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## **Mexico Authorizes Duty-Free Imports of U.S. Corn Under NAFTA Terms**

*by LADB Staff*

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During the first half of this year, the Trade Secretariat (Secofi) authorized duty-free imports of 1.67 million metric tons of US corn to supplement domestic supplies, which are expected to tighten due to a small decline in domestic production. In a statement issued at the end of May, Secofi said the US corn imports are intended primarily for industrial users (such as manufacturers of corn starch and corn meal) and livestock breeders, who would normally have to pay higher prices due to a slight reduction in domestic production and tight supplies in Mexico this year.

In early May, the Agriculture and Rural Development Secretariat (SAGDR) projected Mexican corn production at a still relatively high 19 million MT this year, but this forecast was made before the effect of a drought in some areas of Mexico was fully assessed. Some agricultural industry analysts also attributed the tightness in corn supplies in Mexico indirectly to the devaluation of the peso, which led many corn producers in Mexico to retain their corn rather than sell it on the market. The tight supplies, in turn, caused a shortage of animal feed, which created the need to increase imports from the US. In fact, according to the SAGDR, Mexican imports of US corn between Jan. 1 and April 15 totaled 413,056 MT, an increase of 205% relative to the 135,029 MT imported during the same period in 1994. According to Secofi, another 1 million MT of US corn will be allowed to enter Mexico without paying duties this year, thus fulfilling the annual quota of about 2.65 million MT of duty-free corn imports allowed under terms of the North American Free Trade Agreement (NAFTA).

Figures from the US Agriculture Department (USDA) show that in recent years Mexico has been the most important destination for US agricultural products. According to the USDA report, which did not provide specific figures, Mexico primarily purchased cereal grains from the US, such as corn, sorghum, wheat, and soybeans in the early months of the year. In calendar year 1994, the first year of NAFTA, US agricultural exports to Mexico reached an all-time high of US\$4.5 billion, a 27% increase over 1993.

In a separate report, the USDA projected US agricultural exports to Mexico for the current marketing year, which ends in September, to decline by 12% to US\$3.6 billion from the US\$4.1 billion the previous year due to the impact of the devaluation. According to the USDA report, exports of bulk commodities such as corn and wheat should remain steady, or fall by less than 10%, because of strong demand in Mexico. On the other hand, exports of sorghum and dry beans could fall by more than 20% because of increased Mexican production capabilities. Still, the report said the ability of Mexican producers to increase their output will be limited by the rising cost of credit and raw materials.

Meanwhile, the devaluation of the peso has increased opportunities for Mexican exports of agricultural products to the US and other countries early this year. According to a report released in May by the national agricultural council (Consejo Nacional Agropecuario, CNA), Mexico attained

an agricultural trade surplus of US\$644 million during January- February. Indeed, according to CNA statistics, Mexico's overall agricultural trade surplus for the two-month period was US\$579 million, compared with a deficit of about US\$201 million in the first two months of 1994. According to the CNA, Mexico's surpluses with the US, Switzerland, and Japan were balanced partially by agricultural trade deficits with Canada, Chile, Argentina, Australia, and several other countries. The CNA said the agricultural trade surplus was a positive development for Mexico. On the other hand, the council said the statistics should be viewed with caution, since the positive trade balance was achieved only through the devaluation of the peso. The CNA has urged the government to also take intermediate and long-term steps to shore up the Mexican agricultural sector. (Sources: Associated Press, 04/20/95; Reforma, 05/13/95; La Jornada, 05/22/95, 05/30/95)

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