolish both requirements.
Chapter 1. The poultry meat market in Mexico, Jalisco and Sinaloa

1.1. The poultry-meat sector in Mexico

1.1.1. Sector overview

The vertical value chain of the poultry-meat sector comprises the following activities:

- breeding of broiler chickens
- producing chicken feed
- rearing of chickens on farms
- slaughtering of chickens and the processing of chicken meat
- offering wholesale and retail of chicken meat

The value chain starts with so-called primary breeding companies, which are companies that develop the genetic lines of broiler chickens and provide farms with either broiler chickens to be fed or hatched eggs to be incubated. Primary breeding companies can also provide farms with material to produce their own chicken parent layers, which enable them to produce their own broiler chickens or hatched eggs. This option is not feasible, however, for small and medium-sized farms, as the operation of a farm producing chicken parent layers needs a tighter sanitary control than farms that only rear broiler chickens. In Mexico, the market of primary breeding of broiler chickens is highly concentrated. Two companies own the genetic lines of broiler chickens that account, together for 95% of all broiler chickens reared in Mexico.

Chickens are reared at farms. To establish a chicken farm, it is necessary to meet legal, technical and sanitary conditions. Legally, land meant for chicken farms must be free of property disputes. In terms of infrastructure, the land must be flat and have access to water and electricity. Finally, a minimum distance must be kept between poultry farms in order to prevent the propagation of poultry diseases.

Large companies in the Mexican poultry-meat sector are fully vertically integrated from the production of feed to the slaughtering of chickens and the processing of meat. Two thirds of all chicken feed is produced by chicken-meat companies themselves. Vertical integration of chicken farms is crucial since chicken rearing is a low-margin business.

The main companies in the Mexican poultry-meat sector either rear chickens themselves or sign share-farming contracts (contratos de aparcería) with small-scale chicken farmers. Under these contracts, the chicken-meat company provides the farmers with several inputs (e.g. broiler, feed and veterinarian care), while the producer provides the utilities and the maintenance. Farmers are paid according to the quality and quantity of chicken reared. Share-farming contracts are prevalent in the United States’ chicken-meat sector, but they are less so in Mexico, where there is a tendency towards vertical integration.
For the slaughtering of poultry, there are three types of government-regulated abattoirs: Federal Inspection Type (Tipo Inspección Federal, TIF) abattoirs; municipal abattoirs; and private abattoirs. Municipal and private abattoirs are regulated by the Ministry of Health (Secretaría de Salud, SSA). TIF abattoirs, in addition to being regulated by the SSA, are also regulated by the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación, SAGARPA). TIF abattoirs are subject to more rigorous standards than municipal and private abattoirs. As of 2016, there were 35 TIF establishments for the slaughtering and processing of poultry: 25 for the slaughter and processing of poultry, and 10 for poultry-meat processing only.5

The main buying channels for chicken meat are poulterers, traditional markets, grocery stores and supermarkets. In 2015, 42% of Mexican consumers preferred buying poultry meat from poulterers.⁵

1.1.2. Main features of the sector

The poultry-meat sector plays a significant role in the Mexican economy, in terms of value as well as volume. According to the National Poultry Association (Unión Nacional de Avicultores, UNA),⁷ in 2015, with a total value of MXN 88 164.26 million,⁸ the gross value added of the poultry-meat sector accounted for 0.48% of Mexico’s GDP and 22.77% of Mexico’s livestock GDP. In 2016, 6.33 million tonnes of beef, pork and chicken meat were produced in Mexico. Out of this total volume, 48.6% was chicken, 29.7% beef and 21.7% pork. Moreover, chicken-meat production has been the most dynamic of the three types of meat: between 2007 and 2017, it exhibited an average annual growth rate (AAGR) of 2.36%, which was higher than both pork (2.18%) and beef (1.66%).

Figure 1. Production of meat carcasses (thousands of tonnes), 2006-2016⁹

Source: SAGARPA’s Agrifood and Fisheries Information Service (Servicio de Información Agroalimentaria y Pesquera, SIAP)
Production, wholesale and retail of chicken

In 2015, 1 643.705 million head of chicken were slaughtered, 51% of them at TIF abattoirs.\textsuperscript{10} Direct costs of rearing chickens accounted for 90% of the total cost: feed was the highest cost (65% of total cost), followed by chicks (14%), and labour (5%).\textsuperscript{11}

At the production level, the poultry market in Mexico is concentrated. According to the United States Department of Agriculture (USDA),\textsuperscript{12} in 2010, the top three chicken-meat producers accounted for 64% of the total volume of production (namely, Industrias Bachoco, 38%; Pilgrim’s Pride, 14%, and Tyson de México, 12%). In 2015, however, Pilgrim’s Pride acquired Tyson de México, which led to a higher market concentration: Industrias Bachoco and Pilgrim’s Pride had volume market shares of 35.48% and 28.03% respectively in 2016.\textsuperscript{13}

At the wholesale and retail level, concentration is lower. According to the 2014 Census carried out by the National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía, INEGI), in 2013, there were 528 establishments for poultry-meat wholesaling and 41 447 establishments for poultry-meat retail.\textsuperscript{14} In the same year, the establishments for poultry-meat wholesaling accounted for a turnover of constant 2015 MXN 24 201.29 million, while the establishments for poultry-meat retail accounted for a turnover of constant 2015 MXN 22 538.95 million.

Consumption and price patterns

Consumption of chicken in Mexico has steadily increased over the past decade. Between 2007 and 2017, annual per capita consumption of chicken meat increased by 19.3% or 5.3kg. In 2017, per capita chicken-meat consumption was 32.4, which was higher than both pork and beef.

\textbf{Figure 2. Annual per capita consumption of chicken meat (in kilograms)}\textsuperscript{15}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Annual per capita consumption of chicken meat (in kilograms)}
\end{figure}

\textit{Source:} SIAP and SIAVI.

However, as production of chicken meat has risen, so have prices. Figure 3 shows that, between 2007 and 2017, poultry-meat inflation was higher than both general inflation and food inflation. For this period, average annual inflation for poultry meat was 6.8%, whereas average annual inflation for the general price index and food index were 7.3% and 5.1%, respectively.
Import and export of chicken meat

Mexico is a net-importer of chicken meat. There was a trade deficit for each year between 2006 and 2016: the volume of chicken exports during this period accounted for only 0.82% of the volume of chicken imports. Mexico has increasingly relied on imports to meet domestic consumption for chicken meat: between 2006 and 2016, the share of apparent domestic consumption served by imports increased from 14.3% to 20.4%. Most of imports came from the United States (90.5%), and were tariff-free under the North American Free Trade Agreement (NAFTA).

There are several reasons why Mexico has not been particularly successful in exporting chicken meat. In the recent past, probably the main reason were poultry diseases; the main epidemiological events between 2011 and 2015 included two outbreaks of Newcastle disease in 2011, and five outbreaks of highly pathogenic avian influenza.
Figure 4. Trade balance of chicken meat (in thousands of tonnes)

Source: SIAVI.

Federal authorities and legislation

At the federal level, the two most relevant authorities for the sanitary regulation of the poultry-meat value chain are:

- National Service for Agro-Alimentary Public Health (Servicio Nacional de Sanidad e Inocuidad y Calidad Agroalimentaria, SENASICA). SENASICA is a body of the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación, SAGARPA). Among its tasks is the surveillance of animal health and welfare, imports and exports of animals, animal products and subproducts. SENASICA also regulates TIF establishments where the slaughtering of livestock, the cutting, deboning, processing, stocking, and the freezing of meat takes place.

- Federal Commission for the Protection against Sanitary Risk (Comisión Federal para la Protección contra Riesgos Sanitarios, COFEPRIS), a body of the Ministry of Health (Secretaría de Salud, SSA). It sets sanitary specifications for municipal, private and TIF abattoirs, as well as meat retailers. TIF abattoirs have to comply with both SENASICA and COFEPRIS specifications.

At the federal level, the poultry-meat industry is regulated by the Law on Animal Health (Ley Federal de Sanidad Animal) and the Rulebook of the Federal Law on Animal Health (Reglamento de la Ley Federal de Sanidad Animal), which together provide the general framework for the sanitary regulation of the poultry-meat value chain in Mexico. SAGARPA and SSA also issue Mexican Official Standards (Normas Oficiales Mexicanas, NOM).

1.2. The poultry-meat sector in Jalisco

Jalisco state is the most important state in Mexico for the production of chicken meat. In 2017, 11.6% of the national volume of chicken-meat carcasses was produced in Jalisco. Veracruz (11.1%) and Queretaro (11.04%) were second and third, and Sinaloa tenth
(3.96%). Between 2007 and 2017, Jalisco accounted for 11.3% of national production of chicken-meat carcasses.

The volume of chicken meat produced in Jalisco, both overall and in relation to other types of meat, has been growing constantly. Between 2007 and 2017, the volume of all meat carcasses (i.e. beef, pork, poultry, turkey, goat and sheep) increased at an AAGR of 3.05%, while the volume of poultry-meat carcasses increased at an AAGR rate of 3.45%. During this period, the volume of poultry-meat carcasses accounted for 41.55% of all meat carcasses produced in Jalisco.

Figure 5. Volume of meat carcasses produced in Jalisco, all types and poultry (tonnes)

Source: SIAP.

In terms of value, as shown in Figure 6, Jalisco’s production of poultry-meat carcasses increased between 2007 and 2017. However, for each year between 2007 and 2017, except for 2014 when both shares were roughly the same, Jalisco’s share of the national production of poultry-meat carcasses measured in value was larger than its share on the national production measured by volume, which implies that Jalisco’s chicken-meat prices have been consistently higher than national ones.
1. THE POULTRY MEAT MARKET IN MEXICO, JALISCO AND SINALOA

Figure 6. Value of meat-carcass production in Jalisco, all and poultry (MXN, millions)

Source: SIAP.

Figure 7. Jalisco’s share of national production of poultry meat carcasses: volume and value

Source: SIAP.

Finally, in Jalisco, the share of slaughters at TIF abattoirs is much higher than on a national level. Out of a total of 171.99 million head of chicken slaughtered in 2015, 91.9% of them were slaughtered at TIF abattoirs; nationally, the TIF share was only 51%, as discussed above.

1.2.1. Overview of the legislation in Jalisco

The mapping of Jalisco’s legislation for the poultry-meat sector included six pieces of legislation: three laws, one regulation and one agreement.

The Law on Livestock Promotion and Development of the State of Jalisco (Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco) aims to regulate and protect the livestock activities of the state; to establish the basis for promoting the sustainable development of production, animal health, classification of livestock products and
subproducts; and to control the transport and commercialisation of live animals, their products and subproducts.

The Regulation of the Law on Livestock Promotion and Development of the State of Jalisco (Reglamento de la Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco) further specifies the provisions of the Law on Livestock Promotion and Development of the State of Jalisco.

The Law on Sustainable Rural Development of the State of Jalisco (Ley de Desarrollo Rural Sustentable del Estado de Jalisco) deals with industrial policy for the Jalisco rural sector, emphasising sustainability and social development.

The Law on Coordination in Matters of Animal Health for the State of Jalisco and its Municipalities (Ley de Coordinación en Materia de Sanidad Animal para el Estado de Jalisco y sus municipios) establishes the basis for cooperation between Jalisco municipal governments and the Jalisco state government, as well as between the Jalisco state government and the federal government, in matters of animal health, in order to protect human health within Jalisco.

