Submission from the American Sugar Alliance to the
United States International Trade Commission
Investigation No. 332-325
"The Economic Effects of Significant U.S. Import Restraints: Ninth Update"
Washington, DC
January 30, 2017

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SUMMARY

In previous iterations of this investigation, the ITC has modeled a hypothetical situation: The effect on the U.S. economy of unilateral elimination of U.S. sugar-import restraints.

The ITC needs to model this scenario no longer. The U.S. eliminated sugar import restraints with Mexico, one of the world's largest sugar producers, on January 1, 2008. Duty-free, quota-free trade in sugar with Mexico continued for seven years, until December 2014.

The ITC need only look at the outcome of this experiment with free trade in sugar, and, in a separate investigation, it already has. In unanimous votes, the ITC found – preliminary in May 2014 and final in March 2015 – that Mexico had injured the U.S. sugar industry. The U.S. Department of Commerce in the fall of 2015 found that Mexico brought about that injury through massive subsidy and dumping margins, totaling a combined 48-84%.

While Mexican producers prospered during the free-trade period, with domestic sugar prices often higher than the U.S., American producers suffered huge revenue losses. More American sugar mills have closed and USDA incurred a cost to manage U.S. sugar policy for the first time in more than a decade.

Consumers, meanwhile saw no benefit from the surge in imports and depressed producer prices for sugar. Retail refined sugar and sweetened-product prices did not fall, and, in fact, rose over the period of Mexican dumping and its aftermath. Passing none of its savings on cheaper sugar along to consumers, the sweetened-product-manufacturing sector maintained its status as one of the most profitable sectors of the U.S. economy and has continued to expand its operations in this country.

Key lessons from the U.S. sugar market's experience since 2008:

- "Free trade" is not free if trading countries are permitted to subsidize and dump. Mexican subsidies are not unique, but rather the norm among sugar-exporting countries. Opening the U.S. sugar market exposed it to Mexican unfair trading practices. Retaining U.S. sugar-import restraints would have sustained a critical buffer against foreign subsidies for efficient American sugar producers.

- When sweetened-product manufacturers pay less for sugar, consumers do *not* pay less for sweetened products. There is no evidence of manufacturers' pass-through of their savings along to consumers.

- With retail-product prices no lower, there is no reason to expect any price-related increase in demand for those products. Nor is there any reason to predict sales increases and job gains for the sweetened-product manufacturers stemming from lower sugar prices.

Given the real-world experience of the past several years – with U.S. exposure to foreign sugar subsidization and dumping – the ITC should find a significant net benefit to the U.S. economy from sugar-import restraints.

Absent these restraints, American producers and taxpayers are harmed and consumers see no benefit. Economic gains accrue to subsidized foreign producers and, domestically, only to the sweetened-product sector which is already one of the most profitable and robust sectors of the U.S. economy.

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Introduction

The American Sugar Alliance (ASA) is the national coalition of the growers, processors, and refiners of sugarbeets and sugarcane. We are grateful for the opportunity to participate in this investigation.

In past iterations of this investigation, the ITC has found a net benefit to the U.S. economy should U.S. sugar import restraints be lifted.

We can demonstrate just the opposite with available data: That more American jobs would be lost than gained if our market were fully exposed to subsidized and dumped world market sugar. Given the distorted nature of the world sugar market, U.S. sugar import restraints provide a benefit, not a loss, to the U.S. economy.

The ITC's view[1] is that U.S. sugar imports would surge, U.S. producer prices for sugar would drop, and sugar-producer jobs would be lost. However, in the ITC's view, sugar-producer job losses would be more than offset by job gains in the sugar-using sector, as sweetener-containing-product manufacturers pass their savings on lower sugar prices along to consumers, who react to lower sweetened-product prices by increasing their consumption. In addition to increased domestic demand, the ITC predicts a rise in sweetened-product exports.

The data show, however, that while low producer prices for sugar profoundly affect jobs in sugar production and in the surrounding communities, sugar prices have no significant influence on jobs, or financial performance, in the sweetener-containing-product (SCP) manufacturing sector.

Key Observations

The ITC's finding of a net benefit to the U.S. economy absent sugar-import restraints is fundamentally flawed, for the following reasons:

- The ITC seriously understates the number of jobs generated by the U.S. sugar-producing industry – jobs that would be threatened by sharply lower sugar prices.

- U.S. sweetened-product manufacturers do not pass their savings on lower sugar prices along to consumers. On the contrary, recent periods of significant, sustained decline in producer prices for sugar – the result of trade liberalization along the lines the ITC is

[1] United States International Trade Commission, *The Economic Effects of Significant U.S. Sugar Import Restraints, Investigation No. 332-325, Eighth Update*, December 2013

investigating – demonstrate that food manufacturers and retailers have continued to raise retail prices for sugar and sweetened products.

- Even if sweetened-product manufacturers did pass 100% of their savings on lower producer prices for sugar along to consumers, the difference would be so small – just a fraction of one cent on a typical candy bar – that consumers would not be able to recognize a lower retail price. Even if the price of the sweetened product were recognizably lower, at U.S. income levels it would be highly unlikely there could be an appreciable effect on consumer demand for the product.

- The sweetened-product-manufacturing sector's financial and job performance is completely unrelated to the price of sugar. Furthermore, that sector has long exhibited remarkably strong financial performance, regardless of whether sugar prices are rising or falling. Sugar prices matter greatly to the financial viability of sugar producers, but have no discernable effect on the financial viability of sweetened-product manufacturers.

- Sweetened-product manufacturers will not increase their exports absent U.S. sugar-import restraints, because these companies already have unlimited access to duty-free world dump market sugar under the U.S. sugar re-export program. U.S. sugar-import restraints have no effect on the availability or price of sugar for the manufacture of sweetened products for export.

Important to note, in addition:

- American consumers pay far less for sugar than consumers do in the rest of world – a clear, but unmentioned, benefit of U.S. sugar policy to the U.S. economy. Given the volatility of the world market, this consumer benefit would be difficult to sustain absent U.S. sugar-import restraints.

- Sugar prices have minimal, if any, effect on SCP-sector decisions on where to locate their operations. Furthermore, sugar prices in countries such as Mexico, where some SCP capacity has relocated in the past, are sometimes minimally lower than sugar prices in the U.S., and just as often are higher. In contrast**,** there are huge gaps in labor and other factors, such as worker benefits, taxes, rents, energy, and environmental compliance, which are far more important than sugar costs.

- Sweetened-product-manufacturing capacity is no longer shifting to foreign countries. Stronger evidence suggests capacity is rising in this country, not falling.

- World market sugar prices are extremely volatile, and, adjusted for transportation to the U.S., have recently been running at levels higher than U.S. prices. As long as this situation persists, exposure to world market sugar would provide zero economic gain for American sugar users, who currently can purchase domestic sugar more cheaply than foreign.

We would also point out that in past investigations, the ITC has ignored the importance of the restraints on sugar imports in shielding the domestic sugar industry from the adverse effects of the rampant subsidization and dumping that characterize the world sugar market. Public debate on trade in recent years has focused on the need to combat such unfair trade practices strenuously and to ensure strict adherence to trade agreements.

Assessing the impact of U.S. elimination of sugar-import constraints does not require hypothetical modeling. The aftermath of actual elimination of sugar-import constraints from Mexico under NAFTA demonstrates the harm to the U.S. sugar-producing industry and the lack of any effect on consumers.

Under NAFTA, limits on sugar imports from Mexico were lifted in 2008. The ITC ruled unanimously in 2014 and 2015 that subsidized and dumped sugar imports from Mexico had inflicted serious injury on our sugar industry and the Department of Commerce calculated huge subsidy and dumping margins, totaling a combined 48-84%. (See timeline, Appendix A.) U.S. producer prices plunged, more American sugar mills closed, consumers saw no benefit, and taxpayers had to pay millions.

The Mexican sugar industry's use of government subsidies and their use of the export market to dump their surplus is typical of sugar-producing countries. Meanwhile, the sugar-trade situation with Mexico is still in flux.

In addition, we question the 2013 ITC finding that a 0.6% increase in sweetened-product domestic sales and a 1.3% increase in exports sales would increase sweetened-product manufacturing sector jobs sufficiently to offset the ITC's predicted trade-liberalization decrease in U.S. sugar-producing sector jobs, ranging from 5% to 17% below baseline projections. (The ITC predicted baseline reductions in sugar-producing-job categories during 2012-17 ranging from 0.6% to 22.5%, then predicted additional jobs losses from those baseline levels with the elimination of sugar-import restraints.)[2]

Sugar-Producing-Sector Jobs

In its 2013 report, as in previous reports, the ITC seriously underestimated the number of jobs generated by the U.S. sugar-producing industry and, hence, the number of jobs that would be lost absent sugar-import restraints.

The ITC attributed only 18,107 jobs to sugar production in its estimate for 2010. LMC International, in contrast, estimated 39,958 direct jobs, and 102,499 indirect or induced jobs, for a total of 142,457 for that same year.[3]

We discern two reasons the ITC looked only at the vulnerability of about 18,000 jobs, rather than 142,000 (Table 1).

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[2] ITC, Table 2.6, page 2-9.

[3] LMC International, *The Economic Importance of the Sugar Industry in the U.S. Economy -- Jobs & Revenues*, Oxford, England, August 2011

Table 1

U.S. Sugar-Producing Industry Jobs, 2010					
	ITC[1] (2013 report)		LMC[2] (2011 report)		Difference (ITC - LMC)
DIRECT					
Farming					
Cane	4,292		4,170		122
Beet	1,654		24,223		(22,569)
Farming Total	5,946		28,393		(22,447)
Processing					
Cane	--		2,764		--
Beet	--		5,809		--
Cane refining	--		2,992		--
Processing Total	12,161		11,565		596
DIRECT Total	18,107		39,958		(21,851)
INDIRECT[3]	--		102,499		--
GRAND TOTAL	--		142,457		(124,350)

[1] United States International Trade Commission, *The Economic Effects of Significant U.S. Sugar Import Restraints*, Investigation No. 332-325, Eighth Update, December 2013

[2] LMC International, *The Economic Importance of the Sugar Industry in the U.S. Economy -- Jobs & Revenues*, Oxford, United Kingdom, August 2011

[3] LMC used weighted national average U.S. Department of Commerce cane and beet sugar employment multipliers, ranging from 1.6 to 5.8 per sector.

1. **The ITC dramatically underestimated the number of jobs dependent on sugarbeet farming** – fewer than 2,000, versus LMC's estimate of more than 24,000. The ITC apparently did not take into account the seasonal surges in sugarbeet jobs or the unpaid jobs on the family farms that dominate U.S. agriculture.

2. **The ITC ignored indirect and induced jobs**. The sugar-producing industry cannot be viewed in isolation because of its important ripple effect on other sectors of the economy. Indirect jobs are related to the sugar supply chain; induced jobs relate to purchases made by sugar-sector employees. In rural areas where sugar is grown and processed there are generally few economic alternatives for jobs lost in sugar. Rural areas of Hawaii, for example, have seen no significant replacement of jobs – agricultural or commercial – lost to sugar mill closures over the past decade or more.

   LMC used U.S. Department of Commerce multipliers for each sector of the sugar industry – multipliers that are considered conservative relative to other employment studies.

In missing so many beet farming jobs, and ignoring indirect jobs, ITC based its analysis on a sugar industry jobs total (18,107) that is less than 13% of a far more reliable number, LMC's 142,457.

An independent analyst, Dr. Alexander Triantis, Dean of the University of Maryland's Robert H. Smith School of Business, wrote that because the ITC based its estimates on "incomplete BLS (Bureau of Labor Statistics) data…their conclusions on jobs lost are downward biased and unreliable."[4]

Triantis concluded:

> (T)he most recent estimate by LMC of roughly 142,000 jobs supported by the sugar sector appears to be the most accurate estimate available. It captures self-employed and unpaid family workers, which is particularly important in assessing jobs in production. Furthermore, it incorporates the effect of multipliers to capture the ripple effects of industry jobs on the rest of the economy.

Because the ITC's estimate of sugar industry jobs is downward biased and unreliable, so, too, is its estimate of jobs potentially lost with sugar trade liberalization.

The ITC did not provide actual job-loss figures, but we derived these from the ITC's job-reduction factors for each sector examined (Table 2).[5]

Table 2

U.S. Sugar-Producing Industry Jobs, 2010:
Jobs Lost Applying ITC Trade-Liberalization Factors

	ITC[1]						LMC[2]	
	Jobs in 2010	Baseline Reduction			Further Reduction w. Trade Liberalization		Jobs in 2010	Jobs Lost Applying ITC factors[3]
DIRECT		-- % --	Jobs Lost	Jobs Remaining	-- % --	Jobs Lost[3]		
Farming								
Cane	4,292	22.5%	966	3,326	20.5%	682	4,170	663
Beet	1,654	0.6%	10	1,644	19.2%	316	24,223	4,623
Farming Total	5,946		976			998	28,393	5,285
Processing Total	12,161	6.3%	766	11,395	13.8%	1,572	11,565	1,495
DIRECT Total	18,107		1,742	16,365		2,570	39,958	6,781
INDIRECT	--					--	102,499	17,394
GRAND TOTAL	--					--	142,457	24,175

[1] United States International Trade Commission, *The Economic Effects of Significant U.S. Sugar Import Restraints*, Investigation No. 332-325, Eighth Update, December 2013

[2] LMC International, *The Economic Importance of the Sugar Industry in the U.S. Economy -- Jobs & Revenues*, Oxford, United Kingdom, August 2011

[3] Trade-liberalization reduction following ITC-predicted baseline reduction for 2012-17

[4] Professor Alexander Triantis, *Economic Effects of U.S. Sugar Policy*, Robert H. Smith School of Business, University of Maryland, College Park, MD, April 2016. Study commissioned by the American Sugar Alliance.
[5] ITC, Table 2.6, page 2-9.

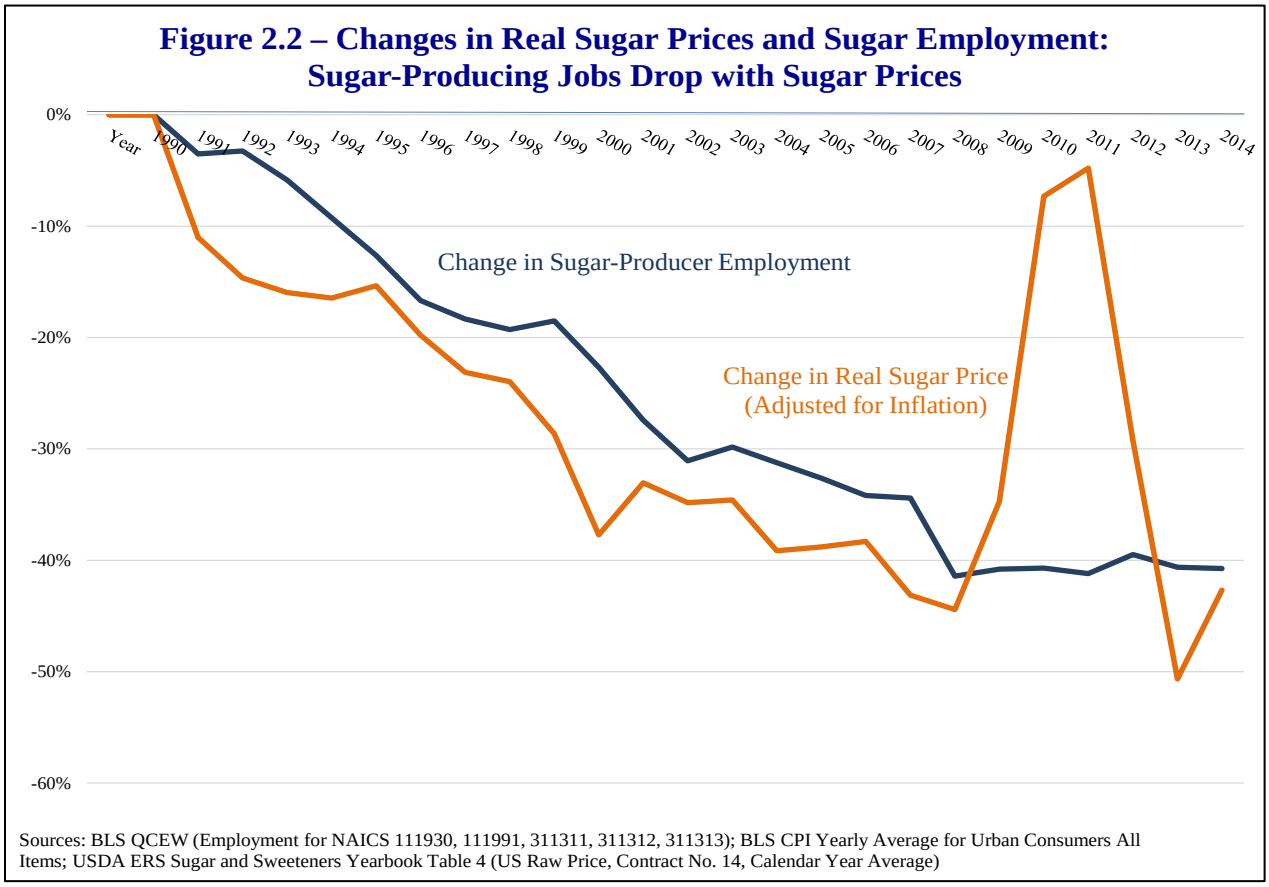
We calculate that the ITC's predicted job-loss factors imply a loss of 2,570, or 15.7% of the 16,365 direct jobs remaining after its projected baseline reduction over 2012-17.

But the same factors applied to a more realistic estimate of direct sugar jobs, the LMC's 39,958, would result in direct job loss of 6,781. The same factors applied to the 102,499 indirect jobs the ITC ignores would imply the loss of 17,394 more jobs – in total, 24,715 sugar-producing jobs lost, compared with the ITC's 2,570.

The surge in sweetened-product demand, and resulting SCP-manufacturing-job creation, to offset the thousands of jobs lost in the sugar-producing sector would have to be dramatic.

Sugar Industry Sensitivity to Sugar Prices: Several Sources. LMC, Triantis, and others have shown high U.S. sugar industry sensitivity to producer prices for sugar.

Chart 1

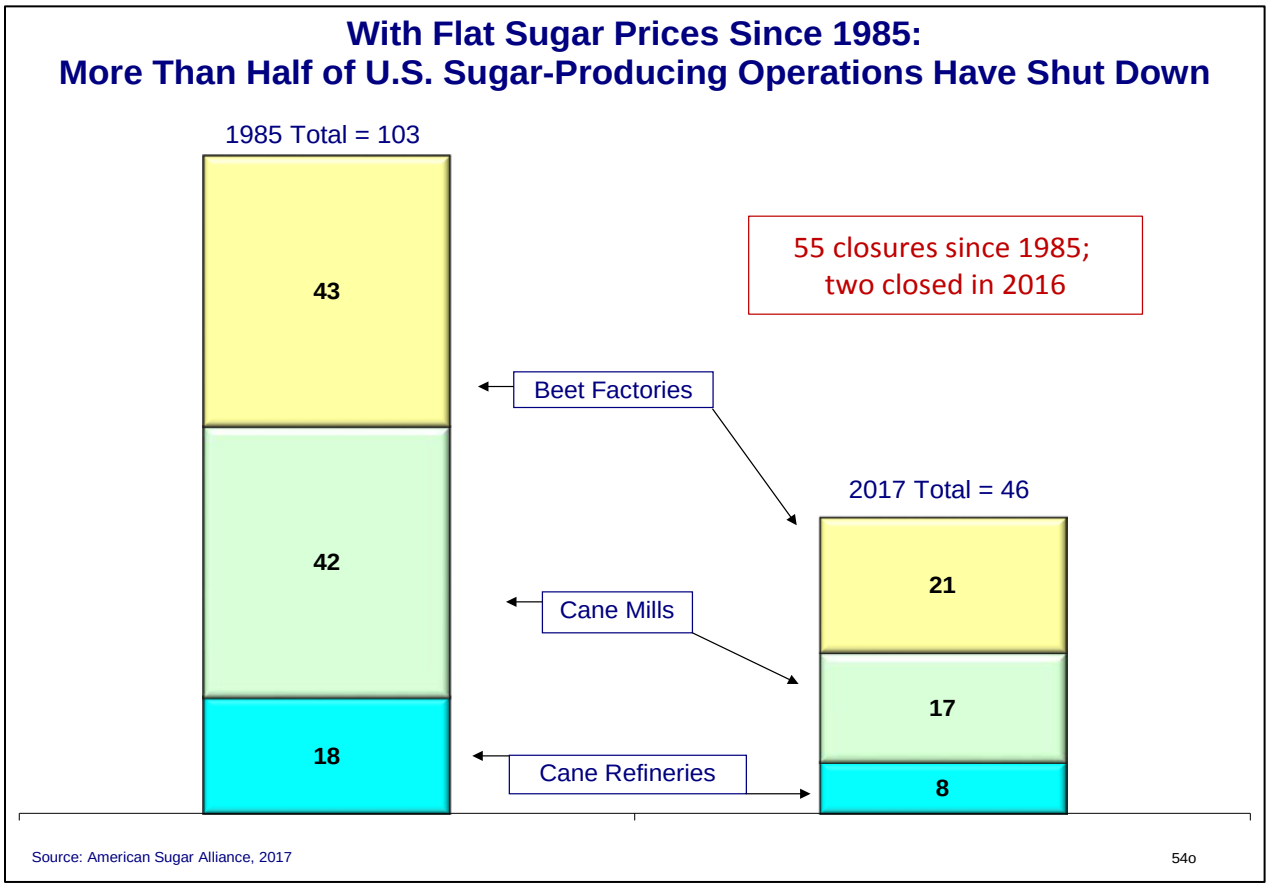


From 1994 to 2010 – a period of flat nominal prices and sharply declining real prices for sugar – LMC estimates a sugar-producing-sector job loss of more than 109,000, or 41% of the direct and indirect jobs existing in 1994.[6]

Triantis found that "during the period 1990-2008 where the U.S. sugar price in real terms fell by approximately 44%...sugar jobs declined by almost the same amount (Chart 1)."[7]

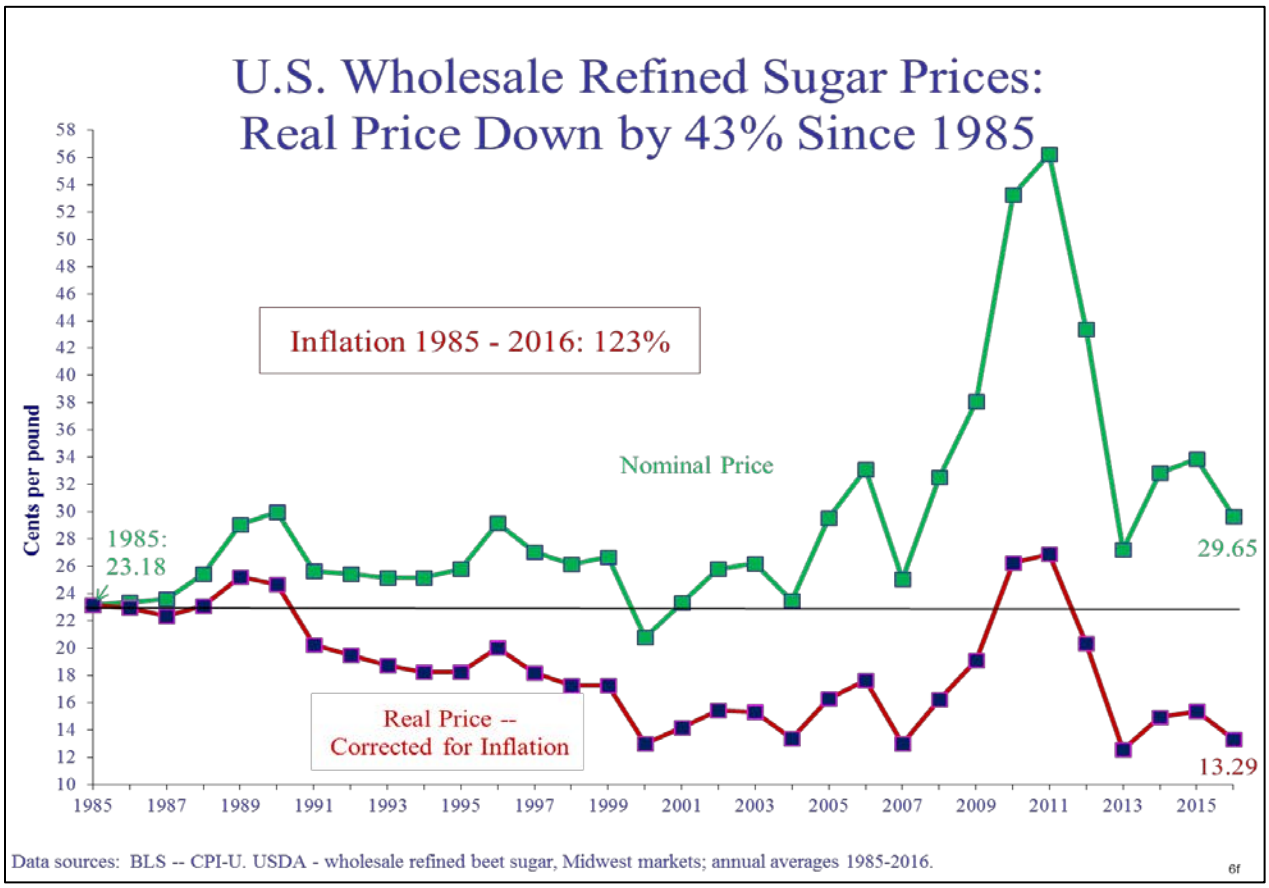
The ASA has documented the closure of 55 sugarcane mills, beet processing factories, and cane refineries since 1985 – more than half of those that existed in 1985 (Chart 2). Real U.S. sugar prices are down by 47% since 1985 (Chart 3).

