

April 12, 2013

**Post-Hearing Submission from the American Sugar Alliance to the
United States International Trade Commission
Investigation No. 333-325
*“The Economic Effects of Significant U.S. Import Restraints: Eighth Update”***

The American Sugar Alliance provided a submission and participated in the March-19 hearing in this investigation.

We would like to take this opportunity to respond to some of the points made in the Sweetener Users Association’s (SUA) post-hearing submission, dated March 22, 2013.

Sugar Cost in Relation to Product Sales

We find that the additional information provided by the SUA re-enforces the point we made in our submission: That sugar constitutes only a very minimal portion of the cost of producing even highly sweetened products.

We provided evidence that sugar constitutes as little as 2% of retail cost of highly sweetened products such as chocolate bars (*ASA submission, page 14*). The SUA provided evidence that sugar constitutes about 3% of the wholesale cost (“value of shipments”) of chocolate products.

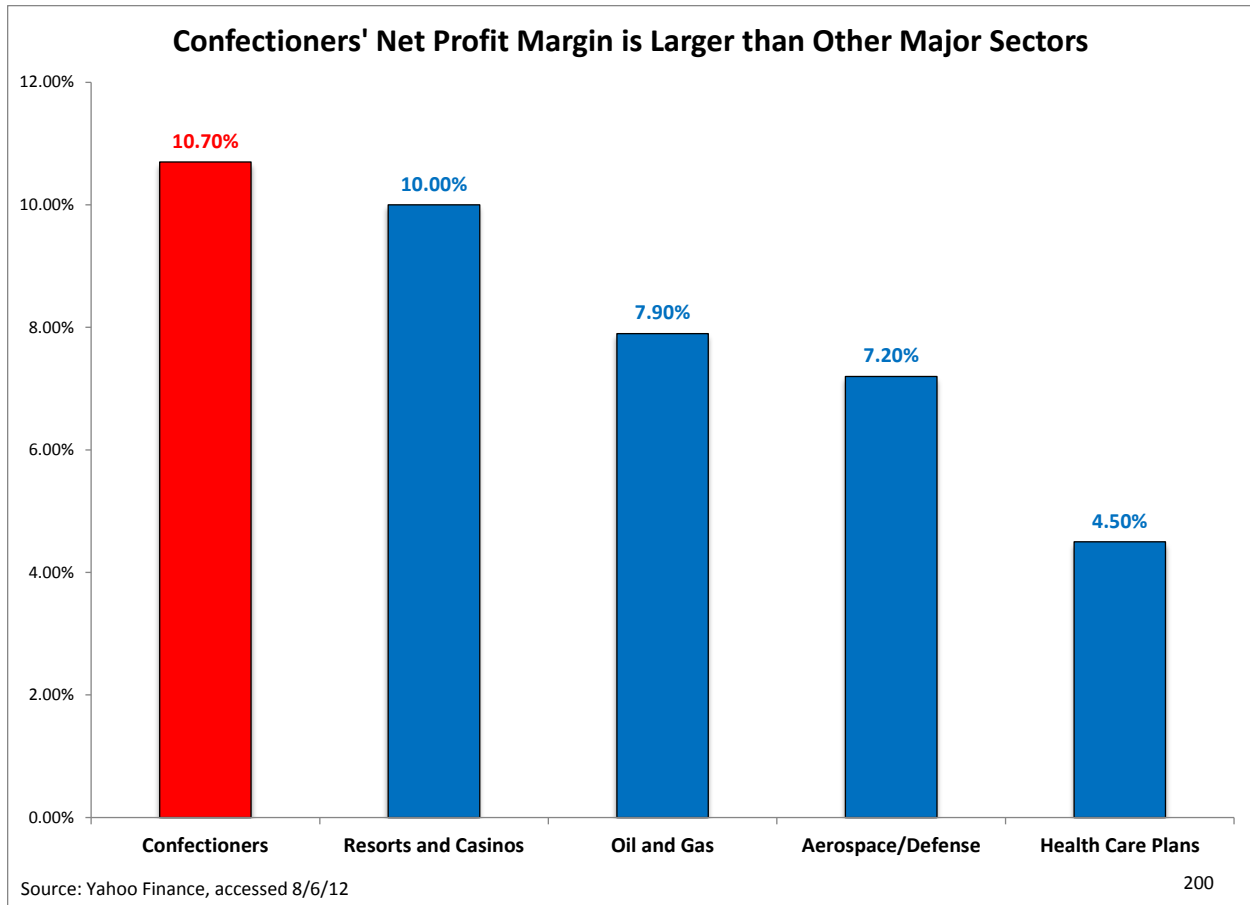
Given the added costs associated with moving product from wholesale to retail, these findings are consistent with each other.