The Coordination Agreement for Sustainable Rural Development, Between the Federal Government, through SAGARPA, and the Executive Power of the State of Jalisco (Convenio de coordinación para el desarrollo rural sustentable que celebran por una parte, el Poder Ejecutivo Federal, a través de la SAGARPA y por otra parte, el Poder Ejecutivo del Estado de Jalisco) aims to develop programmes or projects that promote rural development within Jalisco; support Jalisco livestock producers; and strengthen technical capabilities of economic livestock units.

The Agreement that Declares the Totality of Jalisco Municipalities as Areas To Be Preserved and Thus Strengthens the Operations of Zoosanitary Verification Points (Acuerdo que declara a la totalidad de los municipios que comprenden al Estado de Jalisco como áreas a preservar por lo que se refuerza la operación de puntos de verificación zoosanitaria) declares all Jalisco municipalities “as areas to be preserved” and strengthens Jalisco’s Zoosanitary Verification Points to prevent the entry of poultry, poultry products and subproducts, packages and means of transport that might carry avian influenza, avian salmonellosis and/or Newcastle disease.

The review of these pieces of legislation yielded 13 prima facie restrictions. The OECD makes 10 recommendations for Jalisco.

1.2.2. Main authorities responsible for poultry meat in Jalisco

The main authorities in charge of implementing the sanitary regulation of the poultry meat sector are Jalisco’s state governor, through the Ministry of Rural Development (SEDER), and the municipalities.

- **Ministry of Rural Development (Secretaría de Desarrollo Rural, SEDER) of Jalisco state.** SEDER is responsible for promoting the development of the agricultural, livestock, fisheries and agroindustrial sectors of Jalisco state. SEDER coordinates with SAGARPA for implementing strategies of zoosanitary campaigns. Besides, SEDER can also receive support from Jalisco livestock associations and auxiliary cooperation organisms. The latter are organisations of livestock producers or institutions that, while not formally livestock associations, promote, protect and increase livestock activity in Jalisco.
• Municipalities. Each of Jalisco’s municipalities can have a Municipal Animal Health Committee (Comité Municipal de Sanidad Animal) to address zoosanitary emergencies. These committees are managed by SEDER, and are composed of federal (mainly from SAGARPA), state and municipal authorities, as well as of producer organisations (e.g. local livestock associations) and animal-health organisms or institutions (e.g. universities and hospitals). Among these committees’ other tasks are: promoting the creation of contingency funds partially financed by municipal governments; managing a sanitary and livestock database; managing a system of epizootiological surveillance; and controlling abattoirs under their jurisdiction.

1.3. The poultry-meat sector in Sinaloa

In 2017, Sinaloa was the nation’s ninth largest producer of poultry-meat carcasses by volume, with production of 127 243 tonnes (4% of national production, as shown in Figure 10). According to SIAP, while total meat-carcass production increased at an annual average rate of 0.74% in Sinaloa over the past 10 years (especially for beef), the production of poultry-meat carcasses decreased at an annual average rate of 0.6%.

Figure 8. Volume of meat-carcass production in Sinaloa, all and poultry (tonnes)

[Graph showing volume of meat-carcass production in Sinaloa from 2007 to 2017.]

Source: SIAP.

In terms of value, Sinaloa’s production of poultry-meat carcasses increased between 2007 and 2017, though at a slightly slower pace than total meat carcasses. In 2017, poultry-meat production in Sinaloa was worth MXN 4 312 million (i.e. 4.3% of the national value as shown in Figure 10). Since 2012, Sinaloa’s share of national production (measured in value) of poultry-meat carcasses has been larger than its share of national production (measured in volume), implying that poultry-meat prices in Sinaloa have been higher than national prices (see Figure 10).
As in Jalisco, Sinaloa shows an extremely high level of chicken slaughter in TIF abattoirs, far above the national level. In 2015, out of a total of 79.32 million head of poultry slaughtered, 96% was slaughtered in TIF abattoirs.

1.3.1. Overview of the legislation in Sinaloa

Mapping Sinaloa’s legislation for the poultry-meat sector included 13 legal documents, including 5 laws, 2 regulations, 5 agreements and 1 internal-operation manual, mainly covering aspects related to the prevention of health risks associated with production; transportation and entry of meat and meat products into Sinaloa; the promotion of rural development; and the commercialisation of meat and meat products.

The Law on Livestock Development for the State of Sinaloa (Ley de Desarrollo Ganadero del Estado de Sinaloa) acts as general framework in the state. It deals with the
planning, organisation, production, protection, commercialisation, and development of livestock (bovine, ovine, caprine, porcine, poultry, apian); and its products and subproducts.

The Law on Sustainable Rural Development Law for the State of Sinaloa (Ley de Desarrollo Rural Sustentable del Estado de Sinaloa) deals with various aspects of development for the rural sector, with an emphasis on productivity, and the improvement of environmental and social conditions.

The Law to Create the State Committee of Animal Health for the State of Sinaloa (Ley que crea el Comité Estatal de Sanidad Animal del Estado de Sinaloa) deals with the objectives and organisation of the Sinaloa’s Committee of Animal Health, created for the prevention, combat and eradication of all livestock diseases and pests in Sinaloa.

The Internal Regulation of the Ministry of Agriculture and Livestock (Reglamento Interior de la Secretaría de Agricultura y Ganadería) deals with the organisation of the Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería, SAG) and the responsibilities of each directorate.

The Regulation for the Classification and Specification of Livestock Meat for the State of Sinaloa (Reglamento para la Clasificación y Especificación de Carne de Ganado para el Estado de Sinaloa) aims to determine the quality classification of animals and their meat.

The Agreement to Inform on the Procedure to Be Followed for Any Introduction of Poultry, Its Products and Subproducts into Sinaloa (Acuerdo por el cual se hace del conocimiento de los interesados el procedimiento a que se sujetará toda internación al estado de Sinaloa de aves, sus productos y subproductos de origen avícola) was created in 2001 after the USDA recognised Sinaloa’s poultry as free of Newcastle disease and accepted its entry into the United States. This agreement seeks to preserve the health status of Sinaloa’s poultry by requiring a transport document to prevent the entry of sick animals or poultry products and subproducts carrying diseases such as Newcastle disease, salmonellosis (both eradicated in 1993) and avian influenza (eradicated in 1995).

The Coordination Agreement for Sustainable Rural Development Between the Federal Government, through SAGARPA and the State of Sinaloa (Convenio de coordinación para el desarrollo rural sustentable que celebra por una parte el Poder Ejecutivo Federal, a través de la SAGARPA y el Poder Ejecutivo del Estado de Sinaloa) aims to develop programmes or projects to promote rural development within Sinaloa, support Sinaloa livestock producers and strengthen technical capabilities of livestock economic units.

The “Secretaría de Agricultura, Ganadería y Pesca, Subsecretaría de Ganadería, Dirección de Inspección Sanitaria” document from SAG on the functioning of the Directorate of Health Inspection (Dirección de Inspección Sanitaria), which mainly deals with the procedure to authorise the introduction of animals and livestock products and subproducts into the state of Sinaloa.

The review of these pieces of legislation yielded 11 prima facie restrictions. The OECD makes 9 recommendations for Sinaloa.

1.3.2. Main authorities responsible for poultry meat in Sinaloa

In Sinaloa, the main health authorities dealing with the poultry-meat sector are the state governor through SAG, municipalities, and livestock inspectors.
• Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería, SAG) of Sinaloa state. SAG is the Sinaloa state ministry that supports and encourages rural development through, for example, the establishment of training programmes for improving productivity; the control of invasive pests and diseases of agricultural plants and animals; and the promotion of research programmes in agricultural and livestock production. Some laws refer to this ministry by its old name of the Ministry of Agriculture, Livestock and Fishing (Secretaría de Agricultura, Ganadería y Pesca).

• Undersecretary of Livestock (Subsecretaría de Ganadería). The Undersecretary of Livestock is a branch of the SAG relevant to the poultry industry. It is composed of two directorates: the Directorate of Health Inspection (Dirección de Inspección Sanitaria) and the Directorate of Health Promotion (Dirección de Fomento Sanitario). The former verifies compliance with current zoosanitary regulations of livestock, livestock products and subproducts imported to Sinaloa; it has the right to authorise or refuse entry or transportation within the state.

• Municipalities. Sinaloa’s municipalities are mainly involved in the regulation of unidentified animals, as well as the correct functioning of abattoirs.

• Livestock inspectors. Livestock inspectors coordinate with municipal authorities and are responsible for inspecting livestock at obligatory “verification and inspection points” (puntos de verificación e inspección).

Notes

1 The following section is mostly based on OECD (forthcoming) Estudio del mercado de la carne de pollo en México elaborado por Francisco Javier Núñez Melgoza.

2 Chickens reared for meat are called “broilers”, and are a genetic cross of the Cornish and White Plymouth Rock breeds. Chickens reared to produce eggs are known as “layers” or “laying hens”, and are the Leghorn breed. Broilers have a faster growth rate than laying hens, and are heavier and more muscular.

3 The Agreement that Establishes the Campaign and the Zoosanitary Measures that Should Be Applied to Diagnose, Prevent, Control and Eradicate Reportable Avian Influenza, in the Zones of Mexico Where This Disease Is Present (Acuerdo por el que se da a conocer la campaña y las medidas zoosanitarias que deberán aplicarse para el diagnóstico, prevención, control y erradicación de la Influenza Aviar Notificable, en las zonas del territorio de los Estados Unidos Mexicanos en las que se encuentre presente esa enfermedad), published on 21 June 2011 in the National Official Gazette, states that poultry farms and hatcheries must be at least five kilometres apart. However, this distance can be adapted to wind conditions, the topography of the land, and other epidemiological factors.


5 UNA (2016), Compendio de indicadores económicos del sector avícola, p.43.
1. THE POULTRY MEAT MARKET IN MEXICO, JALISCO AND SINALOA


8 UNA only provides gross value added shares. The total value was computed using Mexico’s 2015 nominal GDP, as reported by INEGI, which is equal to MXN 18 215 756.524 million. www.inegi.org.mx/sistemas/brie/, accessed 6 September 2017.

9 Poultry includes chickens, laying hens and broiler chickens. Turkeys are not included.


13 SIAP reports that during 2016, 1 676.87 million head of chicken were slaughtered in Mexico. The March 2017 issue of *Industria Avícola* magazine states that Industries Bachoco and Pilgrim’s Pride produce, respectively, 595 and 470 million head of chicken a year. This implies that in 2016, Industries Bachoco and Pilgrim’s Pride had respective volume market shares of 35.48% and 28.03%. http://infosiap.siap.gob.mx/anpecuario_siapx_gobmx/ResumenNacional.do, accessed 31 August 2017. www.industriaavicola-digital.com/201703/#/24.


15 Annual per capita meat consumption is equal to apparent domestic consumption divided by the national population. In turn, apparent domestic consumption is equal to production in volume, plus imports in volume, minus exports in volume. The volume of production used was the one of poultry-meat carcasses (i.e. chickens, laying hens and broilers). Used volumes of imports and exports were for the following tariff codes of the Tariff Information System (Sistema de Información Arancelaria vía Internet, SIAVI): 02.07.11.01, 02.07.12.01, 02.07.13.01, 02.07.13.02, 02.07.13.03, 02.07.13.99, 02.07.14.01, 02.07.14.02, 02.07.14.03, 02.07.14.04, 02.07.14.99 and 02.10.99.03. These tariff codes correspond to different presentations of chicken meat, carcasses, viscera and offal.

