FTAA, WTO, FARM LEGISLATION MAY23-24,2002

RESPONDING TO OPPORTUNITIES AND CHALLENGES

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

- United States Industry
- Size, efficiency
- Reasons for U.S. Sugar Policy
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  - Background on NAFTA sweetener provisions
  - Developments since NAFTA began
  - Contrast U.S. & Mexican sweetener markets
  - 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

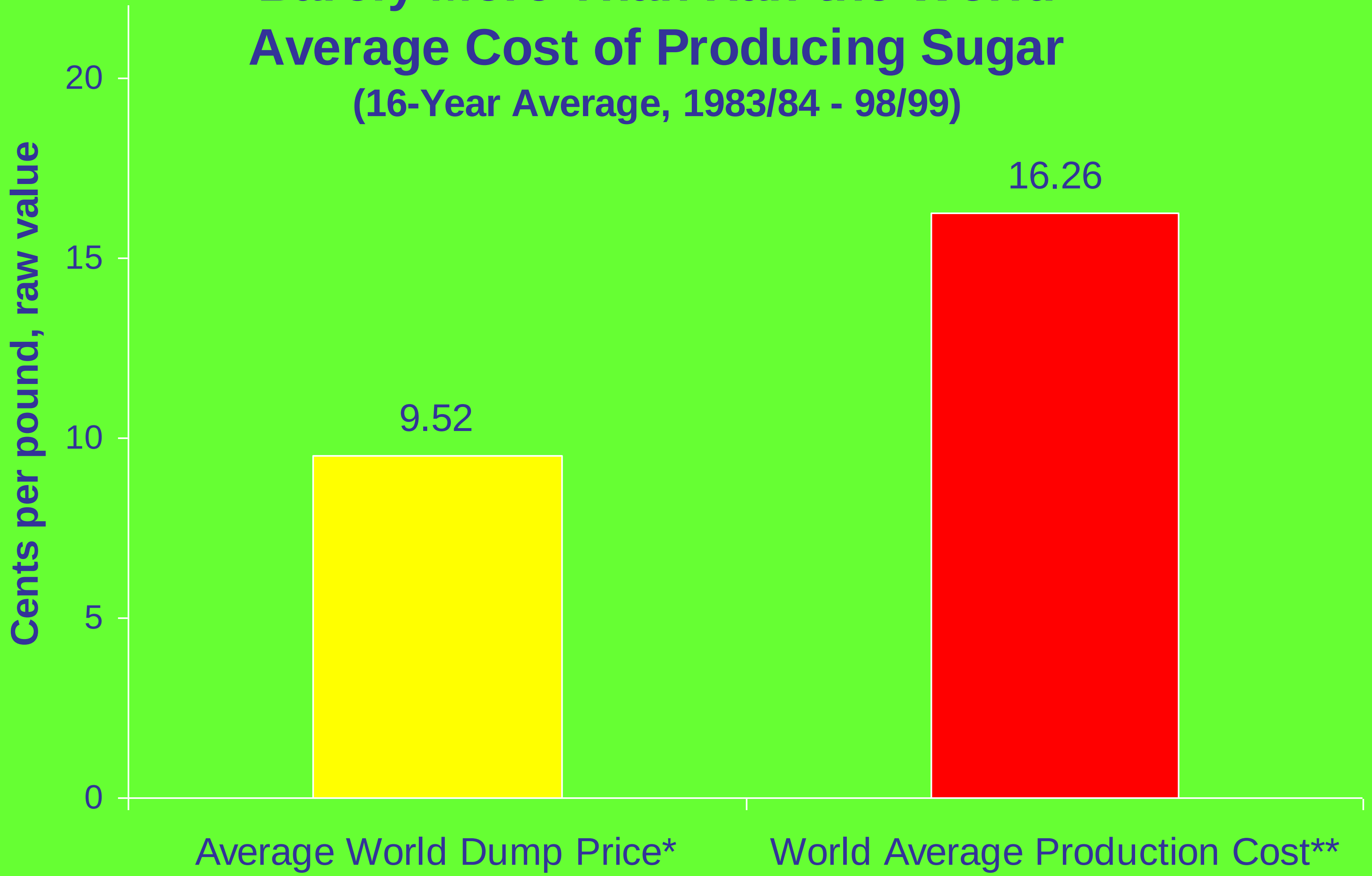
U.S. Cost of Production Rank Among World Sweetener Producers, 1994/95 – 98/99

