Sugar from Mexico

Investigation Nos. 701-TA-513 and 731-TA-1249 (Preliminary)

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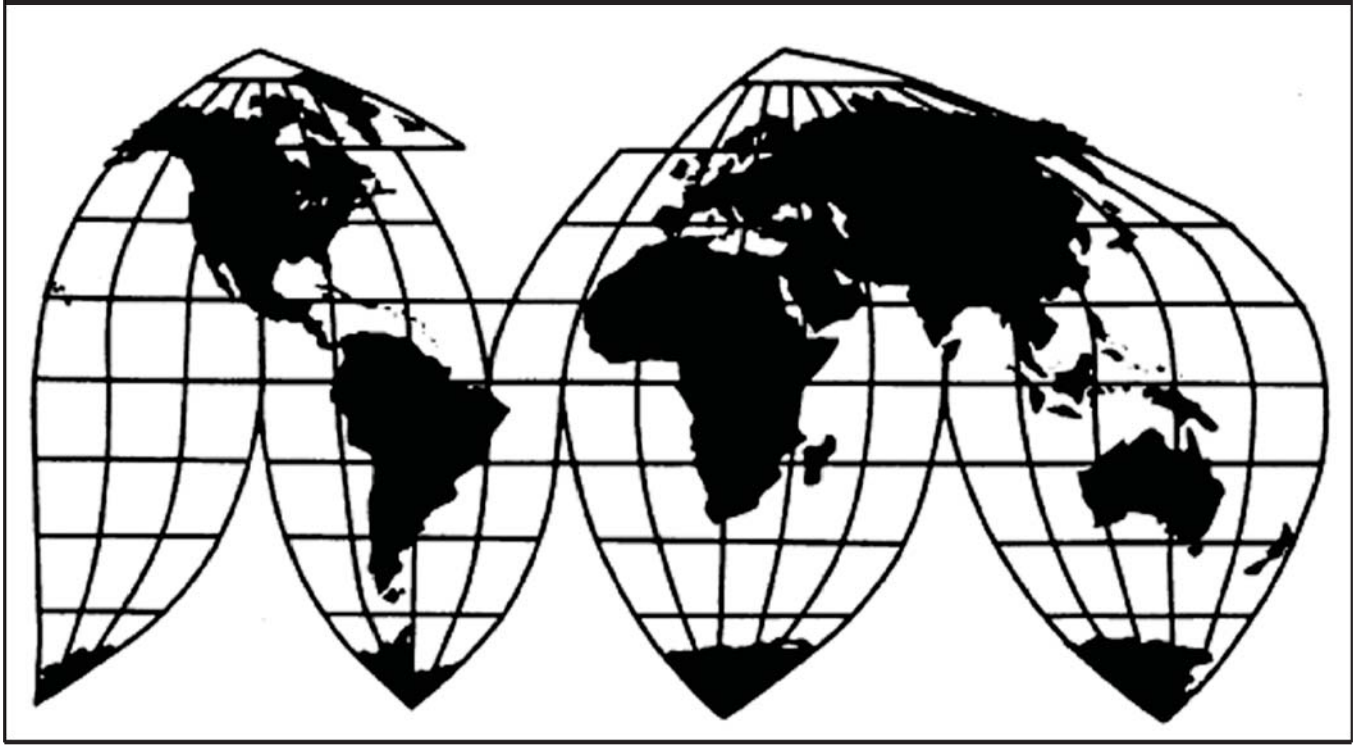

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Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of sugar from Mexico that are allegedly sold in the United States at less than fair value ("LTFV") and allegedly subsidized by the Government of Mexico ("GOM").[1]

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. Background

The petitions in these investigations were filed on March 28, 2014 by the American Sugar Coalition and its members, which include sugarcane farmers, millers, and refiners, and sugar beet growers and processors.[4] Petitioners appeared at the staff conference and submitted a postconference brief.

Several respondent entities participated in these investigations. Participating in the conference and filing postconference briefs were the Sweetener Users Association, consisting of importers of subject merchandise (the "Sweetener Users Respondents"); Camera Nacional de Las Industrias Azcarera Y Alcoholera, consisting of Mexican producers and exporters of subject merchandise (the "Mexican Sugar Chamber"); CSC Sugar, LLC ("CSC"), a domestic

[1] Commissioner Schmidtlein did not participate in these investigations.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[3] *American Lamb Co*., 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] Confidential Report ("CR")/ Public Report ("PR") at I-1. The members of the American Sugar Coalition are American Sugar Cane League, Thibodaux, LA; American Sugarbeet Growers Association, Washington, DC; American Sugar Refining, Inc., West Palm Beach, FL; Florida Sugar Cane League, Washington, DC; Hawaiian Commercial and Sugar Company, Puunene, HI; Rio Grande Valley Sugar Growers, Inc., Santa Rosa, TX; Sugar Cane Growers Cooperative of Florida, Belle Glade, FL; and United States Beet Sugar Association, Washington, DC. *Id.*

producer of liquid sugar and invert sugar syrup ("invert syrup") and importer of subject merchandise; and Archer Daniels Midland Company ("ADM"), a domestic producer of liquid sugar and invert syrup.[5] Filing postconference briefs without participating in the conference were Diazteca Company, an importer of subject merchandise ("Diazteca"), and the GOM.

U.S. industry data are based on the questionnaire responses of 24 firms that accounted for the vast majority of sugar production during October 2010 through December 2013, including nine sugarcane millers, two firms that both mill and refine sugarcane, four sugarcane refiners, seven sugar beet processors, and two firms that primarily produce liquid sugar.[6] U.S. import data are based on official Commerce import statistics and on questionnaire responses from 19 U.S. importers, believed to have accounted for 82.0 percent of total subject imports and *** percent of imports from nonsubject countries.[7] Mexican industry data are based on the questionnaire responses of 16 producers of subject merchandise that accounted for approximately 97 percent of subject imports and 90 percent of sugar production in Mexico during the period of investigation, which encompasses crop year ("CY") 2010/11, CY2011/12, CY2012/13, and October-December of CY2012/13 and CY2013/14.[8]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[9] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[10] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[11]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or

[5] Invert syrup is a liquid mixture of equal parts of glucose and fructose resulting from the hydrolysis of sucrose. ADM's Responses to Staff Questions at 1. Invert syrup can be used as a preservative for lowering water activity, can help depress freezing point, and can help minimize crystallization in a variety of applications. *Id.* Invert syrup also serves as a humectant that is used to help maintain moistness in bakery products. *Id.*

[6] CR at I-4-5; PR at I-4; PR/CR at Table III-3.

[7] CR/PR at I-4.

[8] CR at VII-7; PR at VII-5-6. The U.S. crop year for sugar begins on October 1 and ends on September 30 of the following year. CR/PR at I-4 n.5.

[9] 19 U.S.C. § 1677(4)(A).

[10] 19 U.S.C. § 1677(4)(A).

[11] 19 U.S.C. § 1677(10).

"most similar in characteristics and uses" on a case-by-case basis.[12] [13] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[14] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[15] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,[16] the Commission determines what domestic product is like the imported articles Commerce has identified.[17] The Commission may, where appropriate,

[12] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[13] In a semi-finished products analysis, the Commission examines the following: (1) the significance and extent of the processes used to transform the upstream into the downstream articles; (2) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) whether there are perceived to be separate markets for the upstream and downstream articles; and (5) differences in the costs or value of the vertically differentiated articles. *See*, *e.g.*, *Glycine from India*, *Japan*, *and Korea*, Inv. Nos. 731-TA-1111-1113 (Preliminary), USITC Pub. No. 3921 at 7 (May 2007); *Artists' Canvas from China*, Inv. No. 731-TA-1091 (Final), USITC Pub. No. 3853 at 6 (May 2006); *Live Swine from Canada*, Inv. No. 731-TA-1076 (Final), US1TC Pub. 3766 at 8 n.40 (Apr. 2005); *Certain Frozen Fish Fillets from Vietnam*, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. No. 3533 at 7 (Aug. 2002).

[14] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[15] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[16] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[17] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

include domestic articles in the domestic like product in addition to those described in the scope.[18]

A. Scope Definition

In its notices of initiation, Commerce defined the imported merchandise within the scope of the investigations as follows:

> The merchandise covered by this investigation is sugar derived from sugar cane or sugar beets. Sucrose gives sugar its essential character. Sucrose is a nonreducing disaccharide composed of glucose and fructose linked via their anomeric carbons. The molecular formula for sucrose is $C_{12}H_{22}0_{11}$, the International Union of Pure and Applied Chemistry (IUPAC) International Chemical Identifier (InChl) for sucrose is 1S/$C_{12}H_{22}O_{11}$/ c13-l-4-6(16)8(18)9(19)11(21-4)23-12(3-15) 10(20)7(17)5(2-14)22-12/h4-11,13-20H,1-3H2/t4-,5-,6-,7-,8+,9-,10+,11-,12+/m1/s1, the InChl Key for sucrose is CZMRCDWAGMRECN-UGDNZRGBSA-N, the U.S. National Institutes of Health PubChem Compound Identifier (CID) for sucrose is 5988, and the Chemical Abstracts Service (CAS) Number of sucrose is 57-50-1.
>
> Sugar within the scope of this investigation includes raw sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of less than 99.5 degrees) and estandar or standard sugar which is sometimes referred to as "high polarity" or "semi-refined" sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of 99.2 to 99.6 degrees). Sugar within the scope of this investigation includes refined sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of at least 99.9 degrees. Sugar within the scope of this investigation includes brown sugar, liquid sugar (sugar dissolved in water), organic raw sugar and organic refined sugar.
>
> Inedible molasses is not within the scope of this investigation. Specialty sugars, e.g., rock candy, fondant, sugar decorations, are not within the scope of this investigation. Processed food products that contain sugar, *e.g.*, beverages, candy, cereals, are not within the scope of this investigation.

[18] *See*, *e.g.*, *Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 at 8 n.34 (Nov. 2001); *Torrington,* 747 F. Supp. at 748-49 (holding that the Commission is not legally required to limit the domestic like product to the product advocated by the petitioner, co-extensive with the scope).

