United States International Trade Commission

Certain Sugar Goods: Probable Economic Effect of Tariff Elimination Under NAFTA for Goods of Mexico

Investigation Nos. 332-490 and NAFTA-103-017
USITC Publication 3928
August 2007

U.S. International Trade Commission

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U.S. International Trade Commission

Washington, DC 20436
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Certain Sugar Goods: Probable Economic Effect of Tariff Elimination Under NAFTA for Goods of Mexico

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Publication 3928 **August 2007**

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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE UNITED STATES TRADE REPRESENTATIVE ON JUNE 15, 2007. ALL CONFIDENTIAL NATIONAL SECURITY INFORMATION AND CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERICKS (***).

Abstract

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CHAPTER 1
Introduction

This report contains the Commission's advice as to the probable economic effect (PE) on domestic industries producing like or directly competitive articles and on consumers of accelerating, effective October 1, 2007, the elimination of U.S. sugar tariffs applicable to imports from Mexico under the North American Free Trade Agreement (NAFTA). The tariffs apply to the following six articles: raw cane sugar (HTS 1701.11.50); raw beet sugar (HTS 1701.12.50); refined sugar, containing added coloring (HTS 1701.91.30); other refined sugar (HTS 1701.99.50); other sugar and syrups, containing 6 percent or less soluble non-sugar solids (HTS 1702.90.20); and sugar syrups, containing added coloring (HTS 2106.90.46).[1]

The United States and Mexico have agreed to enter into consultations to consider acceleration of the elimination of U.S. tariffs for certain articles. Section 103 of the NAFTA requires that the President obtain advice regarding the proposed action from the Commission.

Organization of the Report

The remainder of this chapter reviews the analytical approach used by the Commission to develop its PE advice. Chapter 2 of this report contains the PE advice (see the table on page 2-2 for a summary of the advice). Appendix A presents the request letter from the USTR and subsequent correspondence concerning the request; Appendix B contains the Commission's Federal Register notice announcing institution of these investigations and request for written submissions; and Appendix C presents a summary of written submissions of interested parties.

Analytical Approach and Probable Effect Coding

* * *.

[1] See appendix A for details of USTR's request and subsequent letters.

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CHAPTER 2
Probable Effect Advice

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U.S. Industry and Market

The U.S. sugar industry consists of sugarcane growers, sugarcane mills, raw cane sugar refiners, sugarbeet growers, and sugarbeet refiners. Cane sugar production is a two-step process. Sugarcane is milled into raw cane sugar and generally is then transported to a separate refinery. U.S. sugarcane production is concentrated in the Gulf region (Louisiana, Florida, and Texas) and Hawaii.[2] Raw cane sugar refineries generally are located close to ocean ports, as they also refine a significant amount of imported raw cane sugar. In contrast, beet sugar production is a one-stage process that occurs in one location. U.S. sugarbeet and refined beet sugar production is concentrated in Minnesota, North Dakota, Idaho, and Michigan.[3] Refined sugar from sugarcane and sugarbeets is identical. The sugar-containing products (SCPs) industry includes producers of a wide range of products.[4] SCP producers are located throughout the country and use both domestic and imported sugar.

The U.S. sugar industry consists of approximately 1,000 farms producing sugar cane, 5,000 farms producing sugar beets, 7 beet sugar processors, and 14 cane sugar processors.[5] Employment in the sugar and confectionery product manufacturing sector totaled about 68,000 in 2005, with about 14,000 employees in the sugar manufacturing sector.[6]

The U.S. sugar industry ranked fifth among world producers of sugar in 2006, accounting for 4.4 percent of the world total.[7] The United States trailed Brazil (21.5 percent), the EU25 (13.8 percent), India (9.1 percent), and China (6.3 percent) that year. U.S. production of raw sugar totaled about 7.0 million metric tons, raw value (mtrv), valued at $3.4 billion in 2006.[8] Total U.S. consumption of sugar reached about 9.3 million mtrv in fiscal year 2006.[9] U.S. shipments of sugar and confectionery products totaled $28.6 billion in 2005, having increased from previous years.[10]

Total U.S. imports of sugar and SCPs reached $3.1 billion in 2006.[11] U.S. imports of sugar and SCPs covered by TRQs totaled $1.3 billion in 2006; in-quota imports accounted for 78 percent of the total.[12] The bulk of in-quota imports of sugar and SCPs, (92 percent in 2006) enter free of duty under various trade preference programs such as GSP, NAFTA, DR-

[2] USDA, NASS, *Crop Production 2006 Summary*.