	U.S. Rank	Number of Producing Countries/Regions
Beet Sugar	2	40
Cane Sugar	26	63
All Sugar	**28**	**102**
Corn Sweeteners	1	19
All Sweeteners	**21**	**112**

Source: "A Worldwide Survey of Sugar and HFCS Field, Factory and Freight Production Costs: The 2000 Report,"

World Sugar Dump Market Price: Barely More Than Half the World Average Cost of Producing Sugar

(16-Year Average, 1983/84 - 98/99)



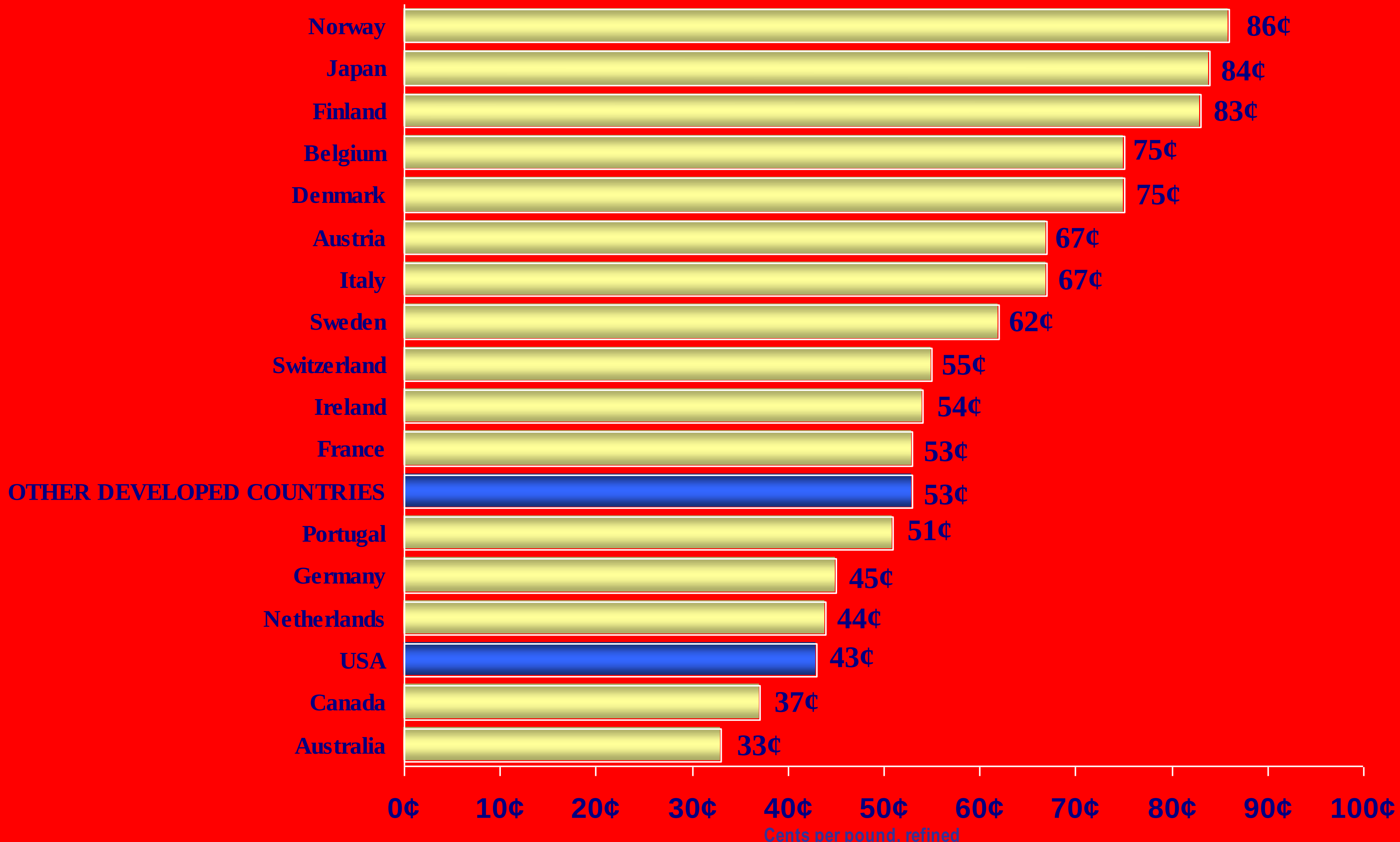
*New York contract #11, f.o.b. Caribbean ports. Source: USDA.

