

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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: 6/6/2018

GAIN Report Number: MX8028

Mexico

Post: Mexico

Mexico Announces Retaliatory Tariffs

Report Categories:

Trade Policy Monitoring

Agricultural Situation

Approved By:

Melinda Sallyards

Prepared By:

Mexico Staff

Report Highlights:

In response to U.S. Section 232 action, Mexico announced retaliatory tariffs on U.S. steel, aluminum, and agricultural products. \$2.6 billion worth of U.S. agricultural exports to Mexico are affected.

Executive summary: On June 5, 2018 Mexico published a list of products in the official Gazette (Diario Oficial) of the retaliatory tariffs announced on May 31, 2018 in response to measures imposed by the United States under Section 232. Agricultural products affected include chilled and frozen pork cuts, hams, cheeses including fresh, grated or powdered, parmesan, edam, gouda, Havarti, fresh apples, frozen French fries, cranberries and bourbon. Mexican imports of agricultural products subject to retaliatory tariffs totaled nearly US\$3.1 billion in 2017, with 84 percent or US\$2.6 billion coming from the United States. (Source Mexican customs) Tariffs are effective immediately. Pork and cheese tariffs are being implemented at a lower rate until July 5, 2018. In an effort to combat potential pork price increases and diversify its suppliers, the Ministry of Economy also announced the opening of the 350,000 metric ton duty-free quota on imported pork leg and shoulder cuts (bone-in and boneless, HS Codes 0203.12.01, 0203.19.99, 0203.22.01 and 0203.29.99) that will be in effect through the end of 2018. The quota is open to Mexican pork processors and imports can be sourced from any country eligible to export pork to Mexico. This includes the United States. Mexico also announced on June 4 that they will initiate a WTO dispute settlement process against the United States 232 action. **End summary**

Mexico's response to U.S. 232 action was to place retaliatory tariffs on iron and steel and agricultural products from the United States. Tariffs on agriculture products affect U.S. \$2.6 billion of Mexican imports from the United States. These tariffs are effective immediately. Tariffs on fresh and chilled pork (HS Codes 0203.12.01, 0203.19.99, 0203.22.01 and 0203.29.99) and some cheeses (HS codes 0406.20.01 and 0406.90.04) will be 10 percent until July 5, 2018 then will increase to 20 percent. Tariffs on fresh cheeses and others (HS Codes 0406.10.01 and 0406.90.99) will be 15 percent until July 5 and then increase to 25 percent.

Pork TRQ - Mexico established a duty free tariff rate quota for 350,000 metric tons of fresh pork until December 31, 2018. According to SAGARPA officials, a pork quota of 350,000 metric tons was put in place to counteract negative affects to Mexican importers, consumers and avert higher prices. In 2017, U.S. exports of pork totaled \$1.5 billion, about 85 percent of total Mexican pork imports.

HS Code	Descripción	Amount and Date
0203.12.01	Legs, shoulders, and their pieces, with bone.	350,000 tons To December 31 2018.
0203.19.99	The others.	
0203.22.01	Legs, shoulders, and their pieces, with bone.	
0203.29.99	The others	

The quota is on a first come - first serve basis and open to Mexican pork processors. Product can be sourced from any country eligible to ship pork to Mexico, which includes the United States. Historical importers have access to 97 percent of the quota. Importers who have never imported have access to 3 percent of the quota. Imports of U.S. pork products will have to pay the 10 percent tariff until July 5, 2018 then the 20 percent tariff will kick in. Industry sources indicate that Mexican importers are already lining up to get quota. Quota amounts are good for 60 days.

The Mexican announcement also states that any pork meat coming from the United States, regardless of country of origin, will be charged the tariff rate for the United States. In other words, transshipments will be charged the U.S. tariff.

Below is the list of agricultural products subject to the retaliatory tariffs. Mexico created a new line for individual pork sausage (1601.00.02). This line will include U.S. breakfast sausage exports according to industry sources.

Code	DESCRIPTION	UNIT	Tax	
			IMP.	EXP.
0203.12.01	Legs, shoulders, and their pieces, with bone.	Kg	20	Ex.
0203.19.99	The others.	Kg	20	Ex.
0203.22.01	Legs, shoulders, and their pieces, with bone	Kg	20	Ex.
0203.29.99	Las demás.	Kg	20	Ex.
0406.10.01	Fresh cheese (unripe), including that of whey (Lacto serum), and cottage cheese (<i>requesón</i>).	Kg	25	Ex.
0406.20.01	Cheese of any kind, grated or powder.	Kg	20	Ex.
0406.90.04	Grana or Parmegiano-reggiano, with a fat content by weight less than or equal to 40%, with a water content by weight, in non-fat material, less than or equal to 47%; Danbo, Edam, Fontal, Fontina, Fynbo, Gouda, Havarti, Maribo, Samsøe, Esrom, Italic, Kernhem, Saint-Nectaire, Saint-Paulin or Taleggio, with a fat content by weight of less than or equal to 40%, a content by weight of water, in non-greasy matter, greater than 47% without exceeding 72%.	Kg	20	Ex.
0406.90.99	The others.	Kg	25	Ex.
0808.10.01	Apples.	Kg	20	Ex.
1601.00.02	From the pork specie	Kg	15	Ex.
1602.41.01	Hams and pieces of ham.	Kg	20	Ex.
1602.42.01	Shoulders and shoulder chunks.	Kg	20	Ex.
2004.10.01	Potatos.	Kg	20	Ex.
2008.93.01	Cranberries (<i>Vaccinium macrocarpon</i> , <i>Vaccinium oxycoccos</i> , <i>Vaccinium vitis-idaea</i>).	Kg	20	Ex.
2106.90.99	The others.	Kg	15	Ex.
2208.30.04	Whisky "Tennessee" o whisky Bourbon.	L	25	Ex.

