

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 12/21/2012

GAIN Report Number: MX2096

Mexico

Post: Mexico

Dairy Blends TRQ Announced - Little Effect on U.S.

Forecast

Report Categories:

Dairy and Products

Policy and Program Announcements

Agriculture in the Economy

Agriculture in the News

Trade Policy Monitoring

Approved By:

Adam Branson

Prepared By:

Gabriel Hernandez

Report Highlights:

On December 19, 2012, Mexico's Secretariat of Economy (SE) announced it will allow a total of 44,200 metric tons of dairy product preparations (dairy blends) to be imported from any country in the world under a mixed allocation (direct and public bid) scheme. This announcement should not affect U.S. dairy blends as they have unlimited duty-free access under NAFTA.

General Information:

Disclaimer: This summary is based on a *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the 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.

This report summarizes the official announcement published in Mexico’s *Diario Oficial* (Federal Register) on December 19, 2012.

SE announced in the Federal Register a TRQ for dairy blends under Mexico’s General Import and Export Tax Law. This announcement recognizes that the production of domestic dairy blends is insufficient to meet the needs of Mexican milk powder processors. The exporters of any country may supply products under this TRQ. Importers will be eligible to import, duty free, these products provided that they have obtained a TRQ certificate issued by SE. This TRQ announcement will be in effect on January 1st, 2013, until its cancellation, which should be announced in the *Diario Oficial* when applicable. U.S. dairy blends continue to have unlimited duty-free access under NAFTA.

Products under Harmonized Tariff System (HTS) code 1901.90.05 are dairy blends produced from cheeses, dry milk, butter, and other dairy based products containing more than 50 percent of milk solids by weight.

Solids may be either butterfat or solids not fat or both. The definition does not include items covered under other HTS codes, such as butter, dry milk powder, or cheese, and specifically excludes items under HS code 1901.90.04, which contain more than 10 percent milk solids and are consumer packed; hence, 1901.90.05 excludes consumer-packed products.

H.T.S. Number and Product	TRQ
1901.90.05 Dairy product preparations based on a content of over 50 percent solids in weight, except those under tariff classification 1901.90.04	44,200 MT

The mechanism through which the TRQ will be allocated is:

Beneficiaries	Allocation Mechanism	Quantity (MT)	Application period
A. Public sector company supplying milk to low-income consumers	Direct	10,000	Up to November 30 of each year.
A. Private sector business that use dairy blends as an input and have previously received quota allocations.	Direct	21,200	15 business days from the first business day of January of each year.
A. Private sector business that use dairy blends as an input and have not previously received quota allocations.	Direct	1,000	15 business days from the first business day of January of each year.
A. All interested parties	Public bid	12,000	In compliance with the rules of the corresponding public

			bid procedures ^①
--	--	--	-----------------------------

① SE will publish the announcement in the Federal Register, at least, within 20 business days before the application period (scheduled to occur during the 1-15 August period of each year).

Direct allocation will be authorized to the public sector company (i.e., state-owned) and private companies —with or without previous experiences in the allocation process— who use dairy blends in their production processes. Public allocation will be authorized for interested parties that comply with the correspondent public bid rules. The applications for the request of allocation of the quota (import permits) must be submitted using form SE-03-011-1 at the General Directorate of Foreign Trade of SE. Once the quantity to be imported is allocated under the TRQ, SE will issue the import permits to the authorized companies.

FAS/Mexico Analysis: The TRQ is equal to previous years' levels issued by Mexico. Thus, U.S. dairy blends will not face additional international competition in the Mexican market and will continue to be granted unlimited duty-free access to the Mexican market under NAFTA.

This is NOT an invitation for bids to purchase selected dairy products. Rather, it is an auction of the right to import the listed product duty free. Thus, the auction is limited to Mexican companies within the dairy industry who use dairy products in their production processes.

Important Dates

1. Publication Date: December 19, 2012

2. Implementation Date: January 1st, 2013

3. Validity Period:

- The validity period of the quota certificates for the beneficiaries, as described, in points A and C will be up to the last day of December of each year.
- The validity period of the quota certificates obtained through public bid, indicated in point D, will be from the date of issuing up to the last day of December of each year.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work

<http://www.youtube.com/user/ATOMexicoCity>

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX2097	Milk Powder TRQ Announced – Little Effect on U.S. Forecast	12/21/2012
MX2074	Dairy and Products Annual – High Input Prices Continue to Pressure Domestic Production	10/26/2012
MX2031	New NOMS for Dairy Products May Shift Import Patterns	5/16/2012
MX2028	Dairy and Products Semi-Annual	5/14/2012
MX1106	Dairy Blends TRQ Announced	12/30/2011
MX1105	Milk Powder TRQ Announced	12/30/2011
MX1092	New Meat and Poultry Letterhead Certificates Required	12/6/2011
MX1083	Dairy and Products Annual	11/14/2011
MX1076	Mexico Eliminates Retaliatory Tariffs	10/21/2011

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.