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Report Name: Mexico Announces Temporary Tariff Rate Quota for Soybeans

Country: Mexico

Post: Mexico City

Report Category: Oilseeds and Products

Prepared By: Benjamin Juarez

Approved By: Abigail Nguema

Report Highlights:

On October 1, 2021, Mexico published a tariff rate quota (TRQ) applicable to soybean imports from all trading partners, which took effect immediately and will be in force through December 31, 2021. The TRQ volume is 500,000 metric tons of soybeans imported under the HS code 12019002 with zero import duty. The Mexican authorities will assign the TRQ by direct allocation on a first-come, first-served basis. This report contains an overview and background information about the notice.

Overview:

On October 1, 2021, the Secretariat of Economy (SE) published a notice in the *Diario Oficial* (Federal Register) announcing the immediate implementation of a tariff rate quota (TRQ) of 500,000 metric tons of soybeans (HS code 12019002) with zero import duty. The TRQ is applicable to imports from all trading partners and will be valid until December 31, 2021. The SE will assign the TRQ by direct allocation on a first-come, first-served basis. The Federal Register notice is available in Spanish at TRQ.

The Federal Register notice states that it is necessary to facilitate soybean imports in order to support competitive and stable soybean oil prices to the benefit of consumers. The notice provides a number of elements as the basis for the TRQ, including data from the National Institute of Statistics and Geography (INEGI) indicating a 15.4 percent increase in the National Consumer Price Index (INPC) for edible vegetable oils and fats between May 2020 and May 2021. According to INEGI, the INPC for edible vegetable oils and fats is at the highest level for the May-May period since 2011, with monthly inflation at 4.0 percent (the highest since 2008). In addition, the announcement cites the U.N. Food and Agriculture Organization Biannual Global Food Markets Report, which it says points to a steady rise in the oilseed price index since June 2020, reaching multi-year highs. The rising oilseed price index mainly reflects strong international soybean prices, reflecting sustained imports from China, prolonged dry weather that threatened the South American soybean crops, and reports of below average temperatures and low soil moisture levels in the United States.

The Federal Register notice provides the following TRQ implementation details:

One – A quota is established to import in the period from October 1, 2021 to December 31, 2021, of soybeans, even broken, with the tariff quota established in the decree amending the tariff in the Law on General Import and Export Taxes, the decree establishing various Sectoral Promotion Programs, and the various decrees establishing tariff quotas, published in the *Diario Oficial* on December 24, 2020, as indicated in the following table:

Tariff item	Description	Dimensioning	Amount (Tons)
1201.90.02	Soybeans, other than seed. When the operation is carried out within the period between October 1st and December 31st.	Except for planting.	500,000

Two – The quota referred to in point One of this Agreement shall be allocated under the direct allocation procedure in its modality of a "first-come, first-served" basis.

Three – Persons and companies established in Mexico may request the allocation of the quota provided for in point One of this Agreement.

Four – The direct assignment procedure in the modality of "first-come, first-Served" will be carried out according to the following criteria:

I. The amount to be issued will be the lesser of the following:

(a) The quantity requested.

(b) The amount indicated on the commercial invoice and the bill of lading, consignment note, or air waybill (as the case may be).

(c) 20,000 tons.
(d) The balance of the quota.

II. For subsequent quota allocations, the total exercise of at least one of the allocations granted above must be accredited, attaching a copy of the corresponding import petitions.

Background Information:

The government of Mexico (GOM) implemented the present TRQ to open its market in response to tight U.S. supplies and high prices in marketing year 2020/21. Although U.S. soybean prices increased considerably during this period, U.S. soybeans remained the only viable supply option given their zero duty under USMCA (versus duties of 15 percent for Brazil and Argentina, for example). The supply situation is of great concern to the Mexican vegetable oil industry, which reportedly advocated with the GOM for the establishment of a TRQ for soybeans from all countries. Note: In recent years, Mexico also implemented TRQs applicable to imports from all trading partners for dry beans and poultry products. End note. SE officials have consistently maintained that the reason for this TRQ is to provide the best soybeans prices to its vegetable oil industry so that it may remain competitive. Although the GOM realizes that MY 2020/21 was an anomaly in terms of U.S. soybean production, it established the TRQ so that it will have a mechanism and procedures in place should there be tight U.S. supplies and high prices in the future. Notably, industry sources report that Mexican importers are unlikely to utilize the 2021 TRQ due to recent indications about the outlook for U.S. soybean production for the rest of the calendar year, which Mexican importers expect will support moderate U.S. soybean prices in the coming months.

Disclaimer: This report is based on FAS Mexico's understanding of the available information at the time of the report's publication. In the event of any discrepancies between this report and the official announcement in Spanish, the latter shall prevail.

Attachments:

No Attachments.