Chart 2



[6] LMC, page E4.
[7] Triantis, page 16.

Chart 3



Cane Refining Jobs. The ITC implies there could be some job gain in the cane sugar refining sector as the U.S. becomes more dependent on raw imports under trade liberalization. Refiner capacity utilization figures are proprietary, but the general industry view is that U.S. cane refiners have been running well below capacity for some time – a situation exacerbated by a recent flood of semi-refined sugar imports from Mexico that bypass the U.S. cane refineries. According to USDA data, only about one third of sugar imports from Mexico last year went to U.S. cane refiners.[8]

Accordingly, job gains in the cane refining sector are possible, but likely minimal, as refiners increase throughput at existing plants. With low U.S. sugar prices, the multi-million-dollar investment needed to build new U.S. cane refineries is unlikely.

Moreover, the elimination of import restraints would affect refined as well as raw sugar and expose our refiners to subsidized and dumped refined sugar. Much of any surge in U.S. imports is, therefore, likely to be refined sugar, particularly if the additional imports originate from Mexico, by far the United States' largest supplier.

[8] USDA/FAS http://usda.mannlib.cornell.edu/usda/fas/SugMonImp//2010s/2016/SugMonImp-10-12-2016.pdf

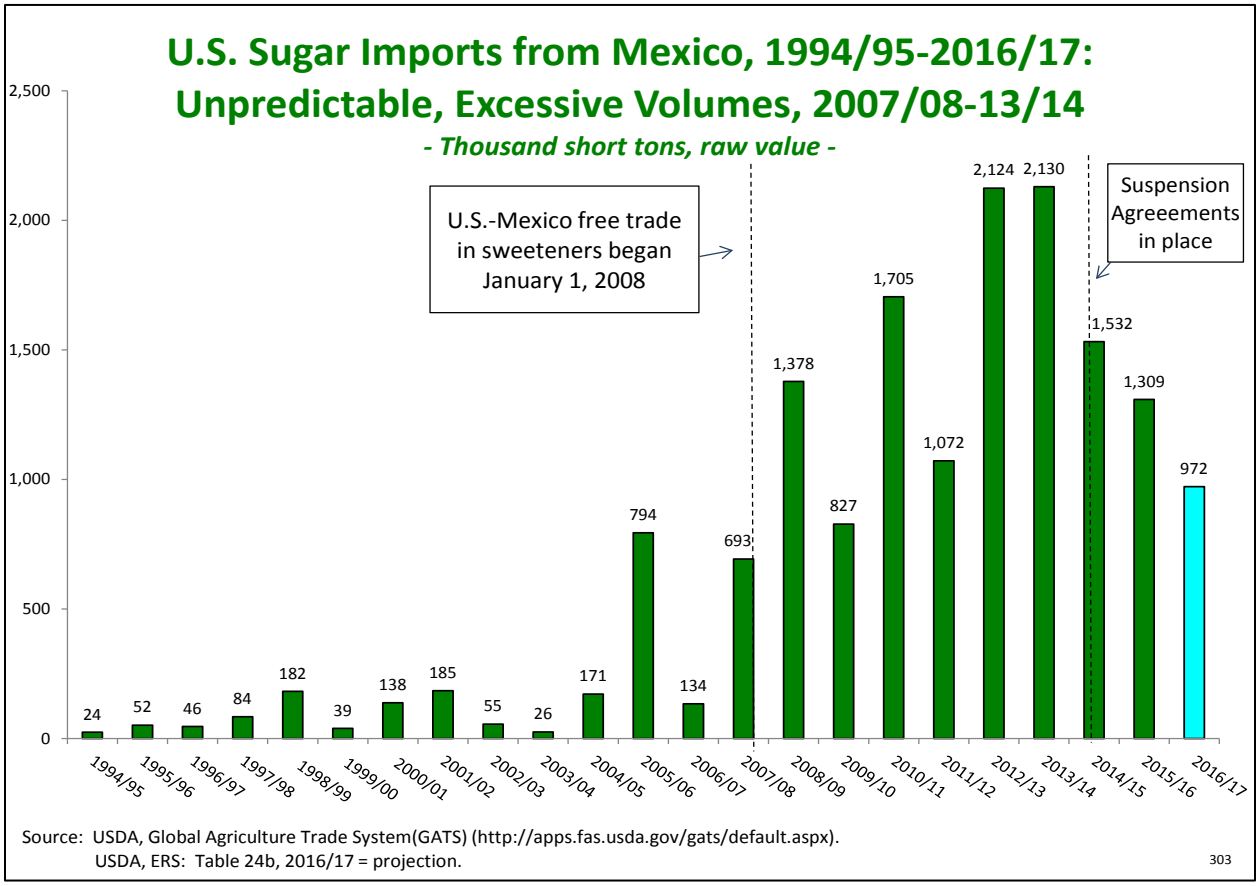
Market Change: U.S. Market Open to Unlimited Duty-Free Sugar Since 2008

The ITC, in the course of this investigation, has modeled the potential impact on the sugar sector should the U.S. market be exposed to unlimited quantities of duty-free foreign sugar. What the ITC barely noted in its 2011 and 2013 updates is that the U.S. market has, in fact, already been so exposed since 2008. Under NAFTA, Mexico gained unlimited duty-free access for all Mexican-origin sugar on January 1, 2008. Mexico produces 6-7 million metric tons of sugar per year, nearly as much as the U.S.[9]

Actual U.S. market behavior since 2008 should inform any evaluation of the potential effects of lifting sugar-import restraints.

Mexican sugar exports to the U.S. soared in 2008, but did not exceed U.S. import needs the first four years. But in 2012/13 and 2013/14, Mexico more than doubled its exports from 2011/12 levels (Chart 4), flooding and destroying the U.S. sugar market. Prices plunged and U.S. sugar policy incurred a cost for the first time in a dozen years, as USDA paid to remove surplus sugar from the market and attempt to prevent budgetary and industry damages from persisting for multiple years.

Chart 4



[9] USDA, Table 56. https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/

The U.S. sugar industry filed antidumping and countervailing duty cases against Mexico, and won. The ITC ruled unanimously that Mexico had injured the U.S. sugar industry and the Department of Commerce calculated subsidy and dumping margins, totaling a combined 48-84%.

U.S. producer prices plummeted by more than half from 2010 to early 2014, recovered somewhat in late 2014, and have fallen by a fourth since then. Mexican imports continue to harm the U.S. sugar industry despite suspension agreements the U.S. and Mexican governments had implemented with the intention of preventing further damage.

What effects did the sharply lower sugar prices resulting from trade liberalization with Mexico have on the U.S. market?

- **Taxpayer cost:**
  - A government cost of $259 million in 2012/13 to operate sugar policy, which had run at zero taxpayer cost since 2002.

- **Sugar producer cost:**
  - Sugar-producer revenue losses approximating $2 billion in 2012/13 and 2013/14, relative to previous price levels
  - The closure of two more sugar mills in 2016: A beet plant in Wyoming and a cane mill in Hawaii, with hundreds of jobs lost. The Hawaii closure ends sugarcane cultivation in Hawaii after more than a century of high-yielding production.

- **Consumer effect**:
  - No reduction in consumer prices for refined sugar (for example, 2016 average retail refined prices were 2% higher than 2010 and 6% higher than 2014).[10]
  - No reduction in consumer prices for highly sweetened products (Charts 5, 6).

Meanwhile, the steady increase in SCP profits, expansion and strong financial performance continued, unaffected by the highs or lows of U.S. sugar prices.

As charts 5 and 6 illustrate, for both the 2010-14 and the 2014-16 periods of severe producer price decline, consumers saw no benefit in the retail price of sweetened products. The data confirm that falling sugar prices do not result in reduced SCP prices and therefore cannot result in any price-induced increase in demand for these products.

Mexican Producer Benefit. Mexico had a phenomenal crop in 2012/13, 38% greater than the previous year's.[11] Despite the huge crop and potentially crushing surplus, Mexican producers enjoyed wholesale refined sugar prices in 2012/13 that were 9% higher than U.S. prices.[12] They bolstered prices in Mexico by dumping their 2-million-ton surplus on the U.S. market. Absent U.S. sugar-import restraints, American sugar producers were badly harmed by the huge Mexican crop; heavily subsidized Mexican sugar producers were not.

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[10] USDA, Table 6. https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/
[11] USDA, Table 56. https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/
[12] USDA, Tables 5 and 55. https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/

Chart 5

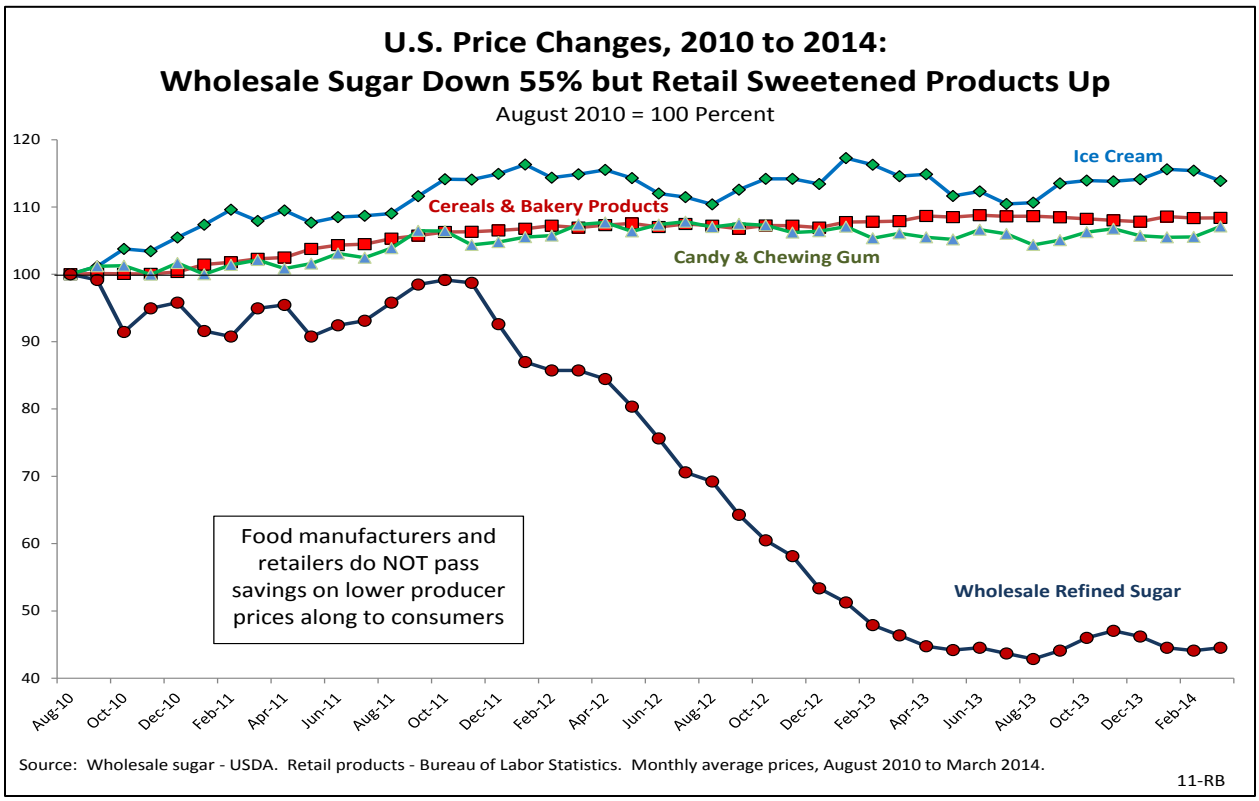
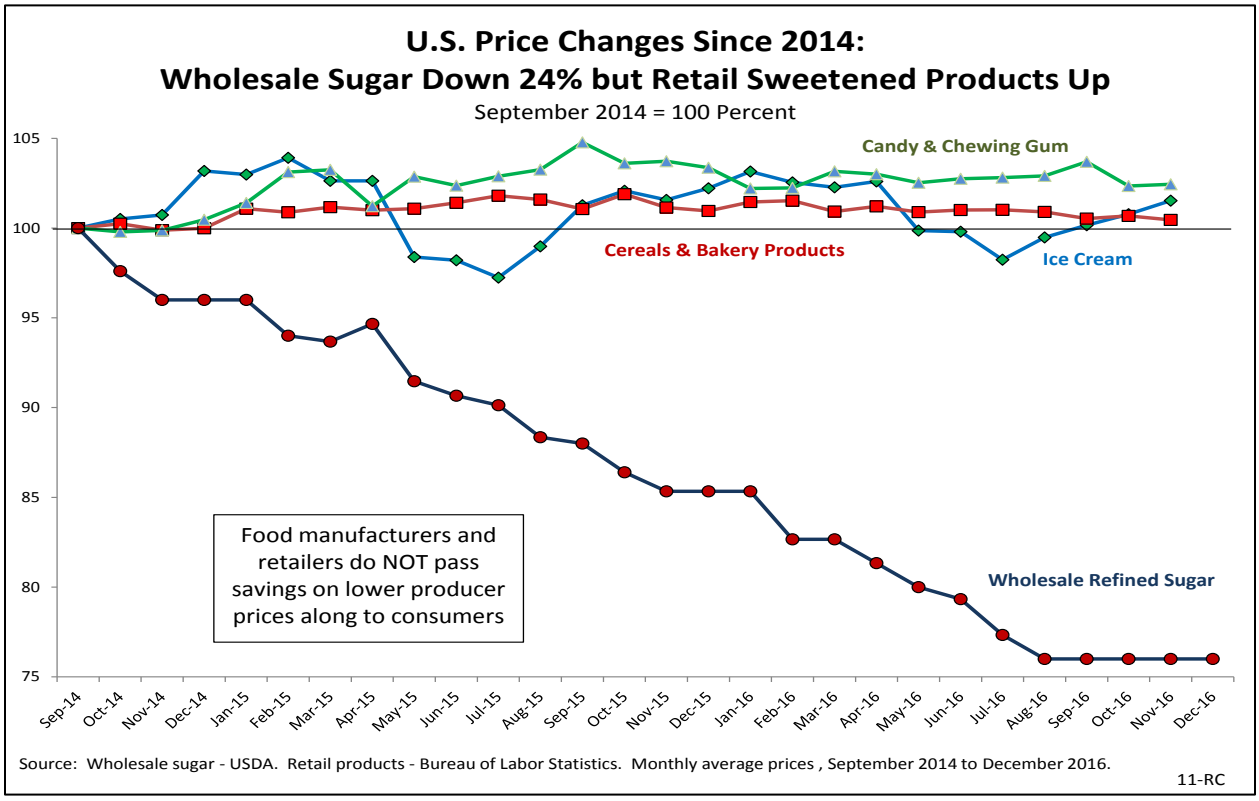


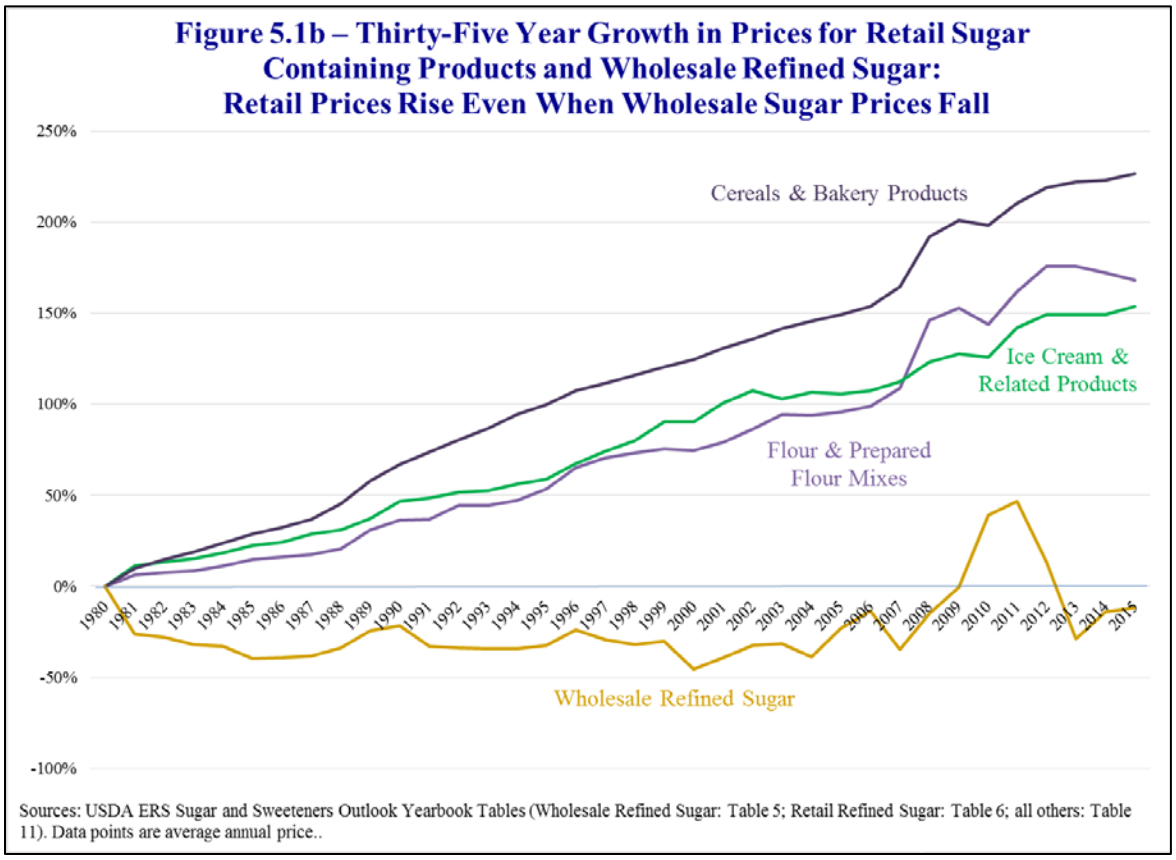
Chart 6



Triantis, too, looking at a longer period, 1980-2015 (Chart 7), concluded:

> Not only have the growth differentials between the prices of wholesale refined sugar and sugar-containing retail products been dramatically large, but there is also no apparent persistent correlation between the wholesale sugar price and the prices of retail products. This is true even if one applies lagged effects.[13]

Chart 7



SCP Sector Flourishing Financially; Performance Unrelated to Sugar Prices

Sweetener-using companies that lobby against U.S. sugar policy have often cast themselves as a struggling sector, vulnerable to U.S. sugar prices, and losing capacity to foreign countries with access to cheaper sugar. Similarly, ITC analysis appears to be based on the perception that high U.S. sugar prices significantly harm SCP companies and lower sugar prices would significantly help them.

These perceptions do not hold up to empirical scrutiny. The SCP sector is flourishing financially and expanding sales in this country, and its financial performance and decisions on plant location are, in fact, unrelated to sugar prices.

[13] Triantis, page 44.

SCP Production Rising Steadily, Substantially. Triantis documented, from U.S. Census Bureau data, that the value of shipments in the major SCP categories rose by an impressive 30% over the past 15 years. The growth in confectionary shipments is virtually the same as the growth of foods that do not contain sweetener (Chart 8) – contrary to sweetener-user representative assertions they are faring less well than non-SCP manufacturers.

Chart 8

Figure 4.1 – Strong Growth in Total Value of Shipments from Confectionery and Other Major SCP Sectors: All Sweetened-Product Output Up Almost 30% since 2000

Note: Confectionery Total Value of Shipments includes Chocolate and confectionery manufacturing from cocoa beans (311351), Confectionery manufacturing from purchased chocolate (311352), Nonchocolate confectionery manufacturing (31134). SCP Total Value of Shipments includes shipments from Breakfast Cereal (31123), Confectionery (31132-31134), Bread and bakery product manufacturing (31181), and Cookie, cracker manufacturing (31182).
Source: Economic Census and Annual Survey of Manufacturers.

