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Mexico Announces Import Tariff Changes for Selected Commodities

Report Categories:

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Food and Agricultural Import Regulations and
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Report Highlights:

On December 13, 2013 the Secretariat of Economy published a decree in the *Diario Oficial* (Federal Register) that modifies Mexico's import regime by increasing duties on imports of white corn, sorghum, green tomatoes, limes and lemons. Mexican official sources stated that these changes will not apply to U.S. exports because of the North America Free Trade Agreement (NAFTA).

Executive Summary:

Introduction: This report summarizes an announcement that modifies the General Import and Export Tax Law from the Secretariat of Economy published in Mexico's "*Diario Oficial*" (Federal Register) on December 13, 2013.

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.

Title: Decree that modifies the General Import and Export Tax Law.

The Secretariat of Economy (SE) published on December 13, 2013 in the *Diario Oficial* (Federal Register) an announcement that modifies the duties applied to specific harmonized tariff codes (HTS), under the Tariff of the General Import and Export Tax Law, first published on June 18, 2007.

The modification is an effort by the Government of Mexico (GOM) to help Mexico's growers of various products to cope with the negative impact caused by declining international prices of commodities such as corn and sorghum. Moreover, the measure to increase duties intends to benefit domestic growers of limes, lemons and tomatoes who are now realizing higher production as a result of improved growing conditions compared to those registered at beginning of 2013.

Lastly, the measure responds in the *Diario Oficial* (Federal Register) to complains from Mexican crushers and vegetable oil refiners against the opening to imported edible oil by the SE, which was announced in the *Diario Oficial* back on September 5, 2012. According to GOM officials, justification for oilseed modifications was because Mexico's domestic production of oilseeds had not shown sufficient growth from what was originally anticipated as needed to meet its domestic demand. The GOM noted that as a consequence of the country's deficiencies in oilseed production, they must depend more on imports of seeds and oil whose import tariffs foster higher domestic prices. As a result, the decree stated that it was urgent and essential to continue import tariff policies that will generate favorable conditions for Mexican companies and strengthen their competitiveness in response to market trends and to preserve manufacturing productivity and employment. However, as a result of the GOM's decision to decrease applied duties on vegetable oils, crushers and oil refiners were very disappointed with that decision. The unilateral opening to imported edible oils by the SE was rejected categorically by big and medium crushers and vegetable oil refiners. They argue that SE's decision negatively impacts the business climate and seriously jeopardizes investments already made by their companies as well as making it more difficult to create and preserve jobs in their industries. Moreover, they pointed out domestic crushers and oil refiners are at a clear disadvantage with foreign competitors. The industry claims the reduction and elimination of import tariffs on vegetable oils unilaterally rewards countries with which Mexico has not signed free trade agreements. Additionally, the industry generally believes that they receive nothing in exchange and are even rewarding those countries which allegedly subsidize their oil exports.

The modifications include several justifications as outlined in the *Diario Oficial* (Federal Register) published on December 13, 2013, among them the following:

- That by decree, amending the Tariff of the General Imports and Exports Law published in the *Diario Oficial* (Federal Register) on May 15, 2013, import duties of lime, lemon and tomato were modified to deal with speculative prices that resulted from adverse climatic and sanitary conditions that were present at the time. Now however, market variables and performance, such as the supply and prices, indicate that these products have returned to their natural tendency, therefore it is necessary to restore their import duties (see 2013 GAIN Report [MX3040](#) “Mexico Announces Tariff-Free Access for Certain Ag Products”);
- That according to recent publications of the Food and Agriculture Organization of the United Nations, when there are combined social protection measures and increases in disposable family incomes with fewer economic resources, the effect on social welfare is magnified if rural development is stimulated. Accordingly, in order to have a trade policy aimed at promoting the Mexican economy, increase the availability and access to food and encourage domestic production, import duties of white corn and sorghum should be modified (see 2008 GAIN Report [MX8038](#), “Mexico Publishes Tariff Modifications on Basic Commodities”);
- Organizations affiliated with the national vegetable oil industry are committed along with the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) to promote the production, processing and marketing of oilseed crops in Mexico and therefore it is necessary to suspend the final stage of elimination of vegetable oils import duties (see 2013 GAIN Report [MX3036](#), “Oilseed Production Expected to Rise in 2013/2014”);
- That the result of negative sanitary and weather contingencies that have occurred in our country recently, such as the frost that affected the supply of commodities, has highlighted the need for the Federal Government to establish appropriate measures to ensure food supply to the population, making necessary the publication of tariff-free quota (TRQ) for imports of certain food products such as tomato, lemon and vegetable oils;

Article 3, establishes the following modifications:

H.T.S	DESCRIPTION	UNIT	TAX	
			IMP.	EXP.
0702.10.02	Tomato <i>Physalis ixocarpa</i> ("green tomatoes ").	Kg.	10	Ex.
0805.50.01	Mexican lemon <i>Citrus aurantifolia</i> Swingle Christmann	Kg.	20	Ex.
0805.50.02	Persian lime (seedless) <i>Citrus latifolia</i>	Kg.	20	Ex.
0805.50.99	Other	Kg.	20	Ex.
1005.90.04	White corn	Kg.	20	Ex.
1007.00.02	Grain sorghum, when imports are made during the period between May 16 and December 15.	Kg.	15	Ex.

Through the provisions of Article 5, SE establishes a TRQ for the duty free imports of the following products, provided via a TRQ certificate issued by the SE:

H.T.S	DESCRIPTION	UNIT	TAX	
			IMP.	EXP.
0702.00.02	Tomato <i>Physalis ixocarpa</i> ("green tomatoes ").	Kg.	Ex.	Not applicable

0805.50.01	Mexican lemon <i>Citrus aurantifolia</i> Swingle Christmann	Kg.	Ex.	Not applicable
0805.50.02	Persian lime (seedless) <i>Citrus latifolia</i>	Kg.	Ex.	Not applicable
0805.50.99	Other	Kg.	Ex.	Not applicable
1511.10.01	Crude Oil	Kg.	Ex.	Not applicable
1511.90.99	Other	Kg.	Ex.	Not applicable
1513.19.99	Other	Kg.	Ex.	Not applicable
1513.29.99	Other	Kg.	Ex.	Not applicable
1516.20.01	Fats and vegetable oils, and fractions	Kg.	Ex.	Not applicable

Important Dates

1. **Publication Date:** December 13, 2013
2. **Effective Date:** December 14, 2013

FAS Mexico Comment: According to official sources from the GOM, the new import duties announced in Mexico's "Diario Oficial" last December, 13, 2013, apply only for Most Favored Nation (MFN), under World Trade Organization (WTO) rules, but not for those countries that Mexico has free trade agreements, such as the North America Free Trade Agreement (NAFTA). Under NAFTA corn, sorghum, and vegetable oil imports from the United States are duty free. Therefore, this modification on Mexico's import duties may eventually benefit U.S. exports of these commodities to Mexico, as there will be less competition from countries that will be able to export it duty free. At the same time, after the GOM eliminated the tariff decree allowing imports of white corn with zero duty from countries with which Mexico does not have free trade agreements, corn growers stated the decision will encourage the sector's productivity.

General Information:

For More Information

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work <http://www.youtube.com/user/ATOMexicoCity>

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

