7-2-1997

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LADB Article Id: 55169
ISSN: 1054-8890

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by LADB Staff
Category/Department: Mexico
Published: 1997-07-02

In late June, the Secretaria de Comercio y Fomento Industrial (SECOFI) imposed preliminary duties on imports of high-fructose corn syrup from the US, effective immediately. Under the ruling, published in the June 25 issue of the federal register (Diario Oficial), SECOFI imposed temporary duties that range from 66% to 102%, or from US$63.40 to US$175.50, for every metric ton of corn syrup imported from the US.

SECOFI originally launched its investigation into US corn-syrup imports at the request of the Camara Nacional de las Industrias Azucarera y Alcoholera (CNIAA). The CNIAA had complained that US exporters such as Cargill, A.E. Staley, CPC International, and Archer Daniels Midland (ADM) were selling their product in Mexico at a lower cost than in the US market, thus undercutting the Mexican sugar industry.

SECOFI is scheduled to make a final ruling on the matter by mid-October after reviewing further data presented by both sides and holding a hearing on Aug. 22. According to SECOFI's announcement in the Diario Oficial, the temporary duty is compatible with the government's commitment under the Programa Nacional de Politica Industrial y Comercio Exterior to support the Mexican sugar industry with "firm actions against unfair trade practices."

Sugar industry calls temporary duty "inadequate"

Still, some CNIAA sources said the temporary duties are too low to deter exports of corn syrup to Mexico, particularly by multinationals such as ADM and Cargill. "This duty on corn syrup fails to offer the protection we requested for the sugar industry," the CNIAA said in a statement. "The ruling is merely an effort by the government to appease the two sides." An earlier report by the CNIAA suggested that, if US imports of corn syrup continued without restraint, the repercussions would effect many sectors, not just sugar manufacturers.

In an interview with the daily business newspaper El Economista, CNIAA president Rodolfo Perdomo Bueno said almost 2.5 million persons rely on the sugar industry for economic support. "We have a functioning industry that serves as a tool for economic development for the rural sector," said Perdomo. "Why would we want to destroy it?" Perdomo said the sugar sector provides economic support for many rural areas and for the communities adjacent to 61 factories around the country.

For his part, attorney Luis Bravo Aguilera who is representing the US exporters disputed the CNIAA claim that the temporary duty will not hurt his clients. Bravo said the duty will significantly reduce corn-syrup exports to Mexico, although the extent is uncertain. According to Bravo, however, the Corn Refiners Association the umbrella group for the US exporters has decided not to appeal the

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SECOFI ruling. Rather, the Association will wait for SECOFI's final decision in October. Bravo argues that US corn-syrup imports are not the principal factor behind the poor fortunes of the Mexican sugar industry, but rather a 20% decline in domestic sugar consumption.

In addition, Bravo says the sugar industry's problems are related to the manner in which the government privatized sugar mills, many of which were unprofitable. Soft-drink industry provides large market for corn syrup Coincidentally, the SECOFI ruling was issued a few weeks after US-based Pepsico International authorized affiliates in Mexico and other countries in Latin America to begin using a limited amount of high-fructose corn syrup (HFCS) in the manufacture of soft drinks. Under Pepsico's directive, bottlers in Latin America will initially receive permission to use as much as 20% HFCS in the production of Pepsi products. Pepsico said the directive will be expanded at a yet-to-be- determined period to allow use of 100% HFCS in soft drinks. Pepsico's decision created major concern among CNIAA members, who said the move could cause significant damage to the sugar industry.

Still, Mexican bottlers said the Pepsico directive is optional, leaving them the choice of continuing to use sugar. "The use of HFCS in our product would be equivalent to placing a rope around our necks," said Enrique Molina Sobrino, president of Pepsico licensee Grupo Embotellador Mexico. Molina is also president of Consorcio Azucarero Escorpion, which is the largest sugar manufacturer in Mexico. According to company estimates, Consorcio Escorpion is expected to produce 960,000 MT of sugar during the 1996-1997 crop year, which represents about 21.4% of Mexico's total sugar production.

A large percentage of the sugar produced by Escorpion and other Mexican sugar refiners, such as Grupo Azucarero Mexico, is sold to the soft-drink industry. Industry statistics show that Mexican soft-drink bottlers use about 1.7 million MT of sugar annually. At the same time, studies commissioned by the US corn- refining industry have described Mexico as a market with strong growth potential for sales of corn syrup. Even the most conservative estimates suggest consumption of corn syrup in Mexico could reach 1 million MT by the year 2000, which could cause serious damage to the sugar industry. (Sources: El Universal, 06/09/97, 06/25/97; Excelsior, 06/25/97; El Economista, 06/09/97, 06/13/97, 06/30/97)

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