Triantis observed:

> This strong growth is an indicator of robust financial health for these industries. It is also worth noting that sweetened-product output continued its strong rate of growth during the 2009-2011 period when U.S. wholesale refined sugar prices were unusually high, driven by global sugar shortages, and the U.S. was in the throes of a recession.[14]

With an industry expanding at this pace, even with a world-shortage-driven period of high sugar prices and a weak U.S. economy, it is clear that any job losses must be related to concentration and automation, and not to shrinkage of the industry, as some sweetener-user representatives have contended. Job losses due to automation, and

[14] Triantis, page 30.

increased efficiency, have been widespread throughout the U.S. economy and are by no means unique to the sweetened-product sector.

SCP Sector *Not* Shifting Capacity Abroad. In addition to the rapid, steady increase in production, described above, there is ample evidence that sweetened-product production capacity, on balance, is *not* shifting abroad.

One measure is to track SCP trade. Charts 9, 10, and 11 depict sugar in SCP exports, imports, and net trade over the past decade. If U.S. sweetened-product manufacturers were systemically shifting capacity abroad, we would expect net imports to be up considerably.

The trade data show the opposite pattern: sugar in exports up sharply; sugar in imports up only slightly, and net imports down considerably. Furthermore, as the charts illustrate, year-to-year changes in trade are completely unrelated to changes in sugar prices. The lack of correlation in the data between net imports and U.S. sugar prices makes sense, since sugar is such a small part of SCP costs.

Chart 9

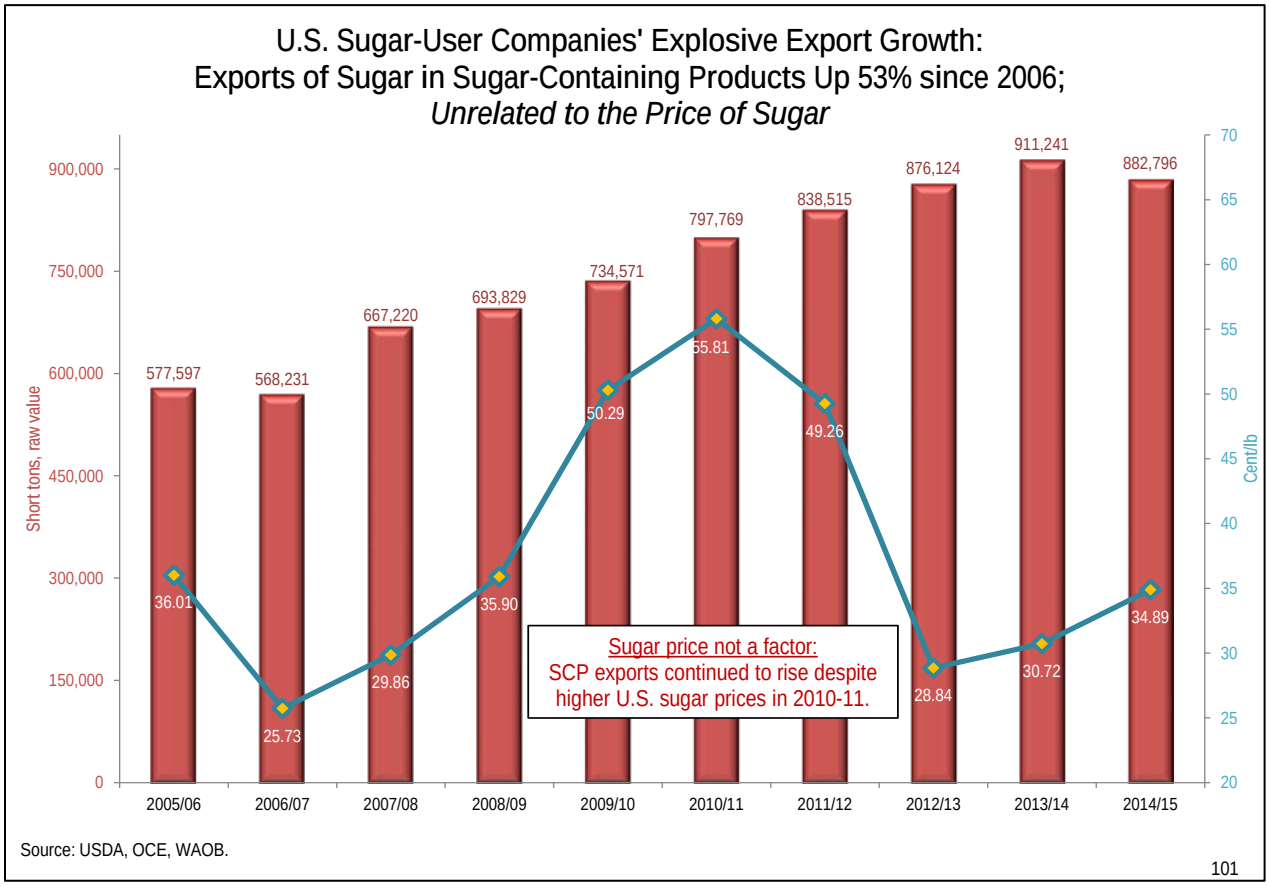


Chart 10

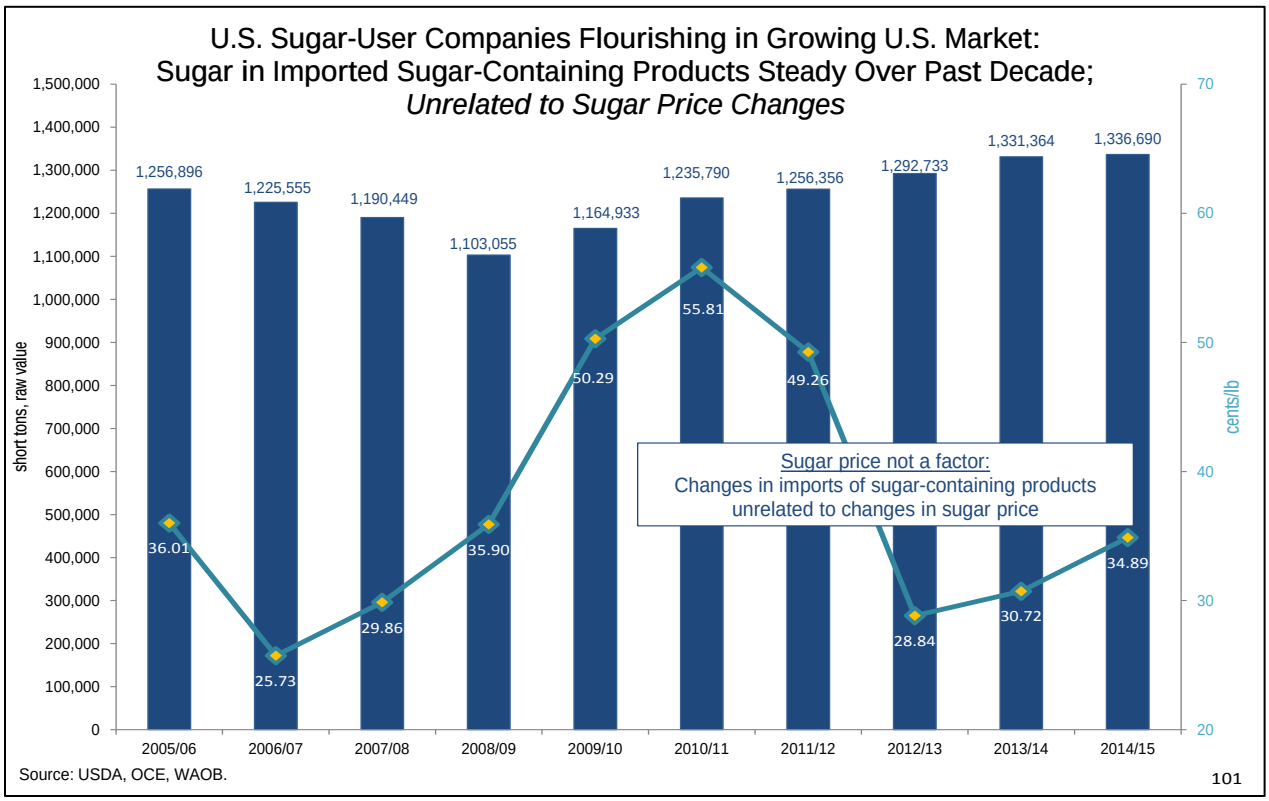
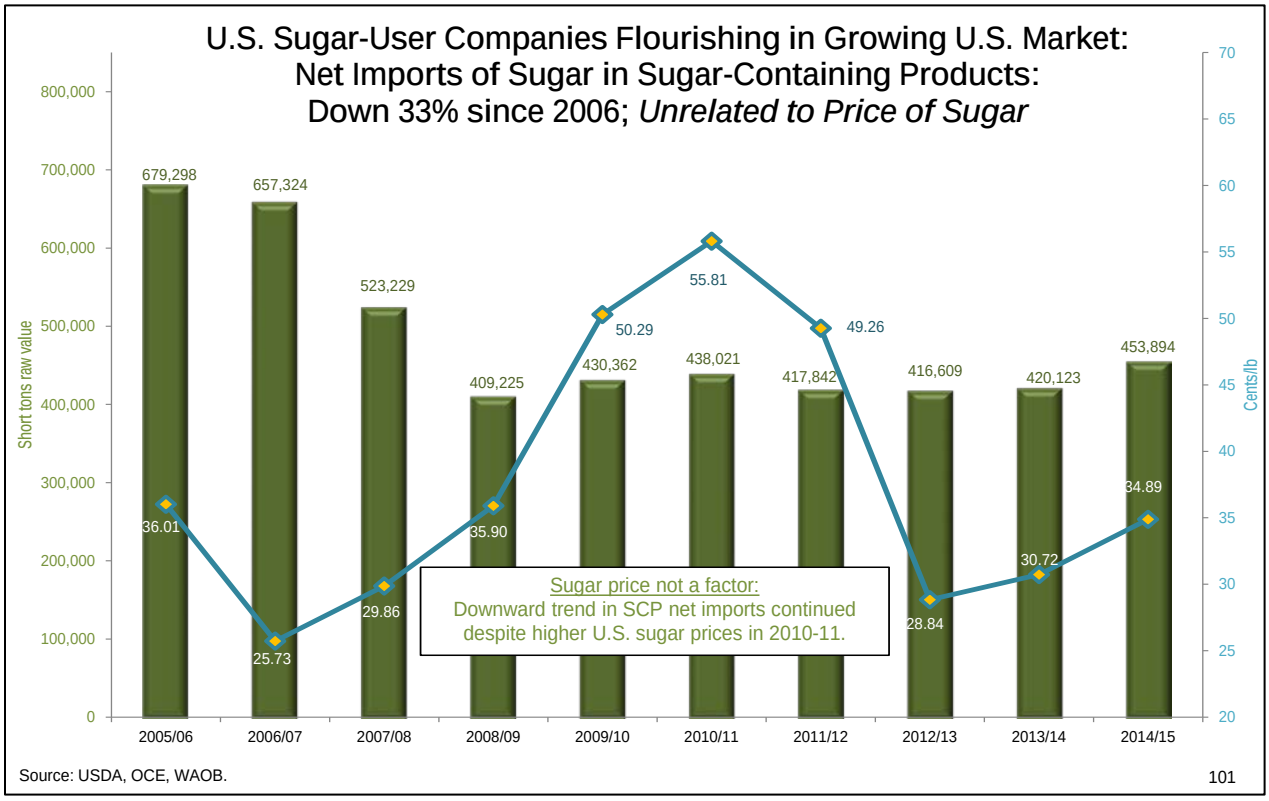


Chart 11



Additional evidence the U.S. SCP sector is no longer shifting abroad is somewhat anecdotal, but convincing. We have tracked press reports and company press releases of SCP expansions and relocations over the past several years, including foreign companies' expansions into the U.S. market.

Attached, as Appendix B, is a formidable list of U.S. and foreign companies' expansions, acquisitions, and plant openings in the United States. Our cursory review turned up 100 examples just since 2013. Foreign companies opening operations in the United States during that time include sweetened-product manufacturers from Brazil, Canada, China, Italy, Japan, Mexico, and Switzerland.

Rising domestic sales, rising export sales, and many new plant openings would appear strongly to indicate an expanding SCP sector in the United States, rather than a shrinking one.

Relocations Unrelated to Price of Sugar. Relocations that have occurred have been linked to other costs, and not to the price of sugar. Labor costs, in particular, are most often cited as the major factor in driving U.S. manufacturing abroad.

According to Triantis, BLS statistics show 2012 Mexican average hourly compensation in manufacturing to be barely one sixth of the U.S. level – $6.36/hour versus $35.67 in the U.S.[15]

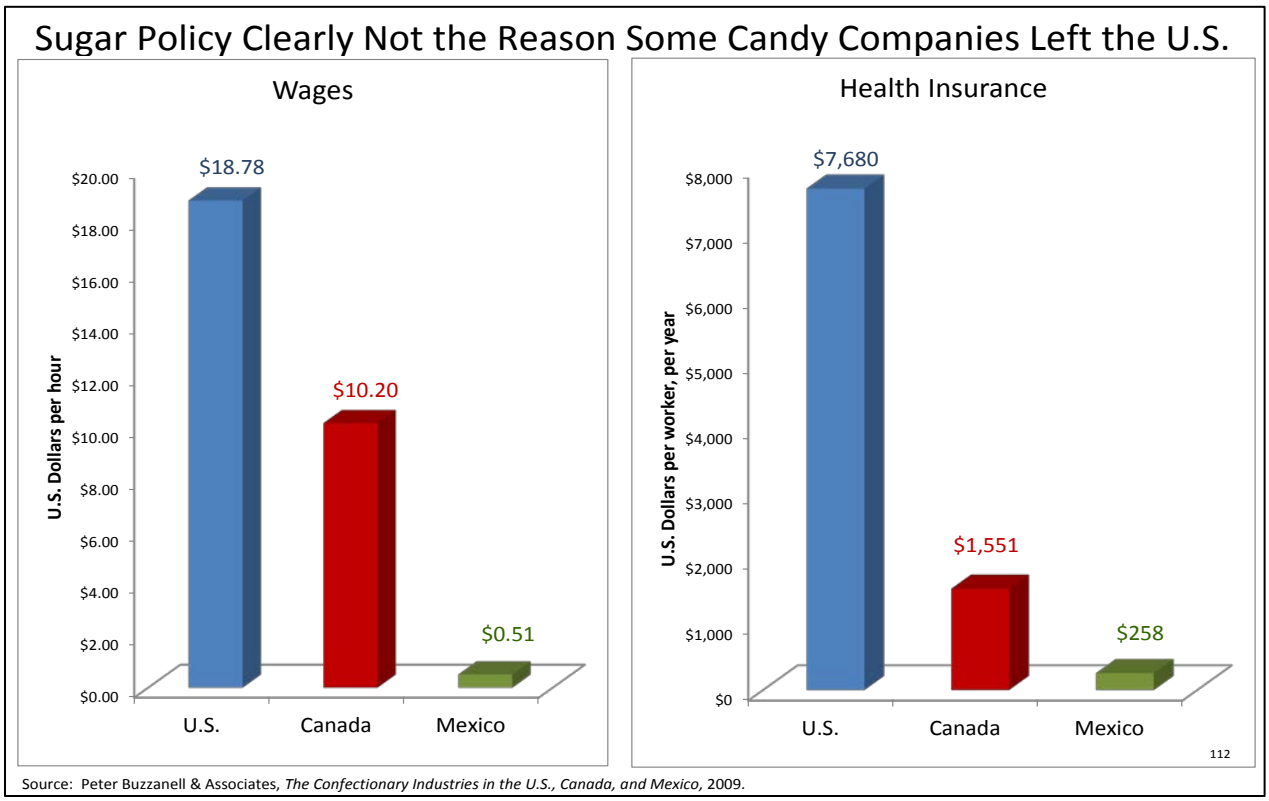
A 2009 study by former USDA analyst Peter Buzzanell focused on one confectionary company's relocation of a plant from Pennsylvania to Mexico, and another one's move from Michigan to Canada. He found stark differences on wages and health insurance, even relative to Canada (Chart 12), as well as substantial savings in Mexico and Canada, on taxes, land rents, energy, and other costs.

Meanwhile, though Canadian wholesale refined sugar prices are not published, unofficial data suggest Canadian prices are not substantially different from U.S. prices. USDA does publish U.S. and Mexican wholesale refined sugar prices, and the data show Mexican prices often above U.S. prices over time, and seldom significantly lower than here (Chart 13).

Plant location decisions are clearly driven by factors other than sugar.

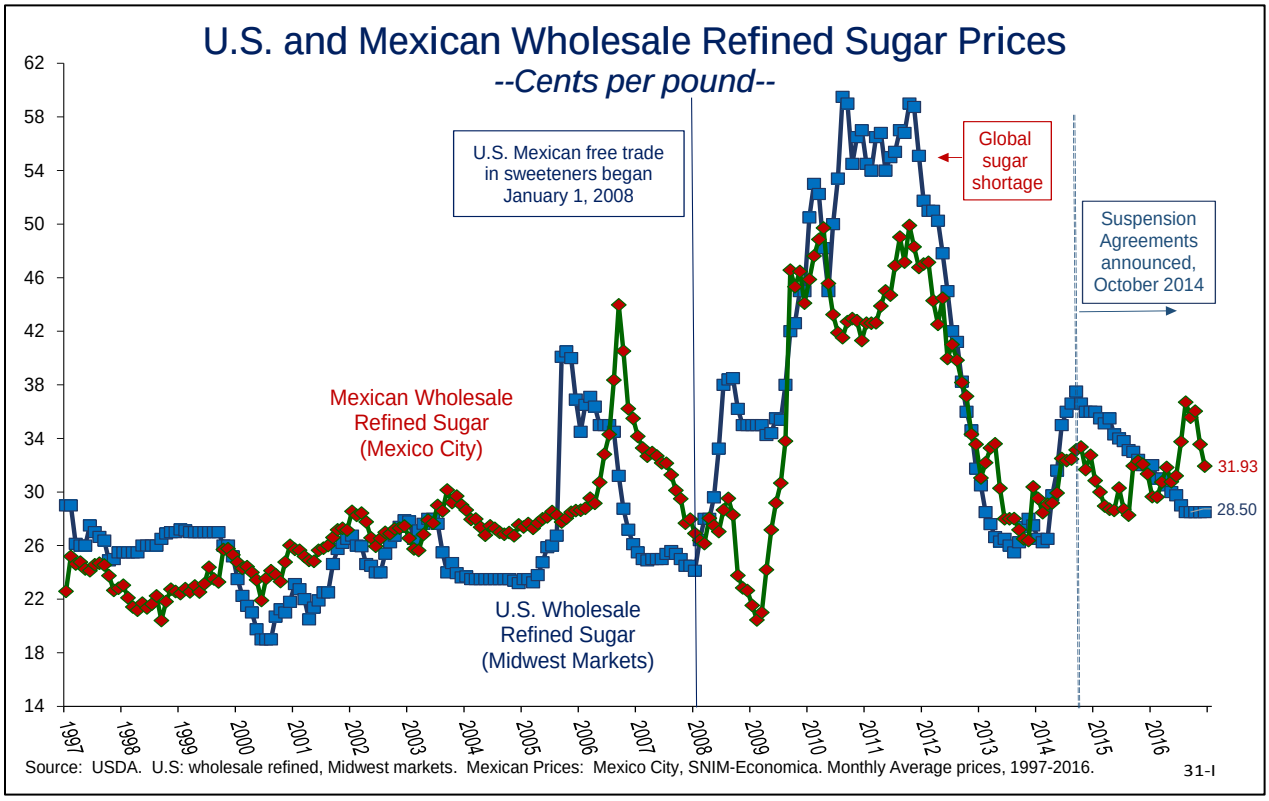
[15] Triantis, page 28.

Chart 12



Source: Peter Buzzanell & Associates, *The Confectionary Industries in the U.S., Canada, and Mexico,* 2009.

Chart 13



Source: USDA. U.S: wholesale refined, Midwest markets. Mexican Prices: Mexico City, SNIM-Economica. Monthly Average prices, 1997-2016.

SCP-Sector Financial Performance Far Exceeds U.S. Economy. Rather than a struggling industry, sensitive to input prices such as sugar, the SCP sector is not only preforming as well as the rest of the U.S. economy, but also demonstrably better than the economy as a whole.

Triantis created a portfolio of the nine largest publicly traded companies that specialize in sweetened-product manufacture, noting that because of high industry concentration the nine largest companies "will be very representative of overall industry performance."[16] Triantis used data from the public reports of these companies to analyze the financial performance of the sweetener-containing-product sector.

Triantis found that by every key financial indicator, SCP manufacturers are performing strongly, and far better than non-sweetened food manufacturers and the U.S. economy as a whole, over the past 15 years.

Triantis found that the SCP portfolio stocks averaged nearly triple the growth in the S&P 500 and that their price-to-earnings ratios beat the S&P 500 average by more than half. The SCP portfolio's revenue growth and returns on equity nearly doubled U.S. nominal GDP growth, and net margins were more than a third higher than U.S. public companies' overall. In terms of risk and cost of capital, measures of the SCP companies' volatility and market risk were less than half those of the overall stock market. The table below summarizes Triantis' findings, and charts on each financial performance measure can be found in Appendix C.

Table 3

Table 4.1 - Largest Sugar-Containing-Product (SCP) Manufacturers Outperform U.S. Economy Overall:
-- Key Financial Measures, 2001-2015 --

	SCP Manufacturers[1]	U.S. Economy	SCP Advantage vs. U.S. Economy
Revenue Growth[2]	131%	69%	90%
Net Margins[3]	8.5%	6.2%	37%
Returns on Equity[4]	23.8%	12%	98%
Volatility[5]	21%	66%	68%
Market Risk[6]	0.48	1.14	58%
Total Share Returns[7]	136%	50%	172%
Price to Earnings Ratio[7]	33.20	20.90	59%

[1] Portfolio of nine largest publicly held U.S. SCP companies (Campbell Soup Co., Flowers Foods, Inc., General Mills Inc., Hain Celestial Group Inc., The Hershey Co., J&J Snack Foods Corp., Kellogg's Co., J.M. Smuckers Co., and Tootsie Roll Industries, Inc.).

[2] U.S. Economy = U.S. nominal GDP growth.

[3] Net earnings divided by revenues. U.S. Economy = all U.S. public companies.

[4] U.S. Economy = overall U.S. stock market.

[5] Volatility is the standard deviation of the rate of returns on a stock. The lower the volatility, the more valuable the stock is, other factors being equal. U.S. Economy = overall U.S. stock market.