Both sets of findings re-enforce the ASA’s point that sugar plays an extremely minor role in the cost of producing and marketing sweetened products, and therefore must have little or no direct effect on confectionery companies’ ultimate economic viability and decisions on where to locate.

Confectionery Sector Profitability

The data provided by SUA re-enforce the ASA’s contention that the confectionery production sector is one of the most profitable, including the temporary period in 2010-11 when world and U.S. sugar prices had spiked at 30-year highs.

The table below reflects sector comparisons from the same resource and demonstrates the confectionery sector’s impressive profitability, even with sugar prices that were temporarily unusually high. (Wholesale refined sugar prices have, however, dropped 52% in the past 2-1/2 years.)



Consumer Price Impact

Comparison to foreign retail prices. We stand by the global retail sugar survey results that showed developed-country sugar prices 24% above the U.S. and the global average 14% higher than U.S. consumer prices (*ASA submission, page 16*).

SIS International was not using BLS data for this global survey, and applied the same methodology in the all the countries surveyed.

Below is SIS International's explanation of how they derived their global retail sugar price data:

The data are from Euromonitor. They are a huge and respected data company that gathers data world-wide. If we used the data referenced from the U.S. government, we would be obligated to get the same type of data from other countries. Comparable data such as this are not available from all countries. In fact, we could find no other source for consistent data across the range of countries included in the study than Euromonitor. And, very few countries have any reporting of such data. So, to be fair and unbiased in the reporting, we used a single source with a single data collection methodology so the numbers are comparable.

This is not a question of the numbers being right or wrong, but one of reporting fair and consistent numbers. There are many ways to bias the reported numbers such as using a different summary or national sources, using different time periods, different data sources, etc. For this type of reporting, it is critical that the numbers be comparable.

The BLS uses a multi-city average price and reports two different prices based on size of package. That is a good and viable method to use in calculating an average. The problem is that virtually any methodology will return a different number. So, we could use a different set of cities or different time periods, or ... whatever and come up with different numbers. And that is just for the U.S.

Since we are dealing with retail prices that vary by region of the country, by type of outlet, by time of year, by brand, etc., etc. the question of what is the retail price for a given time period does not have a definitive answer. That is why we selected Euromonitor. They use the same methodology to gather sugar price information in any country. They gather POS data and compile an average. The key point is that their methodology is consistent across countries. ANY data we could gather through other means would introduce substantial bias into the numbers since the methodology would be different. So the relevant question is not why is there a difference between Euromonitor and the BLS, but what is the difference by country. That is the key question we were asked to examine in the study and that is why we selected Euromonitor. They are the ONLY source of common, comparable data across the countries of interest. Any other approach would not be an objective comparison.

Passthrough of lower producer prices along to consumers. We would note the chart provided by the Users' on page 6 of their post-hearing brief re-enforces the point we made: Consumers see no benefit when product prices fall.

Price behavior since 2010 is extremely telling: Wholesale refined prices fall by 52%; retail prices not only do not fall, but rise, by 13%. As illustrated on page 16 of ASA's submission, the wholesale-to-retail price spread exploded from 1 cent to 40 cents per pound over that period.

This observation is important because Users' contentions about consumer cost or benefit from U.S. sugar policy, such as the calculations provided on page 5 of their post-hearing submission, assume 100% passthrough. Actual market behavior demonstrates that actual passthrough is not only well less than 100%, but, in fact, is negative: retail prices rise as producer prices fall.

