

U.S. Wheat and Corn Exports to Mexico Thrive Under NAFTA

By Debbie Seidband

The U.S. grain sector has benefited in many ways from NAFTA (the North American Free Trade Agreement), and the outlook is favorable for continued expansion of grain trade between the United States and Mexico.

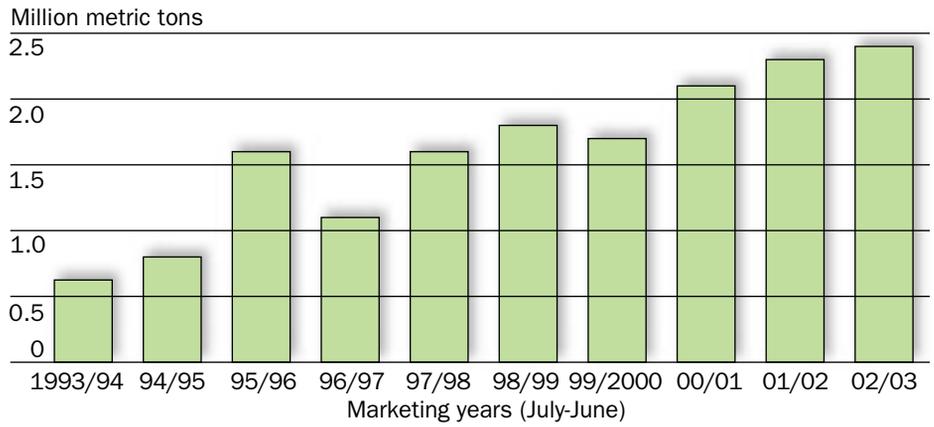
Before NAFTA, Mexico controlled all its grain imports through restrictive licensing and high tariffs. But now both the United States and Canada enjoy preferential treatment for their grain exports to Mexico.

Wheat Sweeps

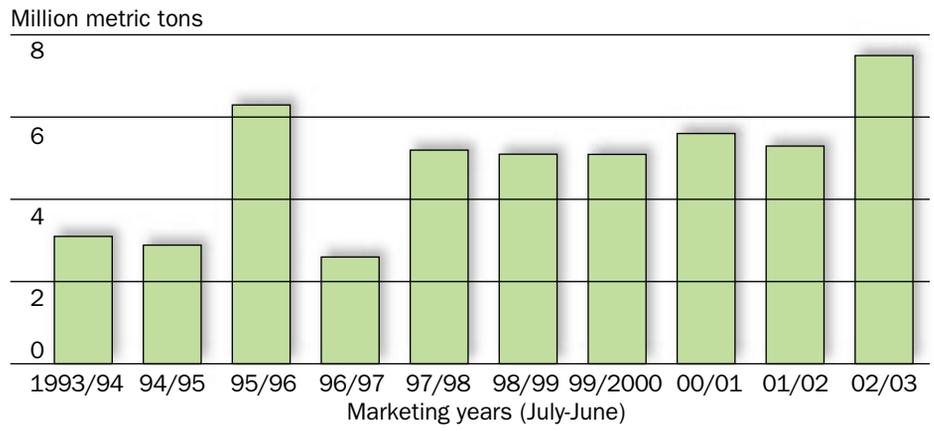
For example, Mexico's wheat import licensing requirement has been eliminated for the United States and Canada but remains in effect for all other suppliers, such as the European Union and Argentina. In addition, in 2003, Mexico's import tariff and TRQ (tariff-rate quota) for wheat was reduced to zero. The tariff on wheat from other suppliers stands at 67 percent, effectively shutting them out of this market.

In marketing year 2002/03 (July-June), the United States supplied 2.4 million metric tons out of the total 3.2 million tons of wheat imported by Mexico. In the year prior to NAFTA, U.S. market share in the Mexican wheat market was approximately 56 percent. As a result of lower tariffs and increasing quota levels, the United States has increased its market share to 75 percent since the inception of NAFTA in 1994.

Under NAFTA, U.S. Wheat Exports to Mexico Have Grown Nearly Fourfold



U.S. Corn Exports to Mexico Have More Than Doubled



Corn a Bestseller

Mexico consistently ranks as the second or third largest market for U.S. corn, buying virtually 100 percent of its imports from the United States. Mexico has set a TRQ with a zero duty for corn of U.S. or Canadian origin. Since 1994, the quota has increased 3 percent each year, starting at 2.5 million tons and currently at 3.26 million tons.

Despite Mexico's recent enforcement of the minimal duties on the over-quota amount, the country continues to regular-

ly import one-and-a-half to nearly two times its TRQ amount due to industry demand. Mexican import demand for corn in marketing year 2003/04 is projected to reach a record high of 7.5 million tons, boosted by heightened demand from the Mexican livestock and starch industries. ■

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