16 During this period, 51.7 thousand tonnes were exported, while 6 318.6 thousand tonnes were imported.


18 The tariff codes considered are those listed in endnote 15.

19 “Meat carcasses” here means beef, pork, poultry, sheep and goat carcasses.

Chapter 2. Restrictions and recommendations

2.1. Restrictions to competition in the poultry-meat sectors of the states of Jalisco and Sinaloa

The following section describes a total of 19 recommendations for the poultry-meat sectors in the two states: 10 recommendations for Jalisco and 9 for Sinaloa.

In a previous project, *Competition Assessment Review: Mexico* (hereinafter, *Mexico Competition Assessment*),¹ the OECD analysed the Mexican meat sector at the federal level, including chicken meat, beef and pork, and made a total of 57 recommendations. The following recommendations for the states of Jalisco and Sinaloa partly complement those recommendations.

Restrictions were classified in the following five categories

- movement of goods (seven recommendations)
- involvement of associations (two recommendations)
- discrimination of out-of-state producers (four recommendations)
- price regulation (one recommendation)
- other restrictions (five recommendations)

2.1.1. Movement of goods

This category includes restrictions that hinder the free movement of poultry, poultry products and subproducts within the states of Jalisco and Sinaloa. Overall, the OECD found that the free movement of these goods could be restricted either through the requirement of unnecessary documentation, or through the imposition of local systems for the classification of poultry, poultry products and subproducts.

*Transport documents*

In the Mexico Competition Assessment, the OECD found that several state governments require a transport document in order to transport live animals, their products and sub-products within states. These documents have different names depending on the state, though the most common denomination is that of “transit guides” (*guías de tránsito*).

The official objective of these transport documents is to prevent the entry into states of goods that might pose a health risk for citizens, as well as to stop the theft of livestock. The OECD concluded that these documents were mainly unnecessary, since the federal Zoosanitary Transport Certificate (Certificado Zoosanitario de Movilización) ensures adequate zoosanitary conditions of transported live animals, animal products and subproducts;² and because the theft of animals does not seem to be a particular problem. According to market participants, the theft of chicken and pigs is not a concern while, for
cattle, a federal identification system, the National System of Individual Cattle Identification (Sistema Nacional de Identificación Individual de Ganado, SINIIGA) ensures traceability and prevents cattle rustling.

State transport documents make non-local products more expensive, putting them at a competitive disadvantage. In addition, the Mexico Competition Assessment states that if provisions in state livestock laws require transport documents with additional zoosanitary requirements to those established by SAGARPA, then these provisions would likely infringe Article 67 of the Federal Law on Animal Health, which establishes that SAGARPA has the exclusive power to determine the zoosanitary requirements for transporting “regulated products” (mercancías reguladas) across the Mexican territory, and that municipal and state government cannot impose stricter zoosanitary requirements than those imposed by SAGARPA.

The review of state legislation of Jalisco and Sinaloa showed that both require state transport documents. In addition, Sinaloa requires an authorisation to import or export to or from the state.

The OECD makes three recommendations in the sub-category “Transport documents”:

- Abolish the requirement for a transport document to transport poultry, poultry products and subproducts within Jalisco.
- Abolish the requirement for a transport document to transport poultry, poultry products and subproducts within Sinaloa.
- Abolish the additional authorisation from Sinaloa’s SAG, currently required to import or export live animals, animal products and subproducts to or from Sinaloa.

Transport documents in Jalisco

**Description of the relevant obstacle.** To transport live animals, their products and subproducts within Jalisco, and from Jalisco into another state, a transport document must be obtained from a local livestock association. As in the case of Sinaloa, transport documents concern participants along the value chain, for instance, producers, wholesalers and retailers. In Jalisco, transport documents have a validity of five days and require the following documentation:

- a credential proving that the applicant is the owner of the animals
- a bill with the name of the applicant whenever animals are not of his or her registry, but have another authorised means of identification
- the federal Zoosanitary Transport Certificate
- official records of participation in zoosanitary campaigns (for example, a campaign against avian influenza in the case of poultry) and of compliance with current zoosanitary regulations
- in the case of animals whose destination are pastures for livestock production (agostadero), proof that the applicant either owns the land or has rented it

**Harm to competition.** Non-Jalisco-based market participants interested in commercialising their products in Jalisco, as well as market participants transporting their products through Jalisco to sell in another state, have to pay for a transport document. This raises costs for non-Jalisco market participants. The problem is aggravated by other
transport documents that may be required in other states, so that market participants crossing several states will likely have to pay for several transport documents. In addition, regarding zoosanitary conditions, transport documents constitute a double control as all conditions must already be met to qualify for a federal Zoosanitary Transport Certificate. Finally, as the Jalisco transport document is granted by local livestock associations, there is a danger that they might discriminate against non-Jalisco competitors (such as denying the transport document or delaying its issuance).

**Policymakers’ objective.** The likely objective of the Jalisco transport document is ensuring that live animals, animal products and subproducts transported into and out of Jalisco into another state comply with zoosanitary requirements, as well as to prevent theft of live animals (mainly cattle), animal products and subproducts. Market participants often claim that states frequently use state transport documents as a means to raise additional revenue.

**Recommendation.** The OECD recommends abolishing the requirement for an additional Jalisco state transport document for transporting poultry, poultry products and subproducts within Jalisco as the federal Zoosanitary Transport Certificate is sufficient to meet policymakers’ objectives.

Transport documents in Sinaloa

**Description of the relevant obstacle.** Across the state of Sinaloa, livestock inspectors (inspectores de ganadería) at so-called “obligatory crossing points” inspect ownership documents for live animals, animal products and subproducts and verify compliance with sanitary regulations. The inspectors also check the state transport document, which in Sinaloa is issued by the Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería, SAG) and not, as in Jalisco, by local livestock associations. In order to obtain a transport document, applicants must fulfil the following requirements:

- comply with sanitary regulations related to livestock
- in the case of livestock, hold animal-health certificates and current anti-tick bath records (as ticks mainly afflict cattle, this does not apply to poultry)
- the producer must certify to having met the requirements established by the campaigns against tuberculosis and brucellosis (this requirement also does not apply to poultry)
- livestock subproducts must be free of any additives banned by current norms
- animals must be transported by means suitable for their inspection
- legal ownership of livestock must be verified
- payment of all necessary contributions

**Harm to competition.** Harm is similar to the case of Jalisco described above. Namely, non-Sinaloa market participants interested in commercialising their products in Sinaloa have to obtain a transport document in order to move their products across the state. Again, transport documents constitute a double control with the federal Zoosanitary Transport Certificate.

**Policymakers’ objective.** As for Jalisco’s transport document, the most likely the objective is to ensure that live animals, animal products and subproducts comply with zoosanitary requirements, and to prevent their theft.
Recommendation. The OECD recommends abolishing Sinaloa’s state transport documents for poultry, its products and subproducts. However, livestock inspectors should continue to verify compliance with federal zoosanitary regulation at crossing points.

Additional documents for transport authorisation in Sinaloa

Description of the relevant obstacle. A transport document is not sufficient to import or export live animals, their products and subproducts into and out of Sinaloa. Market participants need not only a federal Zoosanitary Transport Certificate and a state transport document mentioned above, but also an additional authorisation from Sinaloa’s SAG. The additional authorisation requires, apart from a transport document, the following documentation:

- an invoice to back up the livestock sale
- certification from SAG or the local livestock association in the municipality of origin
- a federal Zoosanitary Transport Certificate showing compliance with zoosanitary requirements
- for livestock, compliance with current zoosanitary norms (an ill-defined term likely to refer to the NOM or conditions already confirmed in the Zoosanitary Transport Certificate)
- for livestock products and subproducts, proof that slaughter was carried out in a TIF establishment
- proof that subproducts are free of any additives banned by current norms
- proof that animals were given an anti-tick bath (not applicable to poultry)

Harm to competition. Non-Sinaloa market participants interested in commercialising their products in Sinaloa or transporting them through Sinaloa to sell in another state must obtain an additional authorisation. In addition, as the authorisation requires that slaughtering be carried out at a TIF establishment, it prevents the entry of meat slaughtered in municipal abattoirs in other states. Finally, this extra authorisation means multiple controls of the same requirements.

Policymakers’ objective. The most probable objective of the provision is to guarantee the traceability of live animals, their products and subproducts and to prevent the entry of animals and meat into Sinaloa from states with lower sanitary requirements.

Recommendation. The OECD recommends abolishing this additional authorisation. The federal Zoosanitary Transport Certificate – which requires compliance with federal regulations – is sufficient to guarantee adequate zoosanitary conditions. As mentioned above, inspection related to federal sanitary rules should continue at the crossing points.

Classification systems for livestock products and subproducts

In the Mexico Competition Assessment, the OECD found that there are no federal mandatory standards (i.e. Mexican Official Standards or Normas Oficiales Mexicanas, NOM) for the classification of carcasses of beef, pork and chicken meat. There are Mexican Standards (Normas Mexicanas, NMX) related to these classifications, but, according to market participants, they are not widely applied. The OECD concluded that this absence of compulsory federal standards hindered interstate trade and also had an effect.
on exports. The Mexico Competition Assessment recommended issuing binding NOM for the classification of the three types of meat carcasses.

The OECD found that in the legislation of Jalisco and Sinaloa each state has its own classification system for meat. The OECD makes four recommendations in this sub-category.

- clarify that Jalisco’s meat-classification system is voluntary
- ensure that non-Jalisco meat producers are granted access to Jalisco classified-meat establishments under non-discriminatory conditions
- clarify that compliance with Jalisco standards is voluntary, when they are superior to the minima established in federal NOM and NMX
- clarify that Sinaloa’s meat-classification system is voluntary

Jalisco’s meat-classification system

**Description of the relevant obstacle.** Jalisco has its own meat-classification system, since in Jalisco livestock products and subproducts are classified according to their quality without prejudice to what is stated in the federal NOM and NMX. The State Committee for Meat Quality (Comité Estatal para la Calidad de la Carne) is in charge of establishing this classification system. This committee classifies products produced in Jalisco and can also classify and reclassify imported non-Jalisco meat carcasses and cuts. The text of the legislation is not clear on the question of whether this meat-classification system is mandatory or voluntary. Also, it remains unclear to what extent the system is implemented in practice.

**Harm to competition.** Jalisco’s meat-classification system hinders interstate trade, especially because several other states, such as Sinaloa, have their own meat-classification systems. This means producers wanting to commercialize meat in different states have to comply with each different system, which can be costly and discriminate against non-Jalisco producers.

**Policymakers’ objective.** The objective of the provision is most likely to ensure that meat quality is properly identified. A strict qualification system might also facilitate exports, particularly to the United States, for producers in Jalisco.

**Recommendation.** In the Mexico Competition Assessment, the OECD recommended introducing a national meat-classification system that would facilitate interstate trade, as well as exports. For Jalisco, the OECD recommends amending the legislation to clarify that Jalisco’s meat-classification system is voluntary. It would be up to companies to decide if they want to seek a Jalisco classification (which might require higher standards than the national version) in addition to a national classification. Moreover, Jalisco authorities should ensure that non-Jalisco producers are not discriminated against in terms of grading meat quality.

