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## Mexico

**Post:** Mexico

### Mexico Modifies TRQs for Five Agricultural Products

**Report Categories:**

Trade Policy Monitoring

Livestock and Products

Citrus

Vegetables

Poultry and Products

Grain and Feed

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**Report Highlights:**

On December 26, 2017, the Secretariat of Economy (SE) published in Mexico's Federal Register (*"Diario Oficial"* – DOF) three announcements modifying tariff rate quotas (TRQs) for five products. The first extended the TRQs to import beef and rice through the end of 2019. In the second, a TRQ was applied to lemons and onions on a seasonal basis. Finally, the TRQ for poultry products now extends through the end of 2019.

**Disclaimer:** *This summary is based on a cursory review of the subject announcements 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.*

**This report summarizes three publications:**

1. [Agreement that modifies the previous modification by which the tariff rate quotas for importing beef and rice are disclosed](#)
2. [Agreement that explains quotas to import lemon and onion](#)
3. [Agreement that modifies the previous modification the TRQ to import, under the tariff-quota, poultry meat](#)

**Products Affected:**

- Paddy, husked, milled, broken and other rice
- Fresh, chilled, and frozen beef
- Lemons
- Onions
- Poultry meat

**Important Dates:**

1. **Publication Date** (for all three announcements): December 26, 2017.

## The TRQ for Beef and Rice

A TRQ for beef and rice was originally published on June 8, 2016 in the DOF. The TRQ was opened on March 1, 2017 for 200,000 metric tons (MT) of fresh/chilled/frozen beef and 150,000 MT of rice to enter Mexico duty free from countries with whom Mexico does not have a free trade agreement per year. For additional information on the original June 8, 2016 quota announcement and implementation in 2017, please see GAIN Reports [MX7005](#) and [MX6025](#).

This new agreement extends the TRQ through the end of 2019. The periods were changed to the following:

- 1) From January 1<sup>st</sup> to December 31<sup>st</sup>, 2017
- 2) From January 1<sup>st</sup> to December 31<sup>st</sup>, 2018
- 3) From January 1<sup>st</sup> to December 31<sup>st</sup>, 2019

The quota certificates, which are allocated on a first-come, first-serve basis, will be valid for 60 regular days starting on the first day of issuance or until December 31 of the period that corresponds. They are nominative, non-transferable and non-expendable. There is a maximum quota allocation of 30,000 MT for beef and 10,000 MT for rice per requestor.

## Justifications to Establish an Extension for Beef and Rice

- The TRQ was established to address availability and access to beef and rice, in order to guarantee supply and protect the income of Mexican families, contributing to the stability of the national market for the benefit of consumers.
- According to Mexico's National Consumer Price Index as calculated by the National Institute of Statistics, Geography and Informatics (INEGI) beef prices increased 62.61% between December 2011 and October 2017. The announcement claims that this is mainly due to a reduction in domestic availability and as a result of the growth of Mexico's beef meat exports to the United States alongside decreased imports.<sup>1</sup>
- SE also claimed that the average annual growth of rice production increased 9.18 percent between 2012 and 2016, however these increase was insufficient to match demand, as 82.53 percent of national consumption was covered by imports from a single supplier country.

## Composition of the TRQ for Beef and Rice

HTS	Description	Volume (Metric Tons)	Period
0201.10.01	Carcasses or half carcasses of bovine animals, fresh or chilled	200,000	1) From January 1 <sup>st</sup> to December 31 <sup>st</sup> , 2017
0201.20.99	Bone-in meat, fresh or chilled		2) From January 1 <sup>st</sup> to December 31 <sup>st</sup> , 2018
0201.30.01	Deboned meat, fresh or chilled		3) From January 1 <sup>st</sup> to December

<sup>1</sup> According to INEGI data collected through Global Trade Atlas, Mexico has seen a year on year increase from 2015 to 2016 and 2016 to 2017 in the quantity of beef imported. The value however does show a decline for 2014 to 2015 and 2015 to 2016. As the principal market for both imports and exports is the United State, this is due in part to various exchange rate fluctuations.

0202.10.01	Carcasses or half carcasses, frozen		31 <sup>st</sup> , 2019
0202.20.99	Other bone-in meat, frozen		
0202.30.01	Deboned meat, frozen		
1006.10.01	Paddy rice	150,000	
1006.20.01	Husked rice		
1006.30.01	Semi-milled or wholly milled rice, whether or not polished or glazed		
1006.30.99	Other		
1006.40.01	Broken rice		

## The TRQ for Limes and Onions

The duty-free access for limes was initially established in 2013, but quickly ended in December of the same year, reinstating the 20 percent duty for third countries without a FTA. This TRQ establishes periods for duty-free entry from third countries each year, but does not appear to set an end year.

