Sugar from Mexico

Inv. Nos. 704-TA-1 and 734-TA-1

(Review)

February 19, 2015

Presentation at USITC

CAPITAL ★ TRADE

INCORPORATED

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Overview

Industry as a Whole

The Effects of the Agreements

Eliminate Injury Completely

Analysis of Imperial's Arguments

Overview

Industry as a Whole

The Effects of the Agreements

Eliminate Injury Completely

Analysis of Imperial's Arguments

Industry

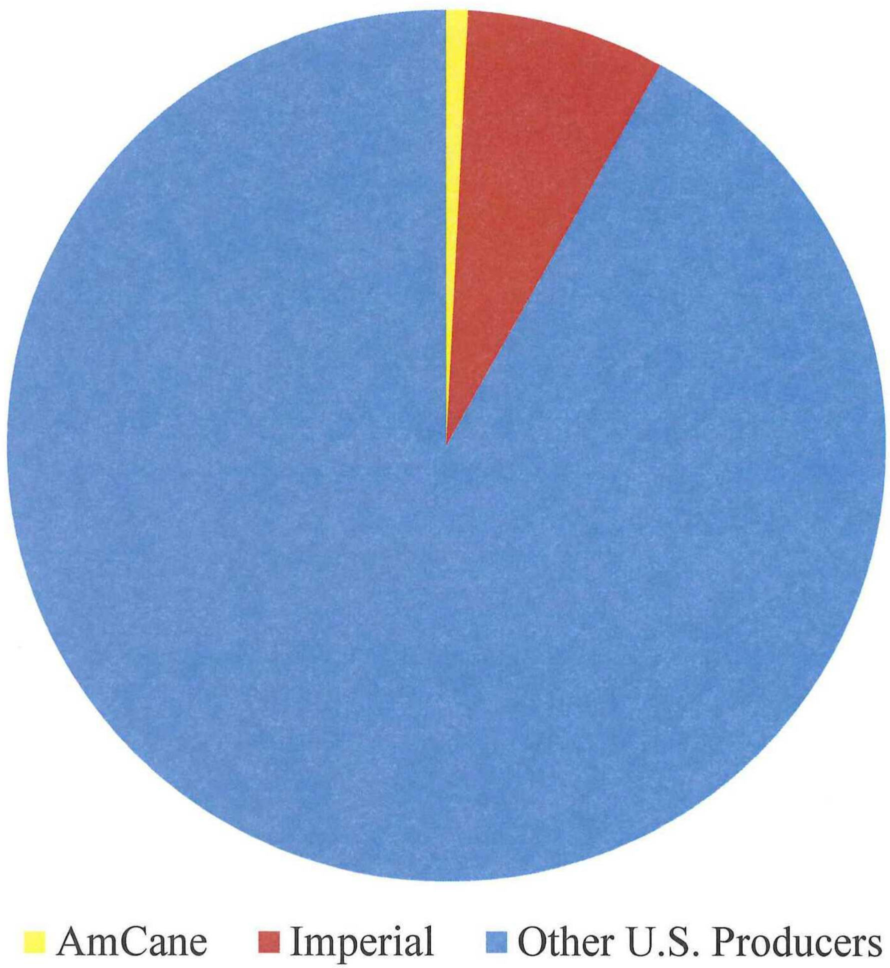
The Industry as a Whole

- Commission practice is to assess injury to the industry as a whole.
- Imperial and AmCane comprise a small share of the industry's refined revenues.
- Imperial and AmCane comprise an even smaller share of the U.S. sugar industry's value added.
- The vast majority of the U.S. sugar industry believes the Agreements eliminate injury completely.

Industry

Imperial & AmCane

U.S. Refined Sugar Production

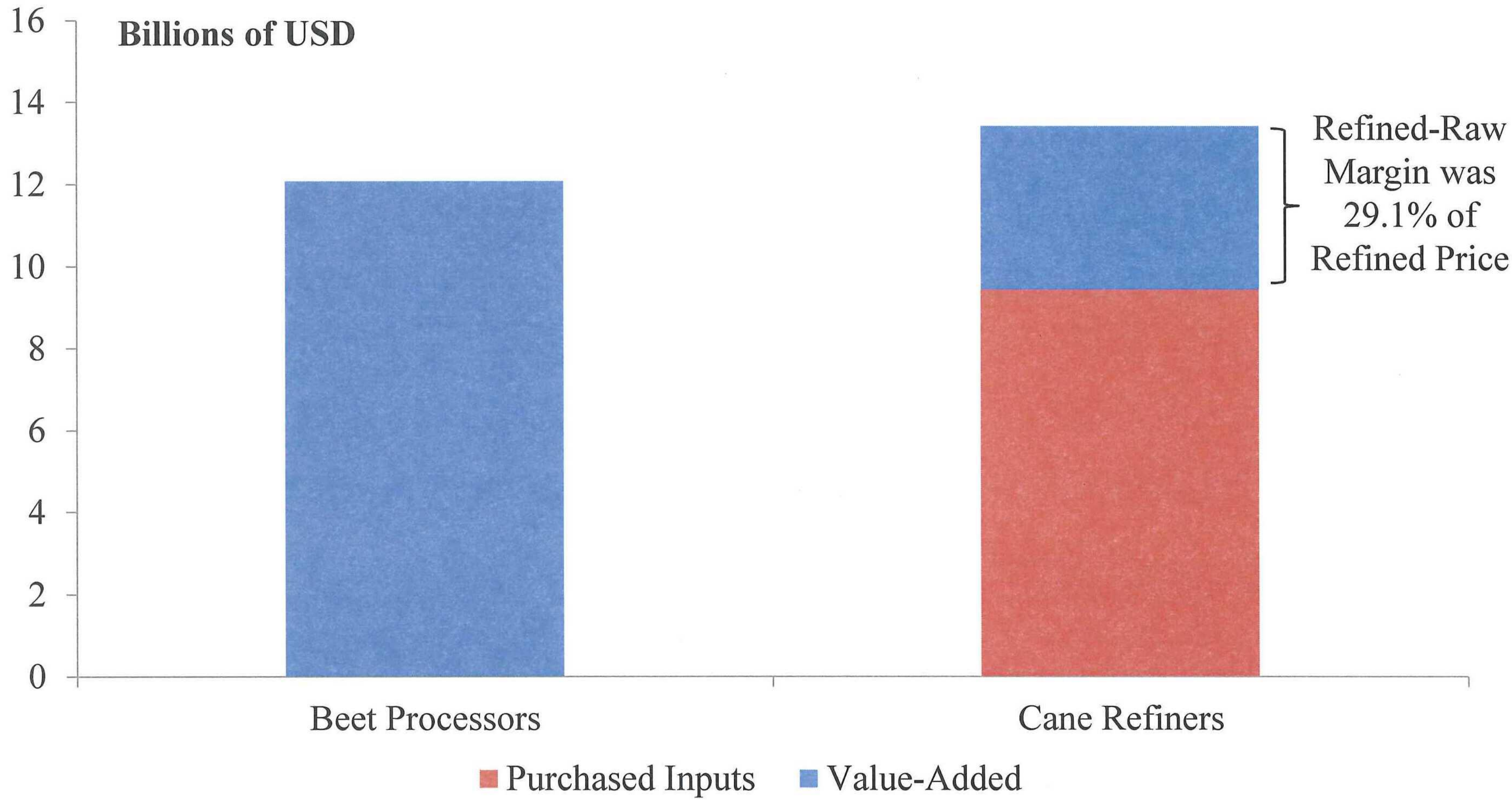


Note: Shares represented on this chart are indicative. Preliminary Staff Report, Table III-4.

Industry

Imperial & AmCane

Revenues of Processors and Refiners

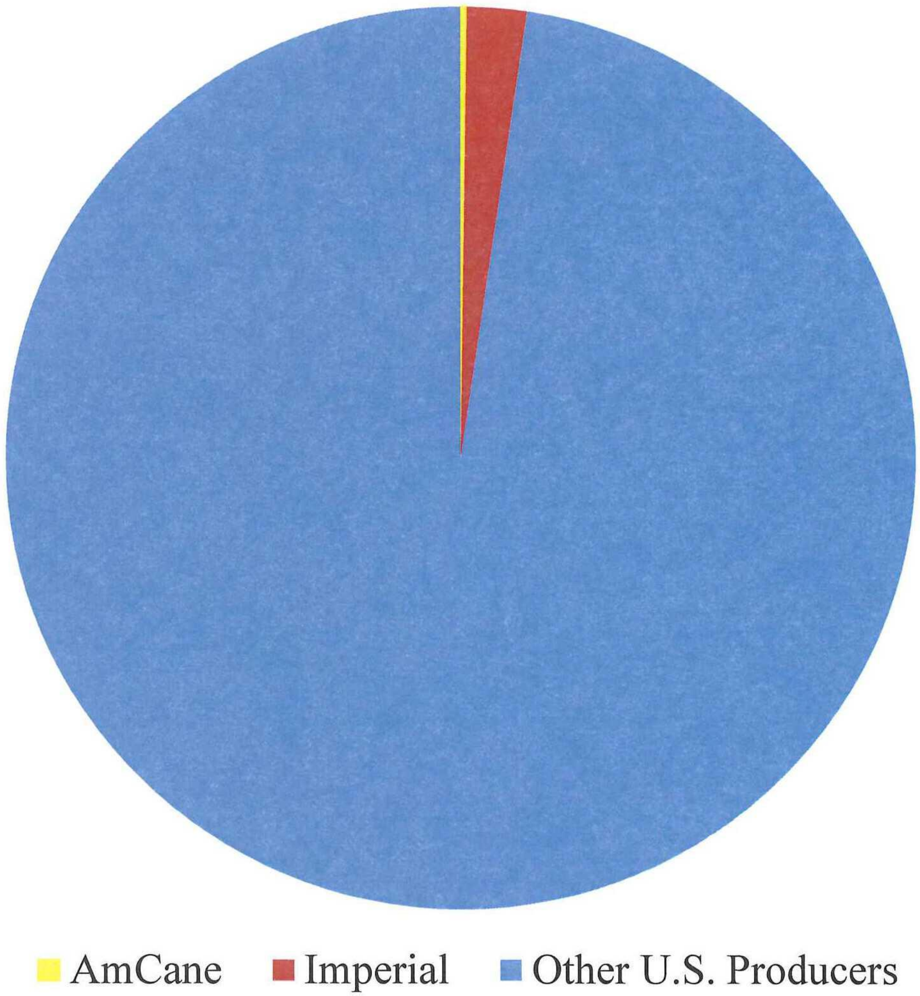


Sources: Preliminary Staff Report, Table D-2. Classification of firms' activity by Table III-3. Margin calculated from raw and refined prices in USDA Sugar and Sweetener Yearbook Tables 4 and 5, average of Oct 2010 through Dec 2014.

Industry

Imperial & AmCane

Value-Added in U.S. Refined Sugar Production



Source: Preliminary Staff Report Table III-4, Table D-2, and Table III-3. Prices from USDA Sugar and Sweetener Yearbook Tables 4 and 5.

