Regional trade agreements.....opposed.

Global organization-preferable venue for final, complete, and positive results

Sugar program-protection through tariff rate quotas[trq].
REGIONAL TRADE PACTS

FTAA

NAFTA

MERCOSUR
United States Industry
Size, efficiency

Reasons for U.S. Sugar Policy
– No cost to taxpayers, benefits to consumers

U.S.- Mexico Sugar Trade Issues
– Background on NAFTA sweetener provisions
– Developments since NAFTA began
– Contrast U.S. & Mexican sweetener markets
– Status of discussions
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– Status of discussions
United States Sugar Industry

**Size:** Large, important industry

- U.S. world’s third or fourth largest producer, consumer of sugar
- **Jobs:** Major employer, critical in rural areas
- U.S.: 372,000 jobs nationally in sugar, corn sweetener production
U.S. Sugar Industry

**Competitiveness:** Efficient by world standards
- 28th lowest cost of 102 countries, mostly developing countries with low labor, environmental standards
- More than half of world’s sugar produced at a higher cost than in U.S.

**World Dump Market:** Dumping ground for subsidized foreign surpluses; does not reflect cost of producing sugar
- World price: 16-year average only half world average cost of producing sugar
<table>
<thead>
<tr>
<th>Sweetener Type</th>
<th>U.S. Rank</th>
<th>Number of Producing Countries/Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beet Sugar</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Cane Sugar</td>
<td>26</td>
<td>63</td>
</tr>
<tr>
<td>All Sugar</td>
<td>28</td>
<td>102</td>
</tr>
<tr>
<td>Corn Sweeteners</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>All Sweeteners</td>
<td>21</td>
<td>112</td>
</tr>
</tbody>
</table>

World Sugar Dump Market Price: Barely More Than Half the World Average Cost of Producing Sugar
(16-Year Average, 1983/84 - 98/99)

<table>
<thead>
<tr>
<th>Average World Dump Price*</th>
<th>World Average Production Cost**</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.52</td>
<td>16.26</td>
</tr>
</tbody>
</table>

*New York contract #11, f.o.b. Caribbean ports. Source: USDA.
U.S. Sugar Policy: Consumer Benefits

- Low stable U.S. retail sugar prices
- 20% below developed-country average
- Virtually unchanged since 1990
- No pass through to consumers when producer prices fall
Developed Countries' Retail Sugar Prices: USA 20% Below Average


"Other Developed Countries" represents the weighted average of 22 foreign developed countries.

Cents per pound, refined
From 1996 to 2001:
Producer Prices for Sugar Plummet, Consumer Prices for Sugar and Sweetened Products Rise

**Producer Prices Plummet**
- Raw Cane Sugar: -5.8%
- Wholesale Refined Sugar: -20.2%
- Retail Refined Sugar: 3.9%
- Cereal: 5.7%
- Candy: 8.2%
- Cookies, Cakes: 10.3%
- Other Bakery Products: 12.8%
- Ice Cream: 16.0%

**Consumer Prices Rise**

### U.S. Sugar Imports: Second Tier Duties
(Cents per pound of raw cane sugar)

<table>
<thead>
<tr>
<th></th>
<th>Most Countries</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>18.08</td>
<td>16.00</td>
</tr>
<tr>
<td>1994</td>
<td>--</td>
<td>15.60</td>
</tr>
<tr>
<td>1995</td>
<td>17.62</td>
<td>15.20</td>
</tr>
<tr>
<td>1996</td>
<td>17.17</td>
<td>14.80</td>
</tr>
<tr>
<td>1997</td>
<td>16.72</td>
<td>14.40</td>
</tr>
<tr>
<td>1998</td>
<td>16.27</td>
<td>14.00</td>
</tr>
<tr>
<td>1999</td>
<td>15.82</td>
<td>13.60</td>
</tr>
<tr>
<td>2000</td>
<td>15.36</td>
<td>12.09</td>
</tr>
<tr>
<td>2001</td>
<td>15.36</td>
<td>10.58</td>
</tr>
<tr>
<td>2002</td>
<td>15.36</td>
<td>9.07</td>
</tr>
<tr>
<td>2003</td>
<td>15.36</td>
<td>7.56</td>
</tr>
<tr>
<td>2004</td>
<td>15.36</td>
<td>6.04</td>
</tr>
<tr>
<td>2005</td>
<td>15.36</td>
<td>4.53</td>
</tr>
<tr>
<td>2006</td>
<td>15.36</td>
<td>3.02</td>
</tr>
<tr>
<td>2007</td>
<td>15.36</td>
<td>1.51</td>
</tr>
<tr>
<td>2008</td>
<td>15.36</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: USDA
Mexico Sugar Deficit/Surplus
1988/89 – 2000/01

Source: USDA - Sugar Production Minus Consumption
Contrasting the U.S. and Mexican Sugar Industries

Both under severe financial stress from lengthy period of market prices below production costs

United States:

• Open competition with HFCS: 50% of U.S. caloric sweetener market
• Casualties: 24 beet or cane mills have closed since 1993; no direct government support

Mexico:

• Government prevents competition with HFCS: only 10% of Mexican caloric sweetener market and could go lower
• Government does not allow sugar mills to go out of business: $2 billion in subsidies and only one closure since 1993; expropriates 27 of 60 mills in 2001
### BEET CLOSURES

- Delta Sugar  
  California, 1993
- Holly Sugar, Betteravia  
  California, 1993
- Spreckels Sugar, Manteca  
  California, 1996
- Holly Sugar, Hamilton City  
  California, 1996
- Western Sugar, Mitchell  
  Nebraska, 1996
- Great Lakes Sugar, Fremont  
  Ohio, 1996
- Holly Sugar, Hereford  
  Texas, 1998
- Holly Sugar, Tracy  
  California, 2000
- Holly Sugar, Woodland  
  California, 2000

### CANE CLOSURES

- Columbia Sugar  
  Louisiana, 1994
- Hamakua Sugar  
  Hawaii, 1994
- Hilo Coast Processing Co.  
  Hawaii, 1994
- Oahu Sugar  
  Hawaii, 1994
- Ka'u Agribusiness  
  Hawaii, 1996
- Waialua Sugar  
  Hawaii, 1996
- McBryde Sugar  
  Hawaii, 1996
- Breaux Bridge Sugar  
  Louisiana, 1998
- Pioneer Mill Company  
  Hawaii, 1999
- Talisman Sugar Company  
  Florida, 1999
- Amfac Sugar, Kekaha  
  Hawaii, 2000
- Amfac Sugar, Lihue  
  Hawaii, 2000
- Hawaiian Commercial & Sugar, Paia  
  Hawaii, 2000
- Evan Hall Sugar Cooperative  
  Louisiana, 2001
- Caldwell Sugars Cooperative  
  Louisiana, 2001

* In 2002, 28 beet and 25 cane mills remain.
U.S. and Mexican Sugar and Corn Sweetener Consumption, 2001

-Million metric tons, Refined basis-

United States

Mexico

*HFCS: High-fructose corn syrup
Data source: USDA
U.S. and Mexican Sugar Mills and Closures Since 1993

- **U.S.**
  - Mills: 53
  - Closures: 24

- **Mexico**
  - Mills: 60
  - Closures: 1

27 of Mexico's 60 mills were expropriated by the Mexican Government, September 2001

Source: Industry Estimates