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GAIN Report

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Mexico Establishes TRQs But no Need to Worry

Report Categories:

Livestock and Products

Grain and Feed

Agriculture in the News

Trade Policy Monitoring

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Report Highlights:

On June 8, 2016, the Secretariat of Economy (SE) published in Mexico's Federal Register (Diario Oficial - DOF) a decree establishing tariff rate quotas (TRQ) for the import of live cattle for feeding purposes, fresh, chilled, and frozen beef; and paddy, husked brown, milled, other and broken rice. These TRQ's are intended for countries which whom Mexico has no free-trade agreements. Imports of products from the United States have duty-free access under NAFTA.

Executive Summary: On June 8, 2016, the Secretariat of Economy (SE) published in Mexico's Federal Register (Diario Oficial - DOF) a decree establishing tariff rate quotas (TRQ's) to be applied to cattle, beef and rice imports as follows:

General Information:

Title of the Document: Decree that establishes the tariff rate quota for the import of specific merchandise.

Products Affected:

- Live cattle for feeding purposes,
- Fresh, chilled and frozen beef,
- Paddy, husked brow, milled, other and broken rice.

Important Dates:

Publication: June 8, 2016

Enforcement date: June 9, 2016

Expiration date: not established

Cattle and Beef

The decree establishes that the domestic market is not self-sufficient and must supplement its domestic beef production through imports. It is important to note that the text of the decree emphasizes the need to enforce measures that could guarantee the stability of the market given possible fluctuations in the availability of cattle and a potentially limited beef supply.

Hence, SE is establishing a duty-free TRQ for the import of live cattle for feeding purposes and fresh, chilled, and frozen beef classified under HTS. 0102.29.99 (live cattle, other), 0201.10.01 (carcasses or half carcasses), 0201.20.99 (bone-in meat), 0201.30.01 (deboned meat), 0202.10.01 (carcasses or half carcasses), 0202.20.99 (bone-in meat), and 0202.30.01 (deboned meat).

Historically, Mexico's main beef supplier has been the United States of America, but more recently high U.S. beef prices have slowed imports. Mexico remains the main live cattle supplier to the United States. Recently, due to liquidation of the domestic herd in the United States, attractive cattle prices have enticed Mexican cattlemen to increase exports, thus, limiting the availability of cattle to supply the domestic market. Consequently, higher domestic beef prices have inhibited consumption, mainly in lower income consumers.

During the last five years, the average annual growth rate of beef production has been only 1.2 percent, while exports have grown nearly 15 percent and imports have decreased 10.2 percent, constraining availability and pushing up prices. Consequently, domestic consumption dropped 0.7 percent.

Rice

In late 2014, with the objective of improving producers' competitiveness via increased rice production, processing, and commercialization, SE set the tariffs of imported products under HTS. 1006.10.01 (paddy rice) at nine percent; and 1006.20.01 (husked brown), 1006.30.01 (Semi-Milled or Wholly Milled, Whether Or Not Polished or Glazed), 1006.30.99 (Other) and 1006.40.01 (Broken) at 20 percent. Through the June 8, 2016 decree, SE has announced the need to implement a first-response measure — TRQ's—that would allow the Government of Mexico (GOM) to promptly respond to shortages in the food domestic supply, thus, guaranteeing supply and avoiding collateral price impacts on consumers.

FAS comment: As the first step of a legal process, this presidential decree announces the imposition of unilateral TRQ's under the Most Favored Nation (MFN) framework for the above mentioned products. This measure does not affect current U.S. imports given the NAFTA provisions.

The second legal step of the process involves SE announcing in Mexico's Federal Register the specific provisions of the unilateral TRQ, for example, the volume, validity, and assignment rules, etc. However, several official and unofficial sources agreed that the publication of such an announcement is not expected in the short term. This unilateral TRQ would be enforced only if situations arise that threaten the availability and supply of the aforementioned products. In addition, sources have stated that the current situation of the beef and rice markets do not reflect any areas of concern for the GOM. Lastly, the announcement to enforce a unilateral TRQ is a timely and complex administrative process that must comply with the provisions for the issuance of new regulations as established by the Federal Regulatory Improvement Commission (COFEMER) prior to publication in Mexico's Federal Register.

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

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