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North American Sugar Markets and Policies

Randy Green

Sweetener Users

A S S O C I A T I O N

North American Sugar Markets and Policies

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**One Massachusetts Ave., NW – Suite 800
Washington, DC 20001**



Mexico in U.S. Balance Sheet

- Largest single import source since 07/08
- 07/08-11/12F: Average 1.08 million STRV
 - Range 694,000 to 1,705,000

Year	% of Total U.S. Imports	% of Total U.S. Supply
2007/08	26.5	5.5
2008/09	45.5	11.4
2009/10	24.3	6.3
2010/11	45.7	13.1
2011/12F	28.6	6.6

Sweeteners: A NAFTA Success

- Important new unrestricted supply source
- Available to meet growing demand as U.S. production stable, TRQ imports lower
- TRQ restrictions in '08 farm bill make Mexican supplies essential
- Pre-NAFTA fears of “import flood” wildly overblown, not borne out
- HFCS growth helps corn sector, trade balance



Mexico in Current U.S. Policy Framework

- Only unrestricted source of supply
- Only element of U.S. policy not designed to short markets
- Source of refined sugar when WTO TRQ extremely small
- Has made USDA more cautious on TRQs
 - Only downside from users' standpoint



SUA Policy

- NAFTA working, should not be re-opened
- Re-export program should be preserved
- Information-sharing should be improved



NAFTA & USDA Policy Goals

- USDA has stated goal of more transparency – SUA agrees
- Stocks target would enhance transparency, provide information to markets
- Should this be U.S. or North American stocks target?



NAFTA Stocks Target?

- Market not yet completely integrated
 - Blended target may give distorted view
- Prices not identical in U.S., Mexico
- Most imports from Mexico don't go directly to end users
 - Only 11% by one estimate, so availability to users different
- Differences in packaging, delivery mode, transportation in 2 markets



Mexico TRQs

- NAFTA allows both countries to import from third countries
- No violation of NAFTA alleged

Mexico Imports

Year	% of Total Mexico Supply	% of U.S. 3 rd Country Imports
2010/11	4.5	14.3
2011/12	5.7	16.9

Mexico TRQ

- If U.S. involved in Mexico TRQ decisions – Mexico helps USDA set WTO TRQ?
 - 39 potential plaintiffs
- “Back-filling?”
 - No, but even if so ... simply reflects draw of high, distorted U.S. prices



Re-Export Programs

- Fully consistent with NAFTA
 - Specifically mentioned in agreement; no provision to phase out
- Mexico can terminate trade any time
- Benefits U.S. refiners via added throughput
- Provides jobs in low-income border region
- If halted, trade wouldn't return to U.S.



NAFTA: Working for Sweeteners

- U.S., Mexico governments have good communications, forums
 - Should continue government-to-government to help resolve multi-commodity problems
- Government should work together to supply both markets adequately, at reasonable prices
- Keep NAFTA working

