

8-4-1999

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## Recommended Citation

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## **Mexico Imposes Preliminary Duties on Imports of U.S. Beef**

*by LADB Staff*

*Category/Department: Mexico*

*Published: 1999-08-04*

In late July, the Mexican government imposed preliminary duties on imports of most cuts of US beef. The Secretaria de Comercio y Fomento Industrial (SECOFI) initially announced duties as high as 215% on some products, targeting the action against US meatpackers ConAgra Inc., IPB Inc., Excel Corp., and Farmland National Beef Packing Co. But SECOFI later reduced the duties to between 3% and 106% after the four companies agreed to provide the Mexican government with relevant marketing data.

SECOFI imposed the temporary duties based on an investigation of transactions conducted between June and December of 1997. The investigation determined that the four packing companies were exporting their products to Mexico at less-than-fair market prices, which was harming Mexican producers. Industry sources said imports of beef products were being channeled primarily through large retail chains, which in some cases sold the products as much as 77% cheaper than similar domestically produced beef cuts.

The duties announced by SECOFI are directed only at beef products and do not affect imports of live cattle. SECOFI said imports of US cattle, which were also part of the investigation in the second half of December, were not directly causing harm to Mexican cattle producers. SECOFI agreed to launch the investigation in October 1998 at the request of the Confederacion Nacional Ganadera (CNG) and affiliate organizations, including the Asociacion Mexicana de Engordadores de Ganado Bovino (AMEG) and cattle-producer groups in Chihuahua, Tabasco, and Veracruz states (see SourceMex, 1998-11-04).

In a complaint presented to SECOFI, AMEG said Mexican cattle producers were losing about US \$1.5 million annually because of imports of low-priced beef products from the US. In an interview with the daily business newspaper El Economista, AMEG president Enrique Lopez said the imports of inexpensive beef products had caused the Mexican cattle industry 440,000 jobs between 1995 and 1998. A SECOFI spokesperson said government investigators were planning to review the data and hold hearings during the next several weeks to determine whether to make the duties permanent. A final decision was expected in late 1999.

### ***Mexican producers ask SECOFI to guard against loopholes***

Spokespersons for the CNG and the AMEG said they were pleased by the SECOFI action, but also warned the government to guard against loopholes in the ruling. In a press conference, AMEG president Lopez raised concerns that US exporters could increase their exports of boned beef cuts, which were not assessed any duties under the recent ruling. The SECOFI action could curtail shipments of a wide range of beef products. The US, which accounts for 13% of the Mexican beef market, shipped 187,000 metric tons of products ranging from fine cuts and whole carcasses to beef brains, tripe, and tongue to Mexico in 1998. The value of those exports reached US\$452 million.

As expected, the SECOFI action drew strong criticism from the US government and the US meat industry. "We are concerned by these high duties and will examine the official notice in detail," said a spokesperson for the US Trade Representative's Office (USTR). Gilberto Lozano, director of the Mexico City office of the US Meat Export Federation, said the flow of US beef into Mexico has helped ensure a ready domestic supply. Mexican meat supplies have tightened considerably in recent months because of the impact of the severe drought in the northern cattle-producing states (see SourceMex, 1999-05-26). "The imports of US beef have allowed prices to remain stable over the past several months," Lozano said.

Lozano said the new duties will raise prices most for products that are most in demand by low-income Mexicans, such as beef liver and tongue. The SECOFI directive said imports of frozen beef liver will be levied a tariff of 106%. But Mexican livestock producers said prices would not increase, since domestic products would fill the gap for the reduced imports. "Of course we are prepared (to supply the Mexican market)," CNG president Gustavo Torres told Reuters news agency. "That's just what we want to have the same share that foreign products have."

Dana Hauck, who chairs the international committee of the National Cattlemen's Beef Association (NCBA), said his organization was planning to testify at the SECOFI hearings to argue against the new duties. "The NCBA will be working with other segments of the beef industry and the US government to overturn the duties as the case moves through the process," said Hauck. (Sources: Associated Press-Dow Jones news service, 08/02/99; Reuters, 08/01-03/99; Novedades, 08/02/99, 08/03/99; El Universal, 07/07/99, 08/02-04/99; El Economista, 07/30/99, 08/02-04/99; Excelsior, 08/02-04/99)

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