The TRQ for onions was originally established in January of 2017.

All quota will be assigned as per “first come, first serve” mechanism. These quota certificates will be valid for 60 regular days starting on the first day of issuance or until March 31 of the period that corresponds in the case of the onion and to April 30 in the case of lemon/lime, whatever occurs first. They are nominative, non-transferable and non-expendable.

## Justifications for the Seasonal TRQ for Limes and Onions

- The Secretary of Agriculture (SAGARPA) and SE state that between 2012 and 2016 the national lime production decreased every year between January and April, alongside growth in exports on an annual basis.
- Similarly, in regard to onions, according to SAGARPA and SE, during the first trimester of the last five years the national production decreased representing almost 15 percent of the total production. Exports also are growing on an annual basis.

## Composition of the TRQ for Limes and Onions:

HTS	Description	Quantity (Tons)	Period
0703.10.01	Onions	100,000	From January 1 <sup>st</sup> , to March 31 <sup>st</sup> each year.
0805.50.01	Variety Citrus aurantifolia Christmann Swingle (“Mexican” lemon or Key lime)	140,000	From January 1 <sup>st</sup> , to April 30 <sup>th</sup> each year.
0805.50.02	Seedless lemon or Persian Lime (Citrus latifoila)		
0805.50.99	Others		

## The TRQ for Poultry Meat

A TRQ for poultry meat from third countries to enter Mexico duty free was originally established in May of 2013 for 300,000 MT per year. It was extended and modified in 2014, and again in 2015. Through this announcement, the TRQ is extended once more, through the end of 2019.

The mechanism to allocate the mentioned TRQ will be done through a form submitted for direct assignation and SE will issue a “Tariff Assignation Proof” within two days after the formal request, which will be valid until December 31, 2019. Tariff certificates will be valid for 60 regular days or December 31, 2019, whatever occurs first. For additional information on the original May 16, 2013 quota announcement on poultry meat, please see GAIN Report MX6003 and MX7034.

## Justifications for Extension of the Poultry Meat TRQ

- According to the announcement, the supply for poultry meat (fresh, frozen, or chilled) needs to be guaranteed through diverse external suppliers in order to avoid price increases. The supply may be affected by import restrictions. The example given in the announcement is the highly pathogenic avian influenza outbreak in the first quarter of 2017 in the United States.

## Composition of the TRQ for Poultry Meat

<u>HTS</u>	<u>Description</u>	<u>Quantity (Tons)</u>	<u>Period</u>
0207.11.01	Meat and edible offal of chickens. Not cut in pieces, Fresh or Chilled.	300,000	May 16, 2013 until December 31, 2019
0207.12.01	Meat and edible offal of chickens. Not cut in pieces, Frozen.		
0207.13.03	Legs, Thighs, or Legs and Thighs in one piece.		
0207.13.99	Other.		
0207.14.04	Legs, Thighs, or Legs and Thighs		
0207.14.99	Other.		

## **FAS Mexico Comments**

Under the North American Free Trade Agreement (NAFTA), U.S. products are exempt from duties. Therefore, the TRQs do not apply to U.S. agricultural products. However the TRQs do offer relative opportunities for competition from third countries without a FTA. For example, Brazil is able to take advantage of the TRQ for poultry (in an import market dominated by U.S. poultry meat).

These TRQs also support Mexico's stated efforts to diversify their imports. That said, U.S. products are expected to continue to enjoy a logistical advantage in the short to medium term. Mexico is the number one export market for U.S. poultry and rice, and one of the top markets for U.S. beef (\$932 million, \$274 million, and \$977 million respectively in 2016 according to US Census Bureau Trade Data).

Albeit on a smaller scale, the United States exports some onions and limes to Mexico. For onions, the United States has been the sole supplier to Mexico, apart from a one-off from Chile in 2014.<sup>2</sup> The United States has also been the principal supplier of imported limes, with negligible amounts coming from Spain and Israel. It should be noted that Mexico has historically imported less than 3,000 MT of limes per year, but the seasonal TRQ is set at 140,000 MT.

## **For More Information**

Visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

## **Useful Mexican Web Sites**

Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), the equivalent of the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx), and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://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.

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<sup>2</sup> Data Source: Mexico's National Statistical and Geographical Institute (INEGI), through Global Trade Atlas.