**Beet and cane sugar weighted average, raw value. Source: "The LMC Worldwide Survey of Sugar and HFCS Production Costs: The 2000 Report," LMC International, Ltd., Oxford, England, December 2000.

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

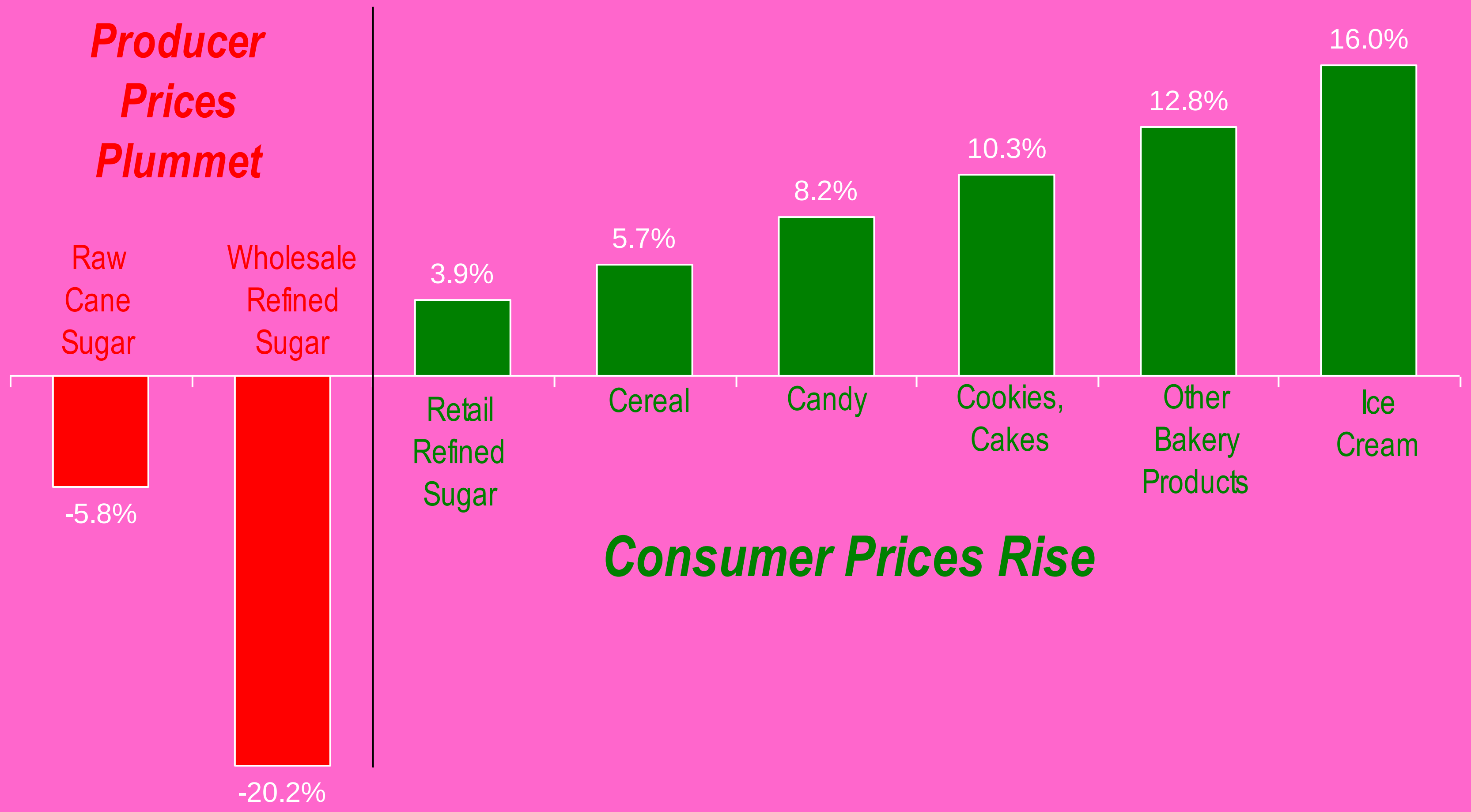
Developed Countries' Retail Sugar Prices: USA 20% Below Average



Source: LMC International Ltd., Oxford, England, February 2000; 1999 prices.