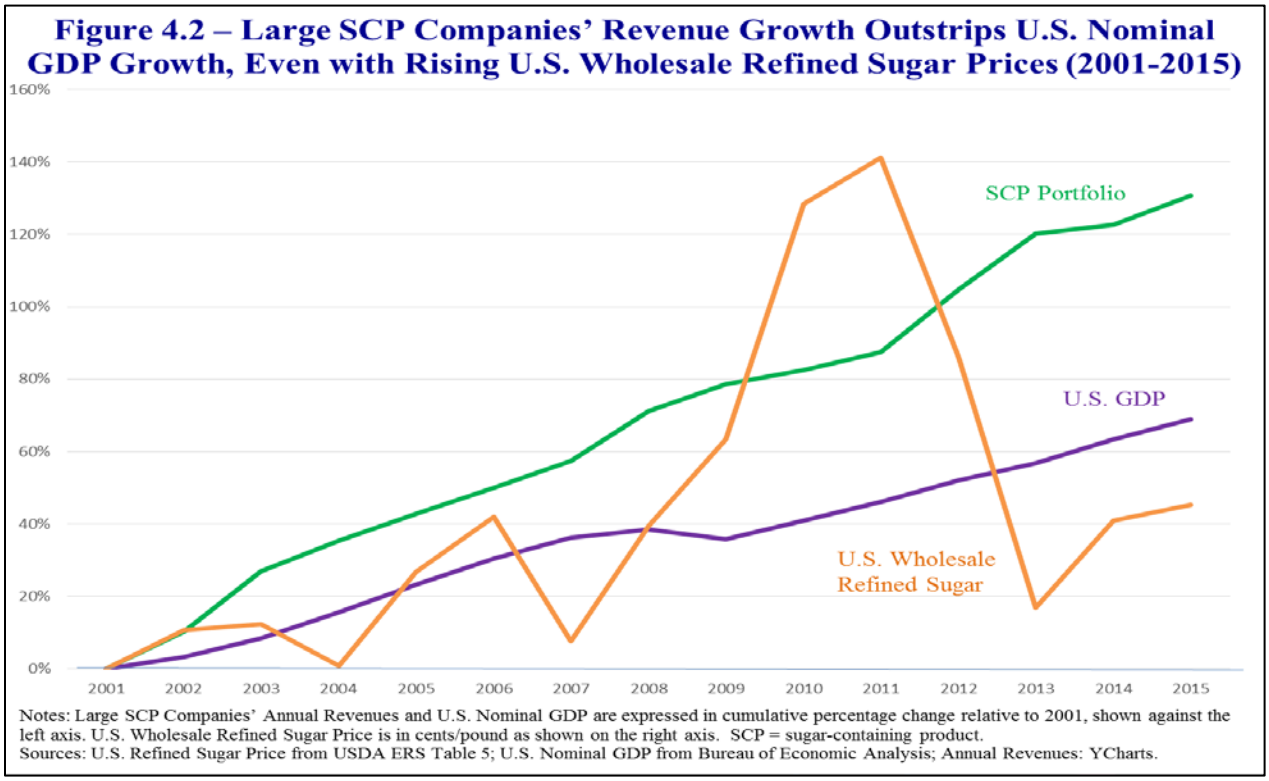
[6] Market Risk is a "Beta" measure of how closely and how much a stock moves with the overall stock market. The lower the market risk, the more valuable the stock is, other factors being equal. U.S. Economy = overall U.S. stock market.

[7] U.S. Economy = the S&P 500 Index.

[16] Triantis, pages 31-41.

SCP-Sector Financial Performance Unrelated to Sugar Price. The SCP sector has been performing well and expanding when sugar prices are rising and when sugar prices are falling. For example, Triantis shows his SCP portfolio continuing its spectacular revenue rise even during an unusual period – driven by a global sugar shortage – of rising wholesale refined sugar prices during 2009-11 (Chart 14).

Chart 14



Sugar Costs a Tiny Fraction of SCP Costs. The main reason SCP companies can fare so well when sugar prices are rising is that sugar represents a small portion of overall material costs, and an even tinier fraction of final retail product prices.

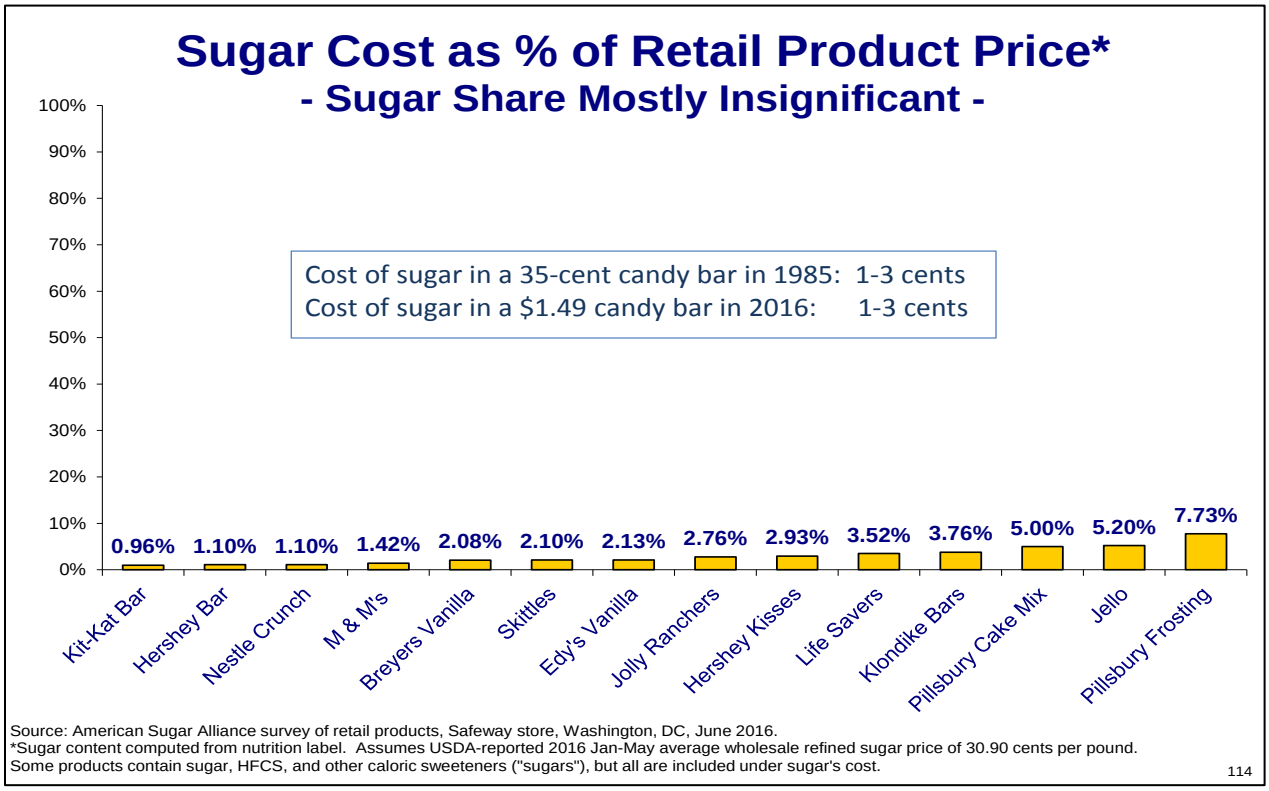
Triantis' noted the National Confectioners Association posted on its website that "for every $1 of confectionary product sold in 2010, only about 4 cents is attributable to the cost of sugar."

Triantis confirmed the NCA's 4% figure in an examination of the Annual Survey of Manufacturers over the past 15 years which showed total material costs amounting to 42% of the total value of shipments, and sugar accounting for only about 10% of those material costs. Hence, "sugar only represents 4% of these companies' revenues." Triantis added: "Since the retail cost of these confectionery products also reflects other markups along the value chain, sugar's share of the retail cost of these products is likely smaller still."[17]

[17] Triantis, page 20.

ASA research has confirmed Triantis' retail-cost observation. By examining the exact sugar content of sweetened products on the nutrition labels, we were able to pinpoint sugar costs. Chart 15 presents these findings as a percent of the retail cost of each product. The cost of the sugar in most confectionary products, chocolate or non-chocolate, amounts to just 1-3%.

Chart 15



For example, a typical chocolate bar, retailing for $1.49, contains about 1.5 cents worth of sugar. If trade liberalization dropped the sugar cost by a third, to 1.0 cents, and in the highly unlikely event the candy makers passed 100% of their 0.5-cent saving along to consumers, the retail price of that chocolate bar would slip to from $1.49 to $1.485.

Three observations:

1. Actual pass-through of the lower sugar price to consumers is more likely to be zero, as history repeatedly has shown.

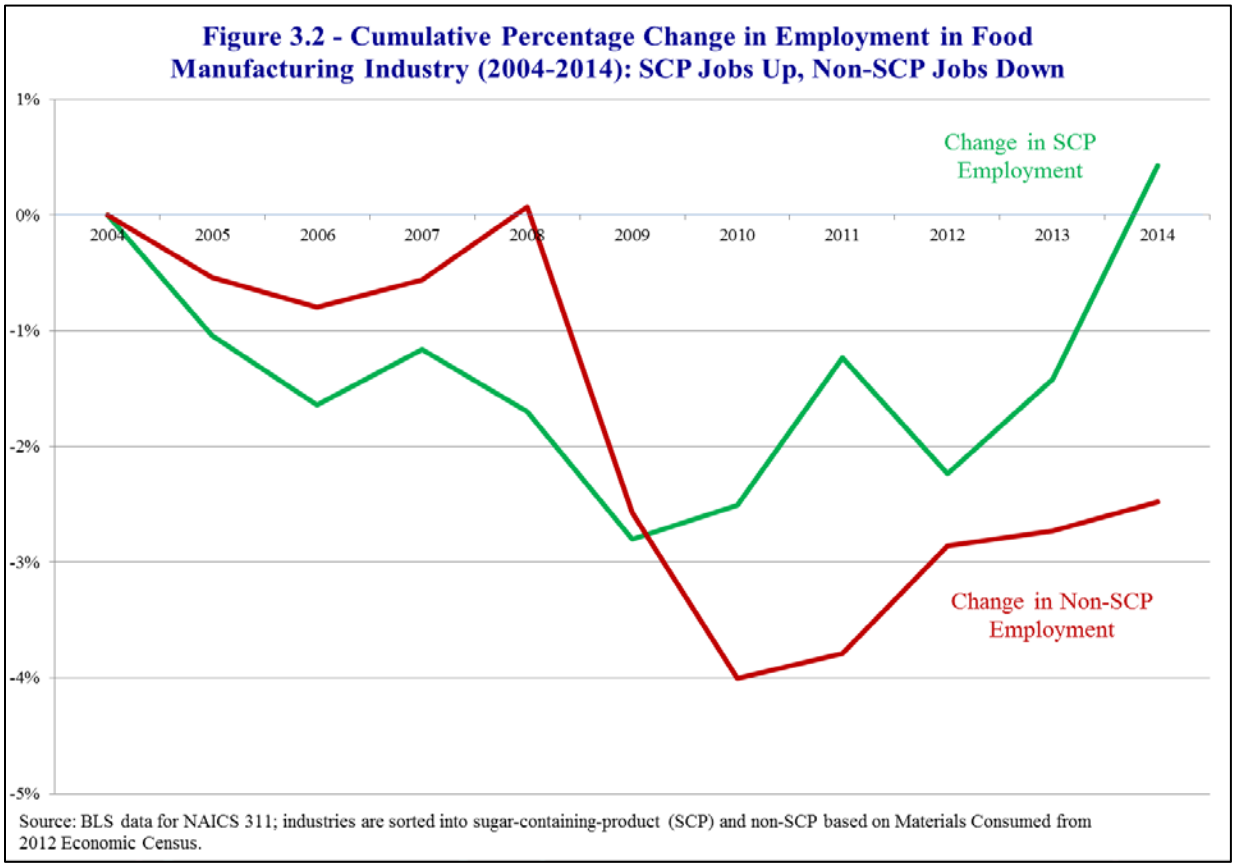
2. Even at 100% pass-through, the effect on the retail-product price would be imperceptible to consumers.

3. An imperceptible change in retail pricing cannot be expected to spur demand for the product and generate revenue and job gains for the sweetened-product-producing industry.

SCP Sector Faring Better Than Non-SCP Manufacturing. Sweetener-user representatives argue that more jobs are being lost in the sweetened-product manufacturing sector than in the manufacture of non-sweetened foods, and they blame sugar prices. But Triantis' analysis of BLS employment and USDA sugar-pricing data proves otherwise.

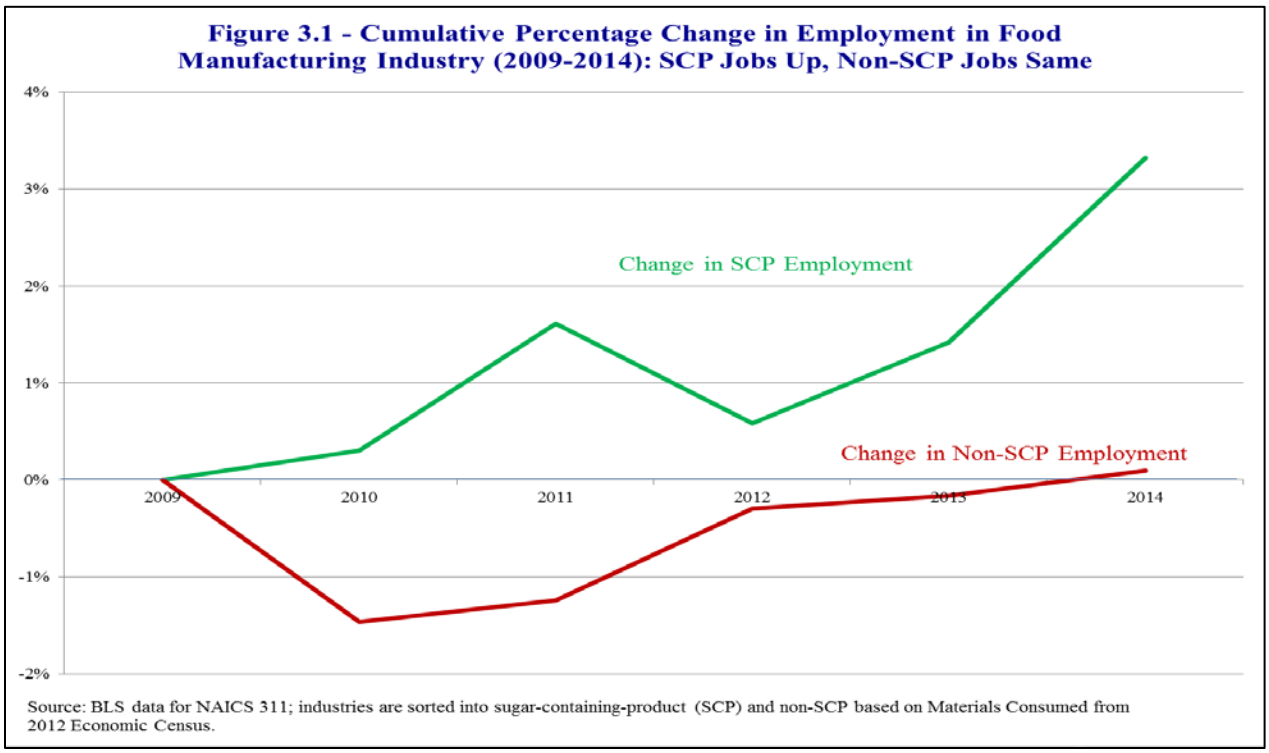
Examining employment trends for 2004-14 and for 2009-14, Triantis found occasional declines in SCP employment, but for both periods overall, SCP employment was up, not down. Non-SCP employment, meanwhile, was down for 2004-14 and flat for 2009-14 (Charts 16, 17). [18]

Chart 16



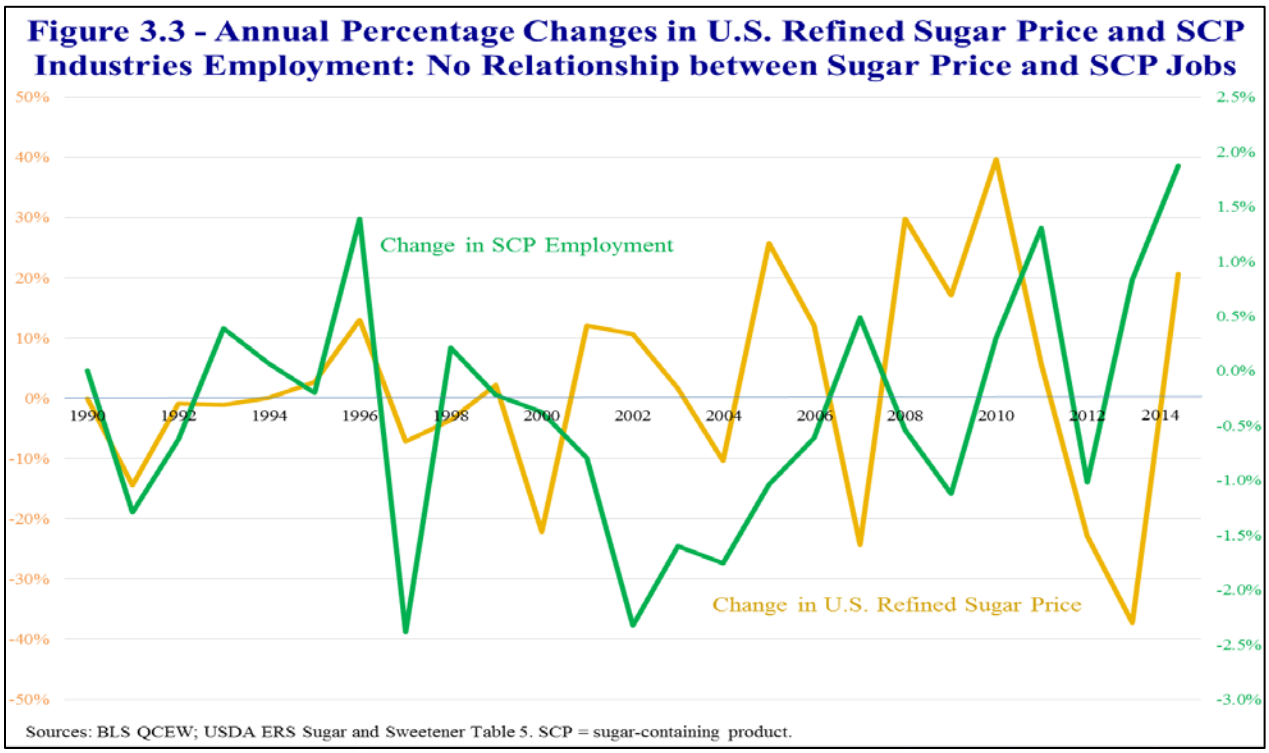
[18] Triantis, page 21.

Chart 17



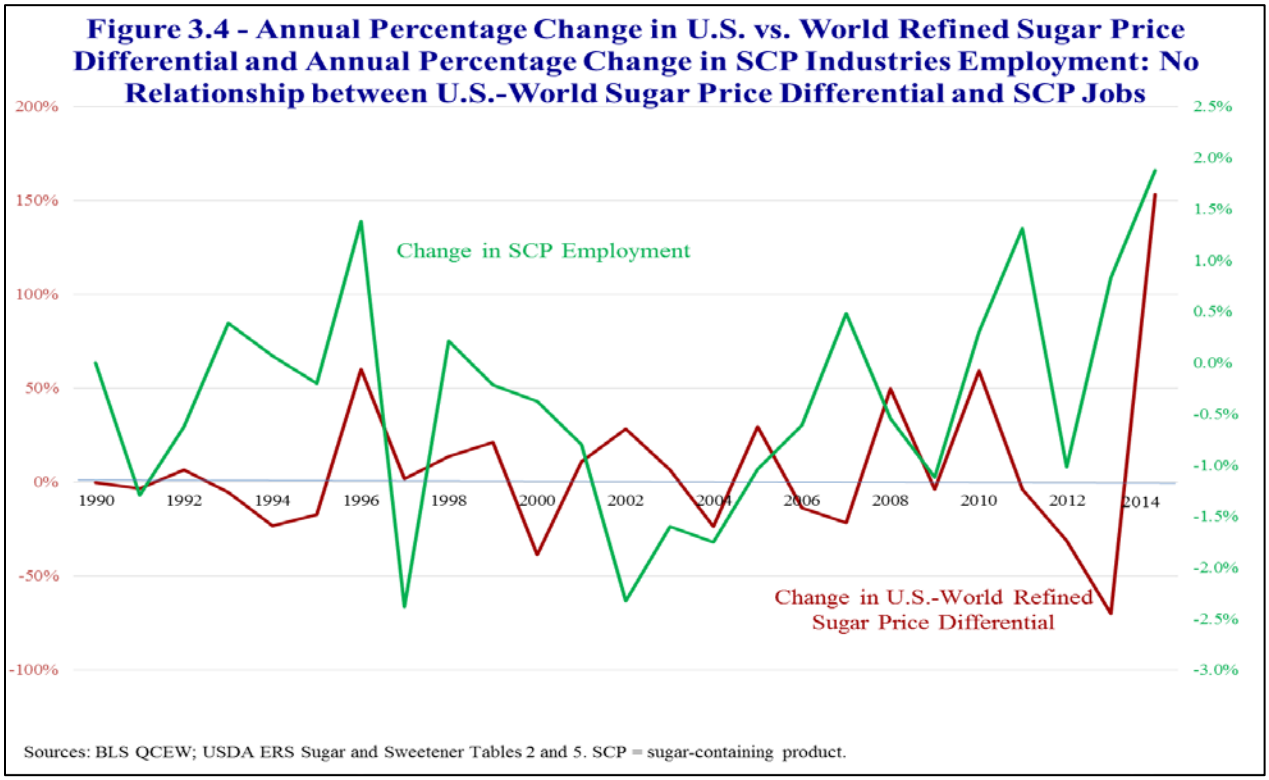
Furthermore, going back 25 years, Triantis could find no correlation between SCP employment and U.S. sugar prices (Chart 18).

Chart 18



Triantis also looked at SCP employment and the differential between U.S. and world refined sugar prices. Again, no correlation (Chart 19).

Chart 19



Since much is made of the frequent premium of the U.S. price to the world price, it is worth noting that no such premium exists now. The premium disappeared in the summer of 2016 as U.S. sugar prices fell, and has not returned. Charts 20 and 21 depict the Midwest U.S. wholesale refined price and the London refined world market price – adjusted for the roughly six-cent cost to transport sugar from Europe to the Midwest – and the difference between the two.

