

# US food makers pledge to fight NAFTA sugar changes

By Missy Ryan  
Reuters  
February 20, 2008

WASHINGTON - Major food makers have vowed to block any new attempts by the U.S. sugar industry to restrict trade with Mexico after its latest bid to retool trade rules and buoy sugar prices failed to gain support from the Bush administration or Congress this month.

"It is inappropriate for one constituency to think that they have the authority to negotiate a provision that benefits a handful of sugar producers," said Cal Dooley, president of the Grocery Manufacturers Association (GMA), which includes food giants like Kellogg Co. and Kraft Foods.

The association was a leading opponent of the U.S. sugar industry's plan, which proposed a series of steps to discourage two-way sugar trade and blunt the liberalization that took effect in January under NAFTA, the North American trade deal.

"We're monitoring this very closely," Dooley said, referring to questions about whether the sugar industry may revive attempts to win favor for parts of its proposal.

"We don't think this is going away," said Scott Faber, GMA's vice president for federal affairs.

The sugar industry plan, put forward in January shortly after all remaining sweetener trade restrictions were lifted with Mexico, was opposed from the start by producers of high fructose corn syrup, who saw exports to Mexico stifled.

It also angered food manufacturers, who have a stake in a steady supply of low-cost sugar.

Hoping to derail the plan, the GMA marshaled a broad range of groups outside agriculture, such as the National Association of Manufacturers, warning the Bush administration the move would bring an end to the entire North American Free Trade Deal.

GMA made the same argument on Capitol Hill, where the sugar industry had hoped to win inclusion for its plan in the 2008 farm bill.

U.S. exports of pork, beef and dairy, "will be the next trade bait if we continue to renegotiate NAFTA," Faber said.

The Bush administration decided to oppose the sugar industry's proposed tweaks to NAFTA. The Agriculture Department and the office of Trade Representative Susan Schwab came out against the plan this month after meetings between the industry and members of Congress.

#### RECONSIDERATION?

Yet Jack Roney, economist at the American Sugar Alliance, said this week that both the U.S. and Mexican governments were determined to improve collection of data about sugar production and trade, one of the planks of its unsuccessful proposal.

He also said the Mexican government had indicated willingness to reexamine reexport programs and restrictions to substitution of sugar supplies.

It remained unclear whether the Bush administration would consider any additional changes for sugar trade in the future.

The sugar industry wields wide influence on Capitol Hill, and already scored a victory in the farm bill when it convinced lawmakers to divert excess sugar on the U.S. market into ethanol, with the government absorbing any price difference.

Phillip Hayes, a Sugar Alliance spokesman, called the opposition from food makers disingenuous, saying the sugar price had become a scapegoat for increases to consumer goods.

Those companies "are paying less for sugar today than they did when Jimmy Carter was in office, and I'm not paying less for a candy bar," Hayes said.

U.S. sugar prices trended downward in 2007 after spiking in 2006 following Gulf Coast hurricanes. According to USDA, the nearby No. 14 New York raw sugar contract price averaged 20.37 cents per lb through the first half of January.

*(Editing by David Gregorio; Editing by David Gregorio)*