Comments on Section 301 Investigation of
Acts, Policies, and Practices of Brazil
Docket Number USTR-2025-0043
Washington, D.C.
August 18, 2025

The American Sugarbeet Growers Association and the U.S. Beet Sugar Association (the "Associations"), growers and processors of sugarbeets, appreciate the opportunity to present our views regarding the proposed *Section 301 Investigation of Acts, Policies, and Practices of Brazil Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation.* The sugarbeet industry contributes $13.4 billion annually to the U.S. economy. The member associations of the ASGA represent 10,000 family farmers in all 12 sugarbeet producing states (California, Colorado, Idaho, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Oregon, Washington, Wyoming). USBSA is comprised of the eight manufacturers of beet sugar in the United States, which operate 20 factories that process refined sugar from sugarbeets. The U.S. beet sugar processing industry is a 100 percent farmer-owned cooperative structure, and every factory operates with organized union workers. The beet sugar industry is a critically important supplier to many of the nation's food manufacturers and essential to our nation's food security. There is no difference between beet and cane sugar.

Brazil is the world's largest producer of sugar, and its immense sugar industry is founded upon many years of pervasive government intervention. The proposed Section 301 investigation of Brazil, including tariff preferences and ethanol access, warrants consideration and appropriate responsive action. The Section 301 investigation into Brazil's unfair supports and trade practices should also include an inquiry into Brazil's support of its ethanol sector that has directly benefited the sugarcane industry in Brazil. Although existing U.S. sugar policy is designed to address harms that stem from a world sugar market that is driven by trade-distorting practices, strong trade enforcement is also vital. We therefore respectfully request that the administration open additional consultations with U.S. beet sugar producers when deciding upon appropriate responsive action.

U.S. Sugar Industry and Policy: Current Situation and Background

Our growers and processors meet some of the most stringent labor, environmental, and food quality standards in the world. Our industry is efficient by any global standard, yet, due in part to long periods of artificially depressed prices caused primarily by global subsidies, dumping, and other predatory trade practices, more than 40 percent of our processing facilities have had to close since 2000, including 11 factories beet sugar factories. The most recent closure occurred just last month, resulting in the loss of 400 jobs. Further closures would threaten the domestic industry's ability to provide a reliable supply of sugar, carefully tailored to the complex needs of U.S. food

manufacturers and consumers, and cause further distress in many urban and rural communities where sugar production is a key economic generator.

To efficiently operate the current sugar policy as Congress intends, supply and demand must be delicately balanced to avoid heavily subsidized sugar imports from flooding the market, depressing prices, and jeopardizing the ability of U.S. sugar producers to fully repay their loans in order to maintain the U.S. sugar policy's zero cost to taxpayers. Accordingly, the industry's overriding objective in all trade negotiations is to ensure that any resulting agreements do not threaten the effective operation of the U.S. sugar program, which has served U.S. farmers and processors while also serving taxpayers and consumers well.

As a result of the market access commitments already entered into by the U.S. government relating to the World Trade Organization (WTO), the U.S.-Mexico-Canada Agreement (USMCA), the Central America Free Trade Agreement (CAFTA), and other free trade agreements (FTAs), the United States has provided preferential sugar market access to about 40 countries.[1] In total, the U.S. imports sugar from more than 70 countries, making it the third largest sugar importer in the world. By providing specified tariff-rate quota (TRQ) access to countries and importing roughly 25 percent of its consumption needs in recent years, the U.S. sugar market has fully met its existing international trade commitments, although that has had the effect of shrinking the domestic industry's footprint.

Despite U.S. concessions over the years, an effective and sustainable U.S. sugar policy is needed to address a world sugar market that remains driven by a wide array of production- and trade-distorting practices employed by nearly all sugar-producing countries, including Brazil. It is impracticable for the U.S. sugar industry to challenge the vast array of subsidy policies of foreign sugar producing countries, either through domestic antidumping and countervailing procedures, or through dispute settlement procedures on a case-by-case basis through the WTO.

Brazil: Sugar Production, Consumption, and Unfair Trading Practices

Brazil is the world's largest producer of sugar in marketing year (MY) 2025/26, and total sugar production is forecast at 44.7 million metric tons raw value (MMTRV).[2] Brazil's exports represent approximately half of all raw sugar traded globally and Brazil has dumped sugar well below the world average cost of production. Brazil is projected to increase sugar exports in MY 2025/26, even with uncertainties in commodity markets and international price volatility. USDA forecasts sugar exports for MY 2025/26 at 35.8 MMTRV, an increase of 910,000 metric tons, raw value, compared to MY 2024/25. Brazil's exports comprise on average 50 percent of globally traded sugar in any given year.