[3] Ibid.

[4] Comprehensive data on this sector are not readily available, as a large number of products with varying amounts of sugar are produced by the sector. The bulk of U.S. trade and the focus of U.S. sugar policy is on domestic producers of raw cane sugar and refined cane and beet sugar.

[5] USDA, *2002 Census of Agriculture*; USDA, FSA, "Final FY 2006 Overall Beet/Cane Allotments and Allocations," October 2006.

[6] USDOC, *Annual Survey of Manufactures, Statistics for Industry Groups and Industries: 2005.* Data are for all employees for NAICS industry groups 3113 (sugar and confectionery products) and 31131 (sugar manufacturing).

[7] F.O. Licht, *F.O. Licht's International Sugar and Sweetener Report World Sugar Balances 1997/98-2006/07*, March 6, 2007, 3-4. Raw sugar basis.

[8] Based on raw value of cane and beet sugar production valued at the U.S. wholesale price of raw cane sugar. Data from the USDA, ERS, *Sugar and Sweeteners Yearbook Tables.*

[9] The fiscal year is from October 1 of the previous year through September 30 of the stated year. Data from the USDA, ERS, *Sugar and Sweeteners Yearbook Tables.*

[10] USDOC, *Annual Survey of Manufactures, Statistics for Industry Groups and Industries: 2005*. Data are for NAICS industry group 3113 (sugar and confectionery products).

[11] USITC *Dataweb*. Includes all of HTS Chapter 17 and SCPs subject to TRQs.

[12] Data are not meaningful on a quantity basis owing to different units among commodities. The value of imports of SCPs represent total product value, only a part of which consists of sugar.

CAFTA, CBI, and ATPADEA. The principal sugar and SCP import item is sugar confectionery (HTS subheading 1704.90.35), accounting for one third of the total value of such U.S. imports in 2006.[13] Raw cane sugar (HTS 1701.11.10) (23 percent) was second. In terms of sugar and SCPs subject to TRQs, raw cane sugar accounted for 56 percent of the value of such imports in 2006. The United States exported $155 million of raw and refined sugar in 2006.[14]

The key competitive factors in the U.S. sugar market include U.S. sugar policy, production costs, product substitutability, and distance to market. In addition, demand factors affect competitiveness. U.S. sugar policy is mainly implemented by a system of the aforementioned import quotas, domestic marketing allotments, and a domestic price support loan program.

On the demand side, there has been a long-term decline in U.S. per capita sugar consumption, largely as a result of the substitution of sugar by high fructose corn syrup and other sweeteners.[15] Also, the growth in U.S. imports of SCPs, caused in part by the shift of U.S. confectionery production facilities to foreign locations, has reduced U.S. sugar demand.[16] In addition, economic conditions and dietary concerns regarding carbohydrates have negatively impacted U.S. sugar demand in recent years, although demand appears to have rebounded since 2003.

U.S. Sugar Policy

It is necessary to consider U.S. sugar policy in order to analyze the impact of potential increases in imports of sugar and SCPs. The United States maintains a sugar policy consisting of domestic and import elements. The domestic element consists mainly of a price support loan program that maintains guaranteed floor prices for raw cane and refined beet sugar.[17] If the domestic prices of raw and refined sugar fall below the loan rate, U.S. cane sugar millers and cane and beet sugar refiners may pledge their sugar as collateral and obtain loans from the USDA. In addition, the USDA imposes marketing allotments, which place restrictions on the amount of sugar domestic producers can ship.[18] These allotments, which

[13] This item is not subject to a TRQ. However, approximately three-quarters of the value of total imports entered duty-free in 2006, mostly under the NAFTA.

[14] A significant share, 24 percent by value in 2006, represents reexports of imported raw sugar that has been refined in the United States.

[15] U.S. per capita consumption of refined sugar declined from 102 pounds in 1970 to 63 pounds in 2006. The share of caloric sweeteners for U.S. food and beverage use accounted for by refined sugar declined from 86 percent in 1966 to 45 percent in 2006, while the share held by high fructose corn syrup increased from zero to 42 percent. USDA, ERS, *Sugar and Sweeteners: Yearbook Data Tables.* Data are calculated based on a 1,000 short tons, dry basis.