Under these circumstances, Midwest food manufacturers can buy U.S. sugar more cheaply than world dump market sugar. And, under these circumstances, food manufacturers would gain no benefit from the removal of sugar-import barriers that the ITC is studying.

Chart 20

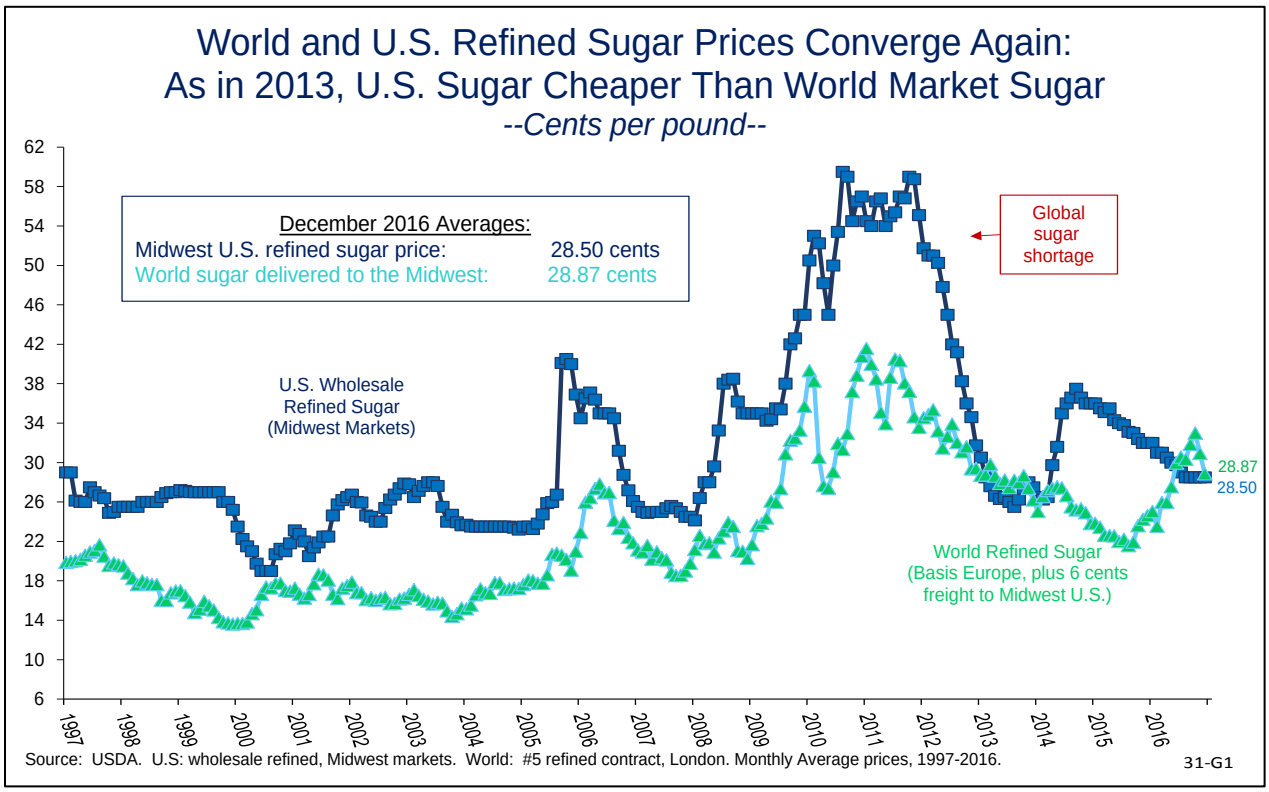
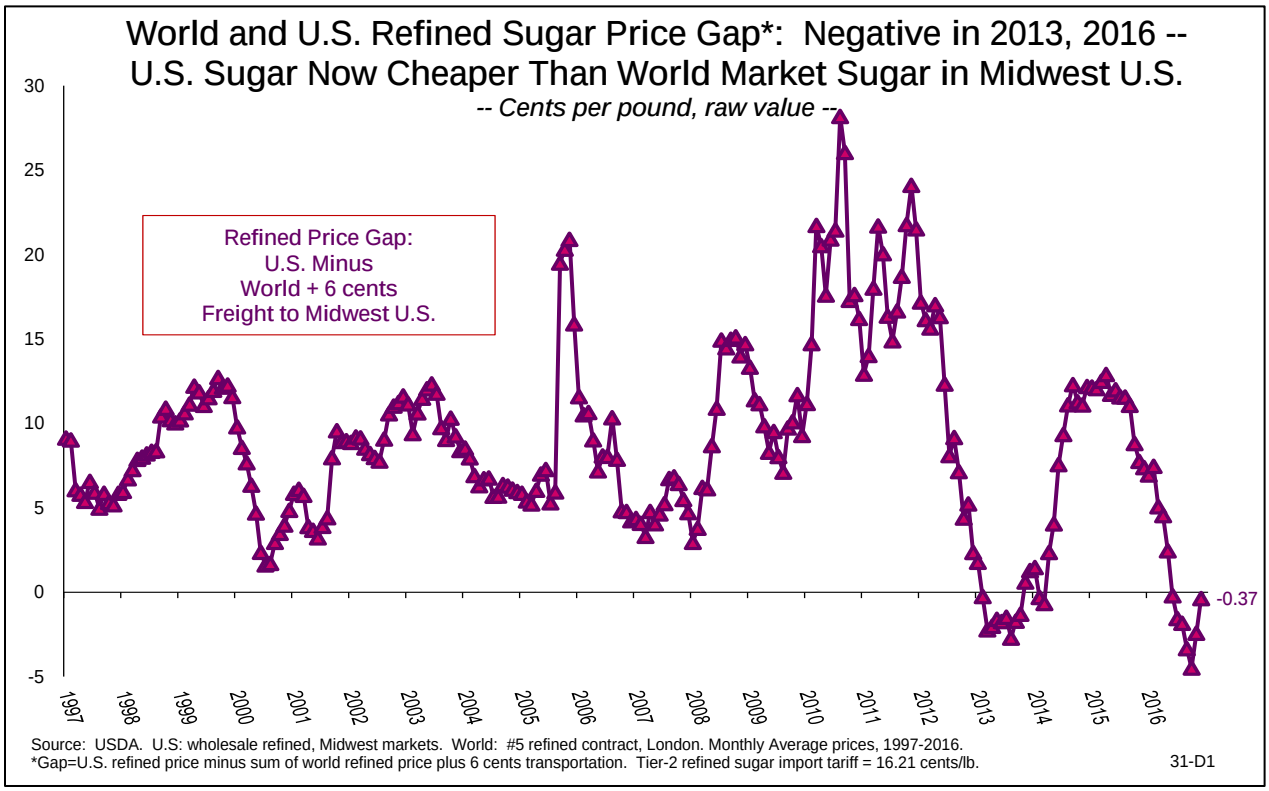


Chart 21

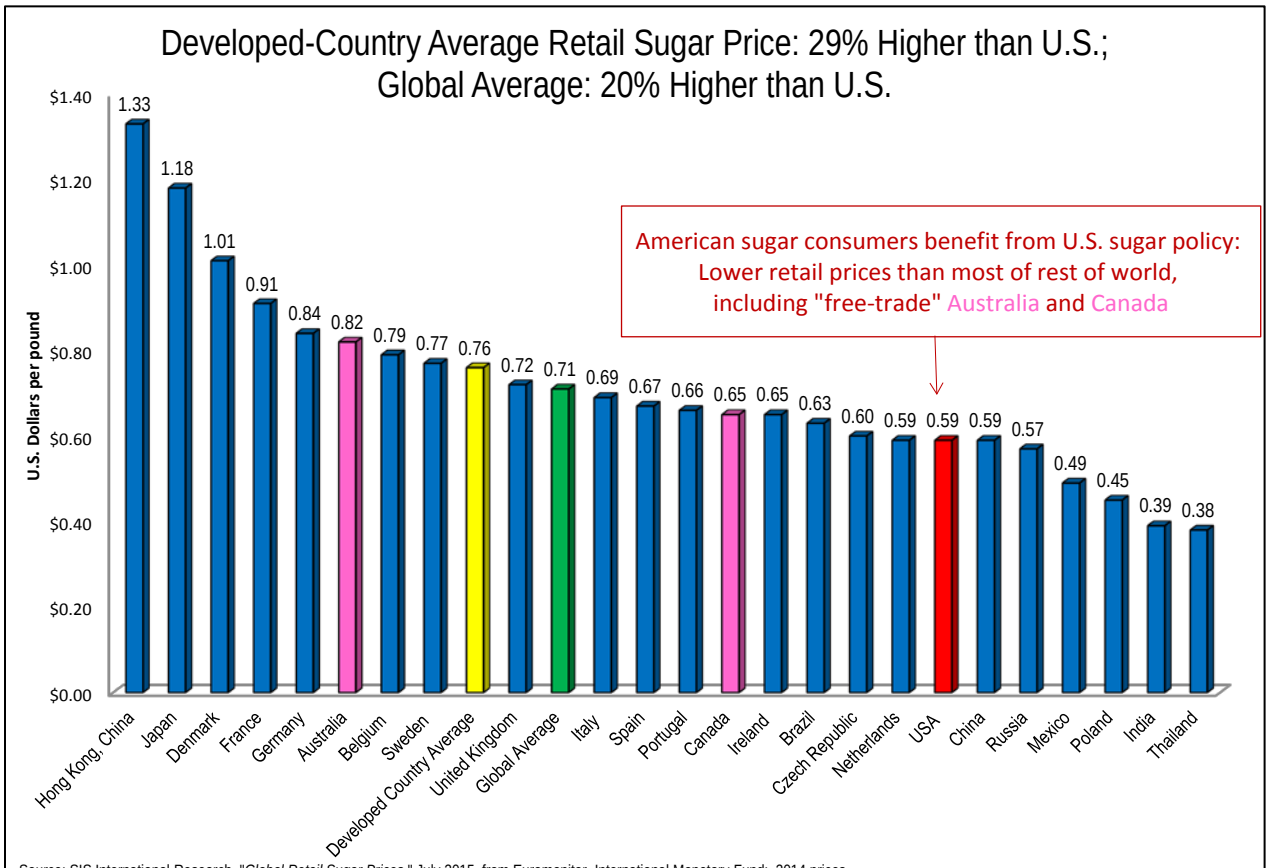


Important Perspectives on the U.S. and World Sugar Markets

Consumer Prices. A misperception heralded by sugar-policy opponents is that, because of the policy, American consumers pay more for sugar than their foreign counterparts. This is not true.

A global survey of actual retail prices paid by grocery shoppers around the world reveals that foreign consumers, on average, pay 20% more for sugar than American consumers do. For a more apt comparison, developed-country consumers pay 29% more (Chart 22). These findings, in a straightforward way, indicate a net benefit to American consumers from U.S. sugar policy, rather than a cost.

Chart 22



Source: SIS International Research, "*Global Retail Sugar Prices*," July 2015, from Euromonitor, International Monetary Fund; 2014 prices.
Surveyed countries represent 67% of global sugar consumption. Developed countries include OECD member countries and Hong Kong.

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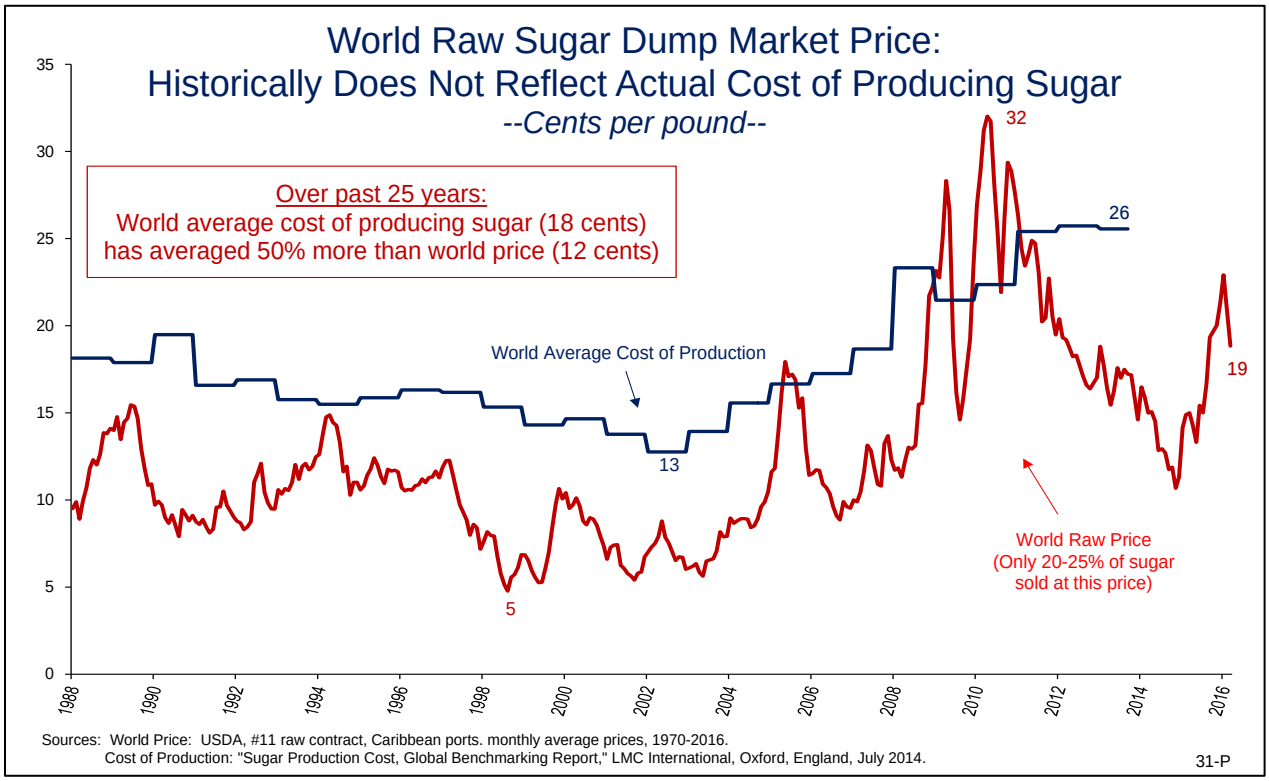
Foreign Subsidies and the Distorted World Market for Sugar. Though market prices are unusually high now, they are often quite low and well below the cost of producing sugar in most countries. Indeed, over the past 25 years, the data indicate the world average cost of producing sugar is 50% higher than the world price (Chart 23).

Chart 23



The governments of sugar-producing countries insulate their farmers from the world market, where subsidized producers have dumped their surpluses for whatever price it would bring. Chart 24 depicts the largest sugar exporters' shares of the world market and provides a sampling of some of their subsidy approaches. Governments in virtually all major sugar-producing countries provide their producers with a range of subsidies and other trade-distorting measures to buffer them from the volatile, and often deeply depressed, world sugar market. (Appendix D provides a sampling of 2016 USDA attaché reports on 27 foreign-Government sugar programs.)

How can a global sugar industry exist if world prices consistently average well below production costs? In fact, most sugar is sold in the country where it is produced at prices well in excess of world price levels and production costs.

Foreign wholesale-refined-sugar-price series are hard to find, but the International Sugar Organization undertook a survey of 78 countries to learn these domestic market prices. The data explain how, despite the generally depressed nature of the world sugar market, we can have a thriving global sugar industry. Globally, the wholesale price at which most sugar is sold has averaged 50% higher over the past decade than world

market prices did. In developed countries, the average wholesale price has been nearly double the world market price (Chart 25).

Chart 24

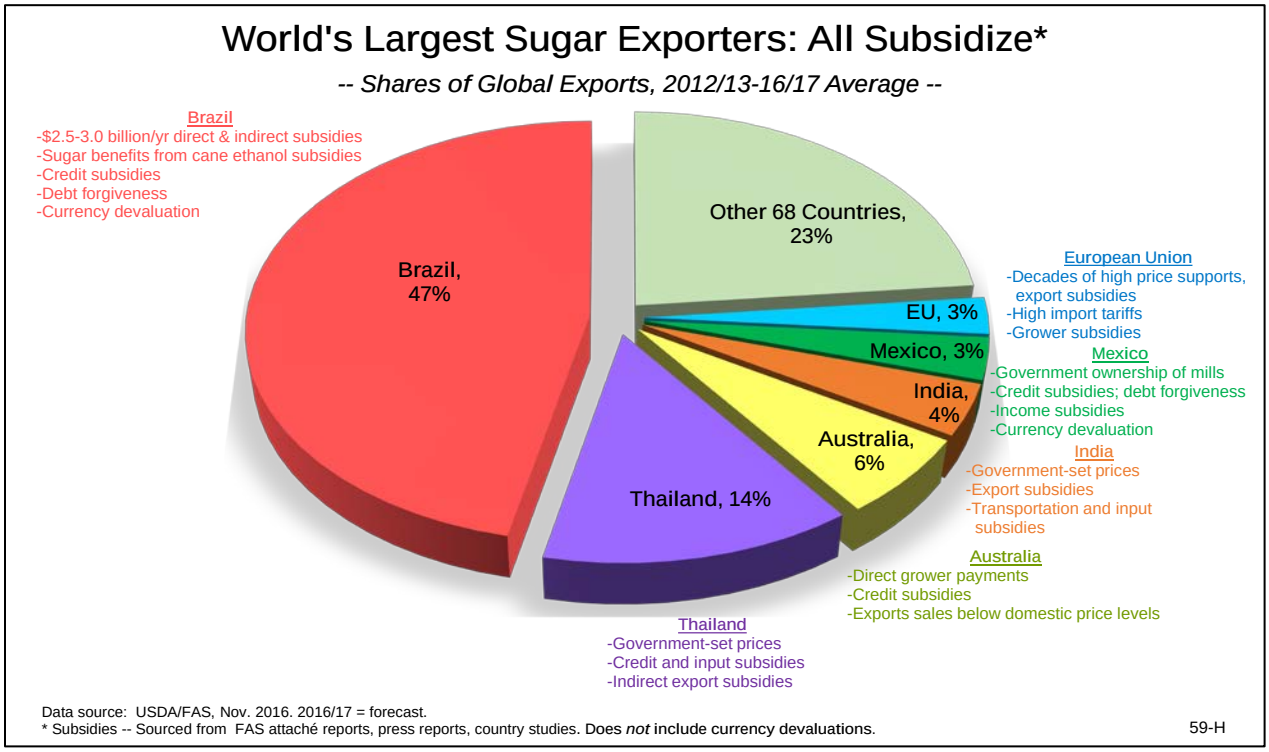
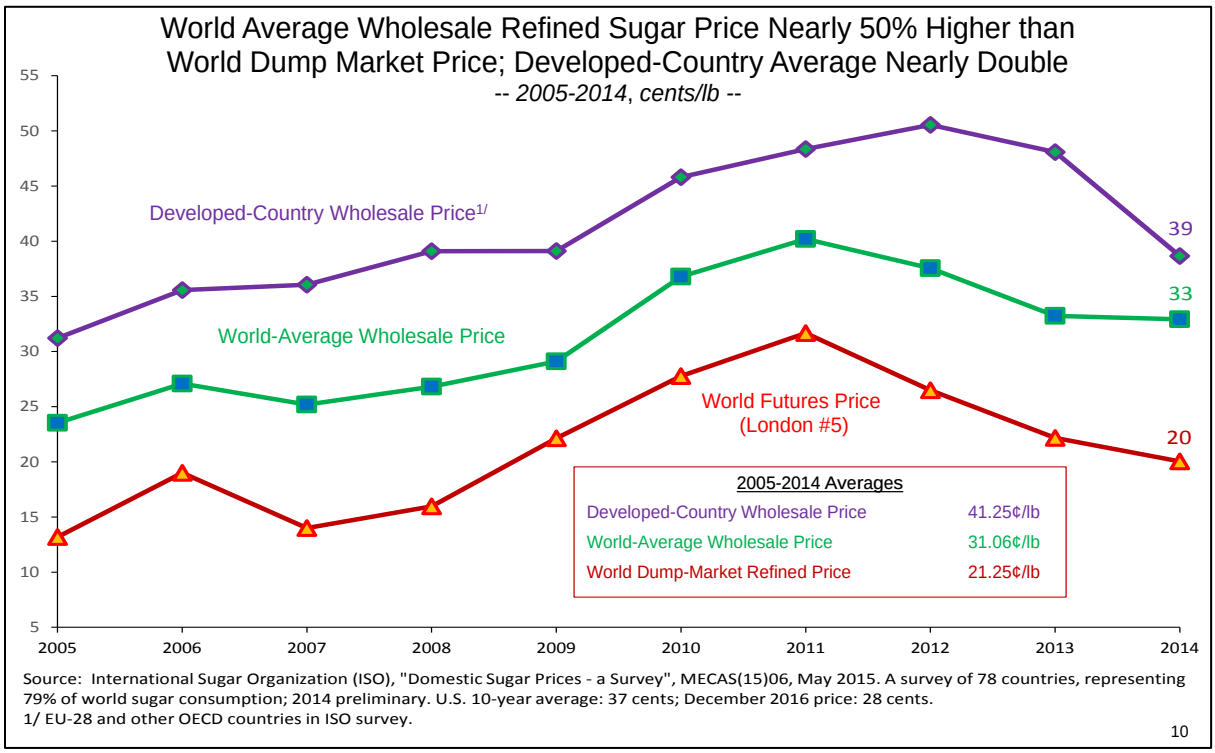


Chart 25



Two observations:

1. **Comparison of U.S. prices with these distorted world dump-market prices is unfair and misleading.** Fair comparison would be to global actual wholesale and retail prices. And these comparisons show U.S. food manufacturers and consumers fare better than their foreign counterparts when buying sugar.

2. **U.S. sugar-import restraints are an invaluable response to predatory pricing by subsidized foreign surplus producers**. Absent these import restraints American producers, like producers in most of the world, would not be able to compete with foreign dumping. American sugar producers, though among the world's most efficient,[19] would not survive if fully exposed to foreign dumping. The injury to the industry from the past several years of Mexican dumping is testimony to the real danger.

   Absent import restraints, and given the pernicious dumping that characterizes the world sugar market, the U.S. would have to bring antidumping cases against many countries, as it had to do as a consequence of the elimination of restraints with Mexico. Given the high cost of bringing such cases, the time involved, and the inevitably high level of injury, the U.S. sugar industry could not long survive unilateral elimination of sugar-import restraints.

Additional Concerns Regarding the ITC's 2013 Report

Re-Export Program. The ITC predicted an increase in exports of 1.3% under trade liberalization, and observed that 25-27% of U.S. sugar exports are under the U.S. refined sugar re-export program. It is unclear why trade liberalization would cause any increase in exports, because U.S. cane refiners and SCP manufacturers can already import unlimited duty-free quantities of world-price sugar for re-export as refined sugar or in products – as the ITC notes in a footnote on page 2-9.