Access to Jalisco establishments that sell only classified meat

**Description of the relevant obstacle.** Retailers in Jalisco can apply for an authorisation to become establishments for classified meat. Authorisations are jointly granted by Jalisco’s Ministry of Rural Development (Secretaría de Desarrollo Rural, SEDER) and by the Jalisco Ministry of Health (Secretaría de Salud de Jalisco, SSJ). The main requirements for obtaining this authorisation are a permit from the municipal authorities and health
authorities, having equipment and infrastructure to handle and stock meat appropriately, and committing to sell only classified meat.

**Harm to competition.** Non-Jalisco meat producers might be foreclosed from the Jalisco market, if they are not able to access establishments for classified meat. However, it is not clear if this problem exists in practice.

**Policymakers’ objective.** Most likely the objective of this provision is to enable adequate identification of meat quality.

**Recommendation.** The OECD recommends ensuring that non-Jalisco producers be granted access to establishments for classified meat under non-discriminatory conditions. This would mean that non-Jalisco meat brought into the state with the same quality as Jalisco classified meat would be given the same meat grade and thus be allowed to be sold in establishments for classified meat (this may already be the case, but it is unclear).

Jalisco-standards more stringent than the federal ones

**Description of the relevant obstacle.** SEDER works to ensure compliance with federal NOM and NMX for livestock products and subproducts produced in Jalisco. It also promotes the implementation of standards superior to the minima established in these NOM and NMX.

**Harm to competition.** Requiring stricter standards than NOM and NMX could prevent market access for non-Jalisco producers that do not comply with these standards. This could effectively stop cheaper livestock products and subproducts coming to market, even if some Jalisco consumers might prefer them to higher-quality, but more expensive goods.

**Policymakers’ objective.** The provision’s objective is not clear, but it is probably to raise the general quality of meat, which in turn could foster exports of Jalisco meat and meat products. For example, having higher standards could make exports to the United States easier.

**Recommendation.** The OECD recommends clarifying that fulfilling Jalisco standards superior to the minima established in NOM and NMX is voluntary. Jalisco producers wanting to sell or export a premium product should be able to choose these standards on a voluntary basis. However, this should not affect producers wanting to sell cheaper and lower-quality products as long as they meet basic national criteria.

Required labelling for classifying livestock goods as “first quality” in Jalisco

**Description of the relevant obstacle.** Packaged but unlabelled livestock products and subproducts that are brought into Jalisco can neither obtain a classification nor be commercialised as “first-quality goods”. It is not clear if this provision applies to Jalisco and non-Jalisco producers alike.

**Harm to competition.** If only Jalisco producers were allowed to commercialise unlabelled goods as “first quality”, then non-Jalisco producers of unlabelled goods would be discriminated against and might be forced to sell at lower prices than their Jalisco competitors.

**Policymakers’ objective.** The likely objective of the provision is to help consumers to distinguish between livestock products and subproducts of different quality.

**Recommendation.** The OECD does not make any recommendation for this restriction, as it was not possible to confirm if this provision applied to both Jalisco and non-Jalisco
producers. Nonetheless, it should be ensured that non-Jalisco producers are subject to the same conditions as Jalisco producers with respect to obtaining a classification as “first-quality” goods. (This might already be the case, however.)

Sinaloa’s meat-classification system

**Description of the relevant obstacle.** As in Jalisco, Sinaloa state also has its own meat-classification system. It is not clear from the text of the law whether this system is mandatory or voluntary for producers.

**Harm to competition.** If this meat-classification system is mandatory, harm to competition is similar to Jalisco’s meat-classification system: interstate trade is hindered as there are potentially multiple meat-classification systems within Mexico, which may increase costs for producers active in several states.

**Policymakers’ objective.** The objective of the system is likely to ensure correct identification of livestock and meat quality.

**Recommendation.** As above, the OECD recommends clarifying whether Sinaloa’s meat-classification system is voluntary. Furthermore, it should be guaranteed that non-Sinaloa producers are not discriminated against and can also receive a classification if they so decide.

### 2.1.2. Involvement of associations

In Mexico, the federal Law on Livestock Associations (Ley de Organizaciones Ganaderas) establishes that livestock producers are free to gather in associations. Associations that operate at the municipal level are known as local livestock associations (*asociaciones ganaderas locales*), while associations that operate at state level are known as regional livestock unions (*uniones ganaderas regionales*). These associations can be either general or specialised, that is, they can cover only one type of animal (for example, chickens) or several.

As was highlighted in the Mexico Competition Assessment, industry associations often adopt rules regulating their members’ conduct, which can have various benefits. For instance, in the meat sector, livestock-producer associations can foster the development of the industry through the adoption of best practices, production standardisation, commercialisation and production processes, and the collection of industry data for producing national statistics. However, self-regulation or co-regulation can sometimes also reduce competition between suppliers of goods: for example, if an association discriminates against non-member livestock producers.

The OECD found in the Mexico Competition Assessment that the Law on Livestock Associations, as well as its regulation (Reglamento de la Ley de Organizaciones Ganaderas) contained several anti-competitive provisions that should be changed. For instance, the OECD recommended abolishing livestock associations’ objective of guiding “production according to market conditions, either intensifying or withholding it”; and clarifying that statistics created by associations must comply with general competition principles prohibiting the exchange of sensitive commercial data.

After analysing the legislation of Jalisco and Sinaloa, the OECD makes two recommendations in the category of “Involvement of associations” at the state level:

- Abolish a provision that enables Jalisco livestock associations to “contribute to regulate offer and demand” during shortages of livestock products.
- Leave the authorisation procedure to transport unidentified animals to Sinaloa’s authorities, and not to the state’s local livestock associations.

**Collaboration between livestock associations and Jalisco authorities during shortages**

**Description of the relevant obstacle.** During shortages of livestock in Jalisco, livestock associations, municipal authorities and SEDER collaborate with the relevant authorities, and “contribute to regulate offer and demand”, as well as to ensure that producers do not withhold livestock products and subproducts.

**Harm to competition.** To control offer and demand is a severe restriction to competition.

**Policymakers’ objective.** The objective of this provision is likely to be fighting shortages and to prevent suppliers jointly withholding products from the market to raise prices (the latter would amount to an infringement of the prohibition to form cartels). However, this goal can be reached through general competition law without this provision.

** Recommendation.** The OECD recommends abolishing it. Producers should be free to decide independently when to market their products and at what prices, provided that they do not set jointly prices or quantities.

**Authorisation to transport unidentified animals granted by Sinaloa’s local livestock associations**

**Description of the relevant obstacle.** In Sinaloa, whenever a person finds unidentified or non-marked animals that do not belong to the owner of the property where they are found (known as *animales orejanos*), he or she has to inform the regional livestock union or local livestock associations.

**Harm to competition.** There is a danger that associations might discriminate against non-members by, for example, not approving the sale of unidentified animals or their products and subproducts by non-members.

**Policymakers’ objective.** The objective of this provision is unclear. It is also unclear whether this requirement applies to poultry as, in practice, unidentified chickens without owners seem to be rare.

**Recommendation.** To avoid any potential harm, the OECD recommends modifying this provision so that state authorities instead of private associations take the final decision regarding how to dispose of any *animales orejanos*.

**Intervention of associations of Sinaloa poultry farmers**

**Description of the relevant obstacle.** The Law on Livestock Development for the State of Sinaloa (Ley de Desarrollo Ganadero del Estado de Sinaloa) states that associations of Sinaloa poultry farmers can intervene in all matters related to animal health, transportation and commercialisation of poultry. No further detail is provided as to the modalities of these interventions.

**Harm to competition.** Theoretically, Sinaloa local livestock associations might discriminate against non-members.

**Policymakers’ objective.** A probable justification for this provision is that associations have in-depth industry knowledge that could help Sinaloa authorities in their decision-making processes.
Recommendation. The OECD has no specific recommendation for this provision, beyond ensuring that final decisions in all matters related to animal health, transportation and commercialisation of poultry are taken by Sinaloa authorities, while associations retain only an advisory role.

2.1.3. Discrimination of out-of-state producers

In the category of “Discrimination of out-of-state producers”, the OECD makes four recommendations.

- Clarify the means through which Jalisco authorities are permitted to support Jalisco livestock producers.
- Abolish the provision that Sinaloa’s food-assistance programmes must only use food inputs produced by Sinaloa livestock and agricultural producers.
- Abolish a provision requiring retailers to separate Sinaloa from non-Sinaloa livestock products.
- Amend the Agreement to Inform on the Procedure to Be Followed for Any Introduction of Poultry, Poultry Products and Subproducts into Sinaloa8 (Acuerdo por el cual se hace del conocimiento de los interesados el procedimiento a que se sujetará toda internación al estado de Sinaloa de aves, sus productos y subproductos de origen avícola) so it specifies which procedures are established by the SAG. Those procedures should be limited to procedures that preserve or improve Sinaloa’s zoosanitary status in the United States.

Promoting Jalisco producers’ competitiveness

Description of the relevant obstacle. In Jalisco, three ministries – SEDER, SSJ, and the Jalisco Ministry of Economic Development (Secretaría de Desarrollo Económico) – together with livestock producers and auxiliary cooperation organisms9 can promote actions that improve Jalisco producers’ competitiveness against non-Jalisco producers.

Harm to competition. The provision is notably broad, and it is not clear the form that support granted to Jalisco producers can take. Without further clarification, the provision could leave space for subsequent regulations that unduly favour Jalisco producers over non-Jalisco producers. For example, Jalisco’s state government could give preferential treatment to Jalisco producers in public procurement.

Policymakers’objective. The objective is to increase the competitiveness of Jalisco livestock producers as compared to non-Jalisco producers.

Recommendation. The OECD therefore recommends clarifying what kinds of actions – such as granting direct subsidies – are permissible for improving Jalisco producers’ competitiveness against non-Jalisco producers.

Preference of Sinaloa producers in public procurement for food-assistance programmes

The state government of Sinaloa can organise food-assistance programmes consisting of, for instance, breakfasts at schools and basic food baskets. Food inputs for these assistance programmes must consist exclusively of agricultural and livestock products and subproducts produced in Sinaloa. As a consequence, non-Sinaloan producers of agricultural and livestock products and subproducts cannot participate in public-
procurement processes for food-assistance programmes, even if they are able to make offers with similar or better quality and/or better prices.

**Recommendation.** The OECD recommends abolishing this provision. If the Sinaloa state government wants to support local producers, it might consider direct subsidies.

**Separate shelves for Sinaloan livestock products and non-Sinaloan ones**

**Description of the relevant obstacle.** In Sinaloa, retail establishments must separate Sinaloa-produced livestock products from those produced in other Mexican states or abroad. Moreover, the origin of products must be easily identifiable, for example, by stating the origin on the label.

**Harm to competition.** This requirement limits retailers in how they can display goods in their businesses. It can also have a proportionally higher impact on smaller retail establishments, which are constrained in terms of display space. For example, they may not have enough shelving space to separate Sinaloa and non-Sinaloa products.

**Policymakers’ objective.** This requirement most likely seeks to help Sinaloa consumers in their purchasing process.

**Recommendation.** The OECD recommends abolishing this provision.

**Requirements imposed by Sinaloa’s SAG**

**Description of the relevant obstacle.** According to an agreement issued by Sinaloa’s state government (Acuerdo por el cual se hace del conocimiento de los interesados el procedimiento a que se sujetará toda internación al estado de Sinaloa de aves, sus productos y subproductos de origen avícola), if a market participant wants to bring poultry, poultry products and subproducts into Sinaloa, it must comply with the relevant NOM and show that its goods are from areas free of Newcastle disease, salmonellosis and avian influenza. The agreement also states that market participants must also comply with additional procedures established by Sinaloa’s SAG. However, neither the mentioned agreement nor any other provisions seen by the OECD state the exact nature of these additional procedures.