> Merchandise covered by this investigation is typically imported under the following headings of the Harmonized Tariff Schedule of the United States (HTSUS): 1701.12.1000, 1701.12.5000, 1701.13.1000, 1701.13.5000, 1701.14.1000, 1701.14.5000, 1701.91.1000, 1701.91.3000, 1701.99.1025, 1701.99.1050, 1701.99.5025, 1701.99.5050, and 1702.90.4000. The tariff classification is provided for convenience and customs purposes; however, the written description of the scope of this investigation is dispositive.[19]

The products covered by these investigations include sugar derived from sugarcane and sugar beets from Mexico, which is chemically classified as sucrose, a naturally-occurring carbohydrate.[20] These sugar products include "raw" sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of less than 99.5 degrees) and "estandar," or standard sugar, which is sometimes referred to as "high polarity" or "semi refined" sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of 99.2 to 99.6 degrees).[21] Raw cane sugar is used exclusively as a raw material input in the production of refined sugar,[22] and is not commercially produced in Mexico.[23] Estandar can be used either as a raw material input in the production of refined sugar or as an input in the production of certain food and beverage products.[24] Subject producers reported that 64.2 percent of their export shipments to the United States in CY2012/13 were of sugar with a polarity of 97.0 degrees or greater intended for further refinement, which would include estandar.[25]

Also included in the scope of the investigations are "refined" sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of at least 99.9 degrees; brown sugar; liquid sugar (sugar dissolved in water); organic raw sugar; and organic refined sugar.[26] These sugar products are used as a caloric sweetening agent in food and beverages, including bakery products, cereals, confections, sauces, cured meats, and dairy and ice cream applications.[27] Inedible molasses is not within the scope of these investigations. Certain "specialty" sugars (*e.g.*, rock candy, fondant, and sugar decorations) and processed food

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[19] *Sugar from Mexico: Initiation of Countervailing Duty Investigation*, 79 Fed. Reg. 22790 (Apr. 24, 2014); *Sugar from Mexico: Initiation of Antidumping Duty Investigation*, 79 Fed. Reg. 22795 (Apr. 24, 2014).

[20] CR at I-10-11; PR at I-8-9. The only subject merchandise not chemically classified as sucrose are fructose-sugar blends. CR at I-11; PR at I-9.

[21] CR at I-10-11; PR at I-8-9.

[22] CR at I-11-12; PR at I-9.

[23] CR at VII-4; PR at VII-3.

[24] *See* Conference Tr. at 81, 124 (O'Malley), 125 (Greenwald), 126 (O'Malley), 128 (Berg), 212-13 (Cortina), 214, 221 (Armero); *see also* CR/PR at Tables III-6, VII-4.

[25] CR/PR at Table VII-4.

[26] CR at I-11; PR at I-9.

[27] CR at I-12; PR at I-10.

products that contain sugar (*e.g.*, beverages, candy, and cereals) are also not within the scope of these investigations.[28]

B. Arguments of the Parties

Petitioners' Argument. Petitioners seek a single domestic like product encompassing the types of sugar described in the scope definition. They argue that the Commission's semi-finished product analysis supports the inclusion of raw sugar in the same domestic like product as refined sugar.[29] They further argue that the Commission should define a single domestic like product that includes cane and beet sugar because there is no clear dividing line separating the two products.[30] Finally, they argue that the Commission should not include high fructose corn syrup ("HFCS"), a product outside the scope definition, within the domestic like product because there is a clear dividing line separating sugar from HFCS.[31]

Respondents' Argument. Diazteca argues that the Commission should define separate like products corresponding to raw cane sugar, refined cane sugar, and refined beet sugar.[32] The GOM argues that the Commission should include HFCS within the domestic like product definition.[33] The Mexican Sugar Chamber and the Sweetener Users Respondents do not challenge the domestic like product definition advocated by petitioners for purposes of the preliminary phase of the investigations, but reserve the right to challenge the definition in any final phase investigations.[34]

C. Analysis

Based on the following analysis, we define a single domestic like product consisting of all sugar within the scope of the investigations.

1. Whether the Commission Should Define Separate Like Products Corresponding to Raw and Refined Sugar

We first address the argument advanced by Diazteca that raw cane sugar should be a distinct domestic like product from refined sugar.[35] Because this issue involves products at different stages of processing, we analyze it using the Commission's semi-finished products like product analysis. We include raw and refined sugar within the same domestic like product definition based on the following analysis.

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[28] CR at I-11; PR at I-9.

[29] Petition at 20.

[30] Petition at 21-22.

[31] Petition at 22-23.

[32] Diazteca Postconference Brief at 2-5.

[33] GOM's Postconference Brief at paras. 27-31, 37.

[34] Mexican Sugar Chamber's Postconference Brief at 2; Sweetener Users' Postconference Brief at 5-6.

[35] There is no raw beet sugar because sugar beets are processed into refined sugar through a continuous process. CR at I-14; PR at I-11.

Dedication for Use. All raw cane sugar is sold to refineries for use as an input in the production of refined cane sugar.[36]

Separate Markets. There is no known separate market for raw cane sugar. All raw cane sugar is sold to refiners. [37]

Differences in Physical Characteristics and Functions of the Upstream and Downstream Articles. There are similarities and differences between raw cane sugar and refined cane sugar in terms of their physical characteristics and functions. Raw cane sugar is an intermediate product normally composed of 90 to 99 percent sucrose.[38] Because it is considered unfit for human consumption by the U.S. Food and Drug Administration, all domestically produced raw cane sugar is sold to cane refineries, which further process the raw cane sugar to remove impurities and produce refined sugar.[39] Refined sugar is composed of 99.9 percent sucrose and is primarily used for human consumption.[40] Thus, refined cane sugar is simply raw cane sugar that has been further processed to remove most impurities, so as to produce sugar that is fit for human consumption.

Differences in Value. During the period of investigation, the ratio of the average unit value of the domestic industry's U.S. shipments of raw cane sugar to the average unit value of the industry's U.S. shipments of refined cane sugar ranged from *** percent to *** percent.[41] With respect to the value added by cane refiners, their ratio of conversion costs to cost of goods sold ("COGS") ranged from *** to *** percent during the period of investigation.[42] The cane refiners' ratio of conversion costs plus selling, general and administrative ("SG&A") expenses to the sum of COGS and SG&A ranged from *** to *** percent during the period.[43]

Extent of Processes Used to Transform Raw Sugar into Refined Sugar. Sugar refineries utilize a multi-step process in capital-intensive facilities to transform raw cane sugar into refined cane sugar.[44] First, raw sugar is combined with molasses and water to produce "magma."[45] Next, magma is processed in high-speed centrifuges to separate impurities.[46] The resulting crystals are strained and separated from impurities through "carbonatation" to yield

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[36] CR at I-11-12, I-14, III-6; PR at I-9, I-11, III-5.

[37] CR at I-11-12, I-14, III-6; PR at I-9, I-11, III-5.

[38] CR at I-11; PR at I-9.

[39] CR at I-11-12; PR at I-9.

[40] CR at I-10-11, I-13; PR at I-8-9.

[41] Calculated by staff using the domestic producers' questionnaire responses of cane millers and refiners, at questions II-8 and II-9.

[42] Staff Table Supp A.1, EDIS Document No. 533418. Domestic value added as a share of the average unit value of the domestic industry's U.S. shipments of refined sugar made from Mexican inputs was *** percent in CY2012/13. Memorandum INV-MM-041 (May 8, 2014) at Table III-19. Domestic value added to subject imported inputs was only *** percent in CY2010/11 and *** percent in CY2011/12, however. *Id.*

[43] Staff Table Supp A.1, EDIS Document No. 533418.

[44] *See* CR at I-14-15; PR at I-11; Conference Tr. at 65 (O'Malley) ("{A} cane refinery . . . is a major manufacturing plant. That is extremely capital-intensive.").

[45] CR at I-14; PR at I-11.

[46] CR at I-14; PR at I-11.

"liquor."[47] The liquor is then passed through presses and filters, which absorb most remaining impurities. Finally, the sugar is recrystallized, with all remaining moisture evaporated, before being sorted, packed, and stored.[48]

Conclusion. The record evidence pertaining to the Commission's semi-finished product factors supports the inclusion of raw and refined cane sugar within the same domestic like product definition. Raw sugar is dedicated to refined sugar production, with no separate market for raw sugar; both raw and refined sugar consist of sucrose, with physical differences determined by the degree of processing; and the value added through raw cane sugar refining appears moderate, although the process is complex and capital-intensive. We therefore include both raw and refined cane sugar in the same domestic like product.

2. Whether the Commission Should Define Separate Like Products Corresponding to Refined Cane Sugar and Refined Beet Sugar

We next address Diazteca's argument that the Commission should define beet sugar and cane sugar as separate like products. The record in the preliminary phase of these investigations indicates that there is no clear dividing line between refined cane sugar and refined beet sugar in terms of the Commission's traditional six like product factors, as discussed below.

Physical Characteristics and Uses. Refined cane sugar and refined beet sugar are physically identical, and used in the same applications.[49]

Manufacturing Facilities, Production Processes and Employees. Refined cane sugar and refined beet sugar are produced in different facilities using different employees, but using similar production processes.[50] The production of refined cane sugar takes place in two separate facilities. First, sugarcane is processed by sugarcane mills into raw cane sugar, which is 90 to 99 percent pure sucrose and unfit for human consumption.[51] Raw cane sugar is then sold or transferred to cane refineries for further processing into refined cane sugar, which is 99.99 percent pure sucrose and fit for human consumption.[52]

The production of refined beet sugar is a continuous process that takes place within a single manufacturing facility.[53] Beet processors first slice sugar beets into thin strips and add water to extract sucrose, and then remove impurities from the resulting raw juice.[54] After sucrose has been extracted from the sugar beets, the basic manufacturing steps undertaken by beet processors are similar to the combined operations of sugarcane mills and refineries.[55]

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[47] CR at I-14; PR at I-11.

[48] CR at I-14; PR at I-11.

[49] *See* CR at I-11-13; PR at I-9 ("The sucrose from sugar beets and sugarcane are identical to one another."); Conference Tr. at 61-62 (Snyder).