[16] The sugar content of U.S. SCP imports is estimated to have risen from 213,000 short tons, raw value (strv), in FY 1993 to 1.3 million strv in FY 2006. USDA, ERS *Sugar and Sweeteners Outlook*, SSS-248, February 5, 2007, 11.

[17] The current nominal loan rate is fixed at 18.0 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. However, the rates vary by location and may effectively be higher as a result of factors such as interest expense, transportation costs, and location discounts. For the 2006-07 crop, the USDA calculated the minimum price to discourage forfeiture to be between 20.72-21.46 cents per pound for raw cane sugar and between 23.50-27.13 cents per pound for refined beet sugar. USDA, ERS, *Sugar and Sweeteners Outlook*, SSS-248, February 5, 2007, 20.

[18] Production in excess of this amount must be held as stocks by the industry. Such stocks, which vary over time, are commonly referred to as “blocked stocks.” Blocked stocks are virtually nil as of April 2007, representing the difference between the overall allotment quantity of 8.75 million strv (as of October 2006) and a forecast production of 8.531 million strv (as of April 2007). Calculated from USDA data.

the USDA imposes to avoid forfeitures, are in effect as long as U.S. sugar imports are less than 1.390 million mtrv in a given marketing year.[19] If imports are forecast to exceed this amount, marketing allotments may be suspended.[20] The USDA administers the loan program at no net cost to the Federal Government, to the maximum extent practicable.[21] The USDA also may utilize a payment-in-kind program, whereby domestic sugar processors can bid for excess raw cane or refined beet sugar in USDA stocks in exchange for reduced production levels. The storage costs for excess production are borne by the industry.

U.S. trade policy for sugar consists mainly of U.S. market access commitments made under both NAFTA and the Uruguay Round Agreement on Agriculture (URAA). To keep the U.S. domestic price sufficiently above the loan rates,[22] the United States administers a system of TRQs on U.S. imports of sugar and SCPs from Mexico under NAFTA and on U.S. imports from WTO member countries in accordance with the URAA. The United States scheduled separate TRQs for raw sugar, refined sugar, SCPs, blended sugar syrups,[23] and cocoa powder containing sugar[24] under the URAA. Imports within the quota are dutiable at a low in-quota tariff rate,[25] while imports above the quota are dutiable at a higher (generally prohibitive) over-quota tariff rate.[26] Also, over-quota imports may be subject to additional special safeguard tariffs if certain price levels are triggered.[27]

The raw sugar TRQ is by far the largest of the sugar TRQs and is the only one allocated on a country-specific basis.[28] In total, 40 nations hold shares of the U.S. raw sugar TRQ. Under URAA commitments, the United States is required to allocate at least 1,117,195 mtrv annually. During FY 2006, the TRQ allocations for raw sugar exceeded the minimum requirement, totaling 1,717,750 mtrv.[29]

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[19] Raw value basis, excluding imports under a sugar re-export program. Marketing year is from October through September.

[20] The marketing allotments are suspended (restrictions are lifted) if the overall allotment quantity must be reduced as well. The overall allotment quantity is the total amount of sugar that is permitted to be marketed by domestic producers. The suspension of marketing allotments is to allow domestic producers to compete with imports. However, the USDA is still obligated to purchase domestically-produced sugar at the loan rates in the event marketing allotments are suspended. In addition, domestic marketing allotments may be reassigned to imports if the domestic industry cannot fill them. This occurred in 2006, as 246,000 strv were reassigned to imports as a result of domestic supply shortages caused by weather-related events.

[21] Effectively, this means no forfeitures of sugar to the USDA.

[22] U.S. sugar policy, mainly implemented by a system of import quotas and the domestic price support loan program described above, contributed to a domestic wholesale price of 22.14 cents per pound for raw sugar and 33.10 cents per pound for refined sugar in 2006. By comparison, the world wholesale price averaged 15.50 cents per pound for raw sugar and 19.01 cents per pound for refined sugar that year. USDA, ERS, available at http://www.ers.usda.gov/Briefing/Sugar/Data/data.htm.

[23] These TRQs are all provided for in the additional U.S. notes 5, 7, 8, and 9 to chapter 17 of the HTS and pertinent subheadings.