Industry

Imperial & AmCane

Do the Agreements Completely Eliminate Injury?

Yes

Producers

- American Sugar Cane League
- American Sugarbeet Growers Association
- Florida Sugar Cane League
- Hawaiian Commercial and Sugar Company
- Rio Grande Valley Sugar Growers, Inc.
- Sugar Cane Growers Cooperative of Florida
- United States Beet Sugar Association

Refiners

- CSC Sugar, LLC
- American Sugar Refining, Inc.

Government Bodies

- U.S. Department of Agriculture
- U.S. Department of Commerce

No

Refiners

- Imperial Sugar Company
- AmCane Sugar

Overview

Industry as a Whole

The Effects of the Agreements

Eliminate Injury Completely

Analysis of Imperial's Arguments

Effects

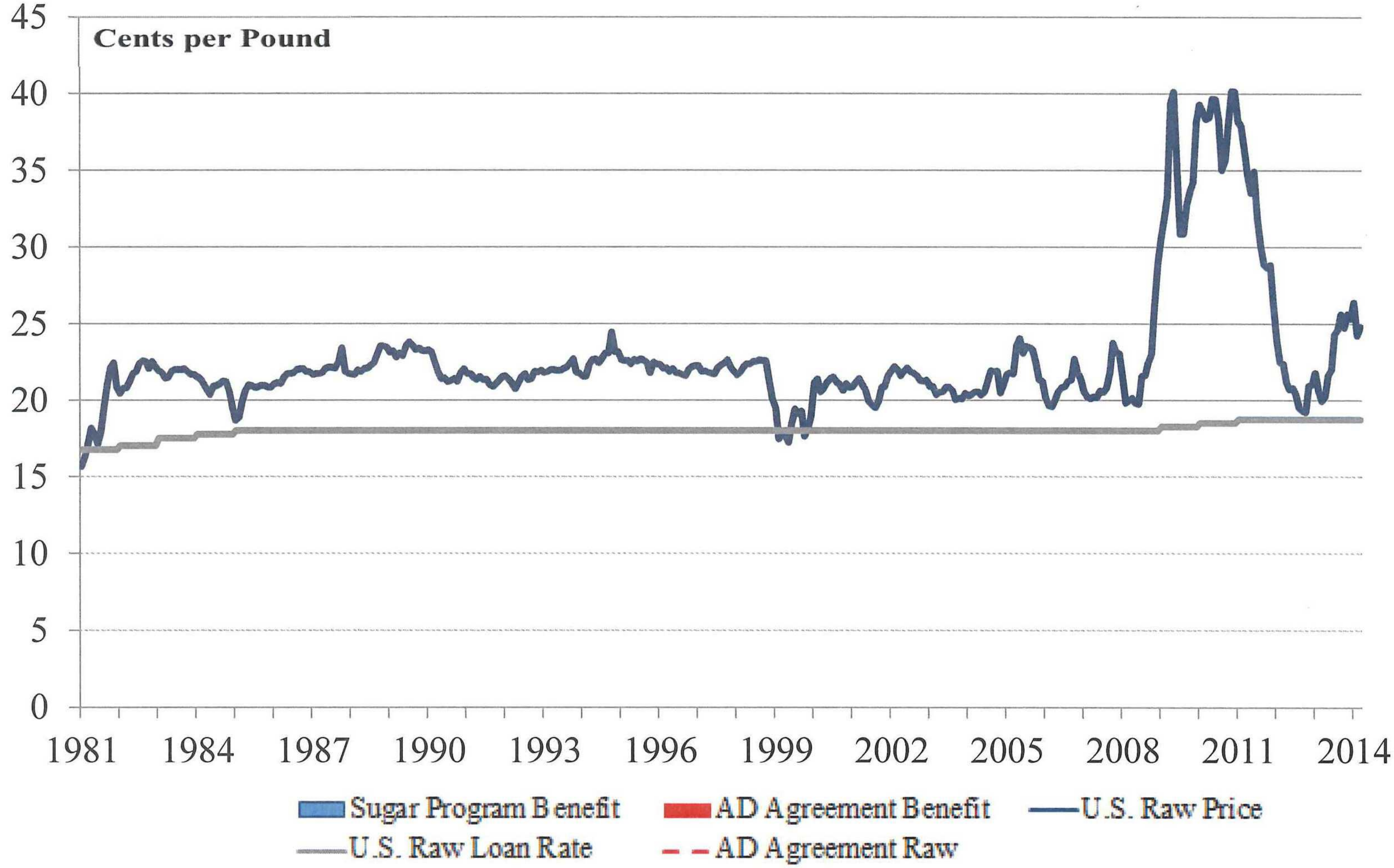
The Effects of the Agreements

- Significantly increase the floor price of raw and refined sugar from Mexico.
- Place no ceiling on U.S. producer prices and profits.
- Restrict imported Mexican sugar quantities to support the floor prices.
- Would have significantly restricted Mexican imports in 2012/13.
- Eliminate the possibility of forfeitures under the Sugar Program.
- Increase the implicit refining margin

Effects

Raw Price

U.S. Raw Sugar Cane Price Floor

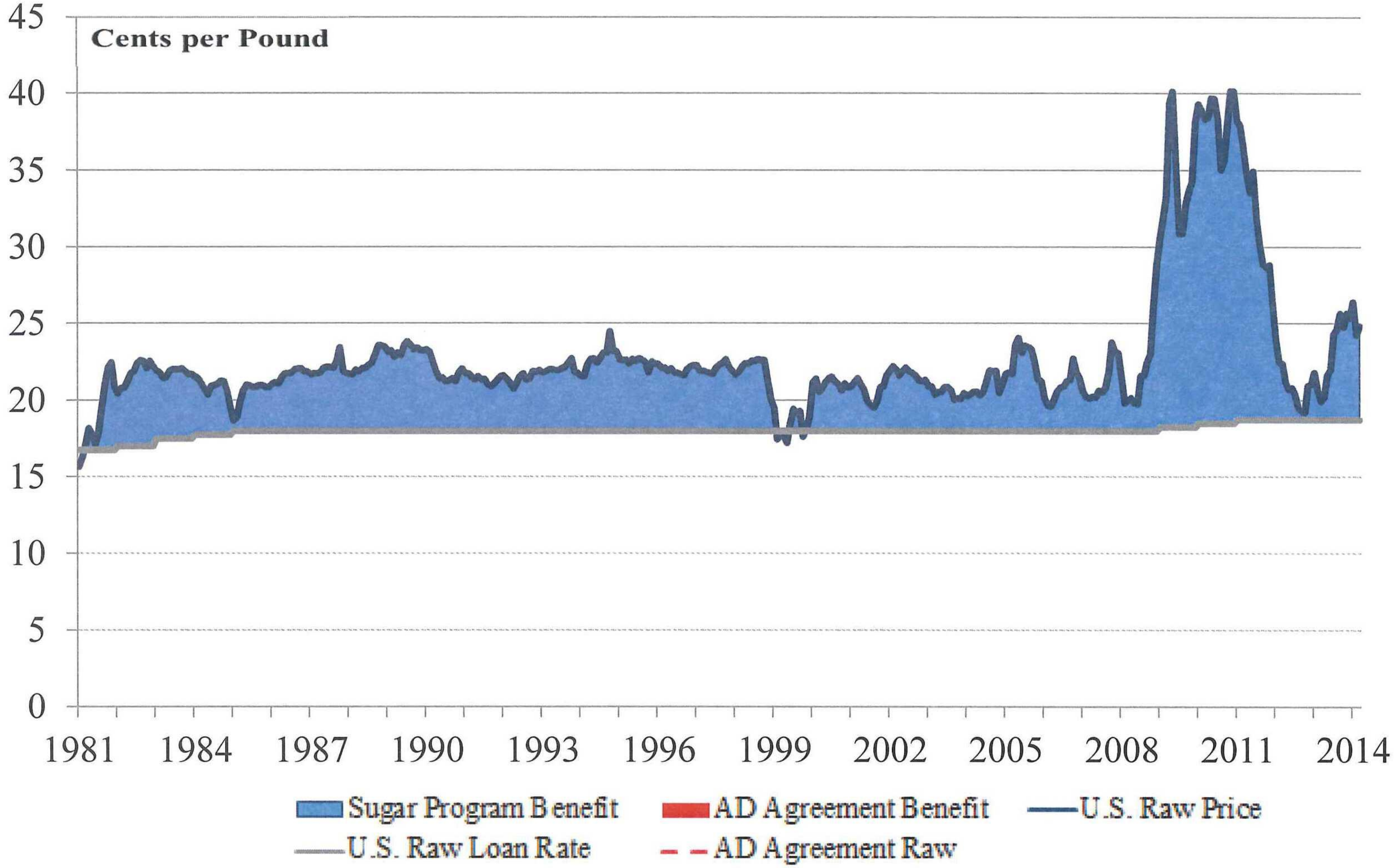


Source: USDA Sugar and Sweetener Yearbook Table 4. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Raw Price