**Harm to competition.** Making Sinaloa standards stricter than federal ones could prevent market access to non-Sinaloa producers, which only comply with the latter. Some Sinaloa consumers might prefer cheaper livestock products and subproducts over higher-quality, but also more expensive goods.

**Policymakers’ objective.** The objective of this provision is not stated in the agreement. At the time of the agreement’s issuance, however, the policymakers’ objective was most likely to preserve Sinaloa’s exceptional zoosanitary status in the United States. Indeed, the agreement, which dates from March 2001, states that as of 23 March 2000, the USDA recognised Sinaloa’s poultry meat as free of Newcastle disease. However, as of 1 September 2016, the USDA no longer considered Sinaloa a Newcastle disease-free region. Despite this, poultry meat and other poultry products from Sinaloa may still be imported into the United States under preferential conditions, as stated in the US Code of Federal Regulations §94.30. Currently, Sinaloa’s government might be seeking to impose stricter sanitary rules than those at the national level in order to maintain or improve its zoosanitary status in the United States.
Recommendation. The OECD recommends amending the agreement to specify the exact nature of the “procedures established by the SAG”. Furthermore, those procedures should be limited to procedures that aim to preserve Sinaloa’s zoosanitary status in the United States.

2.1.4. Price regulation

The OECD found in the Mexico Competition Assessment that the federal Interministerial Commission for Sustainable Rural Development (Comisión Intersecretarial para el Desarrollo Rural Sustentable, CIDRS)\(^{11}\) can promote the creation of committees, known as Product Systems. One of their objectives is to “determine the strategic expansion and contraction plans for the output and quality of each product”. This provision suggests that the CIDRS might influence the determination of production volumes of agricultural and livestock goods. The OECD therefore recommended modifying this provision to clarify that these Product Systems should not have the power to set “strategic expansion and contraction plans” and that the “livestock and agricultural production programmes” do not include any specifications about volumes or prices.

Similar to that federal provision, in Jalisco, SEDER, with the participation of Jalisco livestock and agricultural producers “will elaborate and implement programmes and actions in order to … guide the livestock and agricultural production, according to the basic needs of the population in the first place and, to market conditions, in general”.

Again, the objective of this provision is not stated, but it is likely aimed at helping producers to plan their production, and to guarantee that Jalisco’s population has access to livestock and agricultural goods. However, at the state level, there is a danger that programmes and actions implemented by SEDER might include specifications about volumes or prices. The OECD recommends clarifying the provision to exclude that interpretation.

2.1.5. Other restrictions

This category includes several restrictions that fall outside of the categories discussed above. In total, the OECD makes five recommendations under the category “Other restrictions”:

- Issue guidelines that establish the frequency with which Jalisco’s SEDER can verify that companies are complying with zoosanitary regulations and programmes.
- Clarify that any exchange of commercial sensitive data between Jalisco livestock producers is prohibited.
- Abolish the requirement that Jalisco regional livestock supervisors must have lived for the past three years in Jalisco.
- Abolish the requirement that livestock inspectors in Sinaloa be citizens of the state.
- Clarify what market information can be published by Sinaloa’s State Centre for the Development of Rural Products and Markets.

SEDER’s excessive discretion to carry out inspections

Description of the relevant obstacle. SEDER can “verify at any time and any place the compliance of zoosanitary regulations and programmes”, and it is up to companies to pay the costs of those verifications.\(^{12}\) To the best of our knowledge, there are no published guidelines that establish the frequency of inspections carried out by SEDER.
Harm to competition. The provision could also allow SEDER to discriminate against comparable companies in terms of the frequency of verifications. For instance, SEDER could inspect a given company much more frequently than another, raising costs for this company.

Policymakers’ objective. The objective of the provision is to ensure that there is compliance with zoosanitary regulations.

Recommendation. The OECD therefore suggests issuing guidelines that establish the frequency and conditions under which SEDER can verify a company’s compliance with zoosanitary regulations and programmes by taking into account its past reliability.

Information exchange between Jalisco livestock producers

Description of the relevant obstacle. Organisations of Jalisco livestock producers, in coordination with federal, state and municipal authorities, “will manage the processes of price diffusion, stock and transport costs; financing; volumes of supply and demand, among other factors”.

Harm to competition. As access to and the sharing of sensitive data between producers on “processes of price diffusion” and volumes of supply and demand might facilitate collusion, the wording of this provision is unnecessarily unclear.

Policymakers’ objective. The objective of the provision is that Jalisco producers are “able to take production decisions on the basis of market expectations”.

Recommendation. The OECD recommends making explicit that any exchange of commercial sensitive data is prohibited. A useful reference in terms of situations in which information exchange could constitute a competition concern can be found in COFECE’s guidelines, Guía-007/2015: Guía para el Intercambio de Información entre Agentes Económicos.

Origin of regional livestock supervisors in Jalisco

Description of the relevant obstacle. In Jalisco, regional livestock supervisors (supervisores regionales pecuarios) are veterinary surgeons appointed by SEDER. Their main tasks are overseeing inspectors and expeditors, and working with staff at zoosanitary verification points (puntos de verificación zoosanitaria). In order to be a regional livestock supervisor, it is necessary to:

- be a Mexican national by birth
- be aged 21 or over
- be qualified as a veterinary surgeon
- have no criminal record
- have a good reputation
- have lived the past three years in the state of Jalisco, preferably in the domain of supervisory work

Harm to competition. Overall, these requirements seem reasonable, except the requirement about candidates’ place of residence, which discriminates against potential candidates who might live in neighbouring states.
Policymakers’ objective. No clear objective was found in the law for this requirement. One reason might be the advantage of having local knowledge, though people living in neighbouring states can also have local knowledge.

Recommendation. The OECD recommends abolishing the requirement to have lived for at least three years in the state of Jalisco.

Origin of livestock inspectors in Sinaloa

Description of the relevant obstacle. Among the tasks of livestock inspectors (inspectores de ganadería) in Sinaloa are the surveillance of abattoirs and processing plants; the issuance of and revision of transport documents; and, in coordination with municipal authorities, the inspection of livestock at obligatory verification points. In order to be a livestock inspector, it is necessary to be a citizen from Sinaloa and be recognised as trustworthy and of good reputation.

Harm to competition. The requirement that inspectors are citizens from Sinaloa discriminates against potential inspectors from neighbouring states, in particular, the states of Sonora, Chihuahua, Durango and Nayarit that share border areas with Sinaloa.

Policymakers’ objective. The law does not put forward any evident objective for this requirement.

Recommendation. The OECD recommends that this requirement be abolished.

Information exchange between Sinaloa livestock producers

Description of the relevant obstacle. In Sinaloa, the State Centre for the Development of Rural Products and Markets (Centro Estatal para el Desarrollo de Productos y Mercados Rurales) may provide state, national and international market information to the public. This information includes “the identification of market participants and demand”.

Harm to competition. The exact nature of the information for the “identification of market participants and demand” is unclear, as is how market participants can have access to it. This information could be sensitive, and therefore its sharing would facilitate collusion.

Policymakers’ objective. The most likely objective of this provision is to help livestock producers to improve their decision making, and to facilitate the creation of state statistics.

Recommendation. The OECD recommends clarifying the exact nature of this information. Furthermore, it should be made clear that the exchange of sensitive information between producers is prohibited. A useful reference regarding situations where an information exchange might constitute a competition concern can be found in COFECE’s guidelines, Guía-007/2015: Guía para el Intercambio de Información entre Agentes Económicos.

NOTES


2 This certificate is defined in the Federal Law on Animal Health (Ley Federal de Sanidad Animal).
“Regulated products” are defined in the Federal Law on Animal Health as animals, products of animal origin, products for use or consumption by animals, livestock equipment, and any other articles or goods related to animals that might involve a zoosanitary risk.

A “campaign” is a set of zoosanitary measures for the prevention, control or eradication of animal diseases or pests within a determined geographical area and time period.

For instance, a federal Zoosanitary Transport Certificate requires proof of compliance with animal-health regulations (e.g., regarding campaigns, quarantines, epidemiologic surveillance, contamination risk, animal welfare), but in order to bring animals into Sinaloa, there are also criteria requiring compliance with current zoosanitary norms.

In Mexico, there are two types of standards: Mexican Official Standards (Normas Oficiales Mexicanas, NOM), issued by the federal government, which are mandatory; and Mexican Standards (Normas Mexicanas, NMX), which are voluntary and issued by national standard-making bodies. The NMX which deal with classifications of meat carcasses of beef, pork and chicken are: NMX-FF-078-SCFI-2002; NMX-FF-081-SCFI-2003; and NMX-FF-128-SCFI-2016.

The members of the State Committee for Meat Quality are selected by SEDER in coordination with related authorities and auxiliary organisations.

The term “agreement” here is a translation of the Spanish term acuerdo. In Mexico, an acuerdo – or more precisely, an “administrative agreement” (acuerdo administrativo) – refers to a unilateral resolution issued by a government body. It is not to be confused with a convenio, a term also translated as “agreement”. A convenio creates, transfers, modifies or eliminates obligations that two or more agree to honour. Universidad Autónoma de México, Instituto de Investigaciones Jurídicas (1982) Diccionario jurídico mexicano: tomo I, A-B. https://biblio.juridicas.unam.mx/bjv/detalle-libro/1168-diccionario-juridico-mexicano-i-i-a-b, accessed 31 August 2017.

Article 24 of the Law on Livestock Promotion and Development of the state of Jalisco states that “auxiliary cooperation organisms” are organisations of livestock producers or institutions that, while not formally livestock associations, promote, protect and increase livestock activity in Jalisco.

“§94.30 Imports of poultry meat and other poultry products from Sinaloa and Sonora, Mexico. Notwithstanding any other provisions of this part, poultry meat and other poultry products from the States of Sinaloa and Sonora, Mexico, may be imported into the United States under the following conditions: (a) The poultry meat or other poultry products are derived from poultry born and raised in Sinaloa or Sonora and slaughtered in Sinaloa or Sonora at a federally inspected slaughter plant under the direct supervision of a full-time salaried veterinarian of the Government of Mexico, and the slaughter plant must be approved to export poultry meat and other poultry products to the United States in accordance with 9 CFR 381.196. (b) If processed, the poultry meat or other poultry products were processed in either Sinaloa or Sonora, Mexico, in a federally inspected processing plant that is under the direct supervision of a full-time salaried veterinarian of the Government of Mexico. (c) The poultry meat or other poultry products have not been in contact with poultry from any State in Mexico other than Sinaloa or Sonora or with poultry from any other region not listed in §94.6 as a region where Newcastle disease is not known to exist. (d) The foreign meat inspection certificate accompanying the poultry meat or other poultry products (required by 9 CFR 381.197) includes statements certifying that the requirements in paragraphs (a), (b), and (c) of this section have been met and, if applicable, listing the numbers of the seals required by paragraph (e)(1) of this section. (e) The shipment of poultry meat or other poultry products has not been in any State in Mexico other than Sinaloa or Sonora or in any other region not listed in §94.6 as a region where Newcastle disease is not known to exist, unless: (1) The poultry meat or other poultry products arrive at the U.S. port of entry in shipping containers bearing intact, serially numbered seals that were applied at the federally inspected slaughter plant by a full-time salaried veterinarian of the Government of Mexico, and the seal numbers correspond with the seal numbers listed on the foreign meat inspection certificate; or (2) The poultry meat or other poultry products arrive at the U.S. port of entry in shipping containers bearing seals that have different numbers than the seal numbers on

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the foreign meat inspection certificate, but, upon inspection of the hold, compartment, or container and all accompanying documentation, an APHIS representative is satisfied that the poultry containers were opened and resealed en route by an appropriate official of the Government of Mexico and the poultry meat or other poultry products were not contaminated or exposed to contamination during movement from Sinaloa or Sonora to the United States.”

www.ecfr.gov/cgi-bin/text-idx?SID=45fdb4b9e93992627d03b19b7bc6c768&mc=true&node=se9.1.94_130&rgn=div8, accessed 25 September 2017.