[24] This TRQ is provided for in additional U.S. note 1 of chapter 18 of the HTS.

[25] Zero for the subject countries under preferential trade arrangements.

[26] For example, the over-quota tariff rate for raw cane sugar was 33.87 cents per kilogram in 2006, or about 69 percent ad valorem compared with the U.S. market price that year. The refined sugar over-quota tariff rate was 35.74 cents per kilogram, or about 49 percent ad valorem.

[27] The NAFTA and certain other FTAs exempt the relevant countries from these special safeguard duties. See HTS subheadings 9904.17, 9904.18, 9904.19, and 9904.21.

[28] Aside from Canada and Mexico under the NAFTA.

[29] USDA, FAS. Although the quantity exceeded the “trigger” level, domestic marketing allotments were not suspended because a portion of the allotments was reassigned to imports and the domestic allotments were not lowered.

The refined sugar TRQ and the Mexican NAFTA TRQ totaled 830,016 mtrv in FY 2006.[30] Of this amount, 339,368 mtrv were allocated to Mexico (including raw and refined sugar under NAFTA). The refined sugar TRQ was unusually large in FY 2006, because of domestic supply shortages.

Mexican Industry and Market

Mexico is a major sugar producer, ranking sixth among nations in world production of sugar in 2005-06.[31] Virtually all Mexican sugar production is from sugarcane. Sugarcane is the third leading crop grown in Mexico (behind tomatoes and corn), with gross revenues totaling 16 billion pesos (about $1.4 billion) in 2004.[32] The Mexican sugar industry employs 300,000 to 320,000 workers, of whom 100,000 are temporary cane cutters.[33] In 2003-04, there were 158,000 farms producing sugarcane, with an average size of 3.9 hectares (10 acres).[34] Sugarcane is widely grown throughout Mexico, but two regions along the Gulf of Mexico, the Gulf and the Northeast regions, accounted for 60 percent of Mexican sugar production during 2000–06. The sugar industry indirectly affects the employment of 700,000 workers and accounts for nearly one percent of Mexico's GDP.[35]

In FY 2006, Mexican production of sugarcane was 50.8 million metric tons, harvested from 657,000 hectares (1.6 million acres).[36] The harvested area in sugarcane changed little during 2001–04, fluctuating annually between 607,000 and 612,000 hectares, and cane production fluctuated annually between 43 million and 45 million metric tons.[37] In 2005, the harvested area rose 7 percent to 657,000 hectares, and remained at that level in 2006.[38] The cane yield in 2005 was a record high of 77.53 tons per hectare, nearly 5 percent above the yield in 2001. The yield in 2006 increased to 78.15 tons per hectare. Yields are determined largely by weather conditions.

The two main types of sugar produced in Mexico are high polarity standard ("estandar") sugar (about two-thirds of the output), and refined ("refinado") sugar (most of the remainder).[39] All mills sell directly to consumers and to food manufacturers; there is no separate sugar refining industry in Mexico. In 2006, there were 58 sugarcane mills in Mexico with 25 mills located in the Gulf region and 12 mills in the Pacific region, accounting respectively for 43 and 22 percent of sugar revenues in FY 2004.[40] All 58 mills produce the more raw, "estandar" sugar, but only 14 mills also produce refined sugar. Mexican annual production of raw sugar during 2001–04 averaged 5.2 million mtrv; production rose to 6.1 million mtrv in 2005, but then declined in 2006 to 5.6 million mtrv, according to USDA data.[41] USDA projects Mexican 2007 production to be close to 5.6 million mtrv.

[30] USDA, FAS.
[31] Mazal, Jose Pinto, "U.S.-Mexico Sweetener Market in 2008: Integration or Implosion," 3.
[32] USDA, FAS, GAIN Report No. MX6060, 19.
[33] USITC, *Industry and Trade Summary: Sugar*, 50; Knapp, Robert, USDA, FAS, "Mexico and Sugar: Historical Perspective."
[34] USDA, ERS, "Mexico Sugar and HFCS," 29.
[35] Shwedel and Ampudia, "Trade Disputes in an Unsettled Industry: Mexican Sugar," 349.
[36] USDA, FAS, GAIN Report No. MX6029, 3.
[37] USDA, ERS, *Sugar and Sweeteners Outlook*, 30.
[38] USDA, FAS, GAIN Report No. MX6029, 9.
[39] The other sugar products are molasses and "mascabad." ERS, *Sugar and Sweeteners Outlook*, 29, 31.
[40] USDA, ERS, *Sugar and Sweeteners Outlook*, 34.
[41] Ibid., 20.

