5-3-2000

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Trade Secretariat Finalizes Countervailing Duties On Imports Of U.S. Beef

by LADB Staff
Category/Department: Mexico
Published: 2000-05-03

In late April, the Secretaria de Comercio y Fomento Industrial (SECOFI) imposed final countervailing duties on imports of US beef products. The decision formalized the preliminary duties imposed against four US meatpackers in July 1999 (see SourceMex, August 4, 1999). Effective immediately, imports of US whole and half beef carcasses, boneless cuts, and bone-in cuts will be charged duties between US$0.07 cents and US$0.80 cents per pound. The duties were designated in monetary terms rather than percentages to prevent importers from tampering with invoices to pay lower duties. The final duties will primarily affect US meatpackers ConAgra Inc., IPB Inc., Excel Corp., and Farmland National Beef Packing Co. SECOFI said the decision followed an 18-month investigation that found that imports of US beef were coming into Mexico at below-market value and threatening the Mexican meat industry.

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. But SECOFI decided not to apply final duties to US beef tongues, livers, and edible strippings since there was no evidence that imports of these products were harming the Mexican industry. SECOFI had applied preliminary duties on these products in July 1999. USDA Prime Certified Angus beef, veal, and kosher beef were also exempted from the tariffs. In its ruling, SECOFI said the damage caused by US meat imports was evident in falling prices, lower production, reduced profits, and the loss of market share for the domestic beef industry. SECOFI statistics showed Mexican meat imports have surged since the North American Free Trade Agreement (NAFTA) was implemented in 1994. Beef imports have experienced the most growth during this period, growing by 500% during President Ernesto Zedillo's term in office.

A recent report published by the Comision Nacional Agropecuaria (CNA) said the Mexican cattle industry has lost more than 20 billion pesos (US$2.1 billion) annually because of the lower-priced US beef imports. As expected, the Mexican cattle and meat industries welcomed the SECOFI decision. Andres Piedra, a specialist for the Confederacion Nacional Ganadera (CNG), said the organization was especially pleased with the government's decision to apply additional duties to any meat imports that are not designated "choice" or "select" by the US Department of Agriculture (USDA). "This way, the US will not be dumping its junk meat on our country," said Piedra. The US Meat Export Federation disagreed with the SECOFI decision to formalize the preliminary duties announced last year. Phil Seng, the organization's president, said the SECOFI investigation did not offer conclusive proof that the imports were causing economic problems for the Mexican beef and cattle industries. The industry's problems can be traced to lack of credit, drought, and the economic problems that followed the devaluation of the peso in 1994, said Seng. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on May 3, reported at 9.38 pesos per US$1.00] (Sources: Reuters, 04/27/00; El Financiero, Reforma, 04/28/00; La Jornada, 04/28/00, 05/02/00; El Universal, 04/28/00, 05/03/00; El Economista, 05/03/00).
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