HS Code	Description	Unit	Tariff	
			IMP.	EXP.
1601.00.02	From the pork species.	Kg	15	Ex.

Below are Mexican trade statistics for the past three years on the affected agricultural products.

Mexico Import Statistics										
Calendar Year: 2015 - 2017										
H.S.	Commodity Description	Partner Country	Unit	VALUE			% Share			% Change 2017/2016
				2015	2016	2017	2015	2016	2017	
0203.12.01	Legs, shoulder	World	U.S. Dollars	866,505,003	948,557,707	1,068,668,197	100.00	100.00	100.00	12.66
		United States	U.S. Dollars	728,482,289	810,182,167	946,460,616	84.07	85.41	88.56	16.82
0203.19.99	Other	World	U.S. Dollars	117,831,568	127,820,337	124,601,666	100.00	100.00	100.00	-2.52
		United States	U.S. Dollars	107,934,551	113,925,531	111,050,601	91.6	89.13	89.12	-2.52
0203.22.01	Legs, Pallets An	World	U.S. Dollars	12,966,704	13,017,760	7,440,388	100.00	100.00	100.00	-42.84
		United States	U.S. Dollars	10,296,658	8,533,979	6,749,021	79.41	65.56	90.71	-20.92
0203.29.99	Other	World	U.S. Dollars	224,010,410	215,428,477	198,109,618	100.00	100.00	100.00	-8.04
		United States	U.S. Dollars	193,668,710	190,484,629	179,762,882	86.46	88.42	90.74	-5.63
0406.10.01	Fresh Cheese (U	World	U.S. Dollars	51,219,410	39,814,968	34,094,018	100.00	100.00	100.00	-14.37
		United States	U.S. Dollars	51,129,321	39,444,596	33,783,271	99.82	99.07	99.09	-14.35
0406.20.01	Cheese of Any T	World	U.S. Dollars	148,776,463	159,953,838	173,182,220	100.00	100.00	100.00	8.27
		United States	U.S. Dollars	148,686,140	159,443,266	172,988,358	99.94	99.68	99.89	8.5
0406.90.04	Grana or Parme	World	U.S. Dollars	109,955,068	112,734,146	148,370,115	100.00	100.00	100.00	31.61
		United States	U.S. Dollars	9,580,184	12,546,061	41,526,222	8.71	11.13	27.99	230.99
0406.90.99	Other	World	U.S. Dollars	178,394,953	166,613,861	144,380,892	100.00	100.00	100.00	-13.94
		United States	U.S. Dollars	166,241,195	156,075,749	134,942,288	93.19	93.68	93.46	-13.54
0808.10.01	Apples	World	U.S. Dollars	279,849,195	234,839,909	281,366,971	100.00	100.00	100.00	19.81
		United States	U.S. Dollars	276,286,890	229,337,958	276,497,072	98.73	97.66	98.27	20.56
1601.00.02 *	Of porcine spec	World	U.S. Dollars	85,542,965	93,585,304	104,662,560	100.00	100.00	100.00	11.84
		United States	U.S. Dollars	77,035,422	87,777,978	97,317,315	99.33	93.79	92.98	10.87
1602.41.01	Hams and piece	World	U.S. Dollars	13,681,250	13,376,370	13,238,320	100.00	100.00	100.00	-1.03
		United States	U.S. Dollars	12,998,536	12,991,772	12,781,129	95.01	97.12	96.55	-1.62
1602.42.01	Shoulder and sh	World	U.S. Dollars	589,053	1,613,539	566,948	100.00	100.00	100.00	-65.48
		United States	U.S. Dollars	378,044	1,613,539	519,124	64.18	100.00	93.21	-67.83
2004.10.01	Potatos	World	U.S. Dollars	162,552,217	172,685,855	176,477,339	100.00	100.00	100.00	2.2
		United States	U.S. Dollars	119,882,820	122,570,982	131,867,583	73.75	70.98	74.72	7.58
2008.93.01	Cranberries (W)	World	U.S. Dollars	33,899,018	36,409,273	34,019,597	100.00	100.00	100.00	-6.56
		United States	U.S. Dollars	33,765,892	36,206,277	33,605,417	99.64	99.44	97.78	-7.18
2106.90.99	Other	World	U.S. Dollars	520,457,122	593,117,818	547,442,505	100.00	100.00	100.00	-7.70
		United States	U.S. Dollars	426,059,502	490,416,666	434,359,920	81.86	82.68	79.34	-11.43
2208.30.04	Whisky "Tennes	World	U.S. Dollars	9,919,289	10,093,312	10,738,576	100.00	100.00	100.00	6.39
		United States	U.S. Dollars	9,912,098	10,093,310	10,719,565	99.93	100.00	99.82	6.20
TOTAL			U.S. Dollars	2,816,149,688	2,939,662,474	3,067,359,930	100.00	100.00	100.00	4.34
United States			U.S. Dollars	2,372,338,252	2,481,644,460	2,624,930,384	85.58	84.42	85.58	5.77
N.A. Not available										
Source of Data: Global Trade Atlas with INEGI Data [2006-present]										
* This code was created by this announcement, the import value listed is for H.S. 1601.00.99, which existed previously.										