[50] CR at I-13-14; PR at I-11.

[51] CR at I-11; PR at I-9.

[52] CR at I-14; PR at I-10.

[53] CR at I-13-14; PR at I-11.

[54] CR at I-14-15; PR at I-11.

[55] CR at I-13-14; PR at I-11.

Channels of Distribution. According to petitioners, refined cane sugar and refined beet sugar are distributed through the same channels of distribution,[56] and there is no information on the record suggesting otherwise.

Interchangeability. Refined cane sugar and refined beet sugar are used interchangeably in most, but not all, applications.[57] According to the President and CEO of Domino Foods, a domestic cane sugar producer, "{m}any of the large industrial customers source . . . their refined sugar from both beet and cane, and that product is comingled on a regular basis."[58] On the other hand, a witness for CSC, a domestic producer of liquid sugar and invert syrup, stated that some customers refuse to buy beet sugar because of concerns about genetically modified organisms ("GMO"), although the trend is not "a major wave," and that serving such customers posed a challenge because his company comingles beet sugar and cane sugar used in the production of liquid sugar.[59] A witness for Just Born, a domestic candy manufacturer, stated that his company uses cane sugar because beet sugar "doesn't react well with some of our products."[60]

Producer and Customer Perceptions. Customers and producers generally perceive cane and beet sugar to be the same product.[61] As indicated above, there is evidence that some customers may prefer cane sugar to beet sugar due to concerns such as the GMO origin of most beet sugar.[62] Nevertheless, the record shows that beet sugar accounts for a substantial majority of domestic refined sugar production, indicating that beet sugar remains widely accepted in the U.S. market.[63]

Price. According to petitioners, refined cane sugar and refined beet sugar typically sell for the same price,[64] and there is no information on the record suggesting otherwise.

Conclusion. Refined cane sugar and refined beet sugar are similar with respect to physical characteristics and uses, interchangeability, channels of distribution, producer and customer perceptions, and price. Although refined cane sugar and refined beet sugar are produced in separate facilities with separate employees, the processes used to produce them are similar. Given the preponderance of similarities between refined cane sugar and refined beet sugar, we include both types of sugar in the same domestic like product.

[56] Petition at 22; CR at II-2; PR at II-1.

[57] Petition at 22; CR at I-12; PR at I-9.

[58] Conference Tr. at 62 (O'Malley).

[59] Conference Tr. at 211 (Farmer).

[60] Conference Tr. at 212 (Jones).

[61] Petition at 22.

[62] CR at I-35; PR at I-25; Conference Tr. at 211 (Farmer); Diazteca's Postconference Brief at 4-5. Approximately 90 percent of sugar beets are GMO. CR at I-35; PR at I-25.

[63] CR/PR at Table IV-6.

[64] Petition at 22.

3. Whether the Commission Should Define the Domestic Like Product to Include HFCS

Finally, we address the GOM's argument that the Commission should define the domestic like product to include HFCS, a product outside the scope.[65] Although we must accept the determination of Commerce as to the scope of the imported merchandise,[66] the Commission may, where appropriate, include articles in the domestic like product that are in addition to those described in the scope.[67] The record in the preliminary phase of these investigations indicates that there is a clear dividing line between sugar within the scope of the investigations and HFCS, as explained below.

Physical Characteristics and Uses. Sugar and HCFS have the same use, which is to sweeten food and beverages.[68] They also have some common physical characteristics, in that both contain glucose and fructose.[69] Nevertheless, the glucose and fructose in sugar are chemically joined by a covalent bond to form sucrose, whereas HFCS is composed of glucose and fructose in a free state.[70] Moreover, sugar comes in crystalline and liquid forms, whereas HFCS has a high moisture content, cannot be crystalized, and has a lower freezing point than sugar, which makes it less suitable for use in ice cream.[71] Consequently, sugar is used in a wider range of applications than HFCS, including confectionery, bakery, dairy, canned food, and dry cereal products.[72] By contrast, HFCS is used primarily in soft drinks, in which HFCS's greater stability and longer shelf life are advantageous, and also in certain soft baked products.[73]

Manufacturing Facilities, Production Processes and Employees. Sugar and HFCS are produced in separate manufacturing facilities using different production processes and

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[65] We are unpersuaded by the GOM's argument that the Commission must include HFCS in the domestic like product because a WTO dispute resolution panel allegedly found HFCS and sugar to be like products in a dispute concerning Mexican taxes on soft drinks. GOM's Postconference Brief at paras. 32, 37. In the dispute, the WTO dispute resolution panel found that "as sweeteners for soft drinks and syrups, cane sugar and HFCS are in a close competitive relationship and that they undoubtedly can be considered as 'like products' under Article III:4" of the General Agreement on Tariffs and Trade ("GATT") 1994. *Mexico – Tax Measures on Soft Drinks and Other Beverages*, WT/DS208/R (7 October 2005), at para. 8.106 (emphasis added). The scope of the present investigations covers all sugar, and not just sugar used in the production of soft drinks and syrups. Moreover, the WTO panel was construing Article III:4 of GATT 1994, which concerns taxation and not the imposition of trade remedies.

[66] *See USEC, Inc. v. United States*, Slip. Op. 01-1421 (Fed. Cir. April 25, 2005) at 9 ("The ITC may not modify the class or kind of imported merchandise examined by Commerce.").

[67] *See, e.g., Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 (Nov. 2001) at 8, n. 34; *Torrington Co. v. United States*, 747 F.Supp. 744, 748-9 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) (holding that the Commission is not legally required to limit its like product to the like product advocated by the petitioner, co-extensive with the scope).

[68] *See* Petition at 22; GOM's Postconference Brief at para. 28; Conference Tr. at 131 (Greenwald).

[69] *See* Petition at 22; GOM's Postconference Brief at para. 28; Conference Tr. at 131 (Greenwald).

[70] *See* Petition at 22; GOM's Postconference Brief at para. 28.

[71] CR at I-11; PR at I-9; Petition at 23.

[72] CR at I-13; PR at I-11.

[73] Petition at 23; GOM's Postconference Brief at para. 30.

employees. The production of sugar entails the extraction and refining of sugar from sugar beets and cane by cane millers, cane refiners, and beet processors.[74] By contrast, the production of HFCS from corn entails chemical reactions induced by enzymes in a chemical plant.[75]

Channels of Distribution. Almost all HFCS and a majority of domestically produced sugar, 65.0 percent in CY2012/13, are shipped to industrial users.[76] However, a significant share of domestically produced sugar, 35.0 percent in CY2012/13, is shipped to distributors, grocery chains, restaurants and restaurant chains, and refiners and melt houses.[77]

Interchangeability. Although sugar and HFCS can be used interchangeably in certain applications, such as soft drinks and certain soft baked products,[78] they are generally used in different applications, as a practical matter. Most HFCS consumed in the United States is used in the production of soft drinks, due to its lower cost and superior stability and shelf life as compared to sugar.[79] The record of the preliminary phase investigations indicates that sugar is used in a broader range of applications, including confectionery, bakery, dairy, canned food, and dry cereal products, in which its physical properties are preferred.[80]

Producer and Customer Perceptions. The record indicates that producers and customers perceive sugar and HFCS as different products with distinct product attributes. In the 1980s, the domestic soft drink industry substituted HFCS for sugar in the production of its products, in order to capitalize on the lower cost of HFCS.[81] The fact that most other end users of sweeteners have not switched from sugar to HFCS to a significant extent suggests that they regard sugar as the more appropriate sweetener for their applications.[82]

Price. The spot price for HFCS has historically been lower than the spot price for sugar.[83] The spot price for HFCS-42 was 21.66 cents per pound, dry weight, in fiscal year 2011, 23.77 cents per pound in fiscal year 2012, and 27.64 cents per pound in fiscal year 2013.[84] By contrast, the average unit value of the industry's U.S. commercial shipments of refined sugar was 38.9 cents per pound in CY2010/11, 41.8 cents per pound in CY2011/12, and 36.1 cents per pound in CY2012/13.[85]

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[74] *See* CR at I-13-16; PR at I-10-12.

[75] Petition at 23; GOM's Postconference Brief at para. 27.

[76] Petition at 23; GOM's Postconference Brief at para. 30 ("Customers for HFCS are primarily soft drink producers who purchase HFCS is bulk amounts and in liquid form."); CR/PR at Table II-1.

[77] CR/PR at Table II-1.

[78] CR at II-8; PR at II-6; Conference Tr. at 190 (Cuddy); Petition at 23; GOM's Postconference Brief at para. 30.

[79] Petition at 23; GOM's Postconference Brief at para. 30; CR at II-9; PR at II-6.

[80] CR at I-12; PR at I-10; Petition at 23.

[81] Petition at 37; GOM's Postconference Brief at paras. 30-31.

[82] Conference Tr. at 132 (O'Malley).

[83] CR at I-37; PR at I-26.

[84] CR at I-37; PR at I-26.

[85] Memorandum INV-MM-041 (May 8, 2014) at Table III-8 (dividing unit value in dollars per short ton by 2,000 pounds per short ton).

Conclusion. The record in the preliminary phase of these investigations indicates that there are more differences than similarities between sugar and HFCS, indicating that a clear dividing line exists between the two products. Although sugar and HFCS share general physical characteristics and uses, certain key physical differences between sugar and HFCS cause each product to be favored for specific applications, thereby limiting their practical interchangeability. They are produced in separate manufacturing facilities using different employees and production processes. That customers and producers perceive sugar and HFCS to be different products is reflected in the fact that only soft drink producers have fully switched from sugar to HFCS, despite the historically lower price of HFCS than sugar. Because of the evidence that there is a clear dividing line separating sugar from HFCS, we do not include HFCS in the domestic like product. Instead, we define a single domestic like product that is coextensive with the scope of the investigations.[86]

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[87] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

A. Sufficient Production-Related Activities

In deciding whether a firm qualifies as a domestic producer of the domestic like product, the Commission generally analyzes the overall nature of a firm's U.S. production-related activities, although production-related activity at minimum levels could be insufficient to constitute domestic production.[88] Petitioners argue that certain domestic producers known as "melt houses," which produce liquid sugar by adding water to subject imported estandar and refined sugar, should be excluded from the domestic industry because they do not engage in

[86] We remind parties intending to raise like product issues in any final phase investigations to include in their comments on the draft questionnaires specific requests for the collection of data from domestic producers of the like products they advocate. Parties should also explain their position on the appropriate domestic like product or products the Commission should define.