Also, all the sugar the U.S. exports, as refined sugar or in products, is under the re-export program, not just one fourth.[20]

Any forecast job or revenue gains associated with sugar exports under trade liberalization would, therefore, have to be zero.

Modest Predicted Sales Increases Relative to Producer Losses. The ITC predicts a 0.6% increase in domestic SCP sales (along with the 1.3% increase in exports) under trade liberalization, and a 43% increase in imports. We are unable to understand how the thousands of U.S. producer jobs that would be lost – the ITC predicting, for

[19] U.S. sugar producers are the 20th lowest cost among 95 nations studied by LMC International in *Sugar Production Costs: Global Benchmarking, 2011 Report*, Oxford, England, August 2012.
[20] USDA's January 2017 WASDE report shows, for 2015/16, for example, 75,000 short tons of refined sugar exports and 148,000 tons of sugar in products, all under the re-export program.

example, a 17% loss in sugarbeet farming alone, and not to mention the many jobs dependent on each beet farm – could be more than offset by such a modest increase in SCP sales.

And yet, the offset must be considerable, since ITC predicts a net welfare gain to the U.S. economy of $277 million with sugar trade liberalization.[21]

Cane Refiners *Not* Subject to Marketing Orders. The ITC notes on page 2-12 that "cane refiners are subject to marketing orders." This is mistaken. USDA administers 22 federal marketing orders for fruits, nuts, and vegetables, and federal milk marketing orders, but none for cane refiners.[22]

USDA does administer a marketing allotment program for sugarbeet and sugarcane processors, but not for cane refiners. U.S. sugarbeet and sugarcane farmers may produce as much beet and cane as they wish, and process as much as they wish, but if their sugar production exceeds their mill's marketing allotment, they must store the excess at their own expense.[23]

Conclusion

U.S. sugar-import restraints provide a net benefit for the U.S. economy.

The restraints defend more than 142,000 American jobs generated directly and indirectly by the U.S. sugar-producing industry. Absent these restraints, and given the distorted nature of the world dump market for sugar, thousands of American jobs would be lost to subsidized foreign sugar producers.

The U.S. has experienced the elimination of sugar-import restraints under NAFTA and American sugar producers were severely damaged – as the ITC found in its 2014 Mexico injury investigation – but with no measurable benefit to American consumers.

Given the distorted nature of the world sugar market and Mexican subsidy and dumping behavior the past several years, the most obvious beneficiaries of the U.S. sugar-import surge that the ITC predicts would be the subsidized producers in sugar-exporting countries, particularly in Mexico.

While a continued surge in subsidized imports would depress U.S. sugar prices and bankrupt many American sugar farmers, American consumers would still see no benefit. History has shown that sweetened-product manufacturers absorb their savings on lower input costs and increase profits, rather than reducing the consumer price of their products.

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[21] ITC, page 2-13.
[22] USDA https://www.ams.usda.gov/rules-regulations/moa
[23] Congressional Research Service, *Sugar Program: The Basics*, April 2014 http://nationalaglawcenter.org/wp-content/uploads/assets/crs/R42535.pdf

Hence, any U.S. economic benefit from unilateral sugar-trade liberalization by the United States would accrue solely to the already highly profitable sweetened-product manufacturing sector. That industry has been flourishing and expanding, and has been mechanizing and increasing output per worker. SCP-sector performance will likely continue to be strong, without any discernible effect from sugar-trade liberalization.

There is therefore no reason to expect there would be any American jobs generated in SCP manufacturing to offset the thousands of sugar-producing jobs lost with sugar trade liberalization.

Appendix A – AD/CVD Cases Timeline

U.S. Anti-Dumping (AD) and Countervailing-Duty (CVD) Cases vs. Mexican Sugar	
2012/13	Mexican sugar production rises by 38%; Mexican sugar exports to the U.S. double (to 2 million tons); U.S. sugar price collapses.
2014	
March	U.S. files AD/CVD cases vs. Mexican sugar.
May	U.S. International Trade Commission (ITC) preliminary finding, by 5-0 vote, that Mexico has injured the U.S. sugar industry.
August	U.S. Department of Commerce (DOC) finds that Mexico has been subsidizing and imposes preliminary CVDs at 3-17%.
October	DOC finds that Mexico has been dumping (selling below domestic cost of production or prices) and imposes preliminary ADs at 40-47%.
	U.S. & Mexican governments announce draft Suspension Agreements (SAs) to suspend duties and resume duty-free sugar trade, with Mexican exports to the U.S. no longer to exceed U.S. needs.
December	U.S. & Mexican governments sign the SAs. Mexico may fulfill 100% of U.S. import needs above trade commitments; reference prices and limit on refined share of imports set.
2015	
March	ITC finds, by 6-0 vote, that the SAs eliminate the injurious effect of Mexican dumping on the U.S. industry.
September	DOC finds final dumping margins of 41-42%.
October	DOC finds final subsidy margins of 6-44%. Combined final subsidy and dumping margins total 48-84%.
	ITC final finding, by 6-0 vote, that Mexico injured U.S. sugar industry.
2016	
October	U.S. Court of International Trade (CIT) denies the Imperial Sugar appeal of the ITC determination that SAs eliminate the injurious effect of Mexican dumping and subsidies.
December	DOC preliminarily determines in an administrative review of the SAs, covering 2015, that some companies may not be in compliance with the SAs and that not all statutory requirements for the SAs are still being met.
	Imperial Sugar appeals the CIT decision to the U.S. Court of Appeals for the Federal Circuit.

Appendix B -- U.S. Sweetened-Product-Manufacturer Openings/Expansions, 2013-2016

"Leclerc Foods, a maker of cookies, snack bars and crackers, has unveiled plans to invest $49 million to establish its U.S. headquarters in Kingsport, Tenn., and expand production operations."
Food Business News
12-12-16

"Mount Franklin Foods, L.L.C., a North American manufacturer of confections and nut products, has acquired its first candy making facility in the United States… The company plans to invest $10 million in equipment for the Sumter, S.C., facility."
Food Business News
11-8-16

"General Mills is increasing its cereal production in western New York. A $25 million expansion project includes the purchase of new packaging equipment, upgraded ingredient systems, and the addition of Corn Chex and Honey Nut Chex at the Buffalo plant."
Associated Press
10-9-16

Mondelez plans to spend $65 million to open or improve nine research and development labs across the globe. The centers will be located in key markets for the company like East Hanover, N.J.
Chicago Tribune
9-14-16

"Enjoy Life Foods opens a new [200,000 square-foot] manufacturing plant in Indiana."
Food Business News
9-8-16

"A $2 million renovation of Ether M's chocolate factory store in Nevada is expected to [be] complete in October this year."
Confectionery News
9-1-16

"Wolfgang Candy plans multi-million-dollar factory [in Penn.] amid substantial growth."
Confectionery News
8-26-16

"Nestle has expanded its Dublin, Ohio, quality assurance center, investing $31 million to upgrade the facility."
Confectionery News
8-18-16

"One of York County's best-known businesses is expanding into the southern part of the county. Wolfgang Candy Co. will open a new production facility by the end of the year in Loganville… Wolfgang expects to add about 30 additional employees at the Loganville plant."
Central Penn Business Journal
8-10-16

"When Tom Scheiman was looking to expand B.A. Sweetie Candy Co. Inc., he was thinking big. His ambitions became reality this past year with the purchase of warehouse space where the store's square footage doubled and its shelving capacity grew monumentally… The decision to go from 20,000 square feet and 12-foot ceilings to a 40,000 square foot building with 22-foot ceilings just down the road was predicated on Scheiman's strong belief that candy sales are not slowing down."
Candy and Snack Today
7-25-16

"Production of Skittles, the colorful fruit-flavored treat, will expand to Yorkville [Ill.] starting next week thanks to a $50 million plant expansion sweetened by state and local incentives… There are 75 new workers at the facility as a result of the Skittles line addition, adding to the 300 employees that already made gum and mint brands like Juicy Fruit, Doublemint and Life Savers."
Chicago Tribune
6-11-16

"Chocolatier Kelly Smith…is one of many specialty chocolate merchants taking root in Central Florida, with new shops in Maitland, Orlando and Disney Springs. That's on top of a chocolate-themed restaurant slated for Universal CityWalk and other tourism destinations such as Chocolate Kingdom and World of Chocolate."
Orlando Sentinel
5-12-16

"A new Mast Brothers Chocolate factory and shop will open in mid-April in downtown Los Angeles."
Los Angeles Times
3-25-16

"The Barry Callebaut Group announced the completion of an expansion in its American Canyon, Calif. factory."
CandyIndustry.com
3-16-16

"CandyWarehouse.com Inc…has purchased a warehouse in Charlotte, N.C., for an undisclosed price. The move allows the Southern California-based online retailer to reach most of the country—80%—in two days via standard ground shipping… CandyWarehouse.com has grown by an average rate of 11.71% over the past five years."
InternetRetailer.com
3-3-16

“Krusinski Construction Company has completed a 250,000-square-foot expansion for Ferrara Candy Company in Bolingbrook, Illinois, adjacent to the firm’s existing 750,000-square-foot distribution facility.”
Real Estate Journal
2-3-16

“Retired Carol Stream cop opens candy shop in Bloomingdale [Ill.].”
Daily Herald
1-12-16

“Arizona-based Lulu’s Chocolate plans West Asheville [N.C.] location.”
Mountain Xpress
1-11-16

“Royal Candy Co. begins [N.J.] expansion. Company has doubled its office staff to accommodate increased orders.”
CandyIndustry.com
1-6-16

“Grimaldi Candy’s sweet success means [Fla.] expansion, jobs.”
Bay News 9
12-23-15

“Abdallah Candies is getting $170,000 from the state of Minnesota to help finance its $12 million expansion in Apple Valley.”
Minneapolis Star Tribune
12-3-15

“Confectionery and bakery equipment supplier, Savage Bros. Co., is moving into a larger manufacturing space. The Elk Grove Village, Ill.-based company is combining its present 30,000-sq.-ft. manufacturing building and 13,900-sq.-ft. assembly building into a single 81,500-sq.-ft. building with state-of-the-art electric, lighting and communications.”
CandyIndustry.com
11-19-15

“Nassau Candy plans $4.3M expansion in Hicksville [N.Y.].”
Newsday
11-9-15

“Famously irreverent candy retailer IT’SUGAR is opening up a 3,700-sq.-ft. ‘mega-shop’ at the largest retail and entertainment complex in the nation, Mall of America.”
CandyIndustry.com
10-21-15

"Grimaldi Candy Co. expanding to major national retailers…company expects to see continued growth into 2016 and beyond.
CandyIndustry.com
9-23-15

"Virc, LLC has broken ground for a 25,000-square-foot facility in Selma, TX…marking the confectioner's first U.S. company with Mexican investment."
Candy & Snack Today
9-17-15

"Groundbreaking is set for next week on a $41 million expansion at DeMet's Candy in Big Flats [N.Y.] that is expected to add 70 jobs at the plant."
Corning Leader
9-15-15

"Sugarfina, a Los Angeles-based candy seller, is opening two stores [in New York City] this fall. The three-year-old brand will open a 250-square-foot shop on the first floor of the Time Warner Center, replacing Tesla, according to a spokeswoman. Sugarfina also plans to open a roughly 1,000-square-foot space on upper Madison Avenue."
Crain's New York Business
9-7-15

"Florida-based Sweet Pete's Candy kicks off a national expansion with its first Chicago-area location."
Chicago Tribune
8-18-15

"Candymaker [Marini's Candies] looks to build on 100-year legacy with new Westside location [in California]."
Santa Cruz Sentinel
8-6-15

"Mars Inc. announced plans Wednesday for a $100 million expansion of its candy-making plant in Kansas…After constructions wraps up in late 2016, the company will add 70 full-time employees to the 200 already working in the Topeka area."
Associated Press
7-15-15

"Barry Callebaut Center Expands, Adds Applications Lab"
Candy & Snack Today
7-2-15

"Ghirardelli Chocolate Co. will open a new Chicago location this weekend, unveiling a 7,000-square-foot space in the historic Wrigley Building… The San Francisco chocolatier hired more than 100 employees for the new store."
Chicago Tribune
6-26-15

"Candy giant Mars adding 175 jobs in Georgia, ramping up production."
Atlanta Business Chronicle
6-24-15

"Piedmont Candy marks 125 years by expanding to Duracell building."
The Dispatch
6-23-15

"Bimbo Bakeries USA is expanding its operation in Orangeburg [S.C.] and will add 30 jobs… The company said Tuesday it is investing more than $9 million in its plant and will add the jobs during the next five years."
Associated Press
6-10-15

"The rows and rows of homemade chocolates nestled behind glass cases at Schimpff's Confectionery soon will double. The 124-year-old candy business is expanding its [Indiana] retail and manufacturing space into the building next door that has been largely unoccupied for two decades."
News and Tribune
5-21-15

"This spring, Edward Marc opened a new 50,000-square-foot food production facility on 38th Street in Lawrenceville that eventually could see five production lines turning out 17.5 million pounds of chocolate annually….the company's sales in 2005 were $179,000. He said they're projected to hit $25 million this year."
Pittsburgh Post-Gazette
5-14-15

"CNBC's 'The Profit' Marcus Lemonis has verbally agreed to purchase two buildings off Hogan Street [in Jacksonville, Fla.] for the expansion of Sweet Pete's Candy and The Candy Apple Café & Cocktails."
Jacksonville Business Journal
5-9-15

"Goya Foods… has opened a new sustainable corporate headquarters in New Jersey as part of a $500 million global expansion over the past 10 years. The opening of the new facility ensures the retention of more than 500 existing local jobs and offers 100 new positions, Goya said."
BakingBusiness.com
4-19-15

"Brazil-based candy-confectionary products manufacturer Mavalério opens U.S. production hub in Virginia."
Area Development Online
4-10-15

"Flowers Foods expands operations at Ensley [Ala.] facility."
Birmingham Business Journal
3-17-15

"Clif Bar & Co. broke ground Thursday, March 12, for the Clif Bar Baking Co. in Twin Falls, Idaho… The new $90 million, 270,000-square-foot bakery will help the company meet growing demand worldwide and bring more than 200 jobs when it opens in the spring of 2016, company officials said."
Capital Press
3-13-15

"Hamtramck's [Mich.] most popular chocolate shop is expanding… Alexandra Clark, owner of Bon Bon Bon in Hamtramck, Friday confirmed that she's expanding."
MLive Media, Detroit
3-6-15

"St. Croix Chocolate Co. buys building, plans expansion [in Minn.]."
Country Messenger
2-17-15

"Elmer Chocolate will expand its Ponchatoula production facility by 70,000 square feet in a $40 million project, the company said Tuesday. Elmer Chocolate, which started in New Orleans in 1855 as the Miller Candy Corp., will also add 10 new jobs to its roster of 164 employees, according to a news release."
New Orleans Times-Picayune
12-30-14

"Chocolatier Jacques Torres – or Mr. Chocolate – is one of Santa's sweetest helpers… Fourteen years and eight shops later, this modern-day Willy Wonka has opened up a chocolate factory of his own… Inside his "cool" 40,000 square-foot space, Torres and his team make almost everything they sell."
CBS News
12-20-14

"The Barry Callebaut Group has completed the expansion of its Mona Lisa Chocolate Decorations factory in Hendersonville, N.C. The company hopes the expansion will help it become more prominent in the U.S. chocolate decorations market."
CandyIndustry.com
12-10-14

"While many U.S. food companies are closing factories and cutting staff, Mars Inc. recently opened its first new chocolate factory in the country in 35 years to feed Americans' seemingly boundless hunger for sweets….. The factory's 500,000 square feet…include space for another three production lines so Mars can expand."
Wall Street Journal
10-29-14

"North Las Vegas — Snack maker RW Garcia Co. Inc. has begun operations in its newly opened 63,000-square-foot facility, which the company claims will expand production capacity sixfold, the company reports."
Candy and Snack Today
10-29-14

"Mars Inc. plans to invest $31 million and add a research and development application center to its plant in Greenville [Miss.]."
BakingBusiness.com
10-27-14

"A giant chocolate factory and retail space is coming to Sunset Park's Industry City, a sprawling 30 acres on the Brooklyn waterfront…. Under master chocolatier Anwar Khoder, Li-Lac will be both a factory and a destination as its chocolate production will be 'completely visible' to the public."
New York Post
10-5-14

"This month, [Nestle's quality-assurance] lab celebrated the opening of an $11 million, 35,000-square-foot addition [in Dublin, Ohio] that dramatically increases the facility's capacity."
Columbus Dispatch
9-27-14

"Abdallah Candies has struck a tentative deal to buy land in Savage [Minn.] and build a $7.8 million manufacturing facility that's twice as large as its current location. The Burnsville-based chocolate manufacturer has outgrown its 60,000-square-foot headquarters… The company has enjoyed steady sales increases since it moved there 13 years ago, even during the recession."
Minneapolis/St. Paul Business Journal
9-10-14

"Kellogg Company will invest $15 million to expand its production facility in Muncy, Pennsylvania… The investment will result in the retention of 323 manufacturing jobs in Lycoming County."
AreaDevelopment.com
9-3-14

"Swiss chocolate maker Lindt & Sprungli announced acquisition today of a 400,000-square-foot warehouse and distribution center in the Carlisle (PA) area."
Central Penn Business Journal
8-28-14

"Hoffman's Chocolate opening on Las Olas Boulevard."
Sun Sentinel
7-30-14

"Studebagels and South Bend Chocolate Co. plan to finalize Wednesday a joint venture that will both expand the product line at Studebagels and provide the local chocolate company with a new location near the University of Notre Dame."
South Bend Tribune
7-15-14

"The nation's third largest chocolate manufacturer [Russell Stover] tore down its 10,500-square-foot outlet in April and recently unveiled an approximately 12,700-square-foot expanded facility, the only one it operates in Florida."
Daily Commercial
7-9-14

"Emporia, Kan., could have bragging rights as the Twinkie capital of the world. Its Hostess Brands plant, reopened last year and expanded this year, has added $30 million worth of improvements, including a $25 million bakery line to churn out more snack cakes."
Kansas City Star
7-7-14

"Over the past couple of weeks, the already larger-than-life Las Vegas has gotten a big dose of candy, in the form of an 18-foot Reese's Peanut Butter Cup and a 64-foot Hershey's Chocolate bar tempting visitors on the Strip. The whole town gets a little bit sweeter with today's grand opening of Hershey's Chocolate World at New York-New York Hotel Casino."
USA Today
6-2-14

"Wrigley plans to start making Skittles in Yorkville (Ill.), expanding its plant there and adding 75 full-time manufacturing jobs, the candy maker plans to announce on Wednesday."
Chicago Tribune
5-28-14

"In 2011, [Nassau Candy Distributors] planned a $2.25 million project to expand. Then, in 2013, the company planned a $14.7 million project to open a regional warehouse to free up space for more manufacturing. In both cases, New Jersey and Long Island vied for the business."
Newsday
5-23-14

"When [Whimsical Candy] was launched [in 2008], Kadow-Dougherty sold exclusively wholesale. Within two years she expanded to include caramels and an e-commerce site. Last year she opened her first retail shop, which is also the production kitchen for wholesale. Now, she's sharing La-Dee-Dahs with more than 70 specialty shops across the country."
CandyIndustry.com
5-23-14

"With a waiting list of over 300 potential wholesalers, San Francisco's Dandelion Chocolate is in big-time expansion mode. Dandelion will open a second, much bigger chocolate factory in the Mission, and will also roll out a kiosk at the Ferry Building next door in early June."
San Francisco Chronicle
5-23-14

"Krause's Homemade Candy expanding to Glenville, NY."
Albany Business Review
5-14-14

"Mondelēz to invest $40 million in Virginia bakery."
BakingBusiness.com
5-14-14

"Sweepy Group Products, which was incorporated in 2013, has announced plans to open a new 32,000-sq.-ft. factory in Miami Lakes, Fla. The plant is slated to manufacture snack packs featuring breadsticks and confectionery dips starting in the second quarter of 2014."
CandyIndustry.com
4-30-14

"Keebler Co., a division of Kellogg Co., has been approved to receive $2 million in tax incentives from the Kentucky Economic Development Finance Authority to purchase new equipment and add manufacturing capacity at its Florence, Ky., facility."
Food Business News
4-29-14

"IT'SUGAR has 64 stores nationwide, including 13 in Florida… By the end of the year, [CEO Jeff Rubin] expects to have 80 shops in all."
Miami Herald
4-27-14

"The Dunmore Candy Kitchen is expanding to Scranton [Penn.], opening a new retail shop and kitchen on Davis Street in the fall."
The Times-Tribune
4-18-14

"A Swiss chocolate manufacturer [Chocolat Frey AG and SweetWorks Inc.] with an eye toward North American expansion has acquired the majority of stock in a Buffalo-area candy maker."
Buffalo Business First
4-9-14

"The [Hobart, Ill.] City Council took a preliminary step Wednesday toward granting two tax abatements for Albanese Confectionery as it looks to expand its candy-making and retail business. …At a previous meeting, [Albanese CEO James] Dragon told the City Council the business is looking to expand its current building from 122,000 to 190,000 square feet. Dragon said the company grew almost 25 percent during the recession."
The Post-Tribune
4-3-14

"Pearson Candy Co., which has been making candy in Minnesota for more than 100 years, is expanding its St. Paul operations in a move that will create at least 40 local jobs."
Minnesota Deparment of Employment and Economic Development
3-26-14

"Flowers Foods, Inc. will open a bakery in Knoxville, Tenn., in late May…The bakery initially will employ about 60, but the number is expected to increase to more than 100 as more production shifts are added, Flowers said."
Food Business News
3-24-14

"A South Bend Chocolate Cafe is scheduled to open in mid- to late May in the heart of downtown Mishawaka… South Bend Chocolate has 18 stores (14 company owned) and four franchises in Indiana, Michigan and Ohio."
South Bend Tribune
4-2-14

"Rising demand for premium chocolate has spurred Lindt & Spruengli to boost production at its U.S. headquarters by 8 to 10 percent, where it will start making high-quality treats for China for the first time…"
Reuters
3-27-14

"The long-standing chocolate company [Bissinger's] is in the midst of spending $15 million renovating a 223,000-sq.-ft. building that will serve as its new headquarters in downtown St. Louis employing 100 people."
CandyIndustry.com
3-12-14

"A spokesman for Albanese Confectionery revealed plans Wednesday to double, maybe even triple, the number of production lines at the candy maker's facility. … the business is looking to expand its building [in Indiana] by 122,000 to 190,000 square feet."
Post-Tribune
3-5-14

Blommer Chocolate Co. saw demand increase by double-digits last year and as a result, the company is expanding its processing capacity.
The Wall Street Journal
3-3-14