U.S. Raw Sugar Cane Price Floor

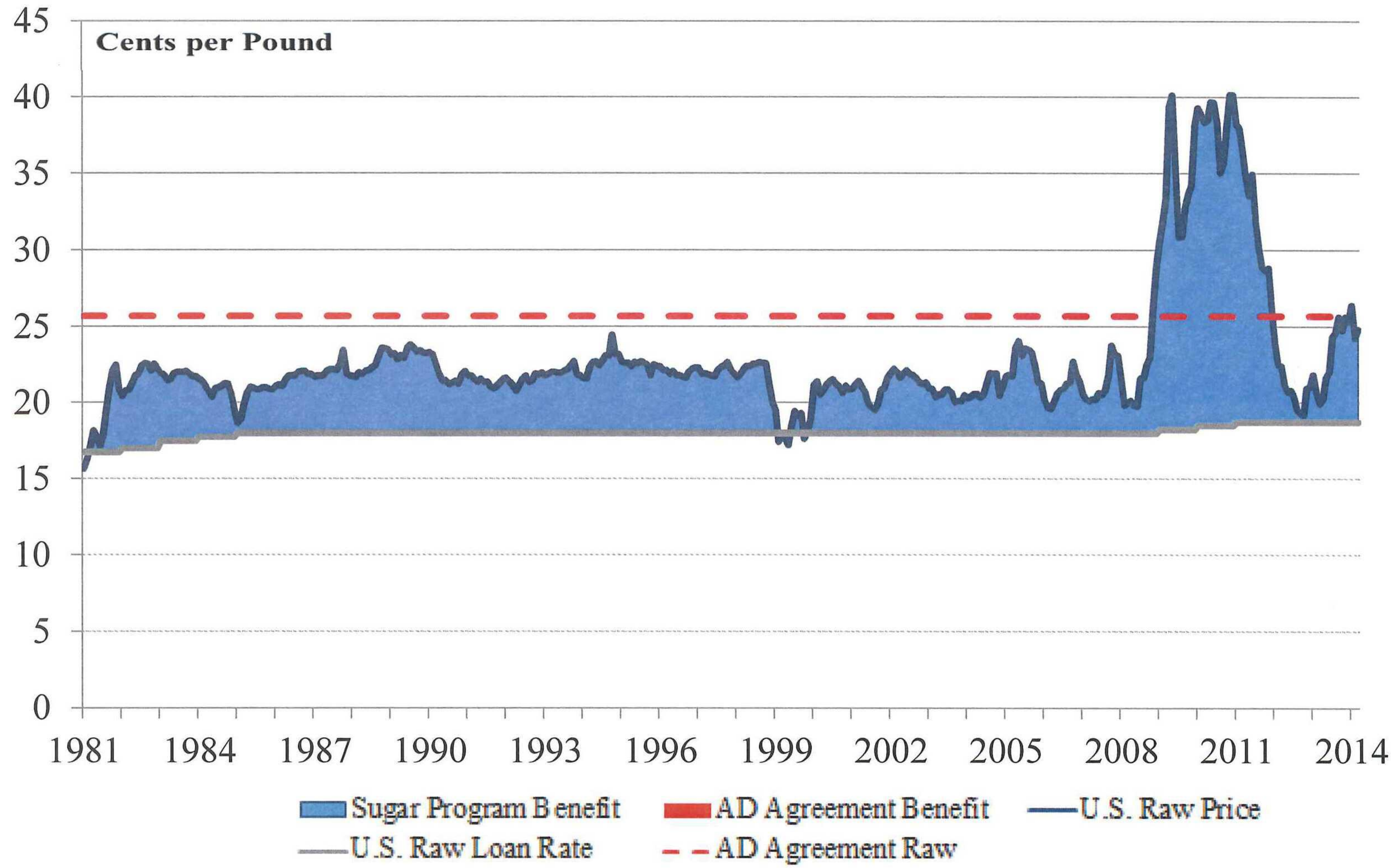


Source: USDA Sugar and Sweetener Yearbook Table 4. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Raw Price

U.S. Raw Sugar Cane Price Floor

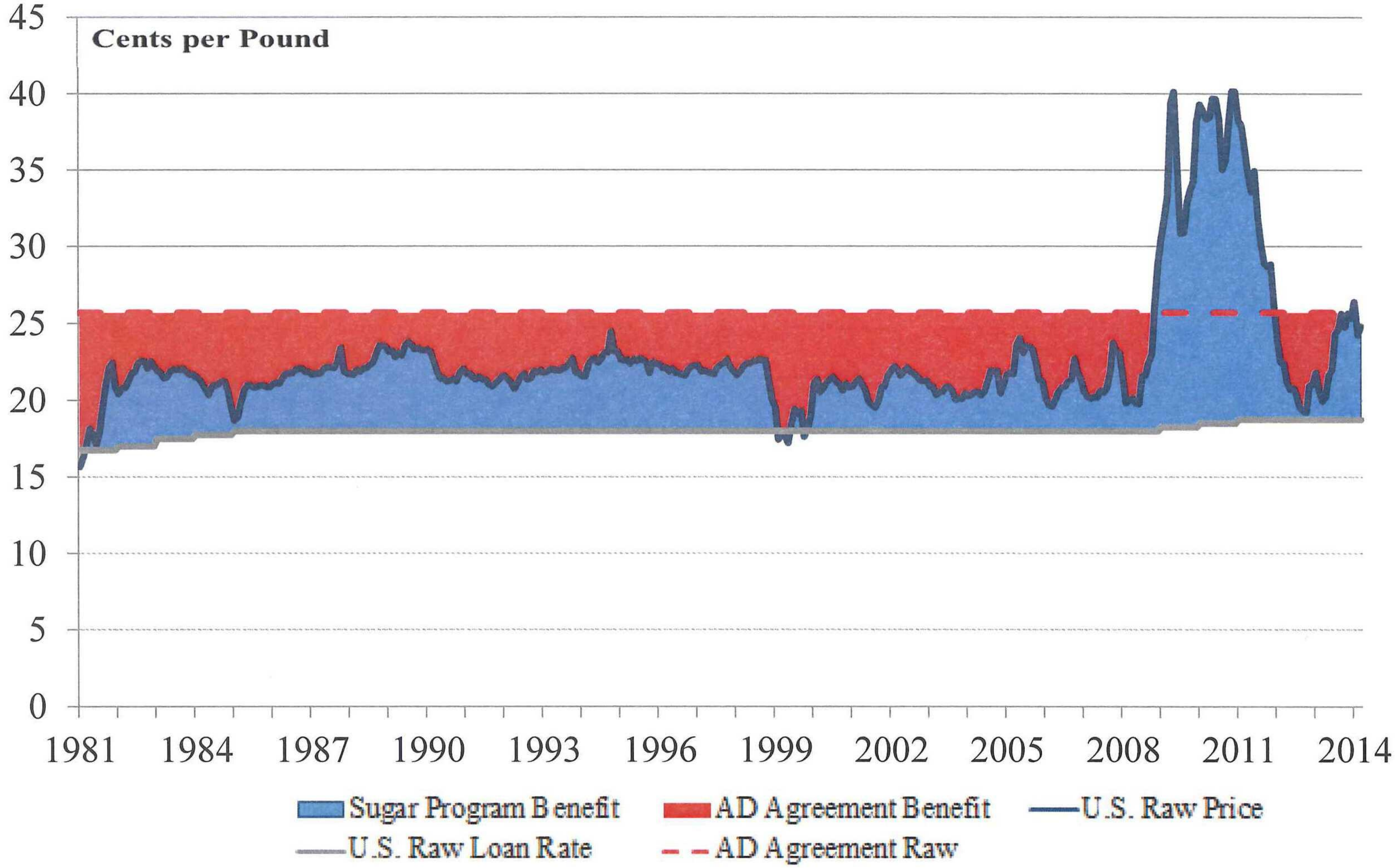


Source: USDA Sugar and Sweetener Yearbook Table 4. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Raw Price

U.S. Raw Sugar Cane Price Floor

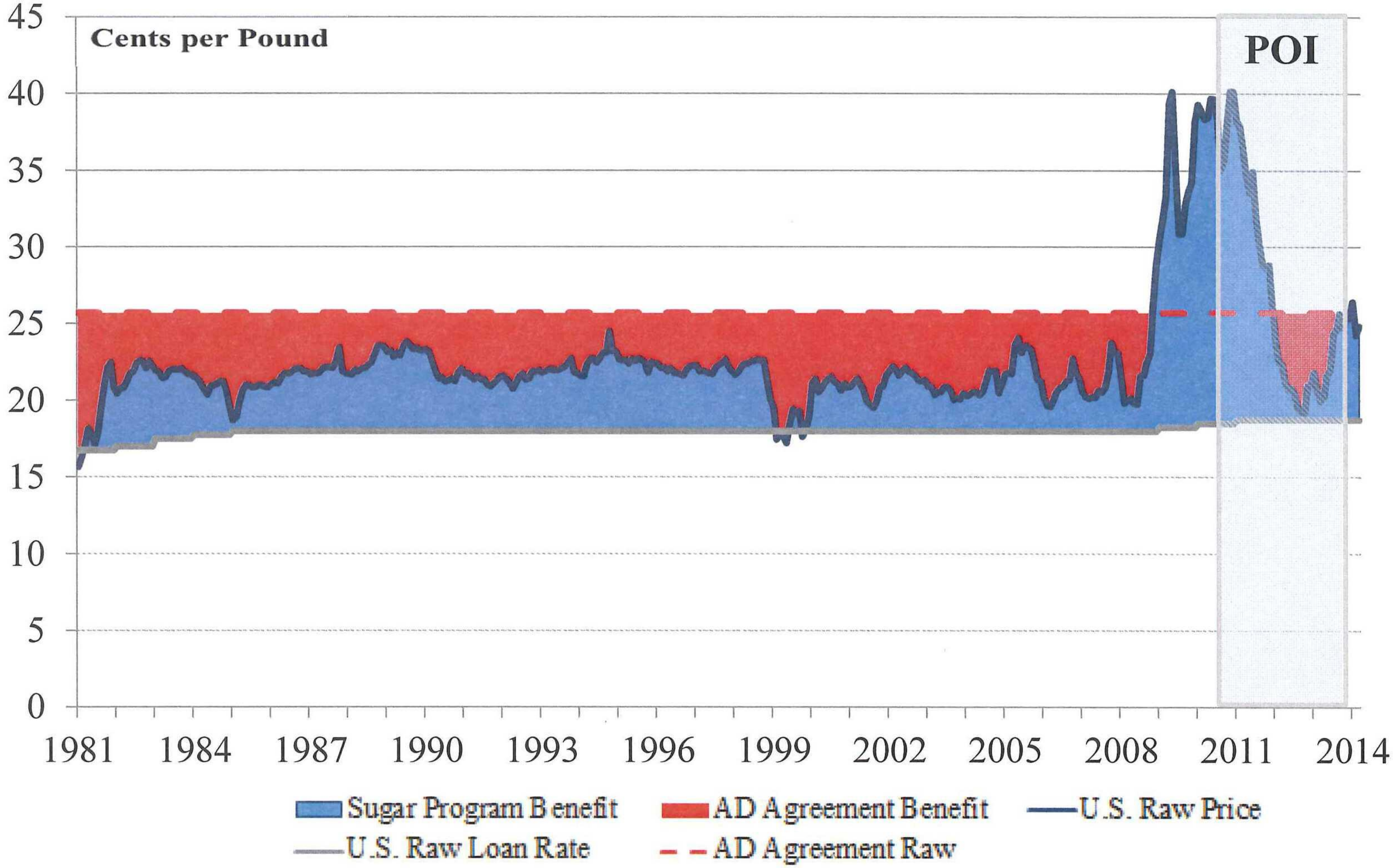


Source: USDA Sugar and Sweetener Yearbook Table 4. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Raw Price