The same is true for sweetened product prices, which rose in a range of 5 – 17% during the same period producer prices plummeted 52% (*ASA submission, page 15*).

Transportation Adjustments to World Price Quotes

ASA's factors to equate world sugar prices to U.S. prices are correct. (If the ITC would like to verify the transportation factors we use, we could provide a list of trade contacts.)

To equate the world #11 contract, basis the Caribbean, to the U.S. #16 contract, basis New York, the trade generally recognizes freight and other transport costs average 3 cents per pound.

Raw sugar can be transported in bulk; cane sugar refiners convert the raw sugar to consumer-standard white sugar. Once consumer grade, the sugar must be kept clean and dry – at considerably higher cost per pound than bulk shipments.

To equate the London #5 refined sugar contract, basis Europe, to the U.S. wholesale refined sugar price, basis the Midwest, the trade considers 6 cents per pound to be a conservative estimate; some suggest closer to 8 cents.

Therefore, the ASA's observation (*pages 19, 20*) that, adjusted for transportation costs, world prices are now higher than the U.S., for both raw and refined sugar, is correct.

With U.S. and world raw and wholesale sugar prices so close, and with foreign retail prices significantly higher than the U.S., there is no justification for any suggestion U.S. food manufacturers or consumers are harmed by U.S. sugar policy.

Furthermore, the evidence is clear American consumers are helped by U.S. sugar policy, with lower prices than their counterparts in most of the rest of the world.

Trade in Sugar-Containing Products (SCPs)

The SUA notes that U.S. net imports of sweetened products have leveled off in recent years (page 9). It is worth noting that this leveling off period included 2010 and 2011 when U.S. sugar prices were temporarily unusually high.

It is also worth noting that:

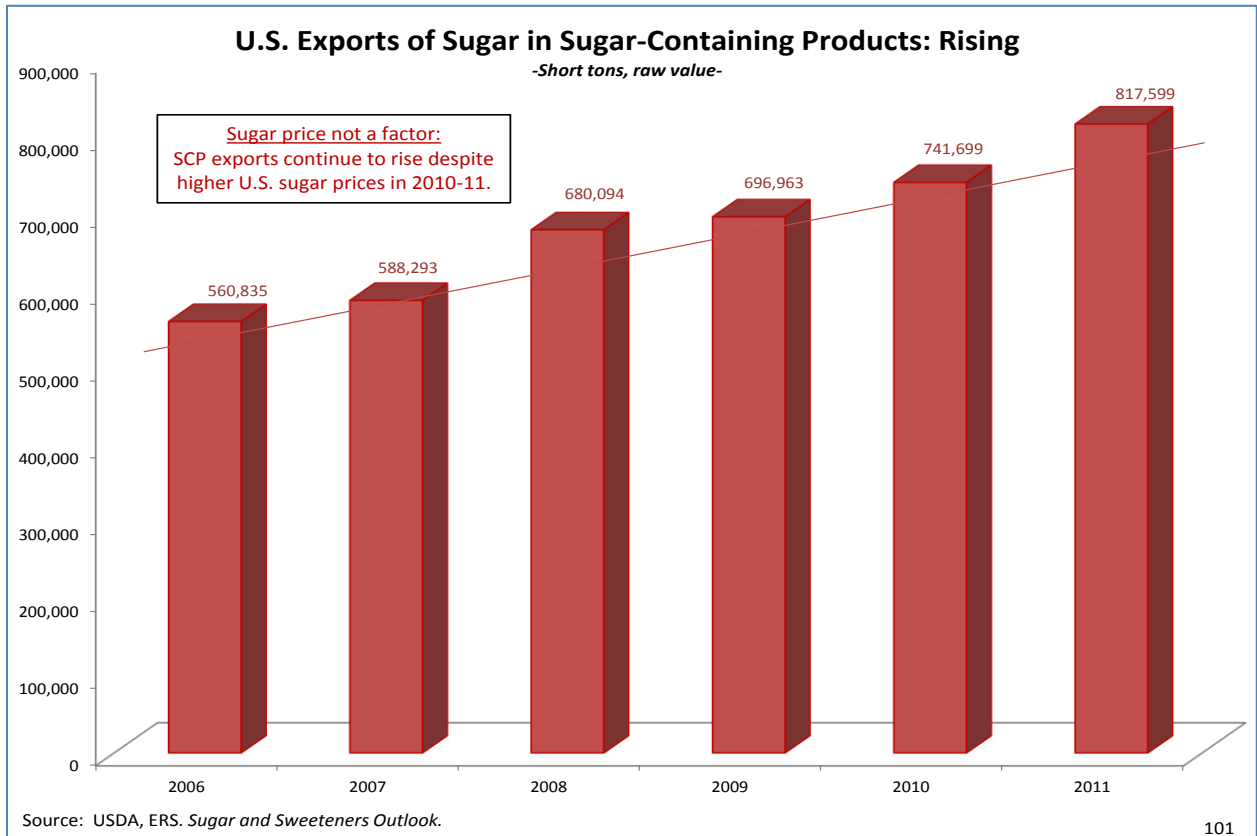
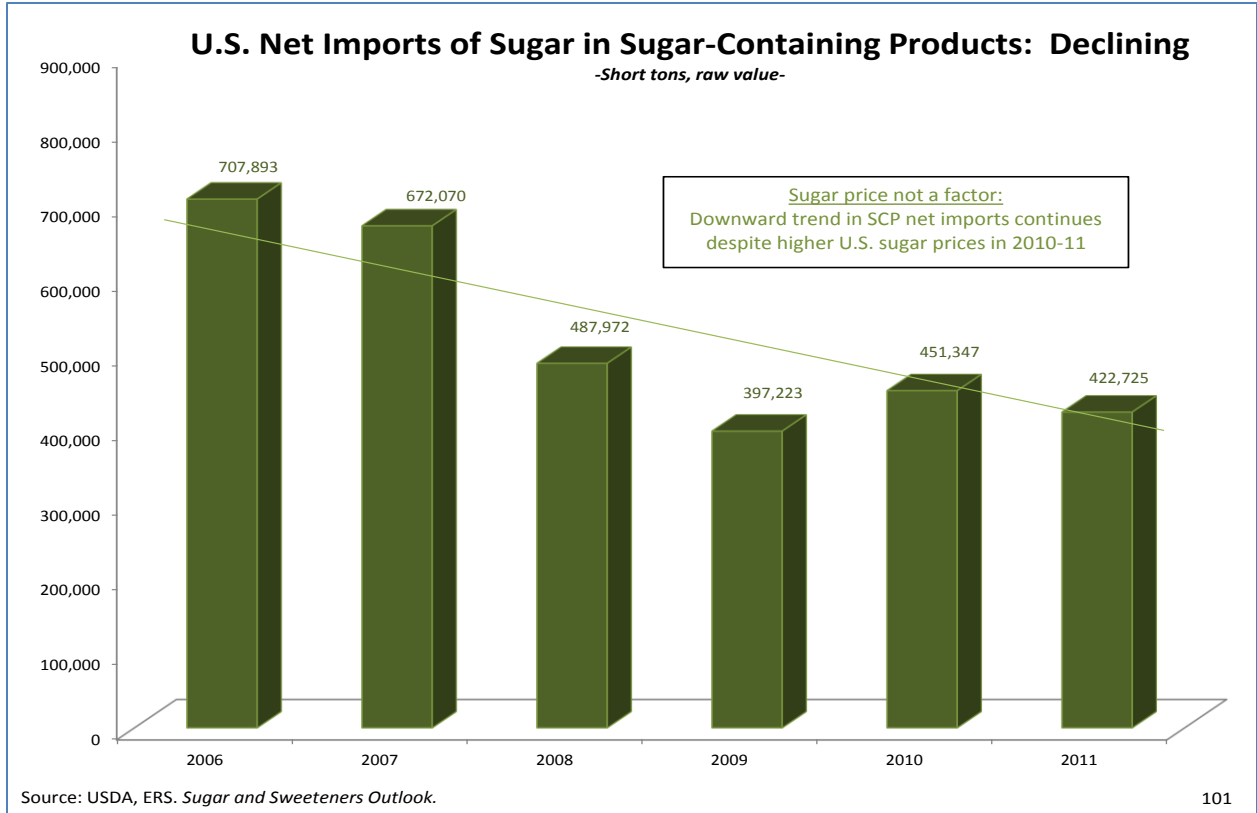
- Net imports of sweetened products are on a significant downward trend; and that,
- U.S. exports of sweetened products are rising sharply (*see charts below*).