[87] 19 U.S.C. § 1677(4)(A).

[88] The Commission generally considers six factors: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. *Diamond Sawblades and Parts Thereof from China and Korea*, Inv. Nos. 731-TA-1092-93 (Final), USITC Pub. 3862 at 8-11 (July 2006).

sufficient production-related activities to be considered domestic producers.[89] Respondents CSC and ADM, which are the only responding domestic entities that primarily produce liquid sugar and invert syrup,[90] deny that their operations represent "melt houses," and argue that they engage in sufficient production-related activities to be considered domestic producers.[91] Based on the following analysis of the six factors the Commission generally considers in assessing a firm's production-related activities, we find that CSC engages in sufficient production-related activities to be considered a domestic producer, but not ADM.

1. CSC

Source and extent of capital investment. CSC has invested $*** in its refining operations, consisting of five refineries, over the past six years.[92] CSC's refineries use carbon, ion exchange resin, diatomaceous earth, and press filtration to purify raw sugar into refined liquid sugar and invert syrup.[93] The U.S. Department of Agriculture ("USDA") has determined that CSC qualifies as a domestic sugar refiner for purposes of the U.S. Refined Sugar Re-Export Program.[94]

Technical expertise involved in U.S. production activities. CSC claims that its highly technical process for processing raw sugar into refined sugar products, including proprietary equipment that CSC designed and built, must be operated by employees with a high degree of technical proficiency.[95] Furthermore, its refinery operations were designed in consultation with a senior refinery chemist with over 30 years of industry experience.[96]

Value added to the product in the United States. CSC's ratio of conversion costs to COGS was between *** and *** percent during the period of investigation.[97] Its ratio of conversion costs plus SG&A expenses to the sum of COGS and SG&A was between *** and *** percent.[98]

Employment levels. CSC has *** employees in its sugar refining operations, including both production workers and managers.[99]

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[89] Petition at 28-29; Petitioners' Postconference Brief at 12-13.

[90] Petitioners argue that melt houses do not engage in sufficient production-related activities to be included in the domestic industry. Petition at 28-29; Petitioners' Postconference Brief at 12-13. The GOM claims that melt houses should be included in the domestic industry because they add substantial value to the final product. GOM's Postconference Brief at para. 63. Because the only producers of liquid sugar and invert syrup that provided information on their operations were CSC and ADM, we do not opine on whether melt houses categorically engage in sufficient production-related activities to be included in the domestic industry. *See Calcium Hypochlorite from China*, Inv. No. 701-TA-510 and 731-TA-1245 (Preliminary), USITC Pub. 4452 (Feb. 2014) at 10. We intend to seek information from melt houses in any final phase investigations.

[91] *See* CSC's Postconference Brief at 2-13; ADM's Responses to Staff Questions at 1, 4-5.

[92] CR at III-8; PR at III-5-6.

[93] CR at III-8; PR at III-5.

[94] CSC's Postconference Brief at 6-7.

[95] CSC's Postconference Brief at 10.

[96] CSC's Postconference Brief at 10.

[97] CR at III-7; PR at III-6.

[98] CR at III-7; PR at III-6.

Quantity and type of parts sourced in the United States. In CY2012/13, *** percent of CSC's production of liquid sugar and invert syrup was produced using ***.[100] CSC also sources other inputs used in the production of its refined sugar products domestically, including ***.[101]

Any other costs and activities in the United States directly leading to production of the like product. The design and testing of CSC's proprietary production equipment ***.[102] In addition, CSC reports that its domestic refinery operations have required ***.[103]

Conclusion. The record indicates that CSC is a domestic sugar refiner, capable of processing raw sugar unfit for human consumption into refined liquid sugar and invert syrup. Indeed, the USDA has certified CSC as a domestic refiner, and permitted it to participate in a re-export program limited to domestic sugar refineries. Moreover, CSC's sugar refining operations have required significant capital investment, require a significant level of technical expertise to operate and maintain, and employ a substantial number of workers. Although CSC sources most of the inputs for its refined sugar production from Mexico, and adds *** value to the finished product, on balance, we find that CSC engages in sufficient production-related activities to be included in the domestic industry.

2. ADM

Source and extent of capital investment. ADM has invested more than $*** in what it considers "sweetener stations," which convert domestically produced refined sugar into liquid sugar and invert syrup.[104]

Technical expertise involved in U.S. production activities. Although ADM claims that its sweetener stations require significant technical expertise, most of the expertise required appears to be in areas other than the production of liquid sugar and invert syrup. For example, ADM claims that its sweetener stations require personnel with expertise in plant maintenance, logistics, quality, food safety, and environmental regulations.[105] The expertise required to produce liquid and invert syrup in ADM's sweetener stations appears limited to an understanding of sucrose melt systems.[106]

Value added to the product in the United States. ADM's ratio of conversion costs to COGS was between *** and *** percent during the period of investigation.[107] Its ratio of conversion costs plus SG&A expenses to the sum of COGS and SG&A was between *** and *** percent.[108]

(…Continued)

[99] CSC's Postconference Brief at 11.

[100] Memorandum INV-MM-041 (May 8, 2014) at Table III-14; CSC's Postconference Brief at 11-12.

[101] CSC's Postconference Brief at 11.

[102] CSC's Postconference Brief at 12.

[103] CSC's Postconference Brief at 12-13.

[104] CR at III-8; PR at III-6; ADM's Responses to Staff Questions at 2.

[105] ADM's Responses to Staff Questions at 4-5.

[106] ADM's Responses to Staff Questions at 4.

[107] CR at III-9; PR at III-6.

[108] CR at III-9; PR at III-6.

Employment levels. ADM had *** employees at its sweetener stations in 2013.[109]

Quantity and type of parts sourced in the United States. ADM uses only domestic refined sugar to produce liquid sugar and invert syrup.[110]

Any other costs and activities in the United States directly leading to production of the like product. ADM did not identify any such costs and activities.

Conclusion. Although ADM describes its liquid and invert syrup operations as "sweetener stations," they resemble the "melt houses" described by petitioners.[111] ADM processes refined sugar, already fit for human consumption, into liquid sugar and invert syrup by melting the sugar and adding water.[112] On the one hand, ADM's capital investment in its sweetener stations has been substantial, they employ an appreciable number of workers, and they consume domestically sourced refined sugar. On the other hand, ADM's sweetener stations do not appear to require a significant level of technical expertise and they add only minor value to the refined sugar that is processed. On balance, we find that ADM does not engage in sufficient production-related activities to be deemed a domestic producer.

B. Grower/Processor Issues

In cases involving processed agricultural products, section 771(4)(E) of the Tariff Act authorizes the Commission to include growers of a raw agricultural input within the domestic industry producing the processed agricultural product if:

(a) the processed agricultural product is produced from the raw product through a single continuous line of production,[113] and

(b) there is a substantial coincidence of economic interest between the growers and producers of the processed product based upon the relevant economic factors.[114] [115]

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[109] ADM's Responses to Staff Questions at 5.

[110] ADM's Responses to Staff Questions at 5.

[111] *See* Conference Tr. at 232 (Armero) ("I think Chris Cuddy from ADM, his plants are what you could describe as a melt station because he takes food grade refined sugar and makes food grade liquid sugar.").

[112] ADM's Responses to Commissioner Questions at 2, Attachment. ADM indicates that some of its sweetener stations use Novasep Applexion processing equipment, which can process raw sugar with a polarity of 97.5 to 99.8 percent into refined liquid sugar and invert syrup through filtration, decolorization, and demineralization processes. *See id.* at Attachment. We note that ADM's sweetener stations would have no need for such processes because their input is refined sugar, not raw sugar.

[113] The statute provides that the processed product shall be considered to be processed from the raw product in a single, continuous line of production if:

(a) the raw agricultural product is substantially or completely devoted to the production of the processed agricultural product; and

(b) the processed agricultural product is produced substantially or completely from the raw product. 19 U.S.C. § 1677(4)(E)(ii).

[114] In addressing coincidence of economic interest under the second prong of the test, the Commission may, in its discretion, consider price, added market value, or other economic interrelationships. Further:

(Continued…)

Petitioners argue that cane growers and beet farmers satisfy the two-part test under the grower/processor provision for being included in the domestic industry.[116] The GOM argues that neither the World Trade Organization ("WTO") Antidumping Agreement ("ADA") nor the WTO Agreement on Subsidies and Countervailing Measures ("ASCM") permit the Commission to include growers in the domestic industry.[117]

The record indicates that the two requirements of the grower/processor provision are satisfied here. First, there is a continuous line of production from sugarcane growers to millers and refiners, and from beet growers to processors, because sugarcane and sugar beets are substantially devoted to raw and refined sugar production, with no other commercially significant uses,[118] and raw and refined sugar is produced entirely from sugar beets and sugarcane.[119]

Second, there is a coincidence of economic interest between growers, on the one hand, and sugar millers, processors, and refiners, on the other, because a substantial proportion of sugar is milled, processed, and refined through cooperative arrangements.[120] All or virtually all beet growers belong to co-ops, and co-ops that process beet sugar accounted for over half of

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(…Continued)

(a) if price is taken into account, the Commission shall consider the degree of correlation between the price of the raw agricultural product and the price of the processed agricultural product; and

(b) if added market value is taken into account, the Commission shall consider whether the value of the raw agricultural product constitutes a significant percentage of the value of the processed agricultural product. 19 U.S.C. § 1677(4)(E)(iii).

[115] We note that while Section 771(4)(E) of the Tariff Act authorizes the Commission to include growers of a raw agricultural input within the domestic industry producing the processed agricultural product if the statutory criteria are met, the statute uses the term "may be considered" rather than "shall be considered." We invite the parties to provide their views in any prehearing briefs in any final phase investigations as to the implications of this statutory language.

[116] Petition at 25.