During FY 2006, Mexican exports of sugar amounted to 584,000 metric tons, all of which went to the United States, according to a May 2006 USDA estimate. During 2001–05, Mexican exports averaged about 150,000 metric tons annually. In FY 2006, about three-quarters of the Mexican exports consisted of refined sugar and one-quarter consisted of raw sugar (estandar). In FY 2005, Mexican exports consisted of equal amounts of raw and refined sugar.[42] Mexico's NAFTA TRQ totaled 243,126 metric tons in FY 2006.

Sugar consumption in Mexico rose by 1 million tons from 4.6 mtrv in FY 2002 to 5.6 mtrv in FY 2004 because high-fructose corn syrup consumption was heavily taxed and Mexican soda bottlers shifted back to using sugar.[43] With the use of amparos (licenses that exempt holders from the tax) by Mexican soft drink firms, sugar consumption dropped from 5.6 mtrv in FY 2005 to 5.4 mtrv in FY 2006. Mexican per capita sugar consumption averaged about 45 kilograms annually during 1995-2004.[44] About 27 percent of Mexican sugar consumption in FY 2006 was in the beverage (soda) industry, and 19 percent was in the Mexican food industry (confectionery, bakeries, and breakfast cereals).[45]

Mexico has the highest per capita consumption of soft drinks in the world; however, its per capita annual consumption of sweeteners (sugar and HFCS) has been relatively flat over the past five years at 45-47 kilograms.[46] Most growth in total Mexican consumption in sweeteners occurred over the past five years due to population growth and higher consumer incomes.[47] Total Mexican consumption of sweeteners rose at a compound annual rate of 2.8 percent during 2001–06, according to ERS USDA data. Imports of sugar into Mexico supplied less than 2 percent of sugar consumption in most years. Consumption in Mexico is somewhat sensitive to changes in prices, but wholesale sugar prices have been relatively stable over the past five years.[48]

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[42] USDA, FAS, GAIN Report No. MX6029, 8.

[43] USDA, ERS, *Sugar and Sweeteners Outlook*, 19-20.

[44] Ibid., 38.

[45] About 1.4 mtrv of sugar went into beverages and 1.0 mtrv went into the food industry in 2005 (5.2 mtrv of total domestic sugar consumption). USDA, ERS, *Sugar and Sweeteners Outlook*, 20, 39.

[46] USDA, ERS, *Sugar and Sweeteners Outlook*, 38.

[47] Income elasticity of demand in Mexico for sugar ("other foods category") was estimated at 0.628, while income elasticity for tobacco and beverages including soda was 0.807, the highest among all food groups, according to USDA, ERS, *International Food Consumption Patterns*. Another study of the Mexican sugar market during 1994-2001, found an income elasticity of 0.148 for sugar; Garcia Chavez, *La Agroindustria Azucacera de Mexico*, 38.

[48] USDA, ERS, estimated the price elasticity of demand in Mexico for sugar ("other food") at -0.508, and for beverages and tobacco at -0.653. Garcia Chavez estimated the price elasticity for sugar in Mexico at -0.467. Garcia Chavez, *La Agroindustria Azucacera de Mexico*, 38.

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APPENDIX A
Request Letters from the USTR

DOCKET NUMBER

2532

Office of the Secretary Int'l Trade Commission

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

MAR 14 2007

The Honorable Daniel R. Pearson
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Chairman Pearson:

I have annexed to this letter a list of articles with respect to which the President may eliminate duties under the North American Free Trade Agreement (NAFTA) on certain qualifying goods of Mexico. Specifically, the President may eliminate duties on between 175,000 to 250,000 metric tons, raw value, of sugar goods of Mexico that are classified in the tariff items listed in the annex. Duties on these goods would be eliminated on October 1, 2007.

Section 201(b)(1) of the North American Free Trade Agreement Implementation Act (the "Act") authorizes the President, subject to the consultation and layover requirements of section 103(a) of the Act, to proclaim such modifications as the United States may agree to with Mexico or Canada regarding the staging of any duty treatment set forth in Annex 302.2 of the NAFTA. Section 103(a) of the Act requires the President to obtain advice regarding the proposed action from the U.S. International Trade Commission.

