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Mexico

Agricultural Situation

Mexico's New Over Quota Import Tariff for Yellow Corn

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Report Highlights:

On July 7, 2005 Mexico's Secretariat of Economy (SE) announced in the Mexican Federal Register the new over-quota import tariffs for yellow corn. The 1 percent import tariff will be effective July 8, 2005 and will remain in force until December 31, 2005.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Introduction: This report summarizes two official announcements published in Mexico's "Diario Oficial" (Federal Register) on June 24 and July 7, 2005.

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.

FAS/Mexico's Executive Summary: On July 7, 2005, the Secretariat of Economy (SE) announced in Mexico's "Diario Oficial" (Federal Register) the new NAFTA over-quota tariffs for 2005 for yellow corn imports.

The decree states that, in accordance with the Sixth Transitory Article of the Federal Income Law for the 2005 Fiscal Exercise, and when the NAFTA Tariff Rate Quotas (TRQs) for corn have been filled, the following over quota import tariffs will apply for the remainder of 2005:

TARIFF LINES	DESCRIPTION	UNIT	Ad valorem (%)
1005.90.03	Yellow corn	Kg	1

The new tariff is in effect the day after the date of the publication, which, in this case, is Friday, July 8, 2005; it will remain in force until December 31, 2005.

According to the announcement, the domestic corn supply currently is insufficient to match domestic demand. SE officials stated that the 2005 duty-free corn TRQ (3,461.9 MMT) had already been filled in June 2005.

On June 24, 2005, the SE also published in the "Diario Oficial," an agreement to determine the requirements for over-quota U.S. yellow corn for 2005 (except for planting, - H. S. 1005.90.03), including the conditions for the allocation of out-of-quota yellow corn import permits (*cupos*). Following are the over-quota details as contained in the Diario Oficial announcement:

Tariff Number	Description	Additional Duty Free Amount (Tons)
1005.90.03	Corn, except for planting (yellow)	Amount that results from the application of the criterions established in the Sixth Transitory Article of the Federal Income Law for the 2005 Fiscal Exercise.

The mechanism through which the yellow corn over-quota will be allocated for 2005 will be direct allocation. The over-quota volume of **YELLOW CORN** (1005.90.03) will be granted to interested parties from the starch, cereal, snack food and animal feed industries.

FAS/Mexico Analysis: Despite the agreed upon NAFTA bound tariffs for white and yellow corn, the Mexican Government had customarily issued additional import permits beyond the amount required by the free trade agreement. Usually, these additional imports have been

subject to minor tariffs (roughly 1-2 percent on yellow corn and 2-3 percent on white) rather than the NAFTA bound tariffs. In the last two years, however, the Mexican Lower House decided that over-quota imports of white corn would be subject to the import tariffs specified by NAFTA (72.6 percent in 2004 and 54.5 percent in 2005). Although both correspond to NAFTA bound tariffs, this decision is a marked departure from past practice, as it means a significant difference between the current bound and the previous applied tariffs.

Nevertheless, this tariff is NAFTA consistent and will apply to white corn, even in the case of a shortage (see MX5022). Moreover, it should be noted that the out-of-quota import tariff for yellow corn in CY 2005 is the same as was imposed in CY 2004 (1 percent).

The announcement also outlines changes to the *cupo* allocation process, the most important of which is that the percentage of domestic corn which industrial consumers must contractually purchase from Mexican corn growers has increased from 15 to 20 percent of their total corn imports of the preceding year (i.e., 2004).

Industry sources stated that government enforcement of this measure has been very weak, as it is the Mexican producers themselves – whom the measure is designed to protect - who some times have reneged on the contracts made with industry, by selling their crops to other purchasers first. It should be noted that this is the second time that a criteria for over-quota allocations has been announced since the NAFTA quotas first began in 1994 (see MX4003). Moreover, the majority of the industry sources have recognized that the publication of these official rules have resulted in more transparency for industry and importers. Some industry sources stated that the relatively rigorous requirements could result in some government delays in issuing import permits for U.S. corn, due to increased administrative demands on SE. However, given Mexico's historic inability to fully meet its domestic consumption demands for corn, such rules are not necessarily being seen by industry as a trade barrier to U.S. corn imports. The feed industry, for example, believes these rules have allowed them to have a better planning process for their acquisitions and to be more transparent.

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Useful Mexican Web Sites: Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.se.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.