[117] GOM's Postconference Brief at paras. 47, 50. The GOM argues that Article 4.1 of the ADA and Article 16.1 of the ASCM require investigating authorities to define the domestic industry as producers as a whole of the domestic like product. Because sugarcane and sugar beets are not "like" scope merchandise, they claim, the Commission may not include cane farmers and beet growers within the domestic industry definition. As an initial matter, the Commission is required to apply U.S. law, not the ADA and ASCM. 19 U.S.C. § 3512(a)(1). The GOM's contention that cane farmers and beet growers are separate and distinct from producers of the domestic like product also overlooks that growers of sugarcane and sugar beets are predominantly members of agricultural cooperative associations ("co-ops"), which are vertically-integrated domestic producers of the like product. CR/PR at VI-1; *see also* CR at III-2, III-4 (73 of 93 responding cane farmers and beet growers reported belonging to co-ops), VI-4 n.5, VI-8 & n.6 (two of ten responding millers belonged to co-ops); PR at III-1, VI-4 n.5, VI-5 n.6. In addition, Hawaiian Commercial & Sugar Co. has vertically integrated milling and refining operations and ***. CR at III-6, VI-8 n.6; PR at III-4, VI-5 n.6.

[118] CR at III-2-3; PR at III-1-2.

[119] CR at I-12; PR at I-9.

[120] CR at III-4; PR at III-3. Petitioners claim that all refined beet sugar is now processed by co-ops. Petition at 25.

domestic refined sugar production.[121] A substantial proportion of cane farmers also belong to co-ops that produce raw sugar.[122] Because co-ops return all revenues from the sale of raw or refined sugar, minus costs, to growers, there is a significant coincidence of economic interest between growers and cane millers, cane refiners, or beet processors belonging to the same co-op.[123] Accordingly, we define the domestic industry to include sugarcane and beet growers as well as cane millers, cane refiners, and beet processors.

C. Related Parties

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[124] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[125]

Petitioners argue that the Commission should exclude CSC from the domestic industry as a related party because its primary interest is in the importation of subject merchandise and

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[121] CR/PR at Tables IV-6 (beet sugar accounted for 56.5 percent of domestic refined sugar production in CY2012/3), VI-1 n.1 (all or virtually all beet farmers belong to co-ops).

[122] *See* CR at III-2, III-4 (73 of 93 responding cane farmers and beet growers reported belonging to co-ops), VI-1 ("Growers of sugarcane and sugar beets are predominantly members of agricultural cooperative associations."), VI-4 n.5, VI-8 (two of ten responding sugarcane millers are co-ops); PR at III-1, III-3, VI-1, VI-4 n.5, VI-5. In addition, ***. CR at VI-8 n.6; PR at VI-5 n.6.

[123] *See* CR at VI-4 n.5; PR at VI-4 n.5. Co-ops are voluntary associations of beet growers and processors and cane growers and millers. *Id.* Several beet growers reported owning shares in their co-ops, which entitles them to produce one acre of beets per share. *Id.* Within co-ops, beet growers provide their crop to related processors for the production of refined sugar and cane growers provide their crop to related millers for the production of raw cane sugar. *Id.* The related processors and millers provide an initial payment to growers, representing about 65 percent of the projected revenues from sales of the finished product minus projected processing costs, followed by subsequent payments based on realized prices minus actual processing costs. *Id.*

[124] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.,* 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[125] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e*., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and

(3) the position of the related producer vis-à-vis the rest of the industry, *i.e*., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g*., *Torrington Co. v. United States*, 790 F. Supp. at 1168.

the conversion of subject imported raw and refined sugar into liquid sugar and invert syrup.[126] Petitioners also argue that no domestic cane refiner should be excluded from the domestic industry as a related party, even though several domestic refiners import and purchase subject merchandise for use in the production of refined sugar, in order to operate their refineries at efficient rates of capacity utilization.[127] The Mexican Sugar Chamber argues that CSC does not qualify as a related party because it is not related to any Mexican producer or exporter of subject merchandise.[128]

In these preliminary phase investigations, the record shows that five domestic producers qualify as related parties because they imported subject merchandise during the period of investigation: ***.[129] We find that appropriate circumstances do not exist to exclude any related party from the domestic industry, for the following reasons.

First, the record indicates that the related parties imported subject merchandise from Mexico primarily for processing into refined sugar in their domestic production facilities, and not for resale.[130] Their domestic refineries are highly capital-intensive[131] and added substantial value to subject imports used as an input in the domestic production of refined sugar. The ratio of conversion costs to COGS for domestic cane refiners as a whole ranged from *** to *** percent during the period of investigation.[132] The cane refiners' ratio of conversion costs plus SG&A expenses to the sum of COGS and SG&A ranged from *** to *** percent during the period.[133] Consequently, even refiners with what ordinarily would be considered high ratios of imports to production are devoting substantial resources to U.S. production of the domestic like product.[134]

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[126] Petitioners' Postconference Brief at 14.

[127] Petition at 25.

[128] Mexican Sugar Chamber's Postconference Brief at 7. We note that domestic producers that import subject merchandise also qualify as related parties under the statute. 19 U.S.C. § 1677(4)(B).

[129] Memorandum INV-MM-041 (May 8, 2014) at Tables III-11, 13-16. *** each purchased relatively small quantities of subject merchandise during the period of investigation. *Id.* at Tables III-10, 12, 17-18. We find that none of these producers qualifies as a related party because there is no evidence that any were responsible for a predominant proportion of an importer's purchases and the importer's purchases were substantial.

[130] CR at III-22-23; PR at III-15; Memorandum INV-MM-041 (May 8, 2014) at Tables III-11, 13-16.

[131] Conference Tr. at 65 (O'Malley) ("{A} cane refinery . . . is a major manufacturing facility. That is extremely capital intensive."), 232 (Armero) (estimating the cost of a sugar refinery at $150 million).

[132] Staff Table Supp A.1, EDIS Document No. 533418. Domestic value added as a share of the average unit value of the domestic industry's U.S. shipments of refined sugar made from Mexican inputs was *** percent in CY2012/13. Memorandum INV-MM-041 (May 8, 2014) at Table III-19. Domestic value added to subject imported inputs was only *** percent in CY2010/11 and *** percent in CY2011/12, however. *Id.*

[133] Staff Table Supp A.1, EDIS Document No. 533418.

[134] The ratio of subject imports to U.S. production during the CY2010/11 to 2012/13 period ranged from *** to *** percent for ***, *** to *** percent for ***, *** to *** percent for ***, *** to *** percent for ***, and *** to *** percent for ***. Memorandum INV-MM-041 (May 8, 2014) at Tables III-11, 13-16. The ratio of subject imports to U.S. production in interim CY2013/14 was *** percent for ***, *** percent for ***, *** percent for ***, *** percent for ***, and *** percent for ***. *Id.*

Furthermore, the record shows that domestic cane refiners as a whole must import raw and semi-refined cane sugar as an input for their production of refined sugar to operate their refineries at an efficient rate of capacity utilization, because the volume of domestic raw sugar production is insufficient for this purpose.[135] During the period of investigation, all sugarcane harvested domestically was processed by millers into raw sugar for use by domestic cane refiners, and yet imported inputs were used to produce 19.5 to 25.1 percent of domestic refined sugar during the CY2010/11-CY2012/13 period.[136] Had imported inputs been unavailable, the capacity utilization of domestic cane refineries would have been significantly lower, which would have increased their unit costs.[137] For this reason, the need for the related parties to import inputs from Mexico and elsewhere does not significantly detract from their primary interest in domestic production.

Most related parties support or take no position on the petitions. Specifically, *** support the petition and *** take no position.[138] Only *** opposes the petition.[139]

Additionally, there is no evidence that domestic refiners that imported subject merchandise derived a significant financial benefit from doing so. The financial performance of related parties was similar to that of other domestic producers.[140]

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[135] Petition at 25.

[136] Memorandum INV-MM-041 (May 8, 2014) at Table III-6. Because only cane refiners utilize imported inputs, the percentage of refined cane sugar produced from imported inputs would be much higher.

[137] Conference Tr. at 73 (O'Malley) ("{O}ur refineries ideally run on a continuous basis . . . ."), 218 (Farmer).

[138] Memorandum INV-MM-041 (May 8, 2014) at Table III-4.

[139] Memorandum INV-MM-041 (May 8, 2014) at Table III-4.

[140] *See* CR/PR at Table D-2. The financial performance of *** generally lagged the financial performance of domestic refiners and processors as a whole during the period of investigation. Domestic refiners and processors as a whole reported operating income as a share of net sales of 8.7 percent in CY2010/11, 7.8 percent in CY2011/12, 7.5 percent in CY2012/13, 6.7 percent in interim CY2012/13, and 1.5 percent in interim CY2013/14. *Id.* By contrast, *** reported operating income as a share of net sales of *** percent in CY2010/11, *** percent in CY2011/12, *** percent in CY2012/13, *** percent in interim CY2012/13, and *** percent in interim CY2013/14. *Id.* *** reported operating income as a share of net sales of *** percent in CY2010/11, *** percent in CY2011/12, *** percent in CY2012/13, *** percent in interim CY2012/13, and *** percent in interim CY2013/14. *Id.* *** reported operating income as a share of net sales of *** percent in CY2010/11, *** percent in CY2011/12, *** percent in CY2012/13, *** percent in interim CY2012/13, and *** percent in interim CY2013/14. *Id.* *** reported operating income as a share of net sales of *** percent in CY2010/11, *** percent in CY2011/12, *** percent in CY2012/13, *** percent in interim CY2012/13, and *** percent in interim CY2013/14. *Id.* Although *** outperformed domestic producers as a whole in interim CY2013/14, their financial performance during the interim period was similar to that of ***, which reported an operating profit margin of *** percent in interim CY2013/14. *Id.*

*** generally outperformed domestic refiners and processors as a whole during the period of investigation, reporting operating income as a share of net sales of *** percent in CY2010/11, *** percent in CY2011/12, *** percent in CY2012/13, *** percent in interim CY2012/13, and *** percent in interim CY2013/14. *Id.* Nevertheless, *** was not an outlier in terms of its financial performance (Continued…)

Finally, exclusion of *** would distort industry data because it accounted for *** percent of refined sugar production during the period of investigation.[141] Although *** are much smaller, their inclusion in the domestic industry would not distort industry data because there is no evidence that they benefitted financially from their importation of subject merchandise.