U.S. Raw Sugar Cane Price Floor

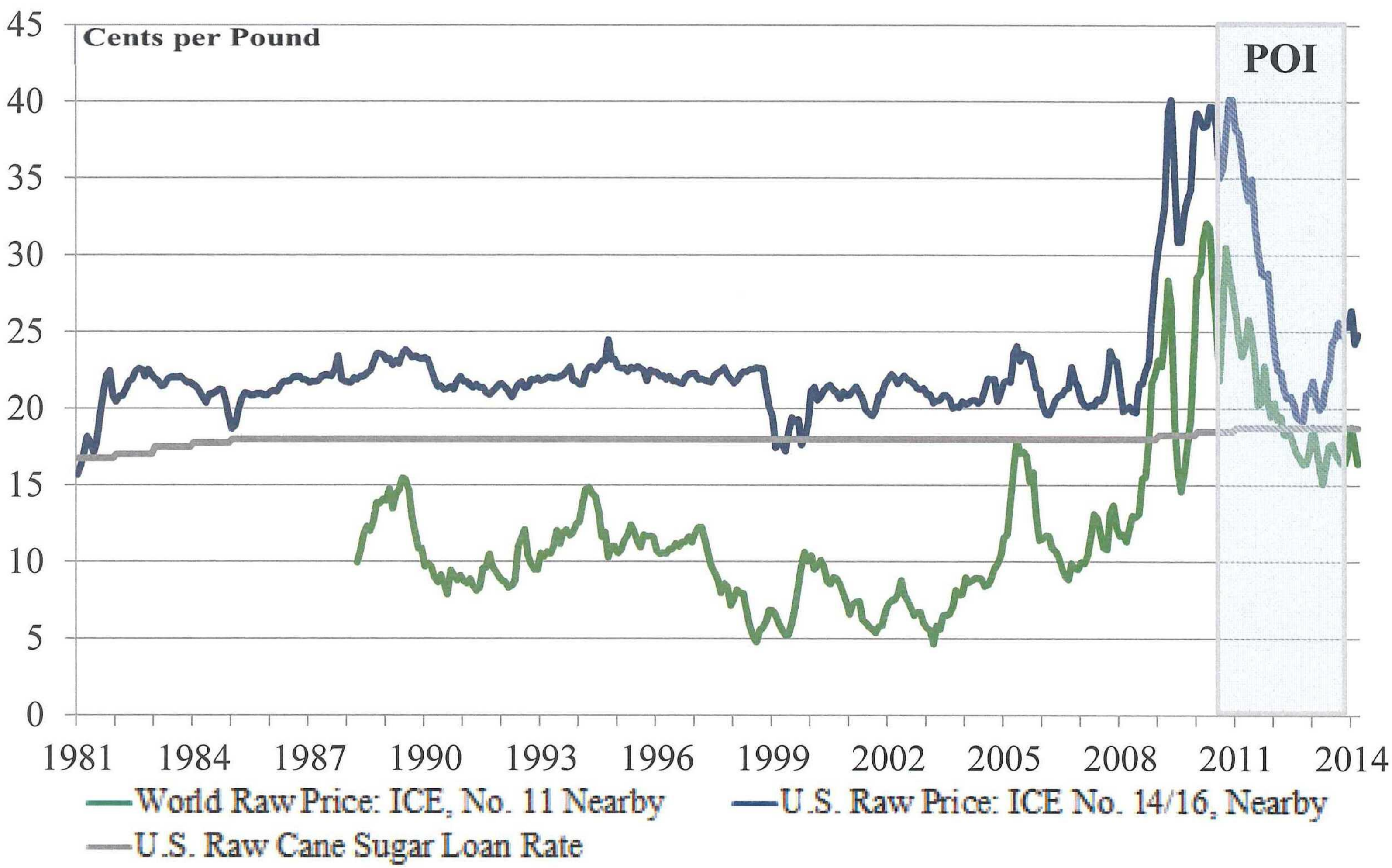


Source: USDA Sugar and Sweetener Yearbook Table 4. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Raw Price

U.S. and World Raw Sugar Prices

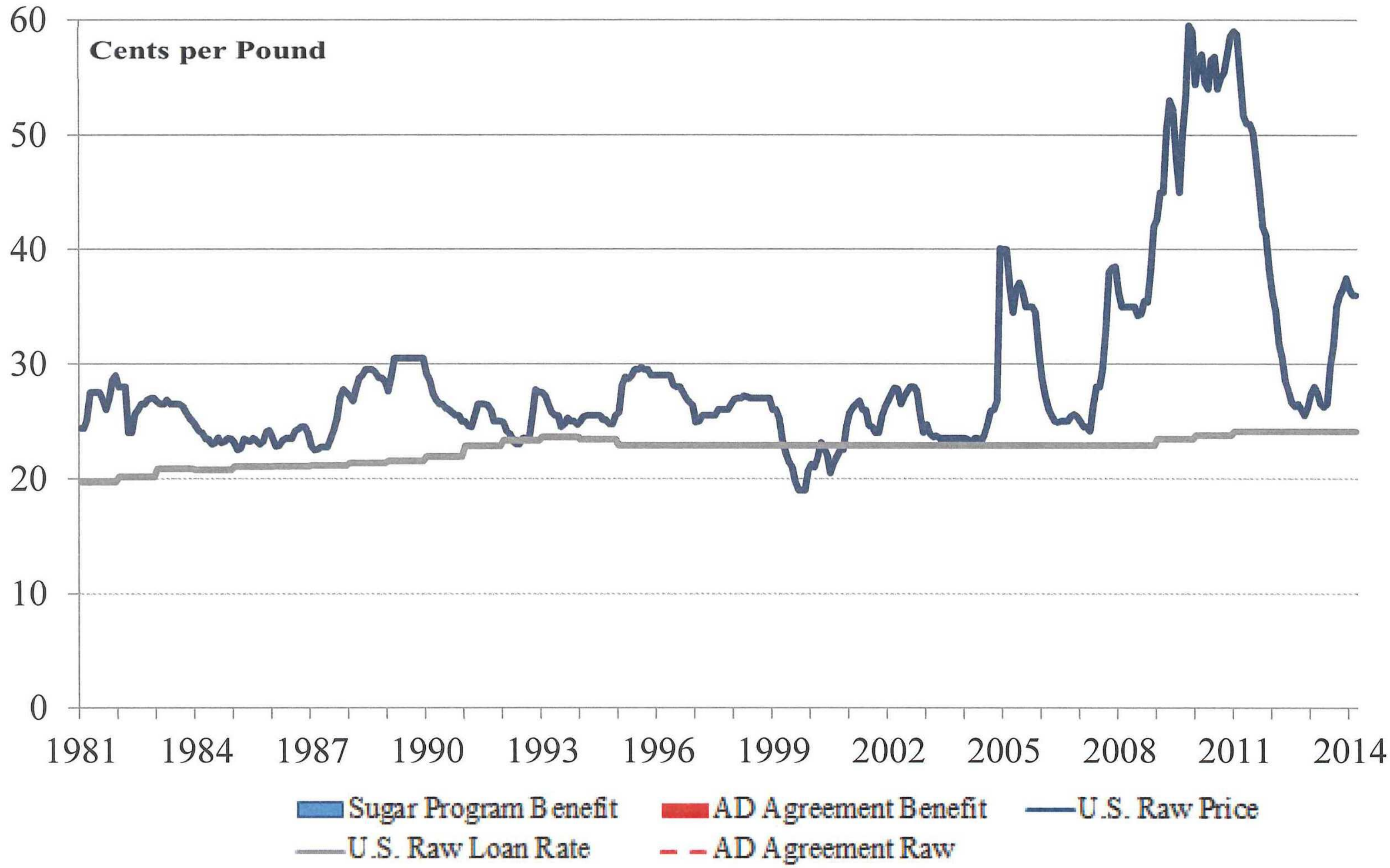


Source: USDA Sugar and Sweetener Yearbook Tables 3b and 4. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Refined Price

U.S. Refined Sugar Price Floor

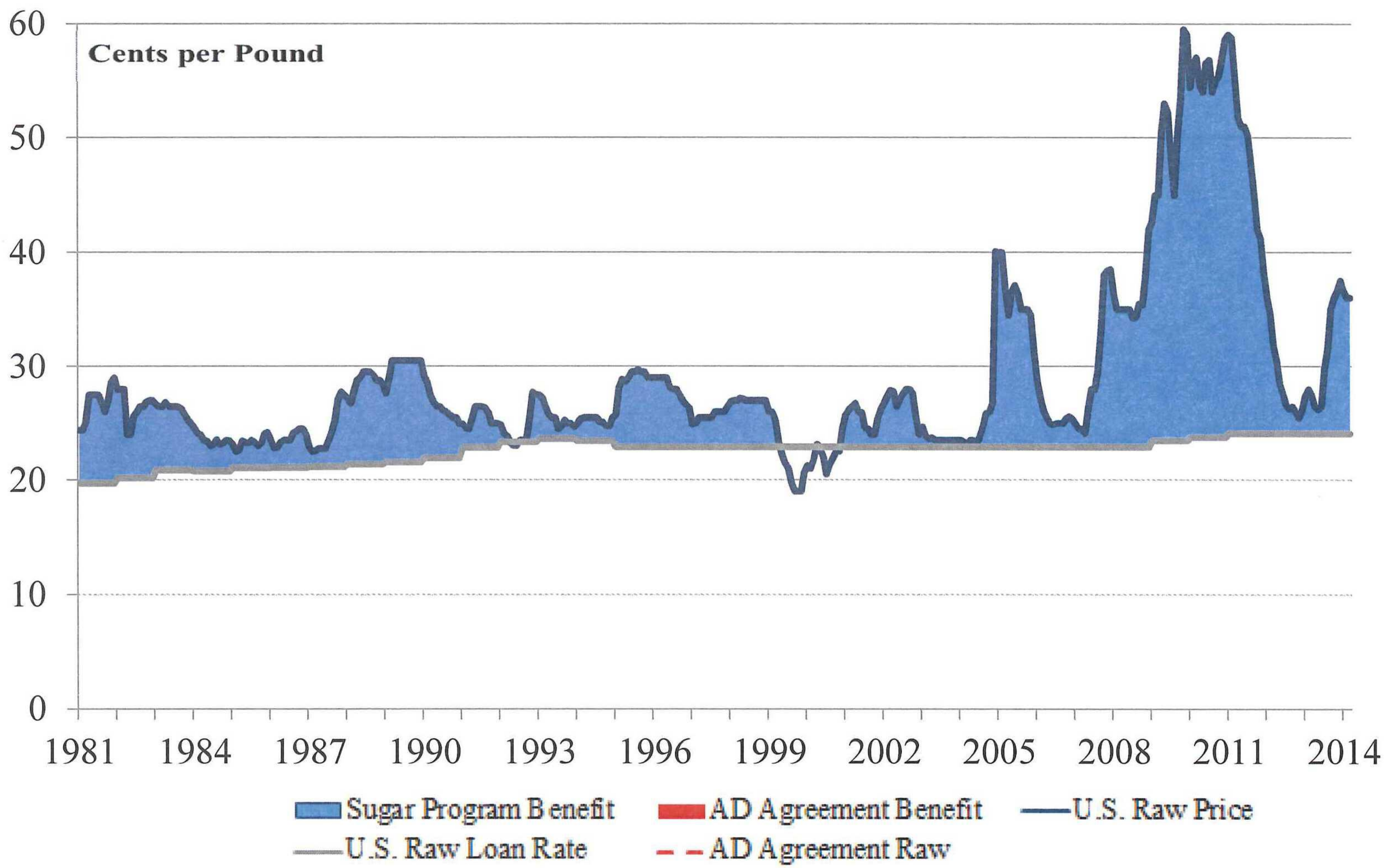


Source: USDA Sugar and Sweetener Yearbook Table 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Refined Price