"Snack maker Leclerc Foods USA has snapped up a building in Arizona and plans to invest $50m to expand its operations."
Food Production Daily
2-17-14

"Mars Chocolate North America will make $11.7 million in capital improvements to its Waco candymaking plant…"
Waco Tribune
12-20-13

"Nutkao USA…plans to invest $7.3 million in a plant in North Carolina for the manufacture of hazelnut butter spreads, cocoa and cocoa/nut spreads, milk and dark chocolate spreads."
BakingBusiness.com
12-20-13

"Olive & Sinclair opens its doors at new factory on Thursday."
The Tennessean
12-11-13

"North Carolina trio open bean-to-bar chocolate factory [Videri Chocolate Factory], providing locals high-end tastings and personalized tours."
CandyIndustry.com
12-10-13

"Sugar Factory grows exponentially in four years."
CandyIndustry.com
11-18-13

"Thanks to a recent influx of upscale candy stores, the West Village is fast turning into a real-life Willy Wonka Land…. In the past seven months alone, more than three sugar-centric shops…have opened on Bleecker Street near Seventh Avenue, with even more expected in the neighborhood next year."
Crain's New York Business
11-14-13

"Kailua-based Madre Chocolate has opened its second Hawaii location, in Honolulu's Chinatown, and has big plans for the new year."
American City Business Journals
11-14-13

"Inventure invests in Indiana snack plant."
Food Business News
10-31-13

"McKee Foods made headlines when it bought Drake's Cakes and added about 300 jobs in Collegedale. That company has hired nearly 800 workers since Nov. 2012."
Chattanooga Times Free Press
10-31-13

"Morinaga, an international confectionary company, will invest $48 million to locate a new facility in Orange County, North Carolina, with plans to create 90 jobs over the next three years."
AreaDevelopment.com
9-3-13

"Wythe Will Tzetzo to build $17m [310,000 square-foot] plant."
Buffalo Business First
8-29-13

"Lindt & Sprüngli intends to invest CHF 200m ($217m) in new production lines at existing plants in the US and Europe in response to rising demand in developed markets."
ConfectioneryNews.com
8-20-13

"A Janesville candy maker needs more room and will soon move part of its operation into a neighboring building. Melster Candies, a subsidiary of the Denver-based Impact Confections, moved from Cambridge to Janesville in 2011, leasing the 104,000-square-foot building… The company now needs more space and will lease a 40,000-square-foot building…"
GazetteXtra
8-19-13

"Hostess Brands LLC said Monday that it will open bakeries in Indiana and Illinois, following announcements last week that it will reopen bakeries in Georgia and Kansas in its effort to bring back some of its snack brands."
Associated Press
4-29-13

"Mars expands: Candymaker marks $67 million growth project…50 more workers were hired due to expansion."
Chattanooga Times Free Press
4-5-13

"Theo Chocolate recently spent more than $1 million on new and refurbished equipment to quadruple its production…Sales have risen 40 percent annually for the past two years."
The Seattle Times
3-29-13

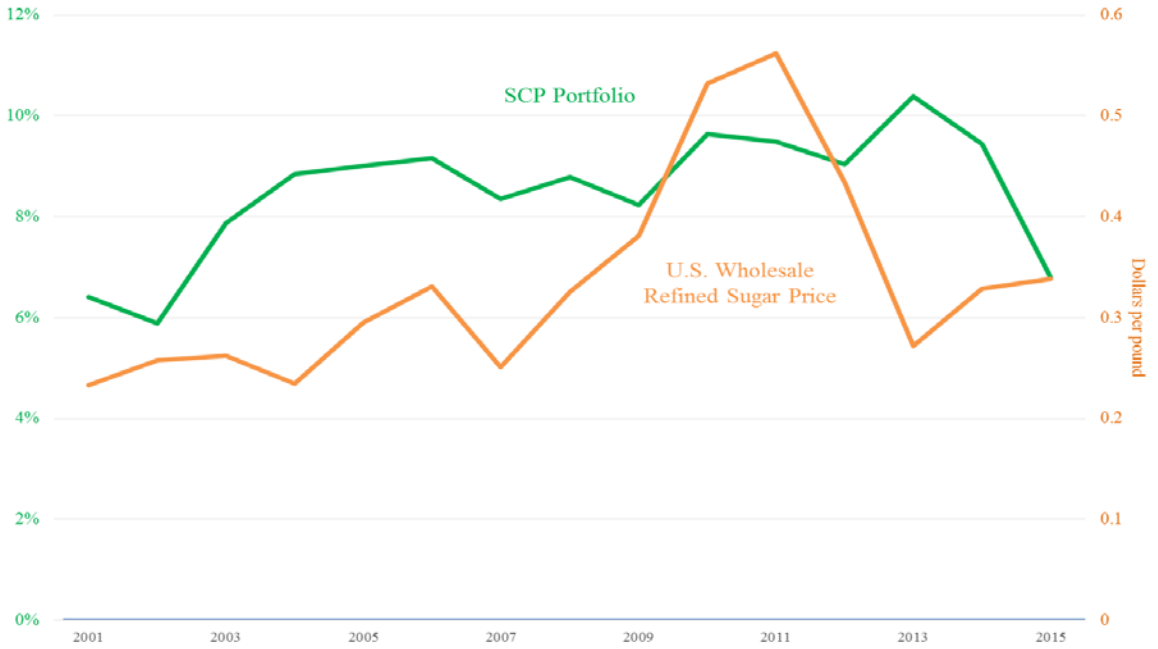
"Fine & Raw, which has been making chocolate since 2007, has opened a bean-to-bar factory in Brooklyn that is open to the public."
Daily News
3-17-13

"US-based candy manufacturer American Licorice is set to invest $10m to expand its manufacturing facility at La Porte, Indiana… The company is planning to create additional jobs in the forthcoming year."
Food Business Review
1-28-13

"Bimbo Bakeries USA has purchased 30 acres of land in Macungie Township, Pa., to build a new $75 million bakery that will bring more than 100 jobs to the area and produce bread and buns for the Northeast, the company said."
BakingBusiness.com
1-8-13

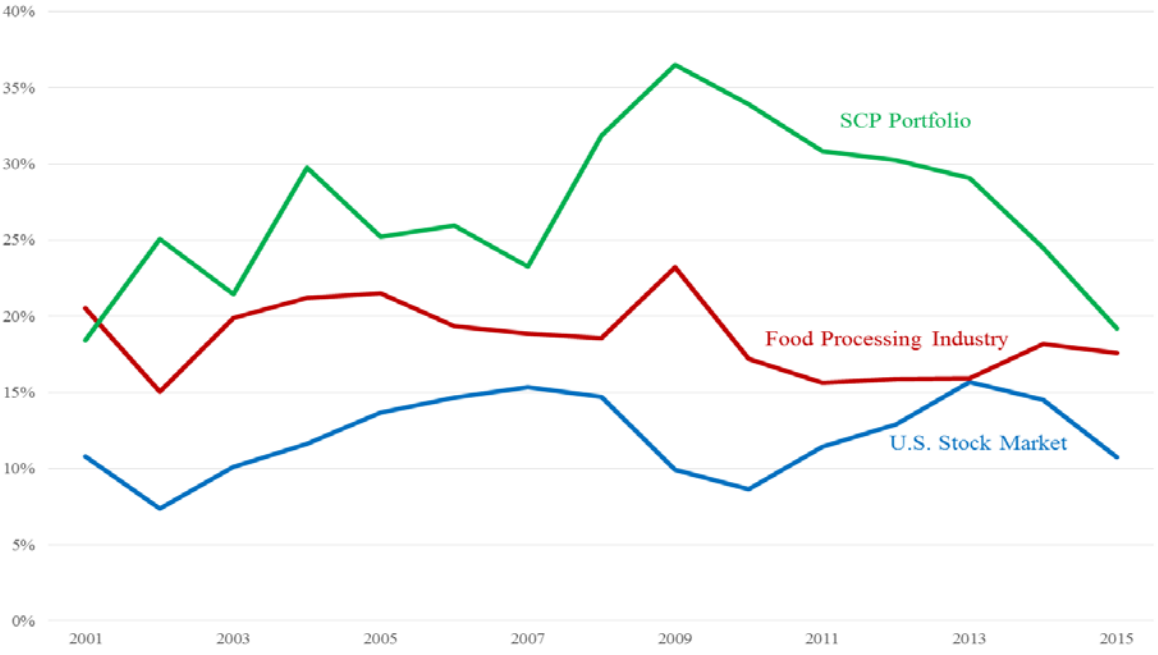
Appendix C – SCP-Sector Financial Measures, Triantis, *Economic Effects of U.S. Sugar Policy*

Figure 4.4 – Net Margins of SCP Companies vs. U.S. Wholesale Refined Sugar Price: Profits Rise with Sugar Prices in Recent Years



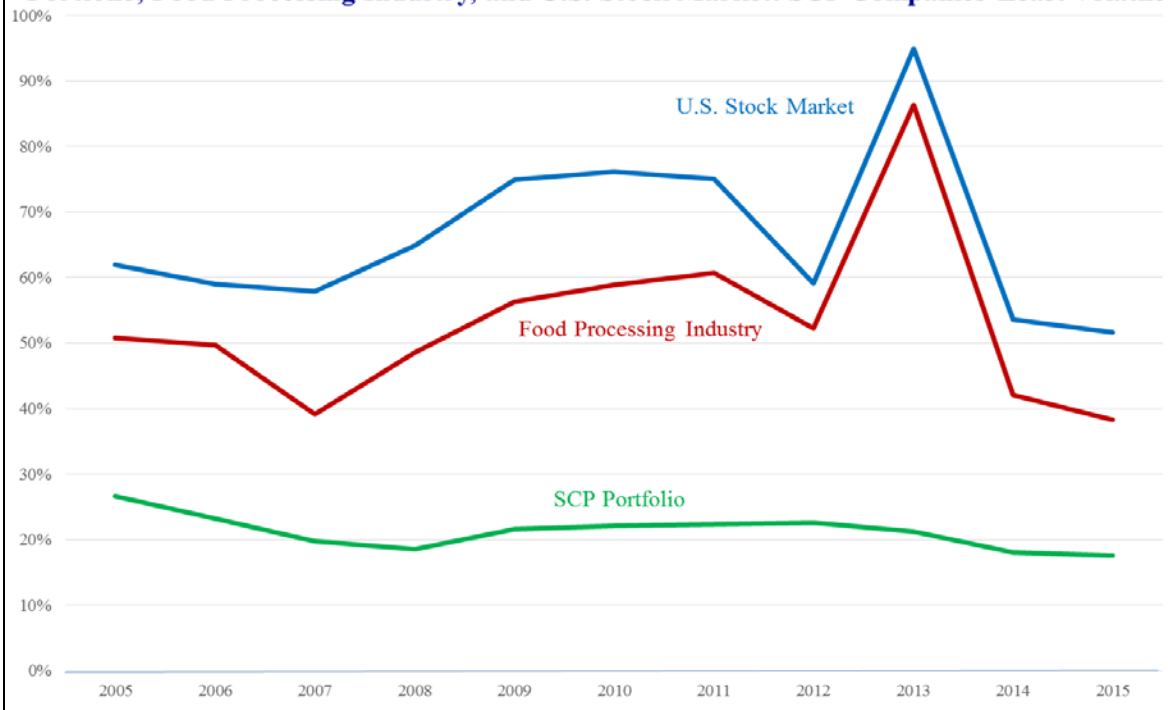
Notes: Average net margin shown against the left axis. U.S. Wholesale Refined Sugar Price is in cents/pound as shown on the right axis.
Source: U.S. Wholesale Refined Sugar Price: USDA ERS Table 5; Net Margins: YCharts. SCP = sugar-containing product.

Figure 4.5 – Return on Equity of Companies in SCP Portfolio, Food Processing Industry and U.S. Stock Market: SCP Companies Have Highest ROE



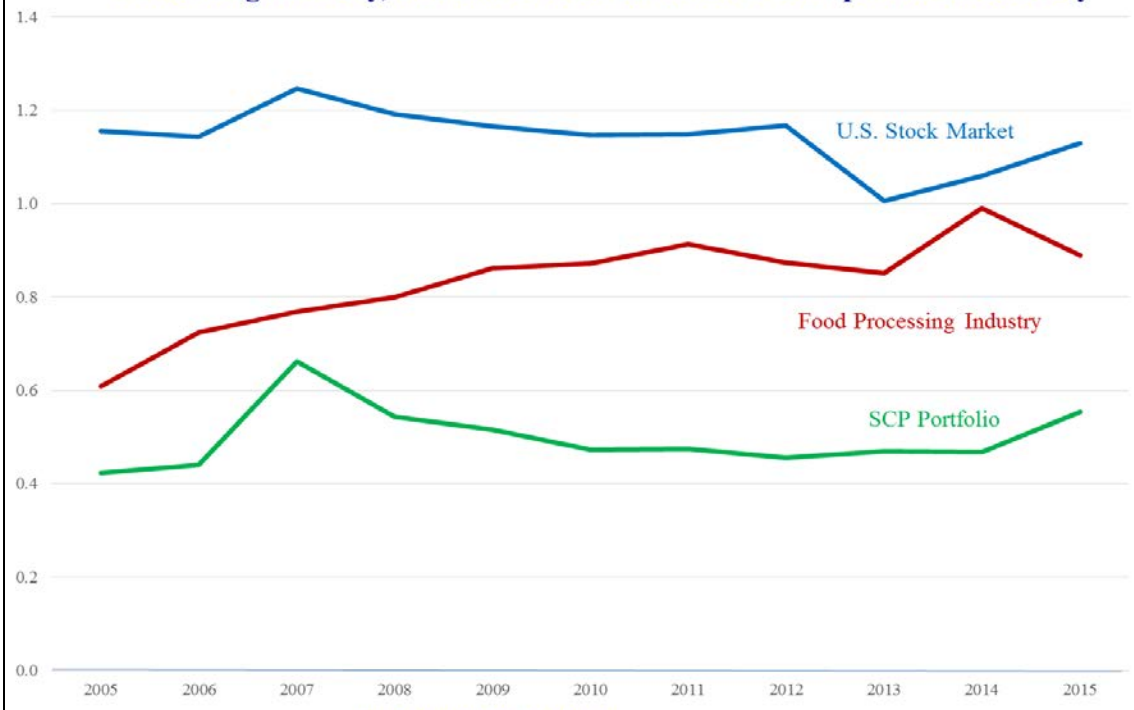
Source: Return on Equity statistics; www.damodaran.com and YCharts. SCP = sugar-containing product.

Figure 4.6 – Measuring Volatility -- Average Standard Deviations of Companies in SCP Portfolio, Food Processing Industry, and U.S. Stock Market: SCP Companies Least Volatile



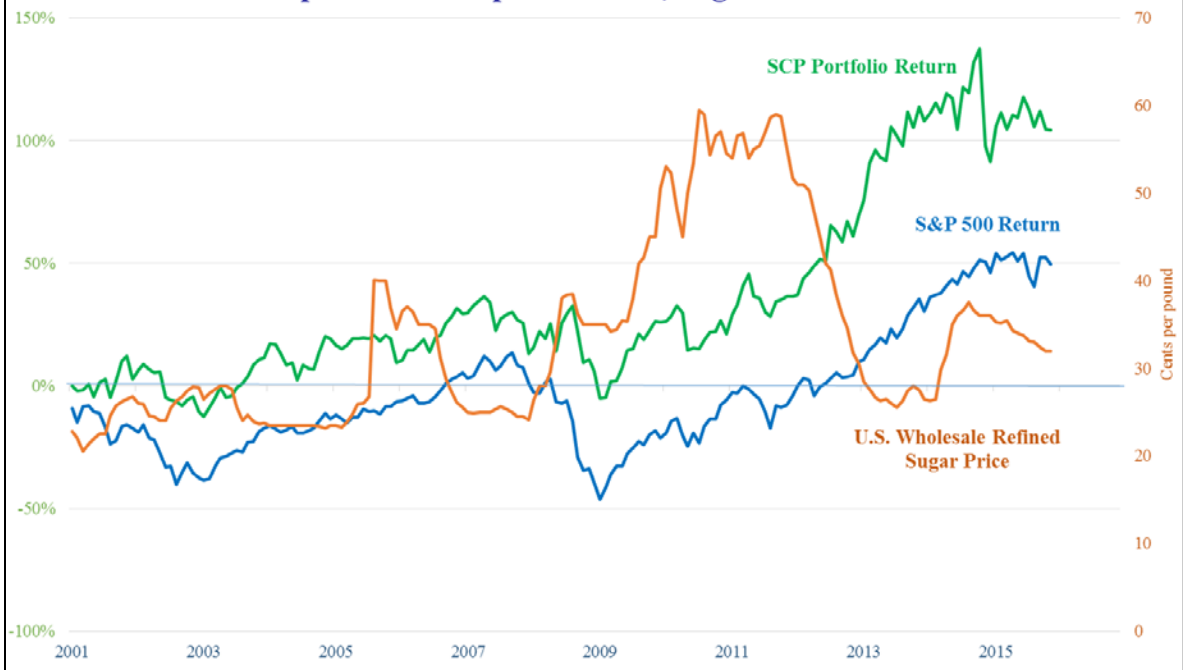
Source: Standard Deviations are from www.damodaran.com and Y Charts. Equally weighted averages across stocks in each group are shown.SCP = sugar-containing product.

Figure 4.7 – Measuring Risk -- Average Betas of Companies in SCP Portfolio, Food Processing Industry, and U.S. Stock Market: SCP Companies Least Risky



Source: Betas are 5-year regression betas from www.damodaran.com and Y Charts. Equally weighted averages across stocks in each group are shown.SCP = sugar-containing product.

Figure 4.8 - Measuring Total Stock Returns - Percentage Appreciation of SCP Company Portfolio vs. S&P Index and U.S. Wholesale Refined Sugar Price, 2001-2015: SCP Companies Outstrip S&P Index; Sugar Prices not a Factor



Notes: Portfolio and S&P returns shown against the left axis. U.S. Wholesale Refined Sugar Price is in cents/pound as shown on the right axis.
Source: SCP Company Portfolio and S&P Index: Yahoo Finance Historical Data; Refined Sugar Price: USDA ERS Table 5. SCP = sugar-containing product.

Appendix D – USDA Attaché Sugar GAIN Reports, 2016 Subsidy Compilation

ARGENTINA (5/6/16):
Ethanol gas requirement;
"The new government has increased the bioethanol mandate from 10 percent to 12 percent, with the additional 2 percentage points having to be supplied exclusively by the local sugar industry. Therefore, more cane will be needed in this crop season to produce an additional 160 million liters of bioethanol. At current prices, ethanol is a much better business than sugar. New investment in expanding bioethanol production capacity is expected in the near future.'
"With the harvest expected to begin in a few weeks, the price of sugar for the export market increased 130 percent in peso terms from last year thanks to a combination of higher world sugar prices, and to policies implemented in December 2015 by the new government which devalued the peso by 45 percent and eliminated the 5 percent export tax on sugar."

AUSTRALIA (4/22/16):
Ethanol gas requirement
"However, in December 2015, the Queensland Parliament passed legislation requiring fuel sellers to meet targets for the sale of ethanol-blended petrol and biobased diesel. The Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Act 2015 is designed to increase the use of clean energy and grow the biofuels sector. A report on the potential for biofuels in Queensland is available here. It notes that in Queensland, potential feedstocks include sugarcane bagasse, sorghum, forestry residue and some types of green waste.
The Queensland legislation includes an initial three percent ethanol mandate for petrol and a half a percent biodiesel mandate, with both due to start on January 1, 2017. The mandate will require E10 to make up to 30 percent of regular petrol sales in Queensland in 2017. Regular unleaded petrol will still be available as an alternative to E10 fuels. A fuel seller's register will be established to allow the government to track sales of biofuels. It is still unclear what impact this policy development will have on the sugar industry"

BRAZIL (4/15/16):
Ethanol blend requirement
"In 2015, ethanol production was encouraged by the increased ethanol-use mandate in March (27 percent of anhydrous ethanol blended with gasoline), improved competitiveness of hydrous ethanol compared to gasoline at the pump during the peak of the sugarcane crushing season, and as a result of the bump of taxes for gasoline. The reduction of the Tax for Circulation of Goods and Services (ICMS) in the state of Minas Gerais, coupled with an increase of the ICMS on gasoline for the states of Minas Gerais, Parana, and Bahia also encouraged ethanol production."

CHINA
(5/18/16):
Production subsidies; Import controls;
"According to news reports, in first quarter 2016 the Guangxi local government started providing sugarcane farmers subsidies of RMB 400 per mu ($375 per acre) for seeds, farm machinery, mulching film, and fertilizer. Additional subsidies and low interest rate loans will be provided to strengthen production in Guangxi and Yunnan."
"Sugar imports in recent market years have greatly exceeded the 1.95 MMT annual tariff rate quota, as high domestic prices make imported sugar price competitive even with an out-of-quota tariff rate of 50 percent. In addition, multiple sources report that sugar smuggling is still widespread. Estimated MY 2015/16 official and unofficial sugar imports are raised 1.2 MMT to 6.7 MMT million tons. China imported over 1.5 MMT of sugar in the first four months of MY 2015/16 according to exporter data. China continues implementing automatic import licensing (AIL) on out-of-quota sugar imports in 2016. Should imports increase too rapidly, the government could slow or even halt the issuance of AILs."

9/30/16:
"In order to try and halt the decline in sugar production, according to the national five-year plan, in 2016 local governments have started providing sugar cane farmers subsidies for seeds, farm machinery, mulching film and fertilizers."
"Although there are no longer government mandated minimum purchases prices, sugar cane processors have still agreed to voluntarily honor and implement minimum prices set by local sugar industry associations. These prices are set after conducting research on local area sugar cane production costs."

COLOMBIA (4/15/16):
Price stabilization; Price band
"Sugar Price Stabilization Fund (PSF)
Colombia is a net exporter of sugar with production satisfying both domestic sugar demand and raw cane for ethanol distilling. The PSF mechanism was established in 2001 to avoid oversupply and low prices in the domestic sugar market. Given thin margins for sugar mills, low prices would create an economic burden to milling operations. The PSF provides incentives for sugar exports by hedging against domestic and international market price differentials, setting a market weighted average price (MWAP). Historically, domestic sugar prices are higher than export prices (except for U.S. export prices under quota). Milling operations that sell sugar at prices above the MWAP, or typically the domestic market, will contribute the difference to the PSF. Those that sell sugar at prices below the MWAP, on the other hand, will receive the difference in compensation from the PSF.
Price Band
Sugar imports from Andean Community of Nations (CAN) countries are allowed duty-free entry into Colombia. Imports from outside the CAN are subject to a variable duty under the price band system. The basic duty rate on imports of raw and refined sugar from non-CAN countries is 15 percent. The CAN revises the price band, both ceiling and floor, every April. The duty adjustment is made based on whether a reference price is above, below or within the ceiling and floor price. The reference price is adjusted every two weeks. If the reference price falls within

the floor and ceiling price band, the sugar import duty is set at a 15 percent of the invoice value. When the reference price falls below the floor price, a variable surcharge based upon the difference between the floor price and the reference price is assessed. When the reference price exceeds the ceiling price, however, a reduction is made to the applied duty rate based upon the difference between the reference and the ceiling price.**"**

DOMINICAN REPUBLIC (5/3/16)

Government minimum price to farmers; Government controls marketing, TRQ assignment, and price schedules

"Several laws regulate the sugar sector in the Dominican Republic. Law 491 controls the relationship between private cane producers and millers and sets prices for raw cane based on sugar content. Similarly, Law 619 assigns regulatory functions to Dominion Sugar Institute and also governs marketing (domestic and export), TRQ assignment, price schedules and statistics."