For all the foregoing reasons, we find that appropriate circumstances do not exist to exclude any related party from the domestic industry. In sum, we define the domestic industry as all producers of sugar within the scope of the investigations, including cane farmers and beet growers, but not including ***.

V. Reasonable Indication of Material Injury by Reason of Subject Imports[142]

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[143] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[144] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[145] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[146] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[147]

(…Continued)
because *** were more profitable during the CY2010/11-CY2012/13 period and *** reported a similar level of profitability in interim CY2013/14. *Id.* Furthermore, *** ratio of subject imports to domestic production was ***, ranging from *** percent to *** percent during the period of investigation. Memorandum INV-MM-041 (May 8, 2014) at Table III-13.

[141] Memorandum INV-MM-041 (May 8, 2014) at Table III-4.

[142] Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. Based on official USDA statistics, subject imports from Mexico accounted for 74.4 percent of all imports of sugar during the most recent 12-month period preceding the filing of the petition. CR at IV-9; PR at IV-8.

[143] 19 U.S.C. §§ 1671b(a), 1673b(a).

[144] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[145] 19 U.S.C. § 1677(7)(A).

[146] 19 U.S.C. § 1677(7)(C)(iii).

[147] 19 U.S.C. § 1677(7)(C)(iii).

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[148] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[149] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[150]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[151] In performing its examination, however, the Commission need not isolate

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[148] 19 U.S.C. §§ 1671b(a), 1673b(a).

[149] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'd* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[150] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[151] SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

the injury caused by other factors from injury caused by unfairly traded imports.[152] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[153] It is clear that the existence of injury caused by other factors does not compel a negative determination.[154]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[155] [156] Indeed, the Federal Circuit has examined and affirmed various

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[152] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n* , 266 F.3d at 1345. ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[153] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[154] *See Nippon*, 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[155] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

[156] Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal Steel* explains as follows:

> What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry.

(Continued…)

Commission methodologies and has disavowed "rigid adherence to a specific formula."[157]

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[158] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[159] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[160]

(…Continued)

> 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[157] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[158] *Mittal Steel*, 542 F.3d at 875-79.

[159] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[160] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[161] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[162]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. The U.S. Government Sugar Program

The U.S. government regulates the U.S. sugar market using a variety of policy tools collectively known as the U.S. Sugar Program pursuant to the Agriculture Act of 2014, which essentially extended most elements of the Food, Conservation, and Energy Act of 2008 (the "2008 Farm Bill") through the 2018 crop year.[163] These tools influence the supply of sugar on the U.S. market from domestic and nonsubject import sources, but not from Mexico. Under the North American Free Trade Agreement ("NAFTA"), subject imports from Mexico have enjoyed unfettered access to the U.S. market since January 1, 2008.[164]

The USDA regulates the quantity of sugar supplied by domestic producers to the U.S. market by assigning marketing allotments to sugar beet processors and to sugarcane millers on a firm-specific basis.[165] In a given crop year, the USDA establishes the overall allotment quantity for U.S. sugar beet processors and sugarcane millers at 85 percent of projected U.S. human consumption of sugar that year, and then apportions 54.35 percent of this allotment to sugar beet processors and 45.65 percent to sugarcane millers.[166] Allotments granted to individual sugar beet processors are based on their past sugar production, while allotments to individual sugarcane millers are based on their past processing levels and current ability to market, among other things.[167] Sugarcane millers and sugar beet processors that produce

[161] We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[162] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[163] CR at I-28; PR at I-18. Elements of the U.S. Sugar Program have evolved over time through successive farm bills. CR at I-22-30; PR at I-17-23. For example, the 2008 Farm Bill continued most elements of the U.S. Sugar Program established under the Farm Security and Rural Investment Act of 2002, with some modifications. CR at 28; PR at I-21.

[164] CR at I-17; PR at I-13.

[165] CR at I-26, 28; PR at I-19.

[166] CR at I-26, 28; PR at I-19, 21.

[167] CR at I-26, 28; PR at I-19, 21.

sugar beyond their allotments must either store the excess or sell in avenues other than the U.S. market for human consumption.[168]

The USDA also provides loans to sugarcane millers and sugar beet processors through the Commodity Credit Corporation ("CCC"), and sugarcane millers and beet processors are entitled to receive loans for every pound of their production.[169] As of 2013, sugarcane millers received loans at the rate of 18.75 cents per pound of raw cane sugar, and sugar beet processors received loans at 128.5 percent of the raw cane sugar rate, or 24.09 cents per pound, which are known as the sugar loan rates.[170] Sugarcane millers and sugar beet processors may forfeit the sugar pledged as collateral for these loans to the CCC in lieu of repaying the loans,[171] and will generally do so when market prices fall below the applicable sugar loan rates, plus interest and costs.[172] The CCC may not sell forfeited sugar into the U.S. market for human consumption, but must dispose of it through re-export program credit swaps and sales of sugar to ethanol production or for other non-food uses.[173]

During the period of investigation, the USDA removed domestically produced sugar from the U.S. market for human consumption for the first time since 2004.[174] Specifically, in CY2012/13, the USDA effectively removed 1,047,490 short tons of domestically produced sugar from the market at a net cost of $258,716,027.[175] It did so through a combination of re-export program credit swaps and sales of forfeited and purchased sugar to ethanol producers under the FFP.[176]

The USDA, with the Office of the U.S. Trade Representative ("USTR"), regulates imports of sugar from nonsubject sources using tariff rate quotas ("TRQs"), which have been in effect since October 1990.[177] In-quota imports are subject to minimal "tier I" tariffs, expressed on a

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[168] CR at I-26; PR at I-19. The USDA may reassign unused marketing allotments to imports of raw cane sugar. CR at I-29; PR at I-19.

[169] CR at I-23-24; PR at I-17-18.

[170] CR at I-28; PR at I-24.

[171] CR at I-25; PR at I-18-19.

[172] CR at I-26; PR at I-19.

[173] CR at I-29; PR at I-21. The Secretary of Agriculture is required to operate the U.S. Sugar Program at no net cost to the U.S. government by avoiding, to the maximum extent possible, any forfeiture of sugar to the CCC. CR at I-26; PR at I-19. To accomplish this goal, the USDA uses marketing allotments and the regulation of nonsubject imports, as discussed below, as well as two other programs. Under the "payment-in-kind" ("PIK") program, the USDA allows processors and growers to bid on raw cane sugar or refined beet sugar held by the CCC in exchange for reducing their own production or planting/harvesting of a specified acreage, as the case may be. CR at I-25; PR at I-18-19. Under the Feedstock Flexibility Program ("FFP"), the USDA must sell surplus sugar stocks, including forfeited sugar, to ethanol producers, and may also purchase refined sugar from domestic producers for sale to ethanol producers. CR at I-28; PR at I-21; USDA, *Sugar and Sweeteners Outlook*, November 2013, at 7, EDIS Document No. 533432.

[174] CR at I-29; PR at I-21.

[175] CR at I-30; PR at I-23; CR/PR at Table I-4.

[176] CR/PR at Table I-4.

[177] CR at I-17; PR at I-13.

per pound basis, but imports in excess of the applicable quotas are subject to much higher "tier II" tariffs, which are normally prohibitive.[178]

Under the WTO Agreement, Schedule XX of the GATT Marrakesh Protocol, the United States agreed to import not less than 1,231,484 short tons raw value of raw sugar and 24,251 short tons raw value of refined sugar annually.[179] At the beginning of each crop year, on October 1, the USDA sets the raw sugar TRQ at the minimum level permitted under the WTO Agreement, and USTR apportions the TRQ on a country-specific basis.[180] Most of the TRQ covering refined sugar subject to these investigations is allocated to Canada, with the balance filled on a first-come, first-served basis.[181] The USDA may increase the TRQs to alleviate short supply conditions in the U.S. market but not before April 1, or midway through the crop year, except in the event of emergencies, such as hurricanes and refinery explosions that reduce domestic sugar supplies.[182] [183]

2. Demand Conditions

Apparent U.S. consumption was 10.7 million short tons in CY2010/11 and CY2011/12, but increased to 11.7 million short tons in CY2012/13, a level 8.6 percent higher than in CY2010/11.[184] Apparent U.S. consumption was 3.1 million short tons in interim CY2013/14, up 13.4 percent from 2.7 million short tons in interim CY2012/13.[185]

Although apparent U.S. consumption increased between CY2011/12 and CY2012/13, the increase was not in the market for sugar destined for human consumption. Data collected in these investigations show a 1 million short ton increase in apparent U.S. consumption between CY2011/12 and CY2012/13 because these data include the 1 million short tons of domestically produced sugar removed from the market for human consumption by the USDA in CY2012/13, through sugar forfeitures and USDA purchases under the FFP.[186] Most responding domestic producers, importers, and purchasers reported that U.S. demand for sugar grew slightly during the period of investigation, in accordance with population growth.[187] USDA data indicate that U.S. shipments of sugar for use in food and beverages declined slightly from 11.2 million short

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[178] CR at I-20; PR at I-14.

[179] CR at I-17 & n.33; PR at I-13 & n.33.

[180] CR at I-17; PR at I-13; CR/PR at Table I-2 & n.1.

[181] CR at I-21; PR at I-16. Of the 22,425 short ton TRQ covering refined sugar subject to these investigations, 13,283 short tons are allocated to Canada and the rest is filled on a first-come, first-served basis. *Id.*

[182] CR at I-29; PR at I-21.

[183] Given the complexities of the U.S. Sugar Program, we invite parties to address, in any final phase of these investigations, issues related to the program and its possible impact on our analysis.

[184] CR/PR at Table IV-5.

[185] CR/PR at Table IV-5. We recognize that interim data cover a single quarter, and therefore attach less weight to these data.

[186] CR at I-29-30; PR at I-23; CR/PR at Table I-4. Responding domestic producers reported sugar forfeited to the CCC as U.S. shipments. Petitioners' Postconference Brief at 23-24.