U.S. Refined Sugar Price Floor

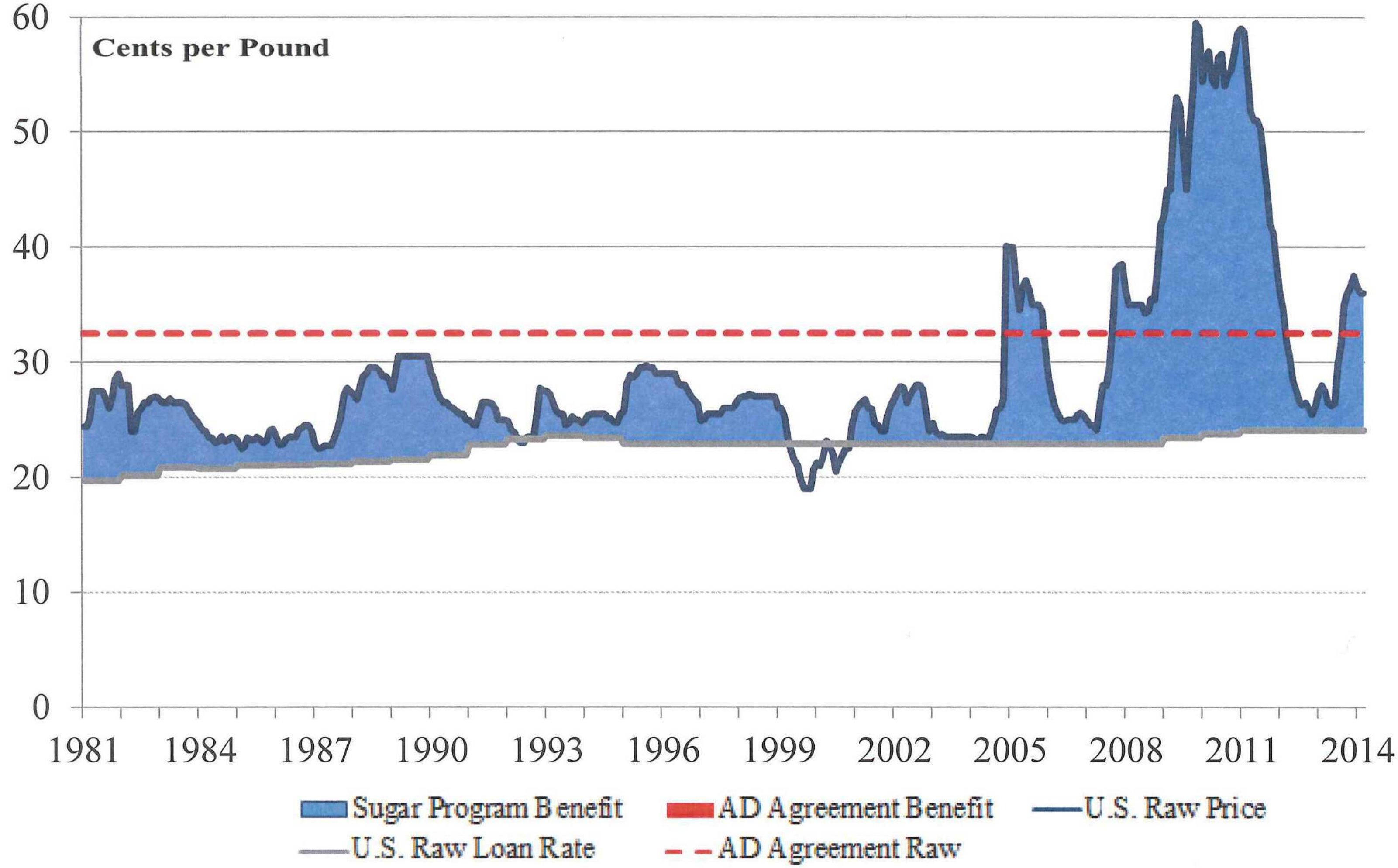


Source: USDA Sugar and Sweetener Yearbook Table 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Refined Price

U.S. Refined Sugar Price Floor

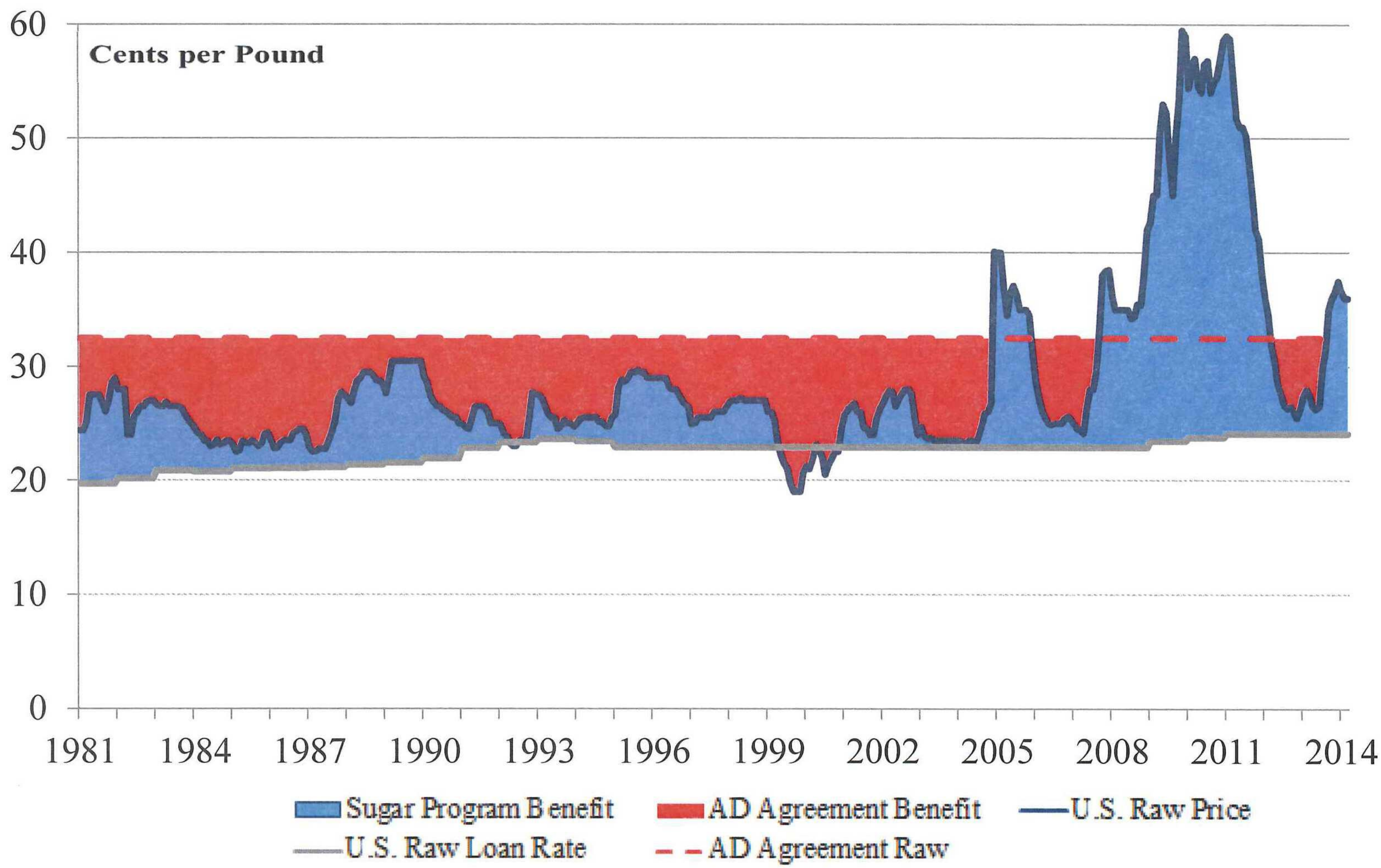


Source: USDA Sugar and Sweetener Yearbook Table 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Refined Price

U.S. Refined Sugar Price Floor

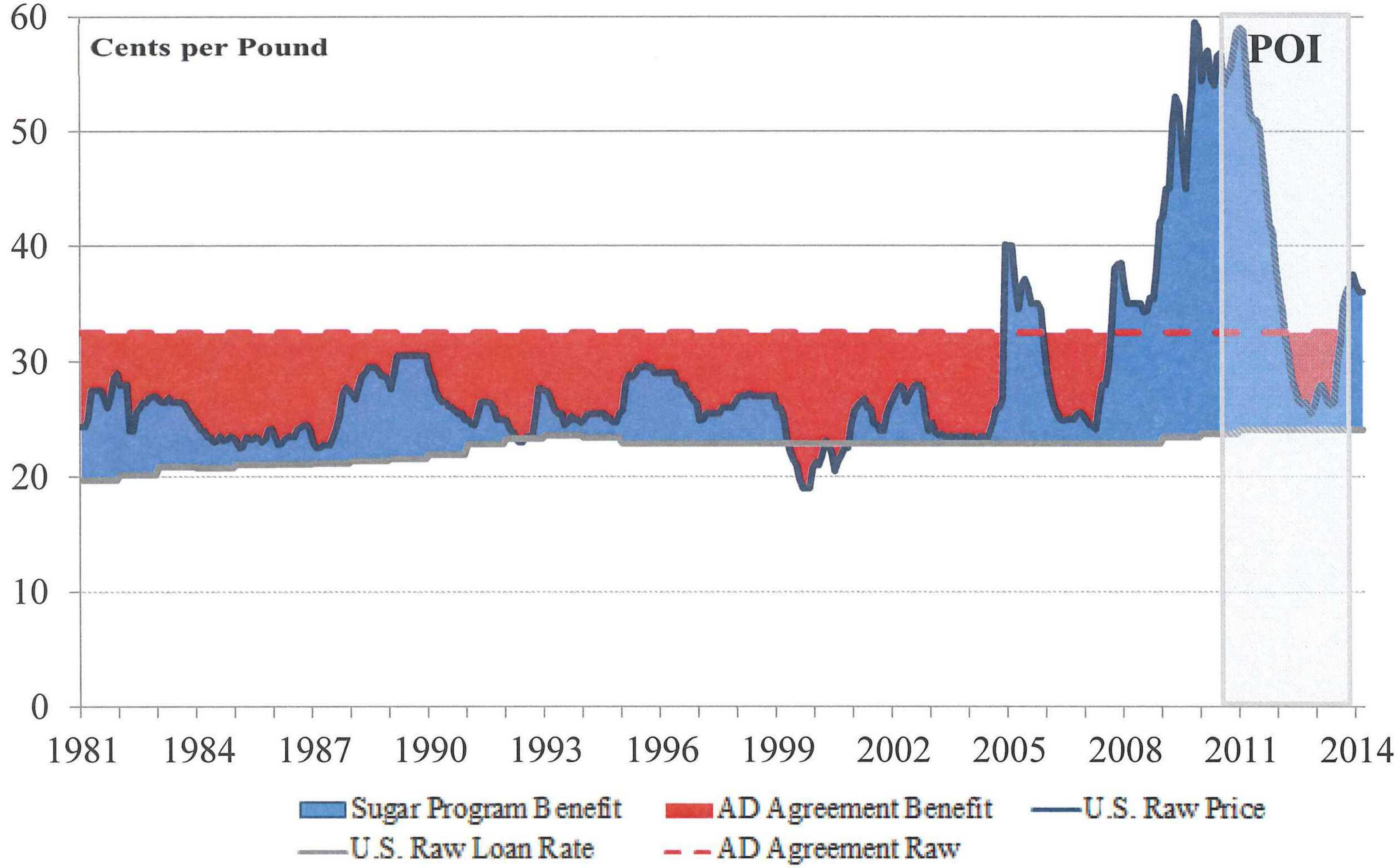


Source: USDA Sugar and Sweetener Yearbook Table 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Refined Price