Pursuant to section 332(g) of the Tariff Act of 1930 and authority that the President has delegated to the USTR, I request the Commission to provide advice as to the probable economic effect on domestic industries producing like or directly competitive articles, workers in these industries, and on consumers of the affected goods of eliminating the U.S. tariff under the NAFTA on between 175,000 to 250,000 metric tons, raw value, of sugar goods of Mexico falling under the tariff items listed in the annex.

I ask the Commission to provide this advice at the earliest possible date, but not later than June 15, 2007. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

I greatly appreciate the Commission's assistance in this matter.

Sincerely,

Susan C. Schwab

Enclosure

2007 MAR 15 PM 4: 37

OFFICE OF THE SECRETARY
U.S. INT'L TRADE COMM

Annex

1701.11.50

1701.12.50

1701.91.30

1701.99.50

1702.90.20

2106.90.46

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

March 30, 2007

Lyn Schlitt
Director
Office of External Relations
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Ms Schlitt:

Further to her letter of March 14, 2007, requesting advice from the U.S. International Trade Commission (Commission) about the probable economic effects of the possible elimination of duties on certain qualifying goods of Mexico, Ambassador Schwab has asked that I provide the Commission with additional guidance regarding classification of the Commission's report providing this advice.

The Commission's report should be classified and marked in accordance with Section 1.6 of Executive Order 13292, as amended. The sections of the report that analyze probable economic effects, as well as other information that would reveal any aspect of the probable economic effects advice, should be classified as Confidential, pursuant to Section 1.4(e) of Executive Order 13292, as amended. The declassification date should be ten years from the date of your report. Any background information, data in a form already available to the public, and other portions of the report that do not provide or reveal aspects of the probable economic effects advice, analysis or conclusions should not be classified. The probable economic effects advice, the probable economic effect model results, the non-public data used in the model, and the model parameters as a whole would normally be classified Confidential. Any chapters containing general overviews of markets within, or trade between, the United States and its trading partners, the positions of interested parties, previously released public documents (e.g., the request letter and notices published in the Federal Register), and tables containing public data (unless the selection of data on the table would reveal probable effects advice or analysis) should be unclassified. The Assistant USTR for the Americas should be listed as the Original Classifying Authority for this report.

We greatly appreciate the Commission's assistance in this matter.

Sincerely,

Carmen Suro-Bredie

Carmen Suro-Bredie
Assistant United States Trade Representative
For Policy Coordination

APPENDIX B
Federal Register Notice

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–490 and Investigation No. NAFTA–103–017]

Certain Sugar Goods: Probable Economic Effect of Tariff Elimination Under NAFTA for Goods of Mexico

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and request for written submission.

SUMMARY: Following receipt on of a request on March 15, 2007, from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) and in accordance with section 103 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3313), the Commission instituted Investigation Nos. 332–490 and NAFTA–103–490, *Certain Sugar Goods: Probable Economic Effect of Tariff Elimination under NAFTA for Goods of Mexico.*

DATES: March 15, 2007: Date of receipt of request.

April 5, 2007: Date of institution of investigation.

May 4, 2007: Deadline for written statements, including any post-hearing briefs.

June 15, 2007: Transmittal of report to the USTR.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street, SW., Washington, DC. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at http://edis.usitc.gov.

FOR FURTHER INFORMATION CONTACT: Information may be obtained from Douglas Newman, Office of Industries (202–205–3328 or douglas.newman@usitc.gov); for information on legal aspects, contact William Gearhart of the Commission's Office of the General Counsel (202–205–3091; william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819 or margaret.olaughlin@usitc.gov). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202–205–1810). General information concerning the Commission may also be obtained by accessing its Internet server (http://www.usitc.gov). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

SUPPLEMENTARY INFORMATION: According to the USTR's letter, the President may eliminate duties on between 175,000 and 250,000 metric tons, raw value, of sugar goods of Mexico that are classified in the tariff items listed below. Duties on these goods would be eliminated on October 1, 2007. Section 201(b) of the North American Free Trade Agreement Implementation Act (Act) authorizes the President, subject to the consultation and layover requirements in section 103(a) of the Act, to proclaim such modifications as the United States may agree to with Mexico or Canada regarding the staging of any duty treatment set forth in Annex 302.2 of the NAFTA. Section 103(a) requires the President to obtain advice regarding the proposed action from the Commission.