[187] CR at II-8; PR at II-6.

tons in CY2010/11 to 11.1 million short tons in CY2011/12 before increasing to 11.5 million short tons in CY2012/13, a level 2.8 percent higher than in CY2010/11.[188]

The record also indicates that U.S. sugar demand is inelastic with respect to price, meaning that overall demand for sugar is likely to experience small changes in response to changes in sugar prices.[189] The inelasticity of U.S. sugar demand with respect to price is a function of the limited range of substitute products and the small cost share of sugar in most downstream products.[190]

3. Supply Conditions

The domestic industry is divided between producers of beet sugar, which accounted for 56.5 percent of domestic refined sugar production in CY2012/13, and producers of cane sugar, which accounted for 43.5 percent of domestic refined sugar production that same year.[191] The beet sugar segment of the domestic industry consists of 4,022 beet farms, as of the 2007 Census of Agriculture, and seven sugar beet processors operating in 15 locations.[192] The cane sugar segment of the domestic industry consists of 692 sugarcane farms, as of the 2007 Census, 13 sugarcane millers, and six sugarcane refineries.[193]

The domestic industry's U.S. shipments as a share of apparent U.S. consumption increased from *** percent in CY2010/11 to *** percent in CY2011/12 and *** percent in CY2012/13.[194] The industry's share of apparent U.S. consumption was *** percent in interim CY2013/14, down from *** percent in interim CY2012/13.[195]

Subject imports as a share of apparent U.S. consumption declined from 15.4 percent in CY2010/11 to 9.9 percent in CY2011/12 before increasing to 17.7 percent in CY2012/13, a level 2.3 percentage points higher than in CY2010/11.[196] The subject import share of apparent U.S. consumption was 18.5 percent in interim CY2013/14, up from 10.0 percent in interim CY2012/13.[197]

Nonsubject imports as a share of apparent U.S. consumption increased from 14.3 percent in CY2010/11 to 17.3 percent in CY2011/12 before declining to 7.7 percent in CY2012/13, a level 6.6 percentage points lower than in CY2010/11.[198] The nonsubject import

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[188] CR/PR at Table IV-6.

[189] CR at II-7; PR at II-5.

[190] CR at II-7; PR at II-5.

[191] Memorandum INV-MM-041 (May 8, 2014) at Table III-5 (based on USDA data).

[192] CR at III-2, 6; PR at III-1, 4-5.

[193] CR at III-3, 6; PR at III-2, 4.

[194] CR/PR at Table C-2. Domestic industry market share was calculated using only the industry's U.S. shipments of refined sugar made from U.S. inputs. CR/PR at Table IV-5 n.1. Domestic industry U.S. shipments of refined sugar made from subject imported and nonsubject imported inputs were counted as U.S. shipments of subject imports and nonsubject imports, respectively. *Id.*

[195] CR/PR at Table C-2.

[196] CR/PR at Table IV-5.

[197] CR/PR at Table IV-5.

[198] CR/PR at Table IV-5.

share of apparent U.S. consumption was 6.1 percent in interim CY2013/14, down from 12.4 percent in interim CY2012/13. [199]

In CY2012/13, sugar production increased in both the United States and Mexico due to favorable weather conditions in both countries. [200] Between CY2011/12 and CY2012/13, domestic refined sugar production increased from 10.6 million short tons to 11.1 million short tons, or 4.3 percent.[201] Responding Mexican producers reported that their production of estandar and refined sugar increased from 5.7 million short tons to 7.9 million short tons, or 38.6 percent, over the same period.[202]

4. Substitutability and Other Conditions

The record of these preliminary phase investigations indicates that there is a high degree of substitutability between domestically produced sugar and subject imported sugar intended for the same use.[203] For example, domestically produced raw sugar is used interchangeably with subject imported estandar by domestic refiners in the production of refined sugar.[204] Similarly, domestically produced refined sugar can be used interchangeably with subject imported refined sugar, and in some cases subject imported estandar,[205] in the production of downstream food and beverage products.[206] Around two-thirds of responding domestic producers and importers reported that domestically produced sugar and subject imported sugar are always or frequently interchangeable.[207]

We further find that price is an important factor in purchasing decisions in the U.S. sugar market, although non-price factors are important as well. Responding domestic producers and importers were divided on the question of whether differences other than price are ever significant to purchasers in choosing between sugar produced in Mexico and the United States. In response to this question, two-thirds of responding producers responded "sometimes" or "never," while nearly two-thirds of responding importers responded "always" or

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[199] CR/PR at Table IV-5.

[200] Conference Tr. at 34 (Berg), 224 (Cortina). Higher yields resulting from the increased usage of GMO beets may have contributed to increased domestic industry production during the period of investigation. Conference Tr. at 56 (Snyder); Memorandum INV-MM-041 (May 8, 2014) at Table III-1.

[201] Memorandum INV-MM-041 (May 8, 2014) at Table III-6.

[202] CR/PR at Table VII-4.

[203] CR at II-10; PR at II-7.

[204] Conference Tr. at 70-71 (O'Malley) ("{E}standar or traditional raw sugar received from . . . domestic producers . . . tends to be comingled . . . They're all considered the same intermediate good."); Memorandum INV-MM-041 (May 8, 2014) at Table III-6 & n.2.

[205] *See* Conference Tr. at 31 (Berg), 124 (O'Malley), 125 (Greenwald), 126 (O'Malley), 128 (Berg), 212-13 (Cortina), 214, 221 (Armero). In any final phase investigations, we will seek to obtain information from purchasers concerning the substitutability of subject imported estandar with domestically refined sugar in the production of downstream food and beverage products.

[206] All refined sugar, whether domestic or imported, corresponds to a polarimeter reading of at least 99.9 degrees, and would therefore be substitutable in most applications. CR at I-10-11; PR at I-9; *but see* Conference Tr. at 195 (Jones).

[207] CR/PR at Table II-4.

"frequently."[208] Important non-price factors cited by questionnaire respondents include the lack of flexibility of shipment periods and logistics chains by domestic producers, the Jones Act, quality control issues for imported sugar, the better availability of sugar imported from Mexico, high transportation costs for imported sugar, and the proximity of domestic or Mexican sources of sugar to particular customers.[209] Nevertheless, the commodity nature of sugar, with a high degree of substitutability between subject imports and the domestic like product, suggests that price is an important factor in competition between sugar from domestic and subject import sources.[210]

Another condition of competition relevant to our analysis is the prevalence of short and long-term contracts in the U.S. sugar market. In CY2012/13, responding domestic producers reported making 63.5 percent of their U.S. commercial shipments pursuant to short-term contracts, ranging in duration from 90 days to one year, 21.1 percent pursuant to long-term contracts, up to two years in duration, and 15.3 percent pursuant to spot sales.[211] That same crop year, responding importers reported making 61.7 percent of their U.S. commercial shipments of subject imports pursuant to short-term contracts, 7.4 percent pursuant to long-term contracts, and 30.9 percent pursuant to spot sales.[212]

Finally, in 2007, the U.S. and Mexican Government established the U.S.-Mexico Consultative Committee, Sweeteners Working Group ("CCA"), to coordinate agricultural policy pertaining to sweeteners.[213] At a CCA meeting held in August 2013, the USDA asked the Government of Mexico to divert sugar exports from the United States to third country markets to alleviate oversupply conditions in the U.S. market, and the Government of Mexico agreed to do so. [214] Accordingly, the Government of Mexico directed government-owned mills to divert 700,000 short tons of sugar, and privately-owned mills to divert 400,000 short tons of sugar, from the United States to third country markets. [215] The extent to which these actions affected the volume of subject imports in the U.S. market is unclear, however, because subject import market share was significantly higher in interim CY2013/14, at 18.5 percent, than in interim CY2012/13, when it was 10.0 percent.[216]

[208] CR/PR at Table II-5.

[209] CR at II-12-13; PR at II-8.

[210] *See* Conference Tr. at 29-30 (Berg), 40 (O'Malley).

[211] CR/PR at Table V-2.

[212] CR/PR at Table V-2.

[213] CR at VII-14 n.37; PR at VII-10 n.37.

[214] CR at VII-14 n.37; PR at VII-10 n.37; *see also* Mexican Sugar Chamber's Postconference Brief at 15-16; Sweetener Users' Postconference Brief at 10-11.

[215] CR at VII-14 n.37; PR at VII-10 n.37; Conference Tr. at 161-62 (Rello), 188-89 (Farmer); *see also* Mexican Sugar Chamber's Postconference Brief at 16; Sweetener Users' Postconference Brief at 10-11.

[216] CR/PR at Table IV-5.

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[217]

We find that the absolute volume and increase in volume of subject imports are significant over the period of investigation. Subject import volume declined from 1,650,000 short tons in CY2010/11 to 1,062,000 short tons in CY 2011/12 before increasing to 2,066,000 short tons in CY2012/13, a level 25.2 percent higher than in CY2010/11.[218] Subject import volume was 573,000 short tons in interim CY2013/14, up 110.3 percent from 272,000 short tons in interim CY2012/13. [219]

Subject imports also increased relative to apparent U.S. consumption and domestic industry production during the period of investigation. As a share of apparent U.S. consumption, subject imports declined from 15.4 percent in CY2010/11 to 9.9 percent in CY2011/12 before increasing to 17.7 percent in CY 2012/13.[220] Subject import market share was 18.5 percent in interim CY2013/14, up from 10.0 percent in interim CY2012/13.[221] The ratio of subject imports to domestic production declined from 16.0 percent in CY2010/11 to 10.0 percent in CY2011/12 but increased to 18.7 percent in CY2012/13, a level 2.7 percentage points higher than in CY2010/11.[222] This ratio was 18.0 percent in interim CY2013/14, up from 8.0 percent in interim CY2012/13.[223]

We conclude that the volume of subject imports and the increase in that volume are significant. We recognize that the increase in subject import volume and market share during the period of investigation was accompanied by a greater decline in nonsubject import volume and market share, resulting in an increase in the domestic industry's U.S. shipments and market share.[224] Nevertheless, the significant increase in subject import volume had implications for prices of the domestic like product, which are discussed in the following section.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

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[217] 19 U.S.C. § 1677(7)(C)(i).