11 CIDRS is composed of the ministers of the federal ministries involved in rural development, as well as by any other ministries or entities that the Executive considers necessary. SAGARPA oversees CIDRS.

12 A verification is defined as “the procedure through which the Ministry carries out at a given moment a visual observation or confirmation of processes, products, systems or establishments, through sampling, measurement, laboratory tests, a revision of documents or any other means resulting from scientific and technological progress”.

13 Inspectors are public officers appointed by municipalities, with the approval of local livestock associations, that have, among their tasks, inspecting municipal abattoirs and establishments that sell livestock, livestock products and subproducts; issuing slaughtering orders; compiling statistics about transported and slaughtered animals (as administrators of municipal abattoirs report to inspectors); and keeping a registry and control of livestock producers and slaughtering intermediaries in the municipality. Expeditors are employees of local livestock associations authorised by SEDER to issue transport documents and documents of livestock-property transmission.

14 The State Centre for the Development of Rural Products and Markets is a public agency created by the Interministerial Commission for Sustainable Rural Development of the state of Sinaloa (Comisión Intersecretarial para el Desarrollo Rural Sustentable del estado de Sinaloa). In turn, this commission is composed by the heads of several state ministries of Sinaloa.
Annex A. Toolkit Checklist

Box A.1. OECD Competition Checklist
Further competition assessment should be conducted if a piece of legislation has any of the following four effects:

A. Limits the number or range of suppliers
This is likely to be the case if the piece of legislation:

- grants a supplier exclusive rights to provide goods or services
- grants a licence, permit or authorisation process as a requirement of operation
- limits the ability of some types of suppliers to provide a good or service
- significantly raises the cost of entry or exit by a supplier
- creates a geographical barrier to the ability of companies to supply goods, services or labour, or invest capital.

B. Limits the ability of suppliers to compete
This is likely to be the case if the piece of legislation:

- limits sellers’ ability to set the prices of goods or services
- limits the freedom of suppliers to advertise or market their goods or services
- sets standards for product quality that provide an advantage to some suppliers over others or that are above the level that some well-informed customers would choose
- significantly raises the costs of production for some suppliers relative to others (especially by treating incumbents differently from new entrants).

C. Reduces the incentive of suppliers to compete
This may be the case if the piece of legislation:

- creates a self-regulatory or co-regulatory regime
- requires or encourages information on supplier outputs, prices, sales or costs to be published
- exempts the activity of a particular industry or group of suppliers from the operation of general competition law.

D. Limits the choices and information available to customers
This may be the case if the piece of legislation:

- limits the ability of consumers to decide from whom they purchase
- reduces the mobility of customers between suppliers of goods or services by increasing the explicit or implicit costs of changing suppliers
- fundamentally changes the information required by buyers to shop effectively.

## Annex B. Restrictions in Jalisco

### Restrictions in Jalisco

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<thead>
<tr>
<th>No.</th>
<th>Title of Regulation</th>
<th>Article</th>
<th>Thematic category / Keyword</th>
<th>Brief description of potential obstacles</th>
<th>Relevant authority</th>
<th>Toolkit question</th>
<th>Harm to competition</th>
<th>Policymakers' objectives</th>
<th>Recommendations</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Ley de Coordinación en Materia de Sanidad Animal para el Estado de Jalisco y sus Municipios</td>
<td>39, 40, 42</td>
<td>Verification / Excessive discretion</td>
<td>The Jalisco Ministry of Rural Development (Secretaría de Desarrollo Rural, SEDER) can verify “at any time and any place the compliance of zoosanitary regulations and programmes”. Companies have to pay for the expenses of these verifications. A verification is defined as the &quot;procedure through which the Ministry carries out at a given moment a visual observation or confirmation of processes, products, systems or</td>
<td>SEDER</td>
<td>B4</td>
<td>The provision might grant excessive discretion to SEDER, which might discriminate against comparable companies in terms of the frequency of verifications (e.g. inspecting company A more often than company B). This might raise costs for companies subject to more frequent verifications, as they have to pay for the verification expenses.</td>
<td>Ensure that there is compliance with zoosanitary regulations.</td>
<td>Issue guidelines that establish the frequency and conditions under which SEDER can verify the compliance of zoosanitary regulations and programmes, taking account of companies’ past reliability. These guidelines would limit the number of annual verifications to prevent possible abuses.</td>
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<tr>
<td></td>
<td></td>
<td>68. II</td>
<td>Industrial policy / Co-regulation</td>
<td>establishments, through sampling, measurement, laboratory tests, a revision of documents or any other means resulting from scientific and technological progress. There appear to be no published guidelines – at least, none easily available online – that establish the frequency of verifications to be conducted by SEDER.</td>
<td>SEDER</td>
<td>B1, C1</td>
<td>The scope of SEDER intervention is not clear. The provision could be problematic if the “programmes and actions” implemented by SEDER included specifications about volumes or prices</td>
<td>The objective of the provision is not stated. However, most probably the objectives are twofold: 1) to help producers planning production; and 2) to guarantee that Jalisco’s population has access to livestock and agricultural goods.</td>
<td>Clarify in Article 68, Letter II of the law that the programmes cannot include specifications about volumes or prices.</td>
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<tr>
<td>3</td>
<td>Ley de Desarrollo Rural Sustentable del Estado de Jalisco</td>
<td>68. VIII</td>
<td>Local producers, consumer preferences / Discrimination</td>
<td>SEDER, with the participation of livestock and agricultural producers, “will elaborate and implement programmes and actions in order to … promote domestic consumption of livestock and agricultural products from the state”.</td>
<td>SEDER</td>
<td>A5, B4</td>
<td>Non-Jalisco producers might be discriminated against.</td>
<td>The likeliest objective is the development of Jalisco's livestock and agricultural sector.</td>
<td>No recommendation since it is a usual policy of a state government to support local producers. However, if this is so, SEDER should consider direct subsidies as the main tool.</td>
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<td>4</td>
<td>Ley de Desarrollo Rural Sustentable del Estado de Jalisco</td>
<td>76</td>
<td>Market transparency / Unclear provision</td>
<td>Organisations of Jalisco livestock producers, in coordination with federal, state and municipal authorities “will manage processes of price diffusion, stock and transport costs; financing; volumes of supply and demand, among other factors; so that producers are able to take production decisions on the basis of market expectations”.</td>
<td>SEDER</td>
<td>C2</td>
<td>The language of the provision is unclear. However, the sharing of sensitive data between producers on “processes of price diffusion” and volumes of supply and demand might facilitate collusion.</td>
<td>Facilitate producers’ decision-making. The provision refers to producers being “able to take production decisions on the basis of market expectations”.</td>
<td>Clarify that any exchange of commercially sensitive data between Jalisco livestock producers is prohibited. The rules of general competition law about data exchange shall apply, see COFECEx’s Guía-007/2015: Guía para el Intercambio de Información entre Agentes Económicos.</td>
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<tr>
<td>5</td>
<td>Ley de Desarrollo Rural Sustentable del Estado de Jalisco</td>
<td>79, 31</td>
<td>Import-quotas / Co-regulation</td>
<td>Jalisco’s State Council for Sustainable Rural Development shall participate in the decision-making process of the federal government during which import-quotas for livestock and agricultural goods are established. Members of the State Council for Sustainable Rural Development include the head of executive power of Jalisco state; Jalisco-based representatives of federal bodies involved in sustainable rural development; representatives from the Jalisco government bodies involved with sustainable rural development; and education and research institutions.</td>
<td>State Council for Sustainable Rural Development</td>
<td>C1</td>
<td>The provision might restrict the access of foreign producers to the Mexican market. Jalisco-based livestock and agricultural producers could use the State Council to influence the federal government to restrict imports for goods predominantly produced in Jalisco (e.g. poultry). However, the role of the State Council is only consultative.</td>
<td>The objective of the provision is “to protect state producers, to contribute to an efficient formation of prices and to fast commercialisation of production, and to reduce market distortions due to policies applied in other countries”.</td>
<td>No recommendation, as Jalisco’s State Council for Sustainable Rural Development only has a consultative role in the decision-making process.</td>
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<tr>
<td>6</td>
<td>Ley de Fomento y Desarrollo</td>
<td>Law: 50 Regulation: 68</td>
<td>Transport of goods / Co-regulation</td>
<td>The transport of live animals, animal products and</td>
<td>SEDER; SEPAF</td>
<td>A2, A5, C1</td>
<td>Non-Jalisco-based market participants interested in</td>
<td>There are two official objectives for</td>
<td>Abolish the requirement for a transport document (guía de tránsito) to</td>
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<td>Pecuario del Estado de Jalisco</td>
<td>Reglamento de la Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
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<td>subproducts within Jalisco, and from Jalisco into another state is subject to the obtention of a transport document (guía de tránsito) from the local livestock association in the municipality of origin. This document is a form issued by the Jalisco Ministry of Planning, Administration and Finance (Secretaría de Planeación, Administración y Finanzas, SEPAF). Its cost is established by the Ley de Ingresos del Estado de Jalisco. The transport document has a validity of five days. In the case of live animals, to obtain a transport document the applicant has to provide to the local livestock association with: 1) a credential</td>
<td>commercialising their products in Jalisco, as well as market participants transporting their products through Jalisco to another state, have to pay for a transport document in order to move their products across Jalisco. In addition, these market participants may be required to pay other transport documents in other transited states. This makes their products more expensive and discriminates in favour of local market participants. Transport documents also constitute a double control alongside the federal certificate mentioned in the Federal Law on Animal Health. Finally, local livestock associations might transport poultry, poultry products and subproducts within Jalisco. Currently, the issuance of Jalisco transport documents requires proving legal ownership and fulfilling zoosanitary conditions. For zoosanitary conditions, the staff at Jalisco Zoosanitary Verification Points (Puntos de Verificación Zoosanitaria) should continue checking the federal Zoosanitary Transport Certificate. Ownership of poultry, poultry products and subproducts does not need to be verified at Zoosanitary Verification Points, as according to market sources, theft of poultry does not seem to be a practical problem. (Theft of cattle is dealt with a federal identification system: the National System of Individual Cattle Identification – Sistema Nacional de Identificación)</td>
<td>transport documents: 1) ensure that live animals, animal products and subproducts transported within Jalisco and into other states comply with zoosanitary requirements 2) deter the theft of live animals, animal products and subproducts. Some market participants claim, however, that states simply use transport documents as a means of raising additional revenue.</td>
<td>transport poultry, poultry products and subproducts within Jalisco. Currently, the issuance of Jalisco transport documents requires proving legal ownership and fulfilling zoosanitary conditions. For zoosanitary conditions, the staff at Jalisco Zoosanitary Verification Points (Puntos de Verificación Zoosanitaria) should continue checking the federal Zoosanitary Transport Certificate. Ownership of poultry, poultry products and subproducts does not need to be verified at Zoosanitary Verification Points, as according to market sources, theft of poultry does not seem to be a practical problem. (Theft of cattle is dealt with a federal identification system: the National System of Individual Cattle Identification – Sistema Nacional de Identificación)</td>
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<td>proving that the applicant is the owner of the animals; 2) a bill with the applicant’s name whenever animals are not of his/her registry, but have another authorised identification means; 3) a federal Zoosanitary Transport Certificate (Certificado Zoosanitario de Movilización) mentioned in the Federal Law on Animal Health (Ley Federal de Sanidad Animal); 4) official records of participation in zoosanitary campaigns and of compliance with current zoosanitary regulation; and 5) in the case of animals whose destination is livestock-production pastures (agostadero), the applicant must prove that he/she have incentives to discriminate against competitors (e.g. denying the transport document or delaying its issuance), particularly for non-member producers.</td>
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<td>Individual de Ganado, SINIIGA.</td>
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## Restrictions in Jalisco

