

July 20th, 2015

The Honorable Michael Froman
United States Trade Representative
Winder Building
600 17th Street, NW
Washington, DC 20508

Dear Mr. Ambassador:

We are writing to follow up on the letter that you received July 2nd from the Coalition for Sugar Reform and 13 other organizations. The Trans-Pacific Partnership (TPP) agreement negotiations provide an excellent opportunity for the United States to grow and protect U.S. jobs, reward a key strategic partner that has long ago embraced free and unsubsidized principles in the world sugar trade, and return the operation of the U.S. sugar program toward principles outlined explicitly in the Farm Bill. Meanwhile, we can reach a TPP agreement that will not undermine the U.S. sugar program. In fact, providing Australia with meaningful market access for its raw sugar will help protect U.S. jobs and be consistent with the U.S. sugar program.

Australia is the right trade partner to reward with increased market access for raw sugar. The Australian sugar industry is the leading example of free and unsubsidized sugar trade. Australia has maintained a tariff-free sugar import market for two decades, with the country continuing to import world market raw and refined sugar still today despite the fact that it must export more than three quarters of its production. It has scrapped domestic subsidies for its cane farmers and sugar millers, liberalizing its marketing arrangements in the process. Yet the Australian sugar industry is still waiting for the rest of the world to respond, as it is forced to compete with dumped and subsidized sugar exports both at home and abroad. The American Sugar Alliance has publicly supported a “Zero-for-Zero” sugar policy, volunteering to roll back its own protection in exchange for the elimination of foreign programs. The Australian sugar industry is twenty years ahead of the United States on this admirable effort. It is time to finally reward this key strategic partner that has led the way in embracing the free market principles that the United States champions in so many different areas but not yet in sugar.

The TPP is the right vehicle at the right time to give Australia greater market access for raw sugar. As you know, the on-going investigation of unfair trade practices by another important U.S. trading partner – Mexico – has led to the preliminary conclusion that Mexican sugar is unfairly traded, a conclusion that is likely to be confirmed over the next few months. Yet, through suspension agreements, the Department of Commerce has given market access to the Mexican sugar industry into the future, and has done so in a way that will threaten US refining jobs. It makes no sense to give the unfairly traded Mexican sugar generous market access, while relegating the fairly traded Australian sugar to a token amount. By granting the Australian industry up to 50% of the access enjoyed by Mexico under these suspension agreements, the United States can save these U.S. jobs instead of losing them to the Mexican sugar industry, which already enjoys one of the largest programs of direct and indirect sugar subsidies in the world.

Rather than undermining the U.S. Farm Bill, granting Australia significant access for raw sugar will reinforce the principles underlying that legislation. The Farm Bill directs the Department of Agriculture to issue incremental refined sugar import quotas only after domestic raw cane sugar refining capacity has been maximized. However, the suspension agreements allow a significant

portion of the Mexican sugar “Export Limit” (which is really guaranteed market access) to enter as refined sugar. This only serves to hurt U.S. refining jobs. Granting meaningful access to a fair trade supplier of raw sugar like Australia could serve the market and enhance the utilization of U.S. raw cane sugar refining capacity.

Also, the Farm Bill and associated legislation require the Department to maintain adequate supplies of raw and refined sugar in the domestic market and at reasonable prices. The suspension agreements and their implementation set availabilities of raw sugar at levels that threaten the future existence of our cane sugar refiners while setting a price floor for this raw sugar that even the Mexican industry has stated is higher than the actual domestic raw sugar prices in 30 of the last 33 years. To add further insult, the targeted spread between refined and raw sugar prices – 28.5% in the Farm Bill -- was established at 16.8% in the suspension agreements due to the artificially high raw sugar minimum price, a price that will cost US consumers and refiners billions of dollars over the life of the agreement.

Opponents of TPP sugar access cite the uncertainty over the Mexico-USA sugar suspension agreements as a reason not to grant significant raw sugar access to Australia within the TPP negotiations. We do not see this temporary uncertainty as a valid reason to withhold enhanced access from this strategic partner when the impact of this access will be positive to the American economy, jobs, and trade. There is no dispute that Mexico was dumping and heavily subsidizing its sugar exports to the United States – the preliminary assessments by the Department of Commerce clearly show this. History shows that without this dumping and subsidization, Mexican sugar will not be available in quantities ample enough over time to threaten the US sugar program and our domestic processors and refiners. The issue raised by the TPP opponents is a red herring. The only arrangement under which Mexico will be able to continue flooding the US sugar market with dumped and subsidized sugar exports is under the suspension agreements themselves.

With or without the US-Mexico sugar suspension agreements, significantly enhanced access for Australia will be positive for American jobs, positive for free and fair world trade, and will not threaten the US sugar program. An agreement can be reached with a combination of minimum quantities and a needs based formula, similar to the formula adopted in the Mexican agreements and so widely embraced by the US sugar producers. It will help correct some of the obviously negative impacts on US consumers and workers generated by the US-Mexico sugar agreements, while leaving intact generous market price supports for sugar producers in both US and Mexico. Finally, such an enhanced agreement with Australia would show that the US sugar program can be managed considering the inputs of all stakeholders, not just a select few.

We hope that you capitalize on this unique opportunity to finally strike a lasting and meaningful US - Australia sugar agreement, two of the world’s foremost champions of free and fair agricultural trade.

Sincerely yours,



Michael Gorrell
President and CEO
Imperial Sugar Company