U.S. Refined Sugar Price Floor

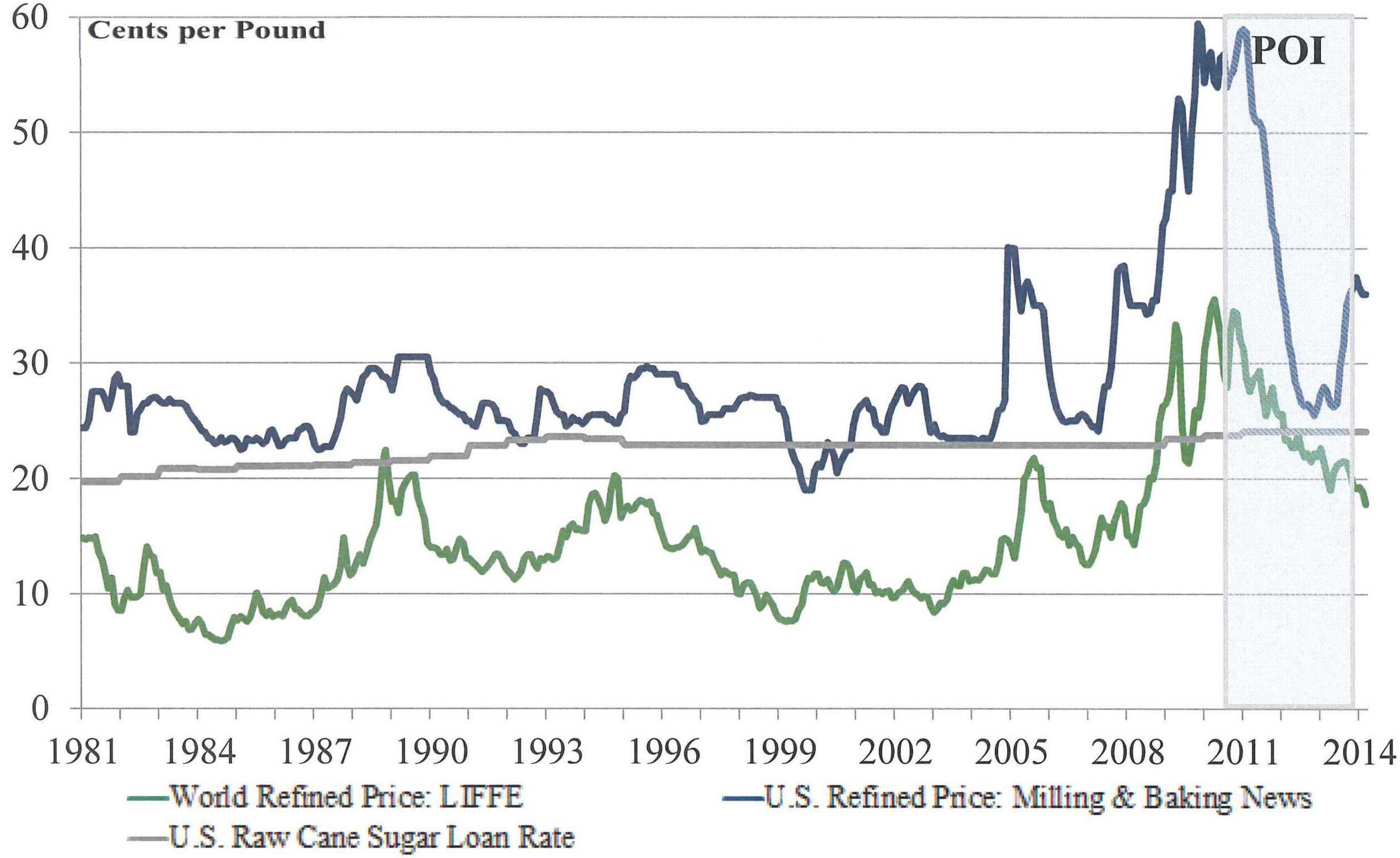


Source: USDA Sugar and Sweetener Yearbook Table 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Effects

Refined Price

U.S. and World Refined Sugar Prices

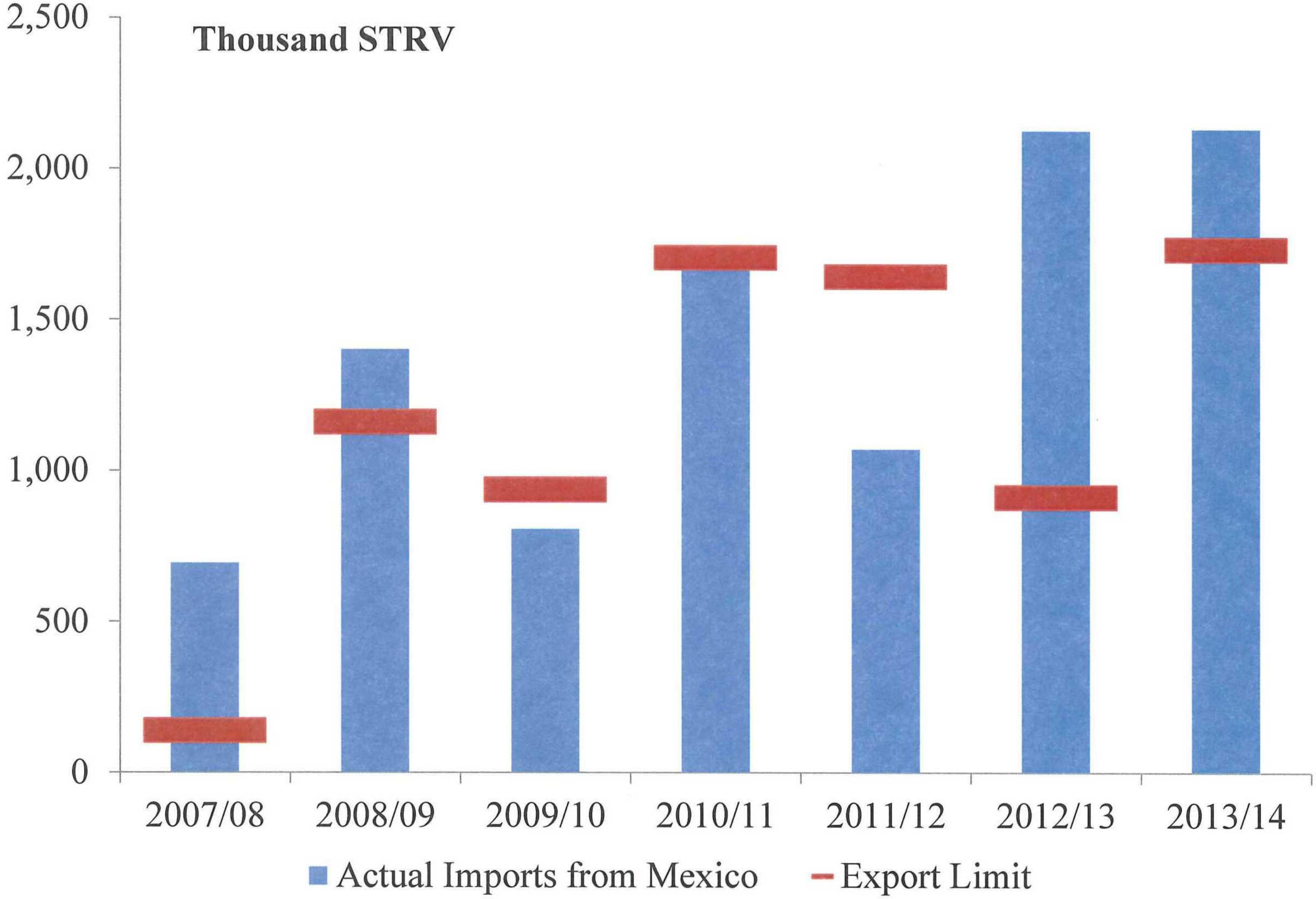


Source: USDA Sugar and Sweetener Yearbook Tables 2 and 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2.

Effects

Quantity

CVD Agreement's Export Limit



Source: WASDE July, September, December, March, and April reports, 2007-2014; January 2015. Export Limit (calculated from U.S. Needs methodology) from CVD Suspension Agreement, Section V.

Overview

Industry as a Whole

The Effects of the Agreements

Eliminate Injury Completely

Analysis of Imperial's Arguments

No Injury

Eliminate Injury Completely

- The Agreements eliminate the price, import, and performance effects found by the Commission in its Preliminary Determination.
  - The Agreements significantly increase the floor price of raw and refined sugar.
  - The Agreements restrict Mexican imports to support the price floors

- The USDA finds the Agreements will eliminate the possibility of forfeitures under the Sugar Program for ten years.

- The DOC opines that the sugar industry is uninjured if the Sugar Program operates without forfeiture.

No Injury

ITC Prelim

The Agreements Satisfy the Statutory Criteria

- AD Agreement raises the sugar price floor significantly
  - Raw price floor increases by 23 percent.
  - Refined price floor increases by 30 percent.
- There is a floor but no ceiling on prices.
- Mexican Imports are restricted to support higher price floors.

Source: AD Agreement, Appendix 1. Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 18. Statement of Paul J. Farmer, Exhibit 1.