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<tr>
<td>7</td>
<td>Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>Law: 100 Regulation: 109, 112, 115</td>
<td>Meat production / Classification of meat</td>
<td>Jalisco has its own meat-classification system. Livestock products and subproducts are classified according to their quality without prejudice to the criteria in federal NOM and NMX. The legislation is unclear about whether the classification system is mandatory or voluntary, and the extent of its implementation is also unclear. The State Committee for Meat Quality (Comité Estatal para la Calidad de la Carne) is responsible for classifications. Its members are selected.</td>
<td>State Committee for Meat Quality; SEDER</td>
<td>A5</td>
<td>Jalisco’s meat-classification system hinders interstate trade, especially since other states also have their own systems to classify poultry meat. Producers wanting to commercialise meat in different states might have to comply with different systems of meat classification, which will raise costs.</td>
<td>To ensure the proper identification of livestock and meat quality, and so help Jalisco producers to export more easily, especially to the United States</td>
<td>Clarify that Jalisco’s meat-classification system is voluntary. It should be up to companies to decide if they want to seek a Jalisco classification in addition to a national classification. Moreover, ensure that there is no discrimination against non-Jalisco producers in meat-quality grading.</td>
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<td>8</td>
<td>Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>101</td>
<td>Labelling, packaging / Discrimination</td>
<td>Livestock products and subproducts that are packaged but not labelled and are then brought to Jalisco can neither obtain a classification nor be commercialised as “first quality” goods. It was not possible to determine if this provision applies to Jalisco and non-Jalisco producers alike. In particular, it is by SEDER in coordination with related authorities and auxiliary organisms. This committee can classify and reclassify non-Jalisco meat carcasses and cuts that are imported into the state. The fees for classifying and reclassifying meat are determined by SEDER upon receiving a proposal from the State Committee for Meat Quality.</td>
<td>SEDER</td>
<td>A5, B3, B4</td>
<td>No recommendation. However, clarify that non-Jalisco producers are subject to the same conditions as Jalisco producers with respect to obtaining a classification as “first quality” goods. (This might already be the case).</td>
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## Restrictions in Jalisco

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<tr>
<td>9</td>
<td>Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>103</td>
<td>Livestock products and subproducts / Excessive standards</td>
<td>In the case of livestock products and subproducts produced in Jalisco, SEDER will promote compliance with Mexican Official Standards (Normas Oficiales Mexicanas, NOM) and Mexican Standards (Normas Mexicanas, NMX) through the regulations issued by the executive of Jalisco state. Furthermore, SEDER will promote the implementation of standards that are superior to the minima established in NOM and NMX.</td>
<td>SEDER</td>
<td>B3</td>
<td>Requiring standards stricter than NOM and NMX might prevent market access for non-Jalisco producers that only comply with NOM and NMX. Some consumers might prefer cheaper livestock products and subproducts over higher-quality but more expensive goods.</td>
<td>A likely objective is to help exports of Jalisco livestock products and to raise the general quality of Jalisco meat.</td>
<td>Clarify that it is voluntary to fulfill Jalisco standards superior to the minima established in NOM and NMX. Producers that want to export should be able to choose these standards. However, this policy should not affect the ability of producers to market cheaper products at local markets provided that they comply with the basic national standards.</td>
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## Restrictions in Jalisco

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<tr>
<td>10</td>
<td>Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>Law: 104 Regulation: 117, 115</td>
<td>Meat production / Classification of meat</td>
<td>Retailers can apply for authorisation to become a “classified meat” establishment. These authorisations are jointly granted by SEDER and the Jalisco Ministry of Health (Secretaría de Salud de Jalisco, SSJ). The main requirements for obtaining this authorisation are: 1) to obtain a permit from the municipal authorities and health authorities; 2) to have equipment and infrastructure to handle and stock meat appropriately; and 3) to commit to sell only classified meat. The fees for the authorisation to operate a “classified meat” establishment are determined by SEDER upon receiving a proposal from the State Committee for Meat Quality.</td>
<td>State Committee for Meat Quality; SEDER; SSJ</td>
<td>A5, B3</td>
<td>Non-Jalisco meat producers might be prevented access to the Jalisco market, if they are not able to access “classified meat” establishments. It is not clear to what extent this problem exists in practice.</td>
<td>Most likely to ensure correct identification of livestock and meat quality.</td>
<td>Ensure that non-Jalisco producers are granted access to “classified meat” establishments under non-discriminatory conditions. In particular, if non-Jalisco meat is brought into Jalisco and is of the same quality as classified Jalisco meat, non-Jalisco meat should be able to receive the same meat grade and thus should be allowed to be commercialised in “classified meat” establishments.</td>
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## Restrictions in Jalisco

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<tr>
<td>11</td>
<td>Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>121</td>
<td>Shortages / Co-regulation, price control</td>
<td>Livestock associations, municipal authorities and SEDER collaborate with the relevant authorities to tackle problems related to livestock shortages, and “will contribute to regulate offer and demand”. Furthermore, producers will prevent that livestock products and subproducts are withheld from the market.</td>
<td>SEDER</td>
<td>B1, C1</td>
<td>To contribute to regulating offer and demand constitutes a severe market intervention.</td>
<td>Most probably to fight shortages of livestock products and subproducts and to prevent suppliers from jointly withholding products from the market to raise prices later.</td>
<td>Abolish the provision. Producers should be free to decide when to market their products, provided that they do not set jointly prices or quantities.</td>
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<td>12</td>
<td>Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>122</td>
<td>Local producers / Unclear provision</td>
<td>SEDER, together with the SSJ and the Ministry of Economic Development of Jalisco (Secretaría de Desarrollo Económico, SEDECO), with the participation of livestock producers and auxiliary cooperation organisms, can promote actions that improve Jalisco producers’ competitiveness compared to non-Jalisco producers.</td>
<td>SEDER; SEDECO; SSJ</td>
<td>B4</td>
<td>The provision is extremely broad and does not specify which particular actions can be undertaken by SEDER, SSJ and SEDECO to favour Jalisco livestock producers. Without further clarification, it might leave room for regulations that unduly favour Jalisco producers over non-Jalisco producers. For example, the provision could provide for the setting of a minimum price for livestock products.</td>
<td>To increase the competitiveness of Jalisco livestock producers as compared to non-Jalisco producers.</td>
<td>Clarify what kinds of actions are permissible in improving Jalisco producers’ competitiveness as compared to non-Jalisco producers. Direct subsidies should be considered.</td>
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### Restrictions in Jalisco

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<tr>
<td>13</td>
<td>Reglamento de la Ley de Fomento y Desarrollo Pecuario del Estado de Jalisco</td>
<td>4</td>
<td>Discrimination / Unclear provision</td>
<td>In order to be a regional livestock supervisor (supervisor regional pecuario) it is necessary to: 1) be a Mexican national by birth; 2) be 21 or over; 3) be a qualified veterinary surgeon; 4) not have criminal</td>
<td>SEDER</td>
<td>A5</td>
<td>The provision discriminates against potential candidates who might live in states neighbouring Jalisco.</td>
<td>No clear objective was found in the law. A possible objective might be to have reliable regional livestock supervisors with local knowledge.</td>
<td>Abolish the requirement to have lived the past three years in the state of Jalisco.</td>
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<td>Regional livestock supervisors are veterinary surgeons appointed by SEDER whose main tasks are overseeing municipal livestock inspectors (inspectores de ganadería municipales) and expeditors, as well as collaborating with staff of zoosanitary verification points.</td>
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### Annex C. Restrictions in Sinaloa