The USTR requested that the Commission provide advice as to the probable economic effect on domestic industries producing like or directly competitive articles, workers in these industries, and on consumers of the affected goods, of eliminating the U.S. tariff under the NAFTA on between 175,000 and 250,000 metric tons, raw value, of sugar goods of Mexico falling under the following Harmonized Tariff Schedule subheadings: (1) 1701.11.50 (raw cane sugar); (2) 1701.12.50 (raw beet sugar); (3) 1701.91.30 (refined sugar, containing added coloring); (4) 1701.99.50 (other refined sugar); (5) 1702.90.20 (other sugar and syrups, containing 6 percent or less soluble non-sugar solids); and (6) 2106.90.46 (sugar syrups, containing added coloring).

As requested, the Commission will provide its advice to the USTR by June 15, 2007. USTR has classified as Confidential the sections of the report that analyze probable economic effects, as well as other information that would reveal any aspect of the probable economic effects advice. USTR also requested that the Commission issue, as soon as possible after June 15, a public version of its report with any confidential business information deleted. Accordingly, the Commission will issue a public version of the report as soon as possible after June 15, and completion of USTR's review for classification purposes. The public version of the report will not include any sections of the report or information that USTR has classified as Confidential, or any information that the Commission considers to be confidential business information.

Written Submissions: In lieu of a public hearing, interested parties are invited to submit written statements concerning the matters to be addressed by the Commission in this investigation. Submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. To be assured of consideration by the Commission, written statements should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on May 4, 2007. All written submissions must conform with the provisions of § 201.8 of the *Commission's Rules of Practice and Procedure* (19 CFR 201.8) Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, from which the confidential business information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules authorize filing submissions with the Secretary by facsimile or electronic means only to the extent permitted by § 201.8 of the rules (see Handbook for Electronic Filing Procedures, *http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf*. Persons with questions regarding electronic filing should contact the Secretary(202–205–2000 or edis@usitc.gov).

Any submissions that contain confidential business information must also conform with the requirements of § 201.6 of the *Commission's Rules of Practice and Procedure* (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the “confidential” or “nonconfidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties.

The Commission may include some or all of the confidential business information submitted in the course of this investigation in the report it sends to the USTR and the President. However, the Commission will not publish such confidential business information in the public version of its report in a manner that would reveal the operations of the firm supplying the information.

Issued: April 6, 2007.

By order of the Commission.

Marilyn R. Abbott,
Secretary to the Commission.

[FR Doc. E7–6904 Filed 4–11–07; 8:45 am]
BILLING CODE 7020–02–P

APPENDIX C
Position of Interested Parties

American Sugar Alliance

The American Sugar Alliance (ASA) states that it is the national coalition of growers, processors, and refiners of sugarbeets and sugarcane. The ASA states the accelerated elimination of the duties on U.S. imports of the subject sugar goods from Mexico would have a serious adverse impact on the domestic sweetener industries and workers producing like or directly competitive products; would not benefit U.S. consumers or workers; and would undermine concessions made under the NAFTA unless Mexico complies with market access obligations under the NAFTA regarding U.S. sugar exports. The ASA states that the U.S. market is oversupplied and that Mexico is in violation of it's NAFTA obligations regarding imports of sugar from the United States.

Sweetener Users Association

The Sweetner Users Association (SUA) states that it represents confectioners, bakers, cereal manufacturers, beverage makers, diversified food manufacturers, and dairy food companies that use sugar, as well as trade associations that represent these industries. The SUA claims that the proposed accelerated duty elimination on U.S. imports of the subject sugar goods from Mexico would have a modest impact. The SUA states that the existing duty is already low; the time frame for the duty elimination is short; and Mexico likely will only be able to export 75,000 mtrv of sugar, little of which would enter during the elimination period.

Corn Refiners Association

The Corn Refiners Association (CRA) states that it is the national trade association representing the U.S. corn refining industry, which produces corn syrup. The CRA states that the United States and Mexico recently concluded an agreement whereby Mexico provided a duty-free TRQ for U.S. exports of 250,000 mt of high fructose corn syrup during the elimination period and that this TRQ would be affected by the proposed U.S. accelerated elimination.