ECUADOR (4/13/16):

Government minimum price to farmers; Preferential loans; Import tariff (45%); Export to US TRQ guaranteed deal

"Sources indicate that a government-set minimum price for cut sugarcane drives up prices. Neither farmers, nor mills receive domestic or export subsidies. Sugarcane farmers, like other farmers, are eligible for agricultural loans from BanEcuador and from the National Finance Corporation at preferential rates.

Sugar imports from the Andean Community (i.e., Bolivia, Colombia, and Peru) benefit from duty-free treatment. Andean Community sugar imports nonetheless require prior government authorization. Non-Andean Community-origin raw and refined sugar imports are assessed a 15 percent base tariff in addition to the Andean Price Band System (APBS) variable levy. The levy for raw and refined sugar is set at 30 percent. Sugar imports have a World Trade Organization (WTO) approved bound tariff rate of 45 percent, which includes price band-related duties. Sources inform that Ecuador's sugarcane mills have an agreement with the government to supply the U.S. market in order to safeguard the sugar allocation quota. These exports normally occur between June and September. Ecuador in 2016 however exported its quota in January."

EGYPT

Income and price support; Government ownership; Import tariffs; Export tariffs; Price control; Supply management

(4/14/16):

"Post believes that sugarcane area will not drop further unless the government eliminates its price support policy for farmers."

"The government is likely to continue its supply or procurement price policy by providing a subsidized price for sugarcane farmers through the state-run Sugar and Integrated Industries Company (SIIC), belonging to the Holding Company for Food Industries (HCFI), and the Ministry of Supply and Internal Trade (MoSIT). This price aims to support farmers' incomes, while at the same time reducing the price for local sugar production, in order to increase its competitiveness against imported sugar."

"SIIC is the main buyer of the cane crop, and also responsible for supplying sugar for the domestic food assistance programs administered by MoSIT. All nine sugarcane refineries (Hawamdeya, Abu Qorkas, Gerga, Naga Hamady, Deshna, Kous, Edfo, Armant and Kom Ombo) belong to SIIC and are located in Upper Egypt throughout the cane producing areas. There are six companies that refine beets. Out of the six, four - Delta, Dakahlia, Fayoum and Noubaria - are state-run companies established under the Egyptian Law of Investment, in which SIIC has taken a majority stake Sugar Annual GAIN Report 2015."

(5/24/16):
"Egypt's Minister of Industry and Trade (MoIT) has temporarily imposed barriers on sugar exports through an export tax while reducing those for raw sugar imports by removing its 20 percent tariff. According to Ministerial Decree number (455/2016), published in the Egyptian Gazette on May 18, 2016, Egypt's sugar exports are now subject to an export tax of EGP 900 ($101.35) per metric ton. The decree is effective from the date of publication in the Egyptian Gazette until December 31, 2016."

10/23/16:
"In September 2016, the government responded by limiting the distribution of sugar to MoSIT's Holding Company for Food Industries (HCFI), leaving out hundreds of traders and packaging factories. The government stated that the decision was intended to control prices as well as the market and to limit stockpiling. However, this resulted in sugar shortages as HCFI was not able to cover all areas and distribute sugar in areas that are typically covered by small traders and packaging factories."

"Currently, the government is obligating HCFI's consumer complexes and shops to provide sugar for all citizens at EGP 6 per kilogram and at EGP 5 for ration card holders. The government also announced that it will import sugar from the international marketplace to address the shortage."

ETHIOPIA (5/13/16):
Production support; Price control; Government supply control
"The government of Ethiopia has invested significant sums to build the country's sugar production capacity with the underlying goal of becoming one of the ten largest global producers by 2023. New land has been cleared and planted in sugar cane. Some cotton fields have even been converted to sugar. There are more than ten new sugar factories in various stages of development."
"While the government recently raised the price of sugar from $0.75/kg to $.090/kg, this increase is not expected to noticeably depress consumption because consumer demand remains so strong."
"Of this forecasted amount, 210,000 metric tons will likely be purchased by the government. The remaining sugar is imported outside government channels"

EUROPEAN UNION (4/25/16):

Import tariffs; Import quotas; Direct or coupled payments

"Member States (MS) can decide on maintaining some level of direct payments [1] coupled to specific production, as well as shift some funding between the two pillars. Through these MS specific programs, 10 MS out of the 19 sugar producing MS decided to maintain coupled payments for sugar production (See slide 20 of the presentation [2] on MS implementation of the new CAP). From the old EU-15 MS, Finland, Greece, Italy and Spain maintained coupled payments for sugar production in order to secure national sugar production after the end of the quota system. These MS feared that they could not compete with sugar processors in Northwestern Europe. Six of the new MS that acceded the EU after 2004, Poland, Czech Republic, Slovak Republic, Hungary, Romania and Croatia, decided to maintain coupled payments, albeit at a lower level. This compensation was added to their Single Area Payment Scheme (SAPS) for decreasing sugar production as a result of the 2007 Sugar Reform. The level of coupled payments for sugar production varies widely between the 10 MS with payments amounting from around €50/ ha in Italy to over €500/ha in Spain."

"Lately, refiners argue that the end of the EU sugar production quotas will liberalize all elements of the EU sugar market except for them as the EU will continue to be shielded by high tariff walls and relatively small import quota, most of which still carry a prohibitive within-quota tariff. This issue can be expected to become even more important as imports are likely to decline even further with lower prices for EU domestic sugar."

GUATEMALA (4/14/16):

Vitamin A enrichment requirement; Minimum price; Guarantee of US TRQ fill via allocation process; Approves all exports

"The Sugar Board of Guatemala, which includes representatives from the Ministry of Economy, sugar cane producers, and sugar mills, establishes production goals, sets sugarcane prices, and allocates the U.S. sugar quota to the different sugar mills. The allocation to each mill is based on past production performance, previous quotas, and milling capacity. According to the law, all sugar sold domestically must be enriched with vitamin A."

"To insure local demand will be supplied, exports are monitored by the Sugar Producers' Association and a representative from the Ministry of Economy, which approves all exports."

HONDURAS (4/15/16):

State trading enterprise; Vitamin A enrichment requirement

"In Honduras, the production, commerce, and distribution of sugar are controlled by the private sector."

"The sugar industry is represented by the Honduran Sugar Producers Association (APAH), established in 1976. All seven sugar mills are members of APAH. These mills sell their production to the Sugar Miller's Central (CISA), which is owned by APAH. CISA guarantees the domestic market's sugar supply for the entire year and guarantees a sugar standard price for the country."

"By law, quality restrictions require Vitamin A to be added to sugar for human consumption, which is done by the Honduran sugar industry."

INDONESIA (4/21/16):

Government ownership; Import restrictions

"On December 23, 2015, the Indonesian Minister of Trade issued regulation 117/2015 on sugar imports. The regulation classified sugar into three categories:

1. Raw sugar with HS Code. 1701.12.00.00, ex. 1701.13.00.00, and ex. 1701.14.00.00 with a minimum ICUMSA (International Commission for Uniform Methods of Sugar Analysis) of 1200 IU (International Unit).
2. Refined sugar with HS Code. 1701.19.11.00 and 1701.99.19.00 with maximum ICUMSA of 45 IU.
3. Plantation white sugar with HS Code. 1701.91.00.00 and 1701.99.90.00 with ICUMSA ranges from 70 IU to 200 IU. MOT 117/2015 states that the volume of sugar imports will be based on domestic demand, to be determined during an inter-ministerial meeting.

It further mentions that imports of plantation white sugar will only be conducted to maintain the availability and stability of plantation white sugar prices in the domestic market. The regulation states:

1. Raw sugar and refined sugar can be imported by private importers possessing a producers importers identification number (API-P, Angka Pengenal Importer-Produsen), after obtaining import approval from the Minister of Trade. Prior to applying for an import approval, private importers must obtain an import recommendation from Director General for Agro Industry of the Ministry of Industry. Once an import approval is granted, it will be valid in accordance with the validity of the import recommendation, starting from the issuance date of the import approval. The imported raw sugar and refined sugar must only be used as food ingredients for further production and must not be traded or transferred to other parties. Refined sugar produced from imported raw sugar must only be sold to food and beverage manufacturers and is prohibited to be sold in domestic retail market. Any company located within a bonded zone or possessing a dedicated export facility may get an import approval from the Ministry of Trade to import raw sugar or refined sugar for further processing without having any import recommendation from the Ministry of Industry. In order to do so, the company must provide an official letter stating they will not sell the imported raw sugar or refined sugar on the domestic retail market, and will only use imported raw sugar or refined sugar as ingredients.
2. Plantation white sugar can only be imported by state owned companies possessing a general importer identification number (API-U, Angka Pengenal Importir Umum) after obtaining an import approval from the Minister of Trade. To obtain an import approval, a state owned company must submit an electronic application to MOT's Director General for Foreign Trade. Once MOT grants an import approval, it will be valid for one year starting from the issuance date of the import approval.

Regulation 117/2015 restricts sugar imports one month prior to, during, and two months after the milling season. This is intended to simplify sugar import procedures and to improve the competitiveness of Indonesia's sugar industry. MOT regulation 19/M-DAG/PER/5/2008 is revoked and declared invalid."

INDIA

Production subsidy; Ethanol gas requirement; Export subsidy; Import tariff; Government minimum export quotas; Minimum support price; Export duties; Re-export program

(1/5/16):

"On November 18, 2015, the CCEA approved a production subsidy of INR 4.50 per quintal for sugarcane crushed in MY 2015/16 to be paid directly to the farmers on behalf of millers. Subsidy payouts would be adjusted against the cane prices fixed under the Fair and Remunerative Price (FRP) program and include debts owed by sugar millers to farmers for crop sold during the previous year."

"Recently the GOI also scaled up its ethanol blending target from five to 10 percent, as well as established the Targeted Ethanol Blending Program (TEBP). TEBP is based on a national roster of sugarcane millers with the capacity to produce and provide ethanol to Indian parastatal petroleum companies."

4/26/16:

"On April 29, 2015, the Union Cabinet approved to increase the duty on sugar imports under the OGL from 25 to 40 percent. The objective of increasing the tariff was to discourage imports, prevent excessive inventory, and support local sugar prices. On August 21, 2014, the Government of India (GOI) raised its tariff for refined and raw sugar from 15 to 25 percent."

"On September 18, 2015, GOI introduced the minimum indicative export quota (MIEQ) for selling 4 MMT of sugar (raw, white/refined) in MY 2015/16. The export quota has been prorated among sugar factories by considering their average sugar production in last three marketing years. The program seeks to revive sugar exports, inject cash flows and offset surplus sugar in MY 2015/16. However, given the water shortages (for irrigation and drinking) in parts of Maharashtra and Karnataka, many sugar mills will find difficult to meet the prescribed sugar export quota. As a result, mills expect their quotas to be reallocated or relaxed."

"The GOI establishes a minimum support price (MSP) for sugarcane based on recommendations from the Commission for Agricultural Costs and Prices (CACP), consultations with state governments, and sugar industry and cane growers' associations."

"Following the deregulation of sale of sugar in India in 2013, the GOI continued to subsidize sugar for consumers by allowing state governments to procure sugar from the market through open tenders. The gap between open market prices and public distribution system (PDS) sale prices/retail issue price is covered by the GOI. The new system has been adopted by 30 states/Union Territories (UTs). After two years of its implementation, the GOI reviewed the 'decontrol of sugar marketing' in 2015 and allowed states/UTs to either absorb the additional cost, if any, on account of handling, transportation and dealer's commission or pass it on to consumers by including it in the retail issue price (INR 13.50 per kg). The GOI provided INR 45 billion to subsidize the additional cost borne by States/UTs. Industry sources expect that the sugar industry will continue to be subject to production controls by state governments, including sugar industry licensing, specified cane procurement areas for sugar mills, and cane pricing."

6/23/16:

On June 16, 2016, GOI announced a 20-percent export tax on raw and white sugar. The timing is noteworthy, given that world sugar prices are stronger and Indian sugar exports could be more economically viable.

10/3/16:
"Sugar exports in the out-year are estimated at 1.5 MMT. Most of these sales will be refined sugar re-exported under the Advance License Scheme (ALS). Under the ALS, local sugar millers are allowed to import raw sugar duty-free against a future export commitment."
"India's sugar import duty remains unchanged at 40 percent as of the date of publication."

MEXICO (4/15/16):
Reference price; Government ownership
"As announced by the Secretariat of Economy (SE) on October 30, 2015, the standard sugar reference price to calculate sugarcane payments for the MY 2015/16 crop is $8,130.65 pesos per MT ($486.86 dollars/MT at $16.70 pesos per dollar exchange rate at that time). This price is slightly higher in peso terms than prices announced for the past MY 2014/15 of $7,099.83 pesos per MT ($517.10 dollars/MT at $13.73 pesos per dollar exchange rate). Recent reference prices and payment levels are listed below in Table 3. The following reference prices are the initial ones announced at the beginning of each marketing year."
"In September 2015, a public tender was published to sell the last five state-owned sugar mills that were administered by FEESA. In December 2015, three mills out of the five were sold. The two mills that could not be sold were El Potrero and San Miguelito, both in Veracruz."

NICARAGUA (4/20/16):
Vitamin A enrichment requirements
"Sugar for national consumption is fortified with vitamin A and packaged in bags of 0.4, 0.8 and 2kg."

NIGERIA (5/9/16):
Government subsidization
"The National Sugar Master Plan (NSMP) is a backward integration program with projections for the development of local sugarcane plantation and sugar production over a 10-year period. Sources note that the National Sugar Development Council Act was amended in June 2015 to further support the Nigeria Sugar Master Plan. The effectiveness of those amendments are still being monitored as the Government of Nigeria has reportedly not provided adequate funds to support to the development of Nigeria's sugar industry."

PAKISTAN
(4/27/16):
Minimum prices; Government supported R&D, training and transference of new technology to growers; Import tariff; Export subsidy
"The provincial governments set procurement prices for sugarcane in consultation with representatives of both the sugar industry and farmers' organizations, based on recommendations from the Ministry of National Food Security and Research and the provincial ministries of agriculture, food, and industry. During the MY 2015/16 crushing season, the provincial governments of Punjab and KPK) announced the minimum support price (MSP) of Rs. 180 per

40 Kg ($43/ton), whereas, Sindh announced a price of Rs. 182 per 40 Kg ($44/ton). Mills are typically bound to pay farmers the MSP, however, buyer and seller will occasionally work out sales at below-MSP rates if both parties agree. The steady rise in sugarcane procurement prices (See Table 2) has made it difficult for mills to profitably produce sugar at current market rates. The industry is currently protected by a 40 percent import tariff designed to boost domestic sugar prices and protect millers from imports.
The provincial governments support research, development, training of farmers and transfer of new technologies to growers in its endeavor to raise cane yields and sugar recovery rates."
"In an effort to move stocks off of the domestic market, generate additional revenue for the millers, and speed payments to growers, during December 2015, the Government of Pakistan established a sugar export subsidy of $124 per metric ton to cover exports of up to 500,000 metric tons through March 31, 2016. Trade data shows that just 275,000 MT were exported. PSMA may seek government approval to extend the subsidy period through June of 2016 (the end of the current fiscal year)."

9/30/16:
"Pakistan has announced sugar export quotas and subsidies for each of the past two marketing years. It is too early to tell if a subsidy will be announced for this year, but record sugar production is expected to lead to large sugar stocks."
"Barring a significant increase in world sugar prices that would make Pakistani exports price competitive, millers are expected to face the difficult situation of purchasing the record supply of cane at a high public support price (see Table 2) while sugar sales are limited to the domestic market. With the aid of a 40 percent import tariff, sugar in Pakistan is priced well above the international market. While domestic sales may be remunerative (see Table 3), unless the government announces another export subsidy, mills may face the cost of carrying large stocks of unsold sugar, a prospect that could inhibit their ability to pay farmers for their cane."
"In 2014/15 the Government set a subsidy of $100 per MT that led to a fully subscribed quota of 500,000 MT; in 2015/16 it set a subsidy of $124 per MT as exports of 270,000 MT fell below the 500,000 MT quota….The export quota could be as high as 1.0 MMT."

PERU (4/5/16):
Government ownership; Price band
"However, there still are two mills, Pomalca and Tuman, where the government has shares. The mills have not found investment partners to finance improvements in efficiency and profits. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies. Government owned shares were the result of a conversion of unpaid taxes."
"The government of Peru published on March 28, 2016, Supreme Decree 055-2016-EF amending the methodology to determine the Peruvian Price Band (PPB) and establishing new tables to calculate the actual surcharge assessed under the PPB. This regulation effectively reduces the additional duty assessed to sugar. The floor price of the band has fallen from $648 to $518 while the ceiling price has dropped from $778 to $644. Currently the additional duty is $93 per MT a significant reduction from $223 assessed under the previous methodology."

RUSSIA (4/14/16):
Interest rate subsidies; Investment credits
"In addition, reportedly some local provinces are planning to support their producers through interest rate subsidies. They are also reportedly considering a long-range investment in the domestic production of sugar beet seeds. However, industry analysts are skeptical that government support will be sufficient to cover all these increasing costs."
"Our source also noted an improved mechanism in subsidy payments, specifically on investment credits. However, the same source mentioned that there were delays in receiving subsidies for short term credits for purchasing raw material."

SOUTH AFRICA
(4/15/16):
Reference prices; Sugar tax; *Export to US TRQ guaranteed deal*
"The domestic Dollar Based Reference Price (DBRP) mechanism is designed to ensure that, inclusive of the duty, the DBRP (currently US$566 per ton), is the lowest price that an importer will pay for imported sugar. In the event that the import prices are lower than the DBRP, an import duty is applicable, while an import price higher than the DBRP would result in no import duties payable. The DBRP and the depreciating Rand are the main reasons for the decreases in imports from Brazil in the 2014/15 MY."

THAILAND
(4/12/16):
Price support; Direct payments
"The Thai Government set the MY2015/16 sugarcane price supports at 808 baht per metric ton, a decline of 10-percent from the MY2014/15 support prices."
"The delay in approving the requested direct payments are due to the concerns of debt incurred by the state-run Cane and Sugar Fund (CSF), which is administered by the Bank for Agriculture and Agricultural Cooperatives (BAAC). The additional dilemma is that the CSF still has to secure funding to repay sugar mills under the MY2014/15 price support program as the market prices were lower than the intervention prices."

9/30/16:
"Although Brazil has filed a World Trade Organization (WTO) challenge of Thailand's domestic sugar supports and export subsidies, the sugarcane price supports are still expected to increase significantly in MY2016/17 due to the current surge in world market prices for sugar."

TURKEY (4/13/16):

Production quotas; Government ownership; Supply mechanisms; Indirect export subsidy; Ethanol gas requirement; tariff on imports (135%)

"Sugar production is regulated by a public institute called the Turkish Sugar Board, which announces and allocates annual production quotas to the existing producers, as per the Sugar Law of 2001."

"There are seven beet sugar producers in Turkey; six of which are private and one is public (Turkseker), which have been in the process of being privatized for eight years now"

"While private companies prefer to export their 'C' sugar directly, Turkseker has the largest share in providing 'C' sugar to exporting confectionary producers. The government has obliged Turkseker to do so in order to support exports. In the event that 'C' sugar does not meet the demands of exporters and exporting producers in a market year, Turkseker shifts some of its 'A' quota sugar to 'C' sugar and sells it at world prices, and bears the economic loss in order to meet that demand."

"Currently there is a three percent mixture rate of bio-ethanol into fuel as specified by the Energy Market Regulatory Authority (EPDK). This ratio is expected to increase to five percent in 2017, which will necessitate extra bioethanol production. The law requires this bio-ethanol to be obtained from only domestically grown agricultural products."

"Turkey levies a 135 percent import tax on sugar and sugar imports are limited to specialty sugar that is not domestically produced (aimed for medical, laboratory use, etc.)."

UKRAINE (4/18/16):

VAT; Price support; Production quotas

"Both wholesale and retail prices for sugar in the country are monitored by the Government with a minimal price boundary mandated in legislation that is reviewed each year."

"Ukrainian legislation uses a quota regime for domestic sugar production (A-quota), which is fixed annually by the Government of Ukraine. Over-quota production of sugar must be exported, stored, or processed into non-food uses. There are no farm-level quotas for sugar beet production."

"Since the beginning of 2016, the New Tax Code (in Ukrainian) came into force. According to the amended rules for valued added tax (VAT) administration, agricultural producers involved in production of sugar beets could accumulate only 50 percent of the positive balance between VAT payable and receivable on their accounts, while the other 50 percent of this sum should be paid back to the State Budget of Ukraine. It should be noted that in previous years agricultural producers were allowed to keep 100 percent of the abovementioned sum at their disposal. They are entitled to use these funds to cover their production costs, including purchase of inputs. This change would impact farmers' incomes and force them to apply additional cost-cutting measures intended to maintain their profitability and switch to more profitable crops."

VENEZUELA (4/15/16):
Government ownership; Price controls
"Price controls, land/farm expropriations, lack of foreign exchange, security concerns, lack of spare parts for agricultural inputs, machinery and packaging materials, and even labor problems, are all major issues negatively impacting the market for sugar production and consumption. It is evident to the private sector that the GBRV may rather import sugar than invest in areas to increase local production. Unfortunately, the GBRV finds itself with further dwindling foreign exchange available to purchase imported sugar. The economic situation is expected to worsen in 2016 and some government sugar mills may have to shut down operations."

ZIMBABWE (4/26/16):
Import Tariffs; Customs duties; Import restrictions
"Tariffs on sugar imports introduced by the Zimbabwean government in 2014 to protect the domestic industry have resulted in the gradual decrease in sugar imports."
"In 2014, the Zimbabwe government passed a 10% customs duty and $100/ton surtax on all sugar imports from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Sothern Africa (COMESA) in a bid to protect the local industry from an influx of sugar imports."
"In 2014, the government also confirmed that no raw sugar import permits would be issued from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Sothern Africa (COMESA)."