



Premium Mexican Eggs for the Canadian Market

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This problem situation was written by Gabriela Margarita Reyna García (greynag@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. The story on this document is based on different people's experiences; some data has been modified at the request of the people and institutions involved.

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Centro Internacional de Casos
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Escuela de Negocios

Image: Cottonbro Studio in Pexels, 2020.

The Company

Avícola Ycpall S.A. de C.V. is a family-owned company founded in 1998 in the state of Nuevo León, Mexico. The company specializes in the production, grading, and commercialization of fresh shell eggs for human consumption. Over the years, it has established a strong presence in Northern Mexico through consistent product quality, compliance with sanitary regulations, and an efficient distribution network.

As the company expanded, it invested in production facilities, quality control systems, and traceability processes that allow each batch to be monitored from the farm to the final point of sale. Today, Avícola Ycpall supplies supermarket chains, regional distributors, and foodservice establishments throughout the region.

In recent years, the Mexican poultry industry has experienced rising feed, energy, and transportation costs, along with increasing competition in the domestic market. In response, the company's management team began exploring opportunities to diversify its sales portfolio and reduce its dependence on domestic demand.

After evaluating several international markets, Canada emerged as a particularly attractive destination due to its economic stability, strong trade relationship with Mexico, and the benefits provided under the United States-Mexico-Canada Agreement (USMCA). Furthermore, market research indicated opportunities for suppliers capable of guaranteeing product quality, traceability, and compliance with Canadian food safety requirements.

Although the company has previous experience exporting processed food products to Central America, it has never exported fresh shell eggs to Canada. As a result, much of the process represents a new challenge for its commercial and logistics teams.

The Context

In September 2026, representatives from Avícola Ycpall attended a food and beverages event held in Toronto, Ontario. The event brought together producers, distributors, retailers, and logistics providers from various countries who sought new business opportunities within the food industry.

During the exhibition, company executives met with several potential buyers. One of the most promising meetings was with Chirryx Eggs canada, Ltd., a Canadian food distribution company serving supermarkets and restaurants throughout Ontario, Manitoba, and Alberta.

Representatives from Chirryx Eggs canada, Ltd. expressed interest in the Mexican supplier's production capacity and in the possibility of adding Mexican eggs to their product portfolio. Following several meetings and the exchange of technical and commercial information, both parties agreed to continue discussions after the event.

Over the following weeks, the companies exchanged information regarding production volumes, sanitary requirements, logistics capabilities, and commercial terms. As a result of these discussions, Chirryx Eggs canada, Ltd proposed initiating regular shipments to evaluate market acceptance and, if successful, to gradually increase purchase volumes.

For Avícola Ycpall, securing this agreement would represent a significant opportunity to enter a new market and gain valuable experience in North American cross-border operations.

Table 1. Selected indicators of the Canadian Egg Market.

Indicator	2021	2022	2023	2024
Per capita egg consumption (eggs/person/year)	245	250	255	260
Domestic production (million dozens)	705	718	730	742
Egg and egg products imports (CAD million)	182	194	215	228
Average retail price (CAD/dozen)	3.75	4.12	4.56	4.89

Source. Own elaboration based on data from Egg Farmers of Canada (2025), Statistics Canada (2026), and Innovation, Science and Economic Development Canada (n.d.).

Table 2. Preliminary Commercial Alternatives Evaluated by Avícola Ycpall.

Item	Option A	Option B
INCOTERM 2020	FCA Monterrey	DDP Toronto
Payment Method	Confirmed Irrevocable Letter of Credit	60-Day Open Account
Exporter's Risk Exposure	Low	High
Importer's Risk Exposure	Medium	Low
Administrative Complexity	Medium	High
Estimator Logistics Cost	Lower	Higher

Source. Own elaboration based on Incoterms® 2020: ICC Rules for the Use of Domestic and International Trade Terms (International Chamber of Commerce, 2020).

Chirryx Eggs Canada, Ltd. estimated an initial purchase volume of 120,000 dozen eggs during the first year of operations. Based on the preliminary pricing discussions between both companies, the potential value of the agreement could exceed CAD 850,000, making it one of the most significant international transactions undertaken by Avícola Ycpall since its foundation.

Initial Negotiations

Following the trade fair, both companies engaged in negotiations to determine the conditions under which the transaction could be carried out.

Although both parties expressed a genuine interest in moving forward, several issues remained unresolved before a formal international sales contract could be signed.

a. Delivery Terms

Chirryx Eggs Canada, Ltd. requested that the products be delivered directly to its distribution centers in Toronto. However, Avícola Ycpall believed that assuming full responsibility for transportation and customs-related activities would significantly increase its operational costs and risk exposure.

b. Payment Terms

The Mexican exporter proposed the use of a confirmed irrevocable letter of credit to minimize the financial risks associated with a first-time transaction. Conversely, the Canadian buyer argued that such a mechanism would increase administrative costs and proposed purchasing under 60-day open account terms.

c. Regulatory Compliance and Food Safety Requirements

Northern Fresh Foods expressed concerns regarding compliance with Canadian import regulations applicable to poultry products. The buyer requested assurances regarding certifications, veterinary inspections, food safety controls, and traceability procedures capable of identifying potential issues throughout the supply chain.

d. Use of INCOTERMS 2020

Avícola Ycpall favored the FCA Monterrey Incoterm®, as it would limit its obligations once the goods had been delivered to the carrier designated by the buyer. In contrast, Northern Fresh Foods proposed DDP Toronto, arguing that it would simplify the import process and reduce the administrative burden on the buyer.

e. Risk Considerations

Both companies identified several risks associated with the transaction:

- Increases in refrigerated transportation costs.
- Delays at border crossings or sanitary inspections.
- Exchange rate fluctuations between the Mexican peso and the Canadian dollar.
- Product damage during transit.
- Trade restrictions arising from avian influenza outbreaks or other sanitary contingencies.
- Failure to meet delivery schedules during peak demand periods.

Additionally, the Canadian buyer indicated that it had previously worked with U.S. suppliers and expected similar commercial conditions. This raised concerns among Avícola Ycpall's management team, as some of the proposed terms would transfer a significant portion of the transaction risks to the exporter.

Given the circumstances, Avícola Ycpall's management team has requested external advisory services to assess the proposed international transaction and identify the most appropriate course of action. The objective is to develop a comprehensive recommendation that supports strategic decision-making while considering the commercial, legal, logistic, financial, and relational implications of entering the Canadian market.

The analysis should address the following issues:

- The commercial feasibility of Canada as a destination market for Mexican fresh shell eggs.
- The critical factors that should be evaluated before accepting the buyer's proposal.
- Commercial strategies that could strengthen the relationship between both companies and foster trust during the initial stages of the partnership.
- The selection of the most appropriate Incoterms® 2020 rule for each party.
- The payment method that best balances security and transaction costs for both exporter and importer.
- The contractual clauses required to protect the interests of both parties in the international sales agreement.
- The allocation of obligations and responsibilities between buyer and seller throughout the transaction.
- The Alternative Dispute Resolution (ADR) mechanisms that should be incorporated into the contract.
- The principal risks that affect the transaction and the strategies available to mitigate them.

References

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