[1] *See* examples of sugar import concessions and volumes in "FAS Sugar Monthly Import and Re-Export Data" (https://www.fas.usda.gov/sites/default/files/2025-07/FY 2025 Sugar Report - July 2025.pdf).
[2] *See* "Sugar Annual," FAS Brasilia, April 22, 2025 (https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Sugar+Annual_Brasilia_Brazil_BR2025-0011.pdf).

Brazil is the second largest beneficiary under the United States' existing WTO raw cane sugar TRQ, with an allocation of 155,993 Metric Tons Raw Value (MTRV), accounting for nearly 14 percent of the total allocation for fiscal year 2025.[3] Furthermore, Brazil was by far the largest exporter of raw and refined sugar to the United States last year, exporting more than one million tons of sugar—almost 10 percent of the total sugar supply in the United States.[4] Brazil has sought increased preferential access to the U.S. market for Brazilian sugar, perhaps as part of a package involving improved access to Brazil for U.S. products. We oppose any additional preferential access for Brazil.

Illegal Deforestation

USTR has specifically invited comments on the impact of deforestation in Brazil on U.S. trade. Illegal deforestation, and conversion of deforested land for agricultural use in Brazil, "provides an unfair competitive advantage to agricultural exports by lowering costs and expanding availability of land inputs."[5] The adverse impact of deforestation extends far beyond beef, soybeans, and other commodities to impact sugarcane production.

The Brazilian sugar industry has benefitted from the lax and ineffective policies on protection of tropical forests and related environmental measures. In 2019, the Brazilian government lifted a 10-year ban on the cultivation of sugarcane in the Amazon rainforest and central wetlands.[6] Sugarcane production in Brazil has seen significant annual growth in recent years,[7] and only 8 percent of that increase stems from improved yields. The other 92 percent of increased sugarcane production in Brazil is from land expansion, 19 percent of which is attributable directly to deforestation.[8] Continued deforestation is a real and present threat.[9]

The role of sugarcane production in deforestation becomes bleaker when examining the entire agricultural landscape in Brazil. Studies indicate that South America will likely usher in an era of significant agricultural expansion through 2050, further threatening forest health and exacerbating

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[3] ***See*** "FY 2025 WTO Tariff-Rate Quota Allocations for Raw Cane Sugar, Refined and Specialty Sugar, and Sugar-Containing Products," USTR press release, July 25, 2024 (https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/july/ustr-announces-fiscal-year-2025-wto-tariff-rate-quota-allocations-raw-cane-sugar-refined-and)

[4] ***See*** the FAS Global Agricultural Trade System (GATS)--U.S. Census Bureau data (https://apps.fas.usda.gov/gats/default.aspx).

[5] 90 Fed. Reg. at 34079.

[6] ***See*** Marcelo Teixeira, "Brazil cancels decree barring sugarcane cultivation in the Amazon," ***Reuters,*** Nov. 6, 2019 (https://www.reuters.com/article/world/brazil-cancels-decree-barring-sugarcane-cultivation-in-the-amazon-idUSKBN1XG35X/).

[7] ***See*** Thiemi Hayashi & Nicole Podesta, "Sugar Annual," USDA FAS, Report No.: VR2025-0011 at Figure 06 ("Brazilian Sugar Production – in metric tons, raw value"), Apr. 22, 2025 (https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Sugar%20Annual_Brasilia_Brazil_BR2025-0011.pdf).

[8] https://direct.mit.edu/rest/article-abstract/106/1/202/108835/How-Green-Is-Sugarcane-Ethanol. Although some conclude that Brazilian sugarcane production does not contribute to deforestation since expansion often displaces other crops or rangeland, such expansion is not without consequence. (https://www.sciencedirect.com/science/article/abs/pii/S0264837716309607).

[9] https://agenciadenoticias.ibge.gov.br/en/agencia-news/2184-news-agency/news/35174-between-2000-and-2020-agricultural-area-grew-230-thousand-km-natural-vegetation-reduced-513-thousand-km-in-brazil.

unfair trade advantages.[10] Even when sugarcane expansion displaces other crops, the crops and feedstock displaced by sugarcane in turn push soybean acres and cattle ranching into the forest with documented losses of virgin and secondary forests as a result. From 2000 to 2014, 26 percent of agricultural expansion in Brazil was a direct result of new direct deforestation.[11] Brazil's continued increase in sugarcane production is one of the root causes for this continued and often illegal deforestation in Brazil.[12]

The failure of the Brazilian government to provide or enforce stringent environmental protections has gamed the system in favor of Brazilian agriculture, including sugarcane growers. The Associations stand ready to assist in fashioning a remedy to address this issue.

