OBAMA-BIDEN TRANSITION PROJECT

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CORN REFINERS ASSOCIATION

Corn Refiners Association – U.S. – Mexico Sweetener Trade

Importance of the Mexican Market to the U.S. Corn Refining Industry

The Corn Refiners Association strongly supports the North American Free Trade Agreement (NAFTA). Mexico is the top export market for U.S. high fructose corn syrup (HFCS) exports with an estimated market potential of 2.6 million metric tons per year, or nearly $1 billion, once full integration has occurred. Maintaining the open border conditions achieved January 1, 2008, as required under the NAFTA, is the top trade priority of the Corn Refiners Association to ensure continued corn sweetener exports to our top foreign market.

Moreover, keeping the original NAFTA intact, without modification or amendments, is imperative to ensure that the many benefits stemming from this agreement continue to accrue to the corn refining industry, as well as the U.S. agricultural sector broadly. As noted below, our industry suffered extreme HFCS export losses during a ten-year debacle that dramatically reduced jobs in our industry. Instead of exporting U.S. corn sweeteners and creating jobs, our industry spent significant resources defending our interests in two World Trade Organization (WTO) legal challenges and a separate NAFTA dispute settlement case. Additionally, three NAFTA cases were litigated, or are still being litigated, by individual members of the Corn Refiners Association.

Given the delicate balance of concessions achieved in the NAFTA negotiations on agriculture, changes to that important Agreement could wipe out the top export market for a number of agricultural commodities and unravel the free trade opportunities that the U.S. agricultural sector worked so hard to achieve. Such an outcome would be financially devastating to a sector of the U.S. economy that generates significant cash receipts from exports and has historically enjoyed a positive balance of trade.

The existing NAFTA must remain intact without any change, modification or amendment to either the existing agricultural or non-agricultural provisions. To reopen the NAFTA would put at risk the entire Agreement.

Importance of Mexico to U.S. Agricultural Economy

The U.S. agricultural sector benefits greatly from trade with Mexico. In 2007, U.S. agricultural exports to Mexico exceeded $11.5 billion. The NAFTA provisions on agriculture have resulted in significant export gains for the food and agricultural sector. Mexico is the top export destination for corn sweeteners, beef, dairy, poultry, rice, soybean meal and oil, cotton, apples, and dry edible bean exports. It is the second most important foreign market for pork, corn, soybeans, eggs, vegetable oils, snack foods and other consumer-oriented agricultural goods. Production of these commodities occurs in every geographic region of the country, which is a strong testament to the

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importance of the NAFTA to the U.S. agricultural economy. Maintaining the existing provisions on agriculture is essential to ensure that these exports continue to reap positive returns to U.S. net farm income. It must be expected that any U.S. attempts to alter *any* provisions of the NAFTA would be countered by Mexican proposals to limit U.S. farm exports into that market, given the significant pressure that several Mexican commodity groups have exerted to modify that Agreement.

Brief History of U.S. – Mexico Sweetener Dispute

While sweetener trade with Mexico was contentious from the beginning due to the side letter dispute over the terms of trade, significant problems resulting in job reductions and plant closures in the corn wet milling sector began in earnest in 1997. That year, Mexico imposed preliminary, and later final, antidumping duties on U.S. exports of HFCS. WTO and NAFTA dispute settlement panels found Mexico's antidumping investigation to be illegal. In January 2002, Mexico lifted its antidumping margins on U.S. HFCS exports and instead, imposed a 20% tax on all beverages sold in Mexico that were sweetened with HFCS. This tax shut the Mexican market down overnight for U.S. exports of HFCS and bulk corn for production of HFCS in Mexico by U.S. owned firms. The WTO ruled on August 8, 2005 that the Mexican soda tax was a WTO violation. Mexico appealed the WTO ruling and the WTO Appellate Body ruled in favor of the United States on March 6, 2006. In late December 2006, the Mexican Congress voted to lift the soda tax, thereby enabling Mexico to come into compliance with the WTO ruling. During this longstanding dispute, the corn refining industry idled capacity, eliminated jobs, closed plants and witnessed the exit of some companies from the industry.