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

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



Annual average prices, 1996 compared with 2001. Raw cane: Duty-fee paid, New York. Wholesale refined beet: Midwest markets.
Retail prices: BLS indices. Data source: USDA.

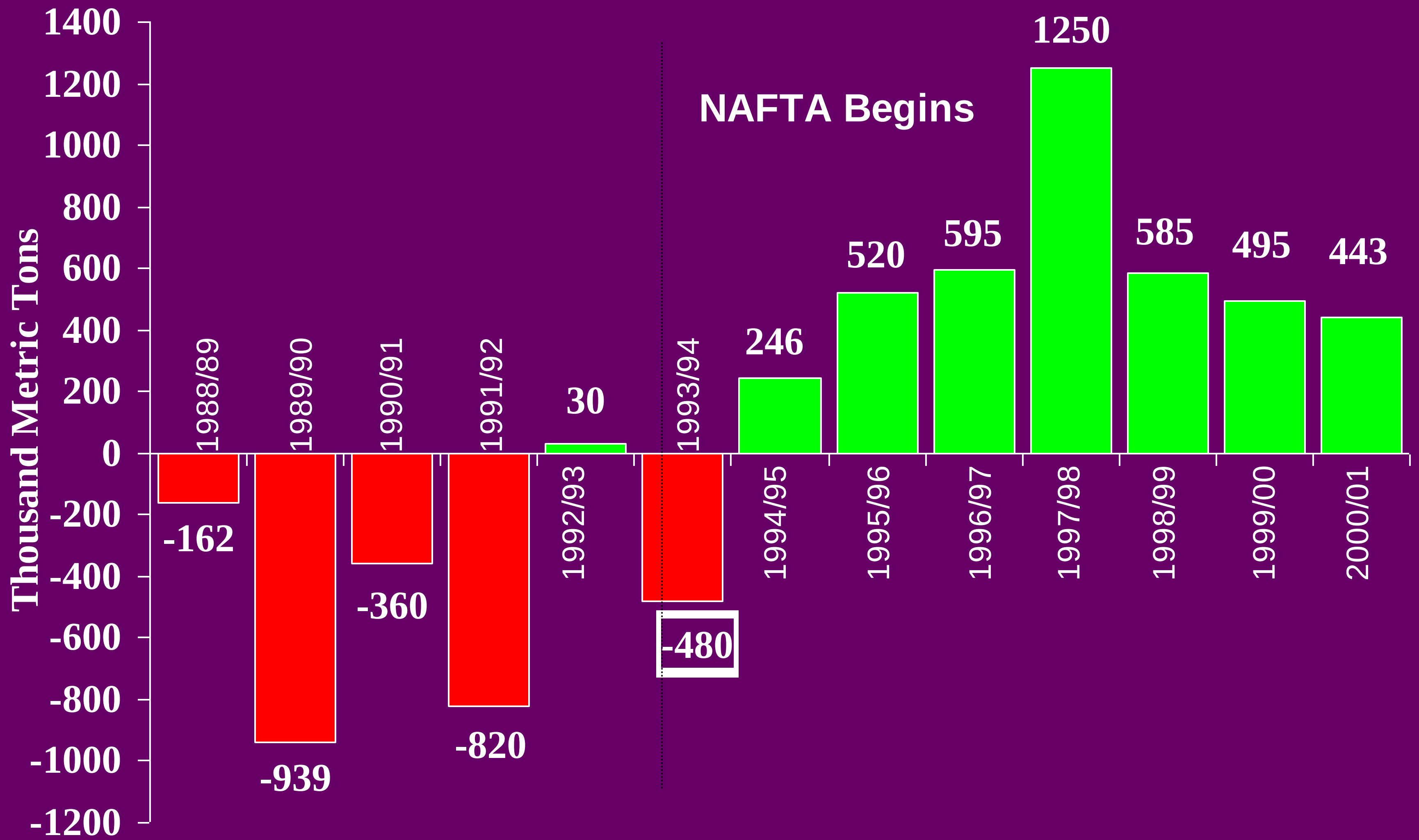
U.S. Sugar Imports: Second Tier Duties
(Cents per pound of raw cane sugar)