Sugar and Ethanol Market Distortions

Brazil is the world's largest producer of sugarcane ethanol – a fuel produced by fermenting sugarcane juice and molasses.[13] The Government of Brazil has long pursued policies to bolster domestic production of sugarcane, often in connection with development of the ethanol sector. Brazilian growers and refiners have benefitted from direct and indirect subsidies of at least $2.5 billion per year for programs to promote the growth of domestic sugar and ethanol production. [14] Examples of support include offering concessionary loans to agricultural borrowers; forgiving and rescheduling agricultural and tax debts at very favorable terms; transferring the cost of pension liabilities from farmers to other economic agents; encouraging arbitrage between sugar and ethanol markets; adopting discriminatory taxes to promote use of sugarcane; mandating blending of anhydrous ethanol into gasoline; and promoting the sale of hydrous ethanol.

In the early 2000s, Petrobrás, the state-owned oil company, worked with industry partners to develop the export infrastructure for pipeline delivery of ethanol to Brazilian ports.[15] More recently, the government reintroduced the 18 percent tariff on ethanol[16] and just announced an increase in the mandatory blend of ethanol in gasoline and biodiesel.[17] The Brazilian government has pursued other policies, including weak enforcement efforts, which have had the effect of lowering costs and conferring other economic advantages on the sugar sector. [18] Any investigation of Brazil's unfair supports and trade practices that ultimately lead to low-cost sugar being dumped

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[10] https://www.mckinsey.com/industries/agriculture/our-insights/striking-the-balance-catalyzing-a-sustainable-land-use-transition.

[11] https://www.sciencedirect.com/science/article/abs/pii/S0167880924005693.

[12] https://scijournals.onlinelibrary.wiley.com/doi/abs/10.1002/bbb.2270.

[13] https://www.sugarcane.org/sugarcane-products/ethanol/.

[14] *See* Chatenay, P. April 2013. "Government Support and the Brazilian Sugar Industry," report prepared for the American Sugar Alliance (https://sugaralliance.org/wp-content/uploads/2021/01/gov-support.pdf).

[15] *See* Petrobras, Mitsui, and Camargo Correra Create Ethanol Pipeline Company, *Green Car Congress*, Mar. 31, 2008 (https://www.greencarcongress.com/2008/03/petrobras-mitsu.html).

[16] *See* "Significant Disparity in U.S., Brazil Ethanol Trade Policies," *AgWeb*, Oct. 4, 2024 (https://www.agweb.com/markets/pro-farmer-analysis/significant-disparity-u-s-brazil-ethanol-trade-policies).

[17] *See* Erin Kruger, "Brazil to Boost Biofuel Mandates To E30, B15," *Ethanol Producer Magazine*, June 25, 2025 (https://ethanolproducer.com/articles/brazil-to-boost-biofuel-mandates-to-e30-b15).

[18] *See, e.g.*, U.S. Dep't. of Labor, ILAB, "List of Goods Produced by Child Labor or Forced Labor" (https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods?tid=All&field_exp_good_target_id=5859&field_exp_exploitation_type_target_id_1=All&items_per_page=10).

on the world market, artificially depressing world sugar prices, should also include an inquiry into Brazil's support of its ethanol industry that has also benefited the sugarcane industry in Brazil.

Currency Manipulation

Other government policies have distorted the market and lowered costs for Brazilian sugarcane growers to the detriment of U.S. sugar producers. Since 2015, the extended depreciation of the Brazilian ***real*** vis-à-vis the U.S. dollar has "sharpened the competitiveness of Brazilian agricultural exports in global markets."[19] Along with sectorial support policies and programs, the depreciation has contributed significantly to Brazil's rise to dominance in agriculture. The ***real***'s depreciation is continuing due to a series of fiscal policies and other macroeconomic factors.[20] The U.S. Department of Agriculture's Economic Research Service predicts that the Brazilian government's failure to realign currency policy could boost Brazil's exports of major agricultural commodities by 5.6 percent from a 2020 baseline, and lead to a decrease in international prices of 2.7 percent over the same period.[21]

Misclassification Concerns

Brazil has long benefited from customs classification loopholes to evade the U.S. TRQ on raw sugar originating in Brazil. Brazilian producers export sugar to third countries, where it is processed and sent to the United States as molasses and sugar syrups. Due to the minimal processing required to make these products, they remain Brazilian origin under U.S. country of origin rules, and are improperly classified as molasses and syrups, which are exempt from U.S. sugar TRQs.