No Injury

USDA

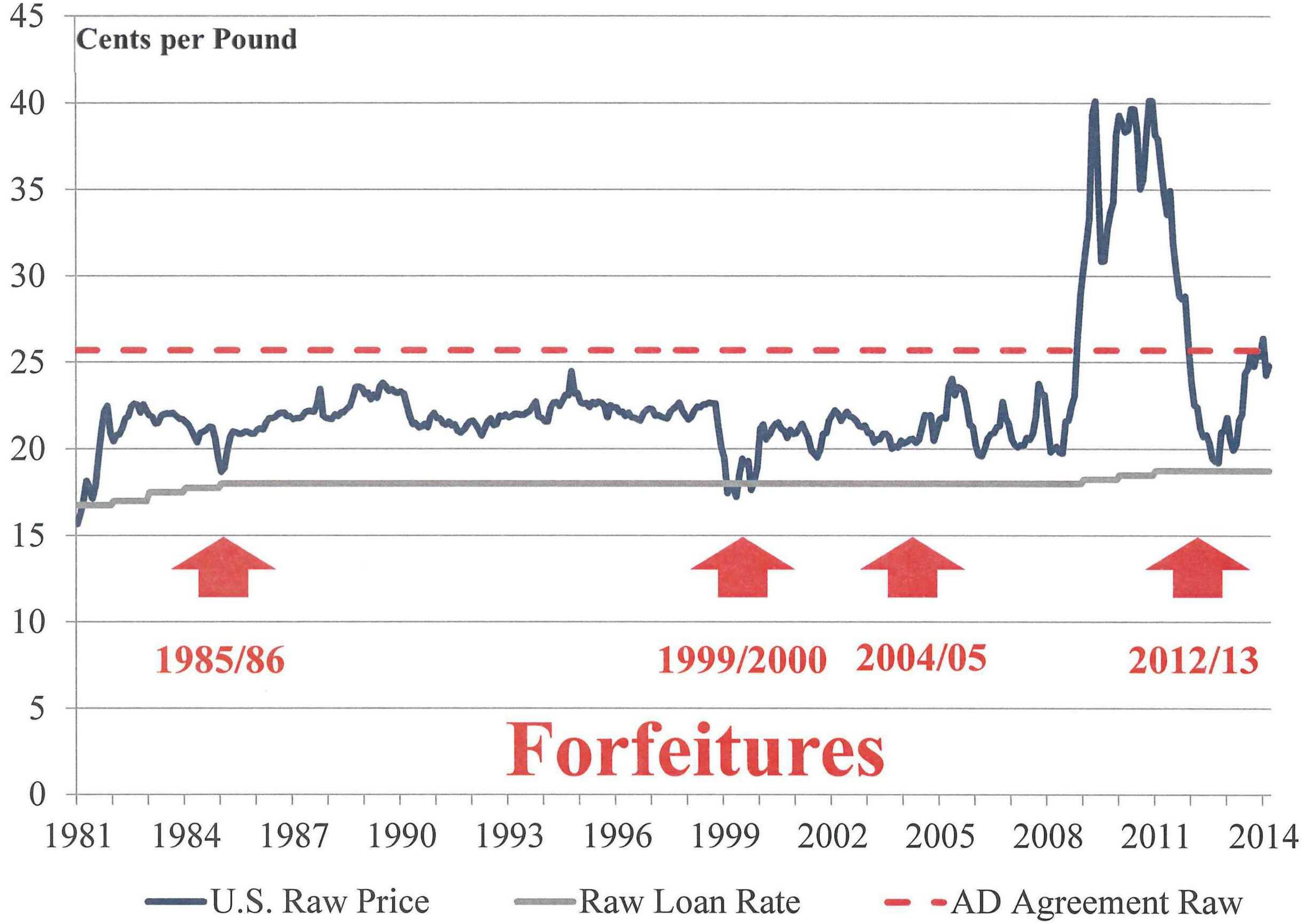
USDA Comments

- USDA forecasts zero net sugar expenditures by the U.S. government from FY2015 through FY2025. – USDA Honey and Sugar Expenditure & Receipts, as incorporated in the U.S. budget.

- "USDA forecasts that due to the suspension agreements, we do not expect a repeat of FY2013 when the sugar program cost taxpayers over a quarter of a billion dollars to remove surplus sugar from the marketplace." -- USDA Statement on Signed Suspension Agreements, February 10 2015.

Source: USDA, Honey and Sugar (Expenditures & Receipts) at 141 (Commodity Estimates e-Book), February 2 2015. USDA Statement on Signed Suspension Agreements, February 10 2015.

Years with Forfeitures (Raw Prices)

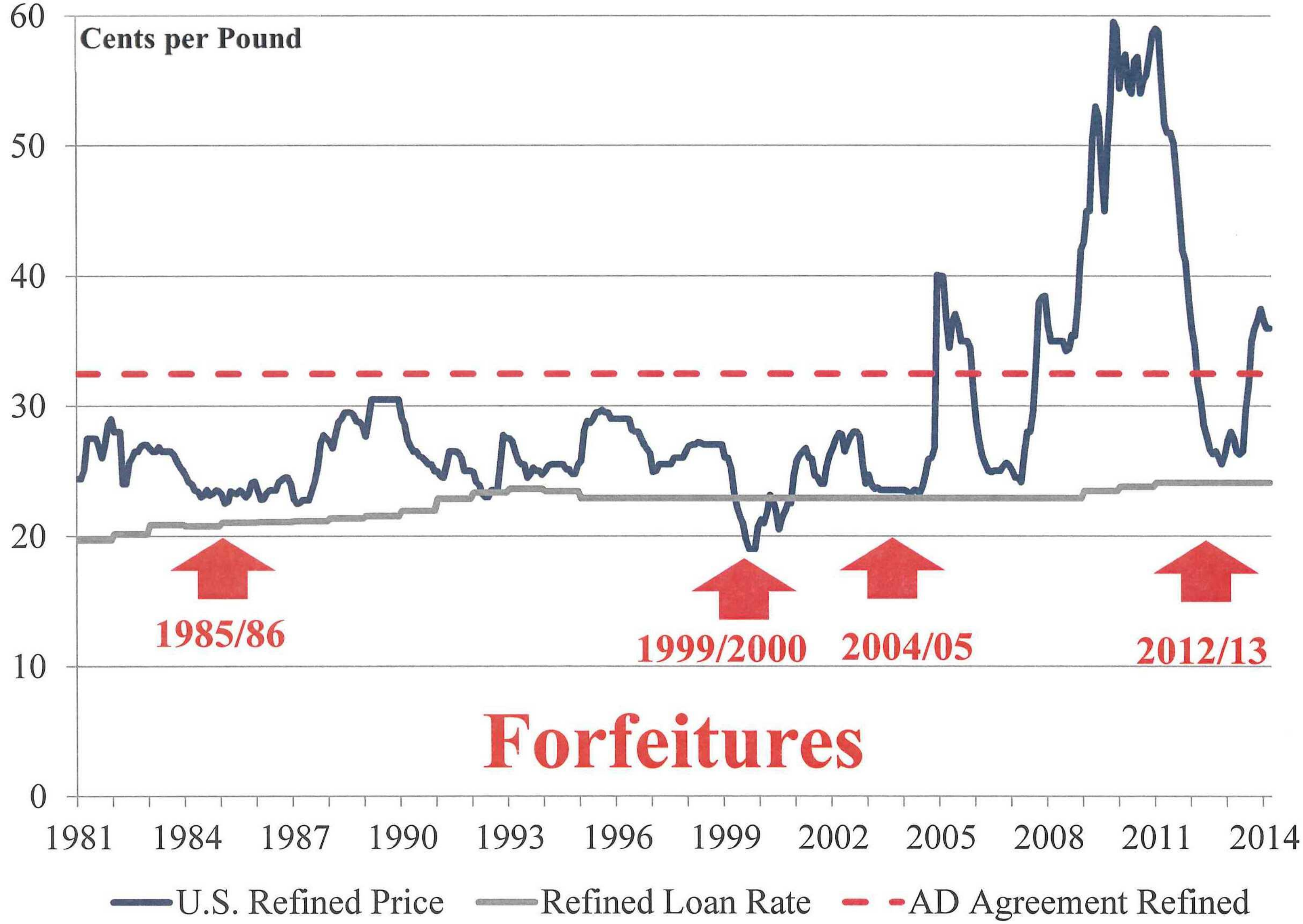


Source: USDA Sugar and Sweetener Yearbook Table 5. Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. USDA Sugar and Sweetener Outlook: May 1999, January 2001 and May 2005. Staff Report at I-29.

Effects

Quantity

Years with Forfeitures (Refined Prices)



Source: USDA Sugar and Sweetener Yearbook Table 5. Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. . USDA Sugar and Sweetener Outlook: May 1999, January 2001 and May 2005. Staff Report at I-29.

No Injury

DoC

Department of Commerce

- February 10 Memorandum:
  - "The F.O.B. plant-based reference prices will result in sales prices in the U.S. market that are well above the 2014 Farm Bill loan forfeiture prices, thereby providing an assurance that Mexican sugar imports will not contribute to price declines that may lead to forfeitures in the U.S. market."
  - "The Department carefully crafted the suspension agreements to restrict injurious and unfairly traded sugar imports from Mexico in a manner that would be consistent with the USDA sugar program."
  - "Finding additional relief to be required would be tantamount to the unreasonable conclusion that Congress regarded the sugar program itself as permitting an injurious effect, even when working as intended."

Source: McInerney, John. Chief Counsel, Trade Enforcement & Compliance. "Satisfaction of the Statutory Requirement that the Agreements Suspending the Antidumping and Countervailing Duty Investigations of Imports of Sugar from Mexico Eliminate Completely the Injurious Effect of Those Imports" at 9, 12, and 10. February 10, 2015.

Overview

Industry as a Whole

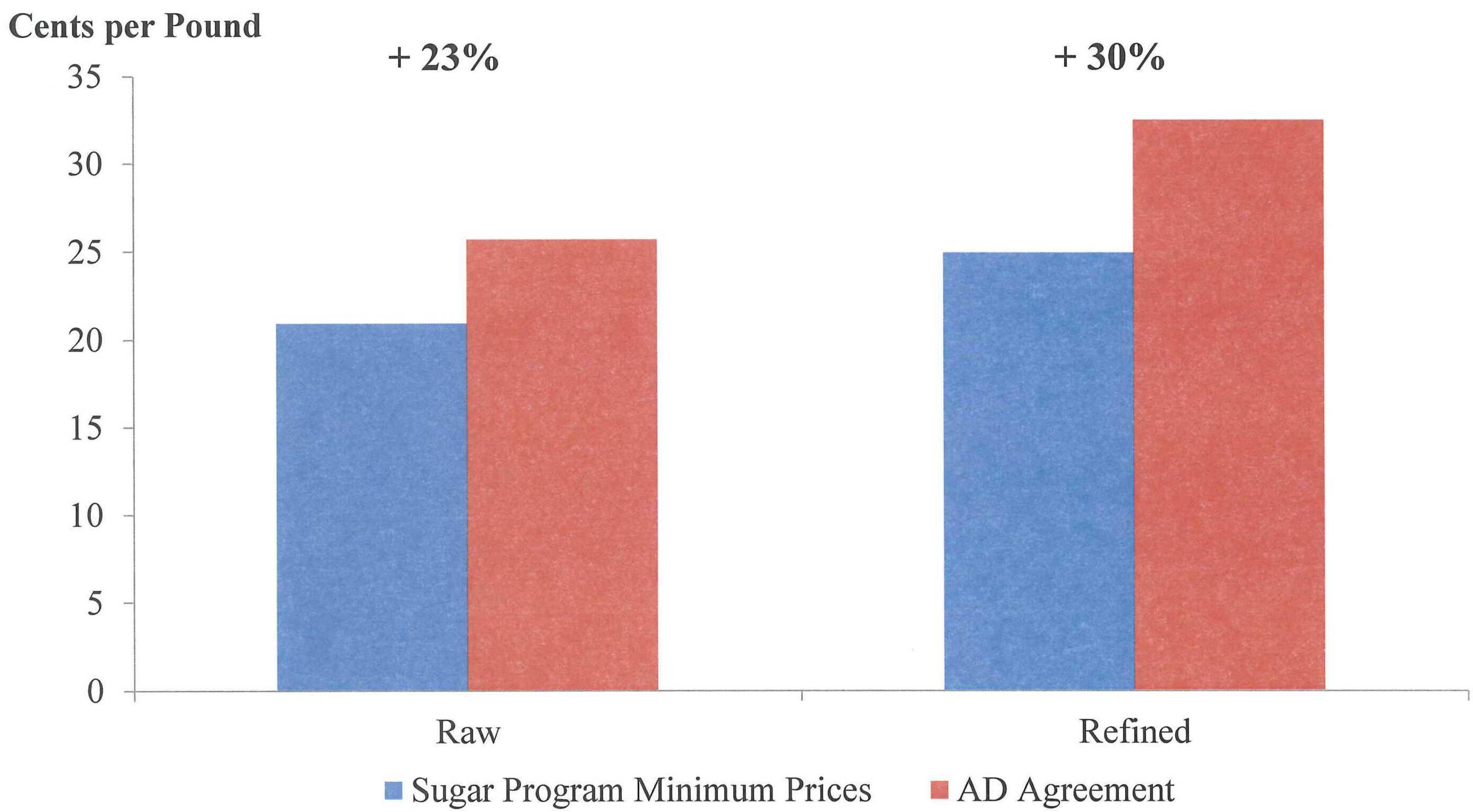
The Effects of the Agreements

Eliminate Injury Completely

Analysis of Imperial's Arguments

Imperial

AD Agreement Increases the Refined-Raw Margin



Source: AD Agreement, Appendix 1. Statement of Paul J. Farmer, Exhibit 1. USDA Sugar and Sweetener Outlook, March 2013.

