Struggle Continues Over Mexican Sugar

Postponing the final decision on whether and how much Mexican sugar to allow into the U.S., tentative suspension agreements raise questions of what the future could bring to the sugar-using industry.

THE TENTATIVE AGREEMENTS reached between the U.S. Department of Commerce (DOC), the Mexican government and Mexican sugar importers are contrary to the letter and spirit of the North American Free Trade Agreement (NAFTA), according to the NCA. The Association and other industry groups are strongly urging modification of these agreements.

"The proposed suspension agreements would effectively roll back free trade in sugar that has been in place under NAFTA since 2008, implement quotas for Mexican sugar and also impose a price floor on shipments," says NCA Executive Vice-President Alison Bodor. She adds Mexico is the only country from which the industry could obtain unrestrained additional sugar under a free trade agreement.

The Association asserts in comments to the DOC: "This creates a disadvantage for American-made candies manufactured with sugar at artificially elevated U.S. prices."

Further, "having access to sugar supplies from Mexico is crucial to the competitiveness of our industry, our ability to manufacture competitively in the U.S. and employ U.S. workers, and to supply our consumers with confectionery products."

Under terms of the agreements, initiated in late October, the Mexican government would allocate the amount of sugar that each producer could export to the U.S. and establish a mechanism that would bar sugar not accompanied by an export license from entering the country.

In addition, the DOC would calculate an export limit for Mexico based on USDA estimates of annual U.S. sugar needs and prevent concentrations of imported sugar at specific times of the year.

To ensure against undercutting or suppression of U.S. prices, the agreements also establish base prices for imported sugar: 20.75 cents per pound for raw and 23.57 cents per pound for refined. Finally, the DOC and counterpart Mexican agencies would develop processes for information exchange and consultation for managing and enforcing the agreements.

In apparent disregard for the impact to sugar users, Undersecretary of Commerce for International Trade Stefan Selig said: "The agreements should provide critical stability in a market that is important to both countries, while also ensuring farmers and sugar refiners in the U.S. have an opportunity to compete on a level playing field."

If approved, the agreements could halt current antidumping (AD) and countervailing duty (CVD) investigations and calm the trade dispute concerning sugar coming into the U.S. The parties have until March 18 to finalize the accords, a DOC spokesperson advises Candy & Snack TODAY. In the interim, the AD and CVD investigations will continue.

INVESTIGATIONS PROVING COSTLY

Currently, U.S. sugar producers meet approximately 70 percent of domestic demand; the balance is met through imports. Mexican sources supply between two million and 2.1 million tons annually, filling the gap.

However, U.S. sugar producers, who receive government subsidies, triggered the DOC investigations in March by claiming Mexican producers, subsidized by their government, had undercut the U.S. market with lower-cost cane sugar valued at nearly $1 billion in potential revenue in 2013-2014.

In a white paper published in October, Tom Earley, vice-president of Agralytica Inc., noted: "Filing of the trade cases has driven refined sugar prices up by more than 40 percent — from 26.5 cents per pound in March to 37.5 cents in September. If prices remain at 37.5 cents, that extra 11 cents per pound will cost consumers an additional $2.4 billion over the course of the fiscal year that started on October 1."

Earley tells Candy & Snack TODAY that during the six months after the AD and CVD petitions were filed, domestic refined sugar prices have averaged 7.6 cents per pound