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

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

24 Permanent Sugar Mill Closures Since 1993

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
Califonia, 2000

Holly Sugar, Woodland
Califonia, 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

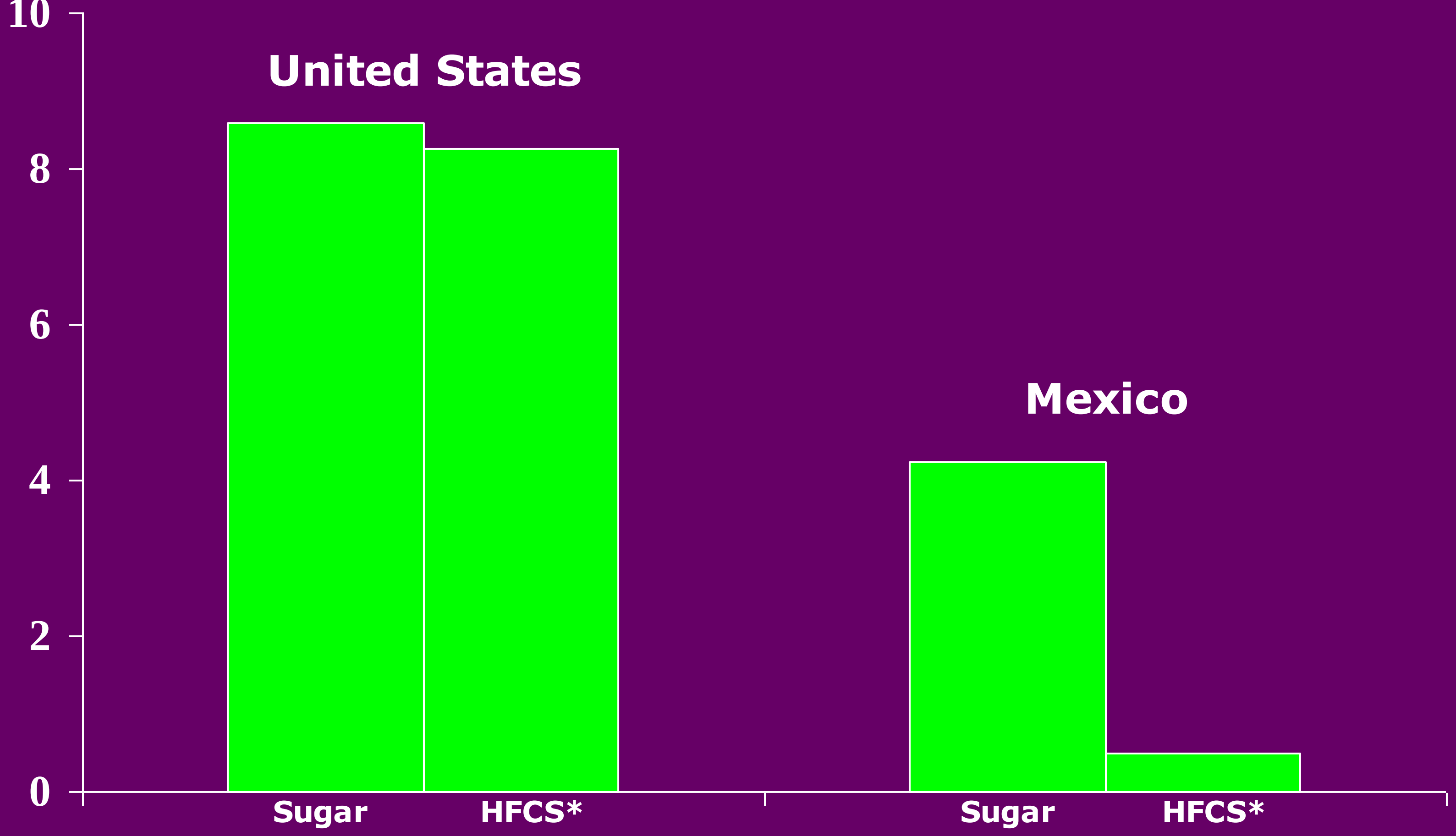
Evan Hall Sugar Cooperative
Louisiana, 2001

