2-6-2008

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U.S., Mexican Sugar Industries Propose Plan To Eliminate Triangulation Now That Tariffs Have Been Eliminated Under Nafta

by LADB Staff
Category/Department: Mexico
Published: 2008-02-06

The Mexican and US sugar industries have reached an agreement to push for their governments to coordinate policies regarding the sweetener market, but changes in policy may not come about because the US government opposes any moves that would result in changes to the agriculture sections of the North American Free Trade Agreement (NAFTA). Under a plan presented by the American Sugar Alliance (ASA) to Mexican counterparts at a meeting in Mexico City in early February, the US organization proposed to eliminate triangulation by prohibiting unrestricted trade of sugar that does not originate in either Mexico or the US.

The ASA, which has also proposed creating a US-Mexico sugar board, has raised concerns that unlimited imports of sugar into the US could potentially put many producers out of business. Jack Roney, an ASA economist, said the plan is necessary to ensure the survival of the US sugar industry. "Absent this, we're going to end up with trade cases and new barriers being erected," Roney said. The proposed plan would, in effect, circumvent NAFTA, which eliminated all tariffs on sugar, corn, beans, and powdered milk traded across the US and Mexican borders, effective Jan. 1, 2008. Rather than open NAFTA for renegotiation, however, the ASA proposed last-minute changes in the 2007 Farm Bill, which would set US farm policy for a five-year period beginning in 2008. Both chambers of the US Congress have approved their versions of the agriculture legislation, which must now be reconciled in a conference committee before the measure goes to US President George W. Bush for his signature.

The ASA plan has received a lukewarm reception in the US Congress, with the chairs of the respective agriculture committees agreeing to study the proposal but not promising any changes. The proposal is facing opposition from the Bush administration, which has made it clear that it will not support any move to change the sugar provisions of NAFTA, even if these are proposed in the context of the 2007 Farm Bill. Other circles also oppose the plan, with some US critics arguing that it could create a dangerous precedent for producers of other commodities. "If Mexican sugar producers were perceived in Mexico as having gotten a pass on NAFTA, the corn and bean farmers would be next in line demanding the same thing," said Tom Earley, an analyst at ProMar International. Mexican sugar industry pushes plan to Calderon government Mexican sugar-industry officials, after meeting with ASA officials in early February, embraced the proposal because it would not place any restrictions on sugar produced in Mexico.

In a letter to President Felipe Calderon and to Agriculture Secretary Alberto Cardenas and Economy Secretary Eduardo Sojo, representatives of sugarcane-growing organizations and the processing industry said they would support any measures that "would eliminate any possibility of triangulation." The letter signed by officials from the Camara Nacional de las Industrias...
Azucarera y Alcoholera (CNIAA), the Confederacion Nacional de Productores Rurales (CNPR), the Confederacion Nacional Campesina (CNC), and the Sindicato de Trabajadores de la Industria Azucarera y Similares de la Republica Mexicana (STIASRM) openly supported the proposal to coordinate US and Mexican policies regarding the sweetener market. "From my point of view, NAFTA should offer sugar producers and the sugar industries from both sides of the border opportunities for growth," said Carlos Blackaller Ayala, president of the Union Nacional de Caneros, which is affiliated with the CNPR.

The sugar organizations, the processors, and the government are also negotiating among themselves to change the formula to set sugar prices in Mexico. This is intended to improve efficiency in the industry. "Producers have come to realize that the old formula had reduced their competitive position in regard to the US and that is why we are engaged in discussions on a new formula," said deputy agriculture secretary Francisco Lopez Tostado. With the elimination of tariffs under NAFTA, the industry had anticipated exporting as much as 630,000 tons of sugar to the US market in the coming year. But industry sources are not certain that Mexico will produce a large enough crop to supply the amount of sugar to meet that target.

Industry sources are projecting the 2007-2008 crop at 5.5 million tons, but the total may be reduced because producers experienced delays in planting their crop in October. "As of now, we still estimate production at 5.5 million tons," CNIAA president Juan Cortina said in mid-December. "Whether this figure becomes a reality depends on the weather conditions [at the time of harvest]. Some industry sources are concerned that Mexico has not produced enough sugar to fully take advantage of the opening of the US market. In the 2006-2007 marketing year, Mexico shipped only 377,000 tons of sugar to the US, far below the quota that the Mexican government had negotiated with the US in anticipation of the full opening of the sugar market (SourceMex, August 09, 2006). "We had an agreement to send as much as 500,000 tons of sugar to the US, and we didn't even use our entire allocation," Blackaller told the Mexico City daily newspaper Reforma.

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