#### Restrictions in Sinaloa

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<tr>
<td>1</td>
<td>Ley de Desarrollo Ganadero del Estado de Sinaloa</td>
<td>Law: 51 Bis; 51 Bis A; 51 Bis B; 76; 77</td>
<td>Transport of goods / Double control</td>
<td>Livestock inspectors check the ownership of livestock, animal products and subproducts, as well as compliance with sanitary regulations at obligatory crossing points, which are installed at strategic points on Sinaloa’s road network. Inspectors also investigate if the transporter possesses a transport document (guía de transito) issued by Sinaloa’s Ministry of Agriculture and Livestock (Secretaría de Agricultura y Ganadería, SAG). The</td>
<td>Governor of Sinaloa; SAG; Ministry of Administration and Finance (Secretaría de Administración y Finanzas, SAF); municipalities of Sinaloa; livestock inspectors</td>
<td>A2, A5</td>
<td>Non-Sinaloa market participants who want to commercialise their products in Sinaloa, as well as market participants transporting their products through Sinaloa to sell in another state, have to obtain a transport document. The problem is aggravated by other transport documents that may be required in other states of transit, meaning market participants crossing several states simply use transport documents as a</td>
<td>There are two official objectives: 1) to ensure that live animals, animal products and subproducts transported within Sinaloa and into other states comply with zoosanitary requirements; and 2) to deter the theft of live animals, animal products and subproducts. Some market participants claim, however, that ownership of poultry, poultry products and subproducts does not need to be verified at</td>
<td>Abolish the requirement for a transport document (guía de transito) for transporting poultry, poultry products and subproducts. Currently, issuance of Sinaloa’s transport documents requires proving ownership and fulfilling zoosanitary conditions. Staff at Sinaloa’s obligatory crossing points should continue checking federal Zoosanitary Transport Certificates. Ownership of poultry, poultry products and subproducts does not need to be verified at</td>
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<td>transport document has a validity of 72 hours for transportation within Sinaloa and five days if it is between Sinaloa and another state. In order to obtain the transport document an applicant must fulfil the following requirements: 1) comply with sanitary regulations related to livestock; 2) provide livestock animal-health certificates and current anti-tick bath records (this requirement does not apply to poultry, as ticks mainly affect cattle); 3) certify that livestock meets the requirements established by campaigns against tuberculosis and brucellosis (this does not apply to poultry); 4) prove subproducts are free of any additives not allowed under current norms; 5) ensure animals are transported by means suitable for their inspection; 6) prove legal ownership of transported livestock; 7) prove payment of all necessary contributions.</td>
<td>states will likely have to pay for several transport documents. In addition, transport documents constitute a double control of zoosanitary conditions, as these are already checked for the federal Zoosanitary Transport Certificate (Certificado Zoosanitario de Movilización), as described in the Federal Law on Animal Health (Ley Federal de Sanidad Animal).</td>
<td>means of raising additional revenue. obligatory crossing points, however, as according to market sources, theft of poultry does not seem to be a practical problem.</td>
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<td>2</td>
<td><strong>Ley de Desarrollo Ganadero del Estado de Sinaloa</strong></td>
<td>53</td>
<td>Co-regulation / Discretion</td>
<td>It is forbidden to transport animals that are unidentified or non-marked and do not belong to the owner of the property where they are found (animales orejanos), except in special cases (not specified in the law) and only after informing the Sinaloa regional livestock union or the local livestock association, which both have discretionary power to authorise or refuse the transport.</td>
<td><strong>C1</strong></td>
<td>Local livestock associations may discriminate against non-members, e.g. by not approving the sale of unidentified animals or their products and subproducts by non-members.</td>
<td>No objective was mentioned in the law. It is unclear if this rule applies to poultry and if there is much practical application as unidentified chickens without a known owner seem to be rare.</td>
<td>Modify provision so that state authorities will take the final decision regarding animales orejanos.</td>
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<td>3</td>
<td><strong>Ley de Desarrollo Ganadero del Estado de Sinaloa Secretaría de Agricultura, Ganadería y Pesca – Subsecretaría de Ganadería – Dirección de Inspección Sanitaria (Internal operation manual)</strong></td>
<td>Ley: 75 Bis 76</td>
<td>Barrier to entry / Double control</td>
<td>In order to import or export livestock, livestock products and subproducts to or from Sinaloa, market participants must, in addition to the transport document and the federal Zoosanitary Transport Certificate, obtain an authorisation from the SAG, requiring the following documents: 1) invoice to prove livestock sale; 2) certification from the SAG or local livestock association at municipality of origin;</td>
<td><strong>A2, A5</strong></td>
<td>Non-Sinaloa market participants interested in commercialising their products in Sinaloa or transporting them through Sinaloa to sell in another state must obtain an additional authorisation in order to bring their products into Sinaloa. Though there is no fee for the additional authorisation, market participants</td>
<td>The most likely objective is to guarantee the traceability of live animals, animal products and subproducts and to prevent the entry of animals and meat from states with lower sanitary requirements than Sinaloa.</td>
<td>Abolish. The federal Zoosanitary Transport Certificate and compliance with federal regulation is sufficient to guarantee adequate zoosanitary conditions. Inspections related to federal sanitary rules should continue to be carried out.</td>
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<td>3) for livestock, compliance with current zoosanitary norms (while unclear, this term is likely to refer to NOM or conditions already fulfilled for the Zoosanitary Transport Certificate); 4) proof that livestock products and subproducts are from animals slaughtered at a TIF establishment; 5) proof that subproducts are free of additives not allowed under current norms; 6) proof of animals having taken an anti-tick bath (not applicable to poultry).</td>
<td>Any person, organisation or producer, who wants to import agricultural or livestock products or subproducts to Sinaloa, must visit the Directorate of Sanitary Inspection (Dirección de Inspección Sanitaria), part of the Undersecretary of Livestock of the SAG to apply for the authorisation (the written application requires information will have internal costs for the application. In addition, this provision prevents entry for meat from non-TIF abattoirs, thus preventing the entry of meat from municipal abattoirs of other states. Finally, the provision leads to double controls since some requirements overlap, e.g. in order to obtain a federal Zoosanitary Transport Certificate, it is required to prove compliance with animal-health regulations (e.g. campaigns, quarantine, epidemiologic surveillance, contamination risk, animal welfare); certain similar criteria for zoosanitary norms are required to bring animals into Sinaloa.</td>
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such as product, volume, origin and final destination). Authorisations are granted for free and have a validity of 30 days.

<p>| 4 | Ley de Desarrollo Ganadero del Estado de Sinaloa | 101 | Co-regulation / Discretion | Associations of Sinaloa poultry farmers can intervene in all matters related to animal health, transportation and commercialisation of poultry. The provision does not give additional detail on how these associations might intervene. The associations cooperate with authorities to solve disputes by determining with them the measures and actions to be taken. | Governor of Sinaloa; SAG; Ministry of Administration and Finance (Secretaría de Administración y Finanzas, SAF); municipalities of Sinaloa; livestock inspectors | C1 | Local livestock associations may discriminate against non-members. | The provision does not appear to have any specific objective. A possible justification may be that associations have in-depth industry knowledge that might help Sinaloa authorities in their decision-making processes. | No recommendation as long as it is clear that authorities take final decisions. Associations should have only an advisory role. |
|---|---|---|---|---|---|---|---|---|
| 5 | Ley de Desarrollo Ganadero del Estado de Sinaloa | 104 | Barrier to entry | It is forbidden to build new farms, collection centres, breeders or to exploit poultry within a radius of four kilometres of an already existing poultry operation. | Governor of Sinaloa; SAG; Ministry of Administration and Finance (Secretaría de Administración y Finanzas, SAF); municipalities of Sinaloa; livestock inspectors | A4 | This provision might make it difficult for market participants to gain market share as it prevents producers expanding within certain geographic areas. It may also place new entrants at a competitive disadvantage due to space limitations. | Protect population of sanitary risks. A similar requirement is contained in SENASICA’s agreement of 2011 related to campaigns against avian influenza (Acuerdo por el que se da a conocer la campaña y las medidas) | No recommendation. |
|   | Ley de Desarrollo Ganadero del Estado de Sinaloa | 180 Bis D. | Livestock products and subproducts / Excessive standards | Retail establishments must separate Sinaloa livestock products from non-Sinaloa products. Moreover, products’ origins must be easily identified by the consumer, e.g. by stating the origin on the label. | Governor of Sinaloa; SAG; Ministry of Administration and Finance (Secretaría de Administración y Finanzas, SAF); municipalities of Sinaloa; livestock inspectors | A5, B3 | Requiring meat from Sinaloa to be sold in separated areas discriminates against non-Sinaloa producers. It also limits retailers in their decisions related to displaying goods and has a disproportionally high impact on small retail establishments, which have display-space constraints, e.g. they may not have space for two separate shelves for Sinaloa and non-Sinaloa products. | Most probably, to aid Sinaloa consumers in their purchasing decisions and to promote Sinaloan products. | Abolish. Retail establishments must be free to decide how to display their products. |</p>
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<th></th>
<th>Law</th>
<th>Description</th>
<th>Details</th>
<th>Establishing Body</th>
<th>Objectives</th>
<th>Recommendation</th>
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<tr>
<td>7</td>
<td>Ley de Desarrollo Ganadero del Estado de Sinaloa</td>
<td>Discrimination / Unclear provision</td>
<td>In order to become a livestock inspector (inspectores de ganadería) in Sinaloa, it is necessary to be a citizen of Sinaloa, be trustworthy and have a good reputation. Inspectors' tasks include the surveillance of abattoirs and processing plants; the issuance of and revision of transport documents; and, in coordination with municipal authorities, the inspection of livestock at obligatory verification points.</td>
<td>Governor of Sinaloa; SAG; Ministry of Administration and Finance (Secretaría de Administración y Finanzas, SAF); municipalities of Sinaloa; livestock inspectors.</td>
<td>This provision discriminates against potential inspectors living in other Mexican states, particularly those living in neighbouring states (Sonora, Chihuahua, Durango, Nayarit).</td>
<td>No clear objective was found in the law. A possible objective might be to employ reliable inspectors with good local knowledge.</td>
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<td>8</td>
<td>Ley de Desarrollo Rural Sustentable del Estado de Sinaloa</td>
<td>Risk of collusion</td>
<td>The State Centre for the Development of Rural Products and Markets (Centro Estatal para el Desarrollo de Productos y Mercados Rurales) is a public body that was created by the Interministerial Commission for Sustainable Rural Development of the State of Sinaloa (Comisión Intersecretarial para el Desarrollo Rural Sustentable del Estado de Sinaloa), which is the State of Sinaloa; municipalities of Sinaloa.</td>
<td>Information about market participants may include sensitive data which, if shared between producers, could facilitate collusion.</td>
<td>No clear objective was found in the law. The provision may seek to help livestock producers improve their decision making and to facilitate the creation of state statistics.</td>
<td>Clarify what market information is provided by the Centre, so that it is clear that the exchange of sensitive information between producers is prohibited. A useful reference in terms of situations where information exchange could constitute a competition concern are COFECE’s guidelines, Guía-007/2015: Guía para el Intercambio de Información entre Agentes Económicos.</td>
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composed of the heads of several Sinaloa state ministries. The State Centre pursues the development of state products and may provide state, national and international market information to the public. This information includes “the identification of market participants and demand”. It is not clear to what this refers exactly. Also, it is not clear to what information market participants can access.

9 Ley de Desarrollo Rural Sustentable del Estado de Sinaloa

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<thead>
<tr>
<th>Discrimination</th>
<th>State of Sinaloa; municipalities of Sinaloa</th>
<th>A3, A5</th>
<th>Non-Sinaloa producers are discriminated against as they cannot participate in public procurement processes for Sinaloa’s food-assistance programmes although they might be able to make offers with similar or better quality and/or better prices.</th>
<th>To promote the development of Sinaloa’s producers.</th>
<th>Abolish. A possible alternative might be the payment of direct subsidies to Sinaloa producers.</th>
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<tr>
<td>Acuerdo por el cual se hace del conocimiento</td>
<td>FIRST (PRIMERO) Import requirements Market participants interested in bringing poultry, poultry products</td>
<td>SAG A2</td>
<td>Requiring standards stricter than federal norms might prevent The provision’s objective is not stated in the</td>
<td>Amend the regulation to specify exactly what the “procedures established</td>
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and subproducts into Sinaloa must comply with relevant NOM and show that their goods come from areas free of Newcastle disease, salmonellosis and avian influenza. In addition, market participants must comply with additional procedures established by SAG. It appears that no definition of the "procedures established by the SAG" is found in the law.

market access to non-Sinaloa producers that only comply with the latter. Some consumers might prefer cheaper livestock products and subproducts over higher-quality but more expensive goods.

agreement. However, at the time of the agreement’s issuance, the most likely objective was to preserve Sinaloa’s exceptional zoosanitary status in the United States. In the March 2001 agreement, it is stated that on March 2000, the United States Department of Agriculture (USDA) recognised Sinaloa’s poultry meat as free of Newcastle disease. However, as of 1 September 2016, Sinaloa was no longer considered a Newcastle disease-free region by the USDA. Nonetheless, poultry meat and other poultry products from Sinaloa may still be imported into the United States by the SAG are. These procedures should be limited to procedures meant to preserve Sinaloa’s zoosanitary status in the United States.
under some preferential conditions declared in the US Code of Federal Regulations §94.30. Hence, Sinaloa’s government might be implementing stricter sanitary rules than the ones on national level to preserve Sinaloa’s zoosanitary status in the United States.

| 11 | Ley de Desarrollo Ganadero del Estado de Sinaloa Reglamento Interior de la Secretaría de Agricultura y Ganadería Law: 175-179 Regulation: 34. XII | Meat production / Classification of meat Sinaloa has its own meat-classification system. Livestock products and subproducts are classified according to their quality. It is not clear from the legislation if the system is mandatory or voluntary. | SAG A4 Sinaloa’s meat-classification system hinders interstate trade, especially as other states might have their own systems to classify poultry meat. Producers who wish to commercialise meat in different states might have to comply with different systems of meat classification, which can be extremely costly. To ensure the proper identification of livestock and meat quality. Clarify that Sinaloa’s meat-classification system is voluntary (in the case it is not). Companies should be free to decide if they want to seek Sinaloa classification in addition to the national classification. Ensure also that there is no discrimination against non-Sinaloa producers in meat-quality grading. |