Imperial

Imperial's Arguments Against the Agreements

- They will be injured by "the high price and inadequate volume of raw sugar."
- The floor price for refined sugar is too low.
- Refiners' margin is too small.
- The price of refined sugar can fall below the price floor.
- The price of refined sugar is limited by the Agreements.

Source: Joint First Written Submission on Behalf of Imperial Sugar Company and AmCane Sugar LLC, February 10 2015, at 26.

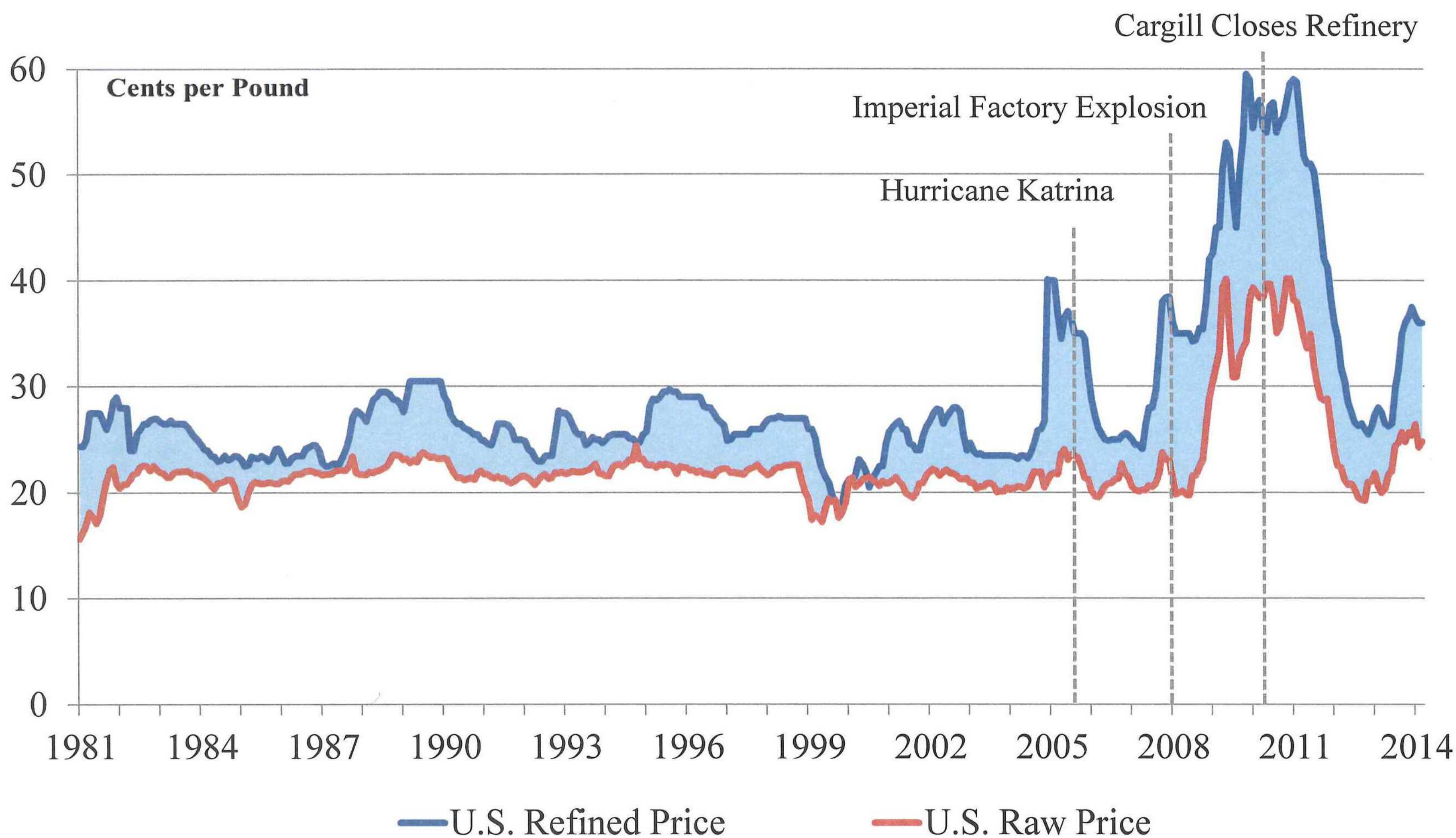
Imperial

Analysis of Imperial's Arguments

- Faulting the Agreements for failing to *increase* raw sugar imports at *lower* prices contradicts the intent of remedial relief in the unfair trade laws and suspension agreements.
- The price floor is increased significantly above the Sugar Program minimum price.
- The Agreements increase the transportation-adjusted price differential between raw and refined sugar compared to the Sugar Program.
- Refined prices below the Agreement floor cannot be due to Mexican imports because the Agreements prohibit Mexican sales at prices below the floor.
- The Agreements place no ceiling on the price of refined sugar.

Imperial

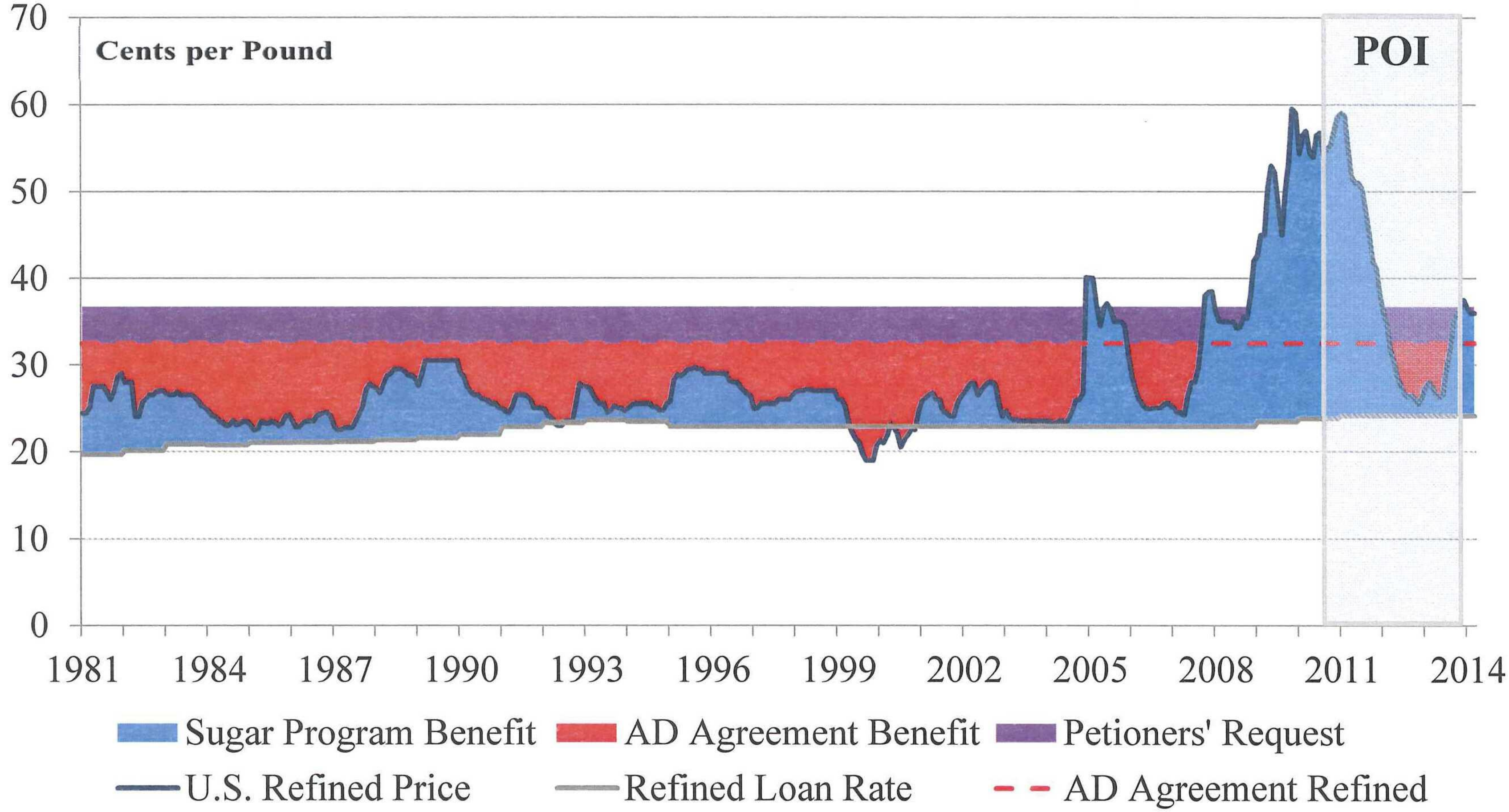
Refiners' Margin



Source: USDA Sugar and Sweetener Yearbook Tables 4 and 5.

Imperial

U.S. Refined Sugar Price Floor



Source: USDA Sugar and Sweetener Yearbook Table 5. Loan Rate in Respondents Pre-Hearing Brief, Annex 1: Economic Submission of Seth Kaplan, Attachment 2. AD Agreement, Appendix 1.

Imperial

Conclusion

- Imperial and AmCane represent a very small share of the industry as a whole in both refined sugar production and industry value added. The vast majority of the domestic industry believe the Agreements will completely eliminate injury.

- The Agreements raise prices, reduce Mexican imports, improve domestic sugar industry performance, and eliminate the possibility of forfeiture under the Sugar Program.

- Imperial's arguments are inconsistent with the anticipated remedial effect of the unfair trade laws and suspension agreements; fail to recognize the increased price of raw and refined sugar and the expansion of refiners' margins; and fail to attempt to demonstrate that injury is not eliminated to the industry as a whole.