Clearly, the rising price of sugar during a part of this period had no effect on U.S. manufacturers' competitiveness. This is understandable because sugar represents such a tiny portion of food manufacturers' costs.

Food Manufacturers Use of the Sugar Re-Export Program

As the ASA noted, U.S. food manufacturers have long enjoyed access to world-price sugar for use in products for export. The Users note that their use of that program has generally not been large.

Nonetheless, as noted above, U.S. exports of sugar-containing products have been rising rapidly – by 46% just since 2006, including the 2010-11 high-sugar-price period. The fact that some Users have not bothered to take advantage of their access to lower priced sugar for their exports is yet another piece of evidence that sugar plays a relatively inconsequential role in food manufacturers' economic decisions.



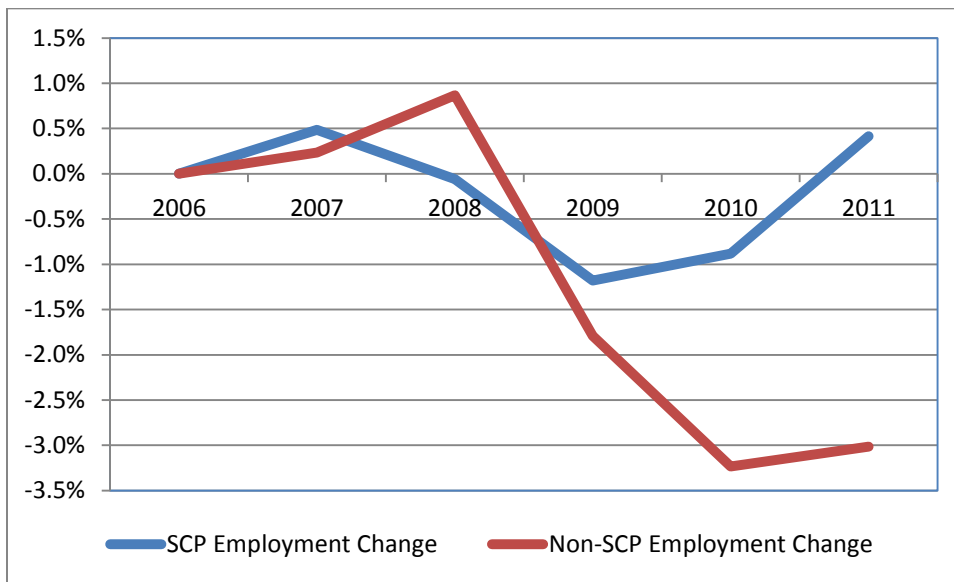
Jobs in SCP vs Non-SCP Manufacturing Sectors

The Users argued in their March-19 testimony (page 6) that job loss in the sugar-containing product manufacturing sector has been greater than job loss in the manufacture of products not containing sugar. BLS data do not support that contention, and in fact, suggest the opposite (*see chart below*).

From 2006 to 2011, including the 2010-11 period of unusually high U.S. and world sugar prices, jobs in the SCP-manufacturing sector grew by 0.4%. In contrast, jobs in non-SCP manufacturing dropped, by 3.0%.

The BLS data provide further evidence that sugar costs have little influence on food manufacturing viability.

Cumulative Percentage Change in Employment in Food Manufacturing Industry (2006-2011)



Source: BLS data for NAICS 311; industries are sorted into SCP and non-SCP based on Materials Consumed from 2007 Economic Census.