Congress has taken some action to deal with this issue. Provisions in the American Relief Act, H.R. 10454, P.L. 118-158, and S. Report No. 118-193, provided funding for the U.S. Department of Agriculture, Agricultural Marketing Service ("AMS"), to verify and validate testing and protocols to prevent circumvention of the sugar TRQs through the misclassification of product. The Associations are also working with the Trump Administration to address this issue. The Section 301 investigation provides another way to fashion strong enforcement measures to stop this TRQ circumvention. The Associations estimate that the U.S. Government could collect another $177.82 to $188.99 million in increased duties through improper classification as molasses, and an additional $7.99 million in tariff revenue over a ten-year period as a result of the correct classification of certain sugar syrups.

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[19] Constanza Valdes, Kim Hjort & Ralph Seeley, "Brazil's Currency Depreciation and Changing Macroeconomic Conditions Determine Agricultural Competitiveness and Future Growth," USDA ERS (Oct. 5, 2025) (https://www.ers.usda.gov/amber-waves/2020/october/brazil-s-currency-depreciation-and-changing-macroeconomic-conditions-determine-agricultural-competitiveness-and-future-growth).

[20] ***See*** Tobias Käufer, "Why Brazil's currency depreciation is back to haunt Lula, ***DW*** (Jan. 24, 2025) (https://www.dw.com/en/why-brazils-currency-depreciation-is-back-to-haunt-lula/a-71391540#:~:text=Inflation%20begins%20to%20bite%20amid%20currency%20depreciation&text=According%20to%20official%20figures%2C%20Brazil's,Lula's%20approval%20ratings%20have%20fallen).

[21] ***See*** USDA ERS Report, ***supra*** n. 19.

Conclusion and Recommendations

Direct and indirect government assistance, as well as inadequate regulatory enforcement, has led to immense economies of scale and has enabled Brazilian producers and exporters to dominate global sugar markets. The Tier 2 tariff, designed to ensure that out-of-quota sugar imports would not cause disruption to the U.S. sugar program, is rendered ineffective in the face of cheap, abundant, and unfairly traded Brazilian sugar. This investigation must ensure that the United States takes action to put an end to these unfair and detrimental trade practices.

The United States' existing commitments on sugar and sugar-containing products under various free trade agreements already confer significant access for imports. We are deeply concerned that Brazil's continued unfair trade practices could prove damaging to the long-term viability of U.S. sugar industry, our growers, the rural communities that depend on this vital industry, American consumers, and the food manufacturers that depend on a reliable supply of this safe ingredient delivered with just-in-time delivery.

The Associations commend the Trump Administration for its continued efforts to maintain strong, enforceable trade rules—an essential foundation for keeping American agriculture competitive. The proposed Section 301 investigation of Brazil, including tariff preferences and ethanol access, warrants consideration. Given Brazil's inadequate enforcement of environmental laws, support to the ethanol sector, protective tariff measures, and other unfair practices, the Associations encourage USTR to impose appropriate remedial actions to protect American sugarbeet farmers and processors.

The Associations respectfully recommend remedial actions covering Brazilian sugar, including significantly increasing the U.S. out-of-quota sugar tariffs (i.e., U.S. tier two tariffs on sugar imports) so they reflect current price and cost considerations; the closure of classification loopholes used to evade paying U.S. tariffs and duties; limiting Brazil to its minimum TRQ access available to the U.S. market; and securing other appropriate concessions or commitments from the Government of Brazil.

Representing sugarbeet family farmers across America, we are acutely aware of how distorted the global sugar market has become. American farmers are among the most efficient in the world while meeting some of the highest labor, environmental, and food quality standards. Yet every day they are forced to compete against countries like Brazil whose sugar industry does not meet similar environmental, and food quality standards and within a global system distorted by widespread subsidies and state intervention that suppress prices and undermine fair competition.

We thank the Administration for continuing to put America's farmers first and taking real steps to strengthen our agricultural sector and protect national food security.

Sincerely,

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