In July 2006, the U.S. and Mexican governments reached a negotiated settlement that resulted in two-way sweetener trade under tariff rate quotas. All duties were removed on U.S.-Mexico sweetener trade effective January 1, 2008 as required by the NAFTA.

In January/February 2008, the U.S. sugar industry attempted to institute managed trade for sweeteners in the Farm Bill legislation. Their proposal was rejected by the leadership of the House and Senate Agricultural Committees and a broad section of the U.S. agricultural sector (please see attached letter dated February 6, 2008).

In June 2008, the U.S. sugar industry filed a petition with the Departments of Commerce and Justice to obtain an Export Trade Certificate of Review with the intent to collude on sweetener trade and manage sweetener exports between the two countries. The two Departments were poised to reject the petition when the U.S. sugar industry decided to withdraw it.

Today, sweetener trade with Mexico is unrestricted, benefitting consumers on both sides of the border. With sufficient time and continued open market access, foreign direct investment will flow to the Mexican economy, resulting in increased integration and efficiencies in bilateral sugar trade as anticipated by the NAFTA. For U.S. producers of HFCS, this should mean significant increases in plant utilization and employment.

December 2008

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Sent to Full House and Senate

February 6, 2008

The undersigned organizations have recently been made aware of a proposal to manage trade in sugar with Mexico that we understand is being considered by House and Senate Farm Bill conferees. This proposal has broad-based and severe implications for the U.S. food and agricultural sector. We do not support managed trade with Mexico and urge that it not be included in the Farm Bill or any other legislation.

The Mexican market has been a resounding success for U.S. food and agricultural exporters. Mexico is the top export destination for beef, dairy, poultry, rice, soybean meal and oil, corn sweeteners, cotton, apples and dry edible bean exports. It is the second most important foreign market for pork, corn, soybeans, eggs, vegetable oils, snack foods and other consumer-oriented agricultural goods, thereby contributing substantially to net farm income. Collectively, U.S. agricultural exports exceeded $10.8 billion to Mexico in 2006.

Adopting managed trade with Mexico would effectively amend the free trade provisions of the NAFTA by instituting export and import restraints. Moreover, this managed trade proposal contains other international trade violations that could subject the United States to challenge and unravel the free trade opportunities that the U.S. agricultural sector worked so hard to achieve.

It is imperative that we protect the NAFTA. This proposal sets a dangerous precedent of amending this hard fought agreement. Most troubling, if the United States implements this managed trade proposal, we can expect similar legislation in Mexico to result in managed trade in other agricultural sectors. Such an outcome would spell disaster for our industries, which is why we support full implementation of the NAFTA and an open border with Mexico in all commodities.

It is abundantly clear that our industries will be directly impacted by this proposal. We strongly oppose managed trade with Mexico and urge Farm Bill conferees to reject it in conference.

American Cotton Shippers Association
American Farm Bureau Federation
American Meat Institute
American Soybean Association
California Bean Shippers Association
California Dry Bean Advisory Board
Corn Refiners Association
Grocery Manufacturers Association
Idaho Dry Bean Commission
International Dairy Foods Association
Michigan Bean Commission
Michigan Bean Shippers Association
National Cattlemen's Beef Association

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National Chicken Council
National Corn Growers Association
National Grain and Feed Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Sunflower Association
National Turkey Federation
North American Export Grain Association
North American Millers Association
North Central Bean Dealers Association
Northarvest Bean Growers Association
Northwest Fruit Exporters
Northwest Horticultural Council
Pet Food Institute
Sweetener Users Association
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
U.S. Canola Association
U.S. Dairy Export Council
U.S. Hides, Skins & Leather Association
United Egg Association
United Egg Producers
United States Dry Bean Council
Western Bean Dealers Association