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Mexico

Agricultural Situation

Trucking Retaliation Increases Tariff on U.S. Christmas Trees

2009

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Report Highlights:
On March 18, 2009, the Secretariat of Economy (SE) published an announcement in the Diario Oficial (Federal Register) modifying the import tariffs of 36 U.S. agricultural products. These modified tariffs are in retaliation over the dissolution of the U.S.-Mexico Cross-Border Trucking Demonstration Project. (See MX9010). Among the various agricultural products, the announcement stated that as of March 19, 2009, Christmas trees imports from the United States would be subject to a 20 percent duty. The United States exported approximately $16 million in Christmas trees to Mexico in 2008.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Mexico City ATO [MX2]
[MX]

MEXICO: TRUCKING RETALIATION PRODUCT IMPORT FROM THE UNITED STATES U.S. DOLLARS			
HS Code	Description	2008	New Tariff
0604.91.02	Christmas trees	15,743,300	20%

Source: WTA-U.S. Department of Commerce

Post's Analysis: Mexico is the fourth largest market for U.S. Christmas tree exports behind the Netherlands, Belgium and Canada. The Mexican Most Favored Nation (MFN) tariff for HS code 0604.91.02 (Christmas Trees) is 20 percent, although the United States and Canada enjoyed duty free access for Christmas trees under NAFTA. The tariff increase on U.S. Christmas trees could improve opportunities for Canadian trees because Canada continues to enjoy duty free access, but only marginally. Canadian Christmas trees have had a limited market in Mexico due to higher prices when compared to U.S. trees. The increase in duties on U.S. Christmas trees will benefit local producers the most, primarily because of their price advantage.

Major Mexican importers visit U.S. Christmas tree producers yearly to select trees, verify quality and ensure they are in full compliance with the Mexican NOM. Although most U.S. Christmas tree exports are imported into Mexico in early December, the increase in tariffs could have an immediate impact because the number of future contracts will probably be reduced due to the higher price. Another important factor that will influence future demand of U.S. trees is the increase in Mexico's domestic production of new species. These are the same species that Mexico has been importing from the U.S. and Canada.

It is estimated that U.S. export sales for 2009 could decease by approximately of $3.1 million.

Background: The Trucking Pilot Program (Mexico Cross-Border Trucking Demonstration Project) was an accommodation reached with Mexico after years of dispute regarding the delay to implement the NAFTA trucking obligations. It was set up in 2007 as a step towards implementation of the NAFTA trucking provision. It allowed up to 100 trucking firms from Mexico to transport international cargo beyond the commercial zones along the U.S.-Mexico border and up to 100 U.S. trucking firms to transport international cargo into Mexico. Bus companies and hazardous material carriers were excluded. The Trucking Pilot Program began on September 6, 2007, and was originally designed to run for one year. By an exchange of letters between the U.S. and Mexican Transportation Secretaries on August 4, 2008, the Trucking Pilot Program was extended up to an additional two years to ensure that it could produce sufficient data to evaluate its safety impact. In 2007, Mexico-domiciled motor carriers crossed into the U.S. approximately 4.8 million times, transporting an estimated $215 billion of freight.