Caldwell Sugars Cooperative
Louisiana, 2001

*** In 2002, 28 beet and 25 cane mills remain.**

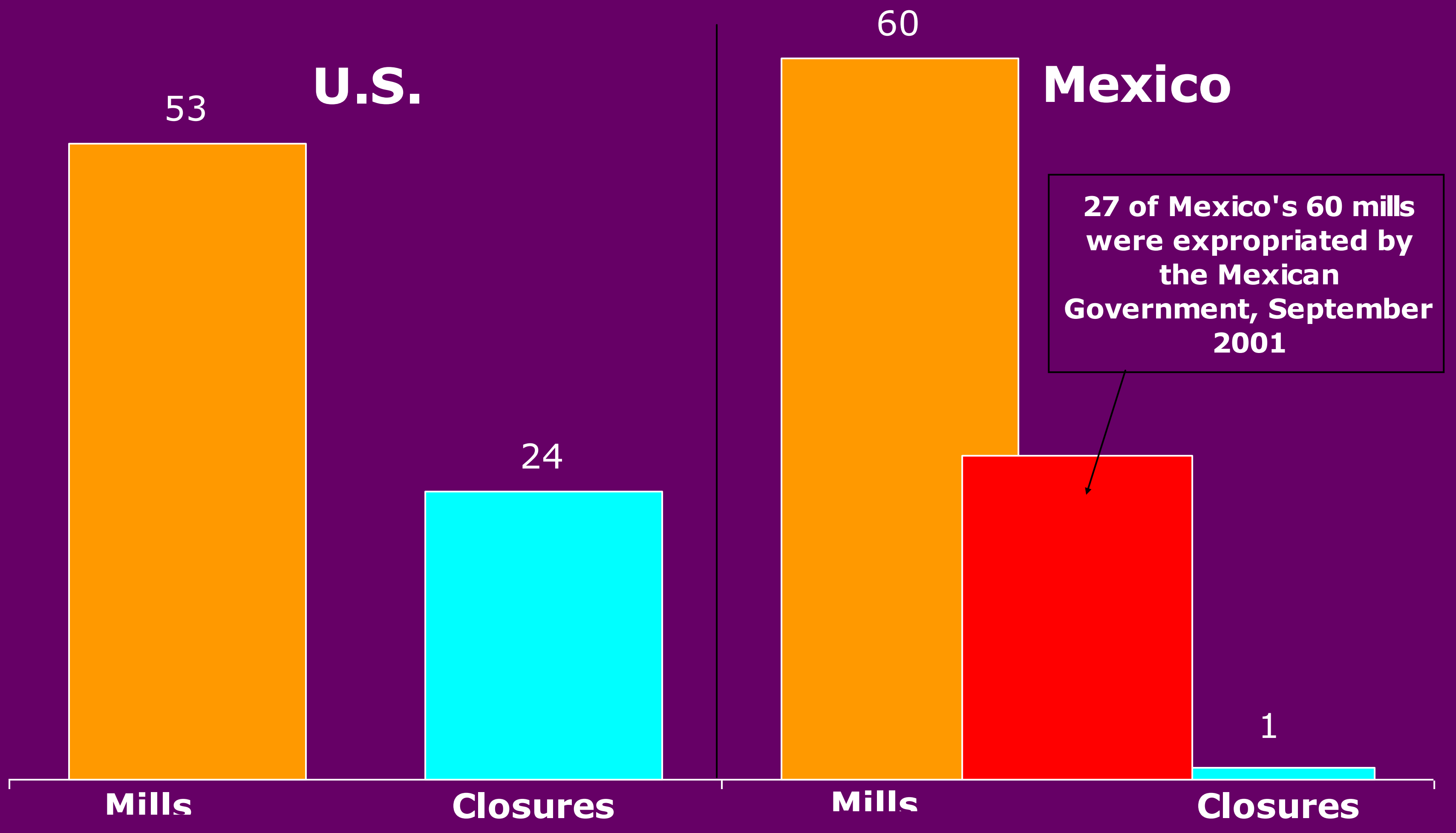
U.S. and Mexican Sugar and Corn Sweetener Consumption, 2001

-Million metric tons, Refined basis-



*HFCS: High-fructose corn syrup
Data source: USDA

U.S. and Mexican Sugar Mills and Closures Since 1993



Source: Industry Estimates