[218] CR/PR at Tables IV-5, C-1.

[219] CR/PR at Tables IV-5, C-1.

[220] CR/PR at Table IV-5.

[221] CR/PR at Table IV-5.

[222] Calculated from CR/PR at Tables III-6, IV-2. Excluding domestic production using inputs imported from Mexico, the ratio of subject imports to domestic production declined from 21.4 percent in CY2010/11 to 13.2 percent in CY2011/12 before increasing to 23.2 percent in CY2012/13 and 21.3 percent in interim CY2013/14, up from 9.3 percent in interim CY2012/13. *Id.*

[223] Calculated from CR/PR at Tables III-6, IV-2.

[224] CR/PR at Table IV-5; Mexican Sugar Chamber's Postconference Brief at 30; Sweetener Users' Postconference Brief at 13-14; GOM's Postconference Brief at para. 83.

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[225]

As addressed in section V.B.4 above, the record indicates that there is a high degree of substitutability in demand between subject imports and the domestic like product and that price is an important consideration in purchasing decisions.

Twenty domestic producers and 13 importers of subject merchandise from Mexico provided usable monthly f.o.b. U.S. selling price data for sales of seven products, although not all firms reported pricing for all products for all quarters.[226] Reported pricing data accounted for approximately *** percent of domestic producers' U.S. shipments of sugar and 26 percent of subject imports from Mexico between October 2011 and December 2013.[227]

These data show that subject imports undersold the domestic like product in 104 of 158 monthly comparisons, or 65.8 percent of the time, at margins ranging from 0.6 to 30.3 percent.[228] Pricing data covering products 3, 4, and 5, which encompass refined sugar products, show that subject imports undersold the domestic like product in 60 of 69 quarterly comparisons, or 87.0 percent of the time, at margins ranging from 1.5 to 30.3 percent.[229] We find subject import underselling to be significant.

We further find for purposes of our preliminary determinations that subject import underselling, coupled with the significant increase in subject import volume, depressed domestic prices to a significant degree during the period of investigation.[230] Domestic prices

[225] 19 U.S.C. § 1677(7)(C)(ii).

[226] CR at V-4; PR at V-3.

[227] CR at V-4; PR at V-3.

[228] CR at V-20; PR at V-13; CR/PR at Table V-11. Subject imports oversold the domestic like product in the remaining 54 monthly comparisons, at margins ranging from 0.7 to 54.0 percent. *Id.*

[229] CR/PR at Table V-11. Parties on both sides dispute the reliability of pricing data for products encompassing estandar. Petitioners claim that the pricing data reported on sales of product 1, encompassing sales of raw cane sugar or estandar to sugar refiners, are not meaningful because a substantial proportion of subject imported estandar was purchased by domestic refiners for further processing and not resold on the merchant market. Petitioners' Postconference Brief at 28. The Sweetener Users Respondents argue that price comparisons including sales of subject imported estandar are of limited value because subject imported estandar is not perfectly substitutable for domestic raw or refined sugar in all applications, and is likely priced less than domestic refined sugar, due to its lower polarity. Sweetener Users' Postconference Brief at 22-23. We invite the parties to address in their comments on the draft questionnaires in any final phase investigations how best to compare the prices of domestic raw and refined sugar to the prices of subject imported estandar.

[230] We recognize that other factors may have contributed to declining domestic prices during the period of investigation, as argued by respondents. The Sweetener Users Respondents argue that prices were unusually high during the early part of the period of investigation and that they then returned to (Continued…)

for all seven pricing products declined between October 2011 and December 2013.[231] In addition, the average unit value of net sales reported by growers, millers, and processors/refiners declined by ***, ***, and *** percent, respectively, between and CY2012/13.[232] The average unit value of net shipments reported by millers and processors/refiners was lower in interim CY2013/14 than in interim CY2012/13 by *** percent, respectively.[233] [234]

We also note that the COGS to net sales ratio for domestic millers increased from *** percent in CY2010/11 to *** percent in CY2012/13, and was *** percent in interim CY2013/14, up from *** percent in interim CY2012/13.[235] This same ratio for domestic processors/refiners was around *** percent in CY2010/11 and CY2012/13, but was *** percent in interim CY2013/14, up from *** percent in interim CY2012/13.[236]

We recognize that, notwithstanding record evidence of significant subject import underselling and adverse price effects, nearly all responding purchasers denied petitioners' lost sales and revenue allegations. Specifically, only one of 61 responding purchasers agreed with petitioners' lost sales allegations and one of 10 responding purchasers agreed with petitioners' lost revenue allegations.[237] In addition, seven of 24 responding purchasers reported switching from domestic sugar to subject imports during the period of investigation, but only two reported doing so because of price.[238] Four of 19 responding purchasers reported that domestic producers reduced their prices to compete with subject imports during the period.[239]

(…Continued)
levels consistent with historic average prices toward the end of the period for reasons unrelated to subject imports. Sweetener Users' Postconference Brief at 19-20, Exhibit 12. Respondents claim that U.S. sugar prices declined in 2013 to pre-2008 levels because favorable weather resulted in large domestic sugarcane and sugar beet crops, global sugar supply reached record levels, and supply issues were resolved at two domestic sugar refineries. Mexican Sugar Chamber's Postconference Brief at 34; *see also* Sweetener Users' Postconference Brief at 19. The GOM argues that the decline in U.S. sugar prices towards the end of the period of investigation merely followed the declining trend of world prices during the same period, noting the USDA's finding of a strong correlation between U.S. and world sugar prices during the 2008-2013 period. GOM's Postconference Brief at paras. 92, 95. We intend to further investigate these claims in any final phase investigations.

[231] CR/PR at Table V-10.

[232] CR/PR at Tables VI-1-3. We recognize that average unit value data can be influenced significantly by changes in product mix, but note that there is no evidence of a significant change in the product mix of grower, miller, or processor/refiner shipments during the period of investigation.

[233] CR/PR at Tables VI-2-3. Reliable interim period data for growers are not available. CR/PR at VI-1 n.2.

[234] We note that short and long-term contracts entered into between domestic producers and their customers towards the end of the period of investigation would lock in low sugar prices through the end of the contract periods. CR at V-2; PR at V-1.

[235] CR/PR at Table VI-2.

[236] CR/PR at Table C-2.

[237] CR/PR at Tables V-12-13.

[238] CR at V-23; PR at V-15.

[239] CR at V-23; PR at V-15.

We intend to further investigate petitioners' lost sales and revenue allegations in any final phase investigations.

E. Impact of the Subject Imports[240]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."

Although the domestic industry performed well during the period of investigation according to many measures, several key measures of industry performance declined toward the end of the period. The responding domestic growers, which represented 21.0 percent of domestic sugar production and 19.4 percent of sugar beets and sugarcane harvested in CY2012/13, [241] reported generally improved performance during the CY2010/11-CY2012/13 period.[242] USDA data covering all sugar beet and sugarcane growers, however, estimate that U.S. sugar beet and sugarcane production will decline by around 5.0 percent between CY2012/13 and CY2013/14.[243] Moreover, conference testimony and other record evidence indicate that domestic growers suffered declining performance toward the end of the period.[244]

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[240] Commerce initiated investigations based on estimated antidumping duty margins of 30.00 to 64.31 percent for imports from Mexico. *Sugar from Mexico: Initiation of Antidumping Duty Investigation*, 79 Fed Reg. 22795 (Apr. 24, 2014).

[241] CR at III-4-5; PR at III-3. We invite parties to comment on how best to collect data from domestic beet and sugarcane growers, in their comments on the draft questionnaires in any final phase investigations.

[242] Between CY2010/11 and CY2012/13, the domestic growers' acres planted increased 6.6 percent and their acres harvested increased 11.5 percent. Memorandum INV-MM-041 (May 8, 2014) at Table III-2. Their average number of production related workers ("PRWs") increased from 2,530 to 2,772, or 9.6 percent, and hours worked and wages paid increased by 8.6 and 17.6 percent, respectively. *Id.* During the same period, domestic growers' net sales increased 23.7 percent, their net sales revenues and income increased 19.4 percent, and their gross farming profit increased 20.9 percent. CR/PR at Table VI-1. As a share of net sales, their gross farming profit increased from 21.6 percent in CY2010/11 to 21.9 percent in CY2012/13. *Id.*

[243] Memorandum INV-MM-041 (May 8, 2014) at Table III-1. By contrast, growers that responded to the Commission's questionnaire reported that their production increased from 10.9 million short tons in CY2010/11 to 12.2 million short tons in CY2011/12 and 13.8 million short tons in CY2012/13. *Id.* at Table III-2.

[244] At the conference, witnesses for sugarcane and sugar beet growers stated that prices for their crops declined significantly in CY2012/13, adversely impacting the financial performance of their respective farms and fellow growers. *See* Conference Tr. at 17-18 (Landry), 22 (Snyder). In addition, University of Minnesota FinBin data, based on surveys of 93 to 130 beet farms in each year of the period (Continued…)

Domestic millers and processors/refiners also suffered declining performance toward the end of the period of investigation according to several key measures, although other measures of industry performance remained stable or improved.[245] During the CY2010/11 to CY2012/13 period, domestic millers and processors/refiners in the aggregate reported a *** percent decline in the number of production related workers ("PRWs") they employed and a *** percent decline in the hours worked by PRWs, although wages paid increased by *** percent and productivity increased by *** percent.[246] Millers and processors/refiners also reported increasing end-of-period inventories during the period of investigation.[247]

(…Continued)
of investigation, show that the responding farms' net return per acre declined from $393.99 in 2012 to a loss of $388.71 in 2013. Petitioners' Postconference Brief at 36, Exhibit 12. We recognize the limitations of academic studies of beet growers, such as the FinBin data. CR at VI-4-5 n.5; PR at VI-4 n.5.

[245] Between CY2010/11 and CY2012/13, the millers' capacity increased *** percent, their production increased *** percent, and their rate of capacity utilization increased from *** percent to *** percent. Memorandum INV-MM-041 (May 8, 2014) at Table III-6; CR/PR at C-2. The millers' capacity was *** between the interim periods, but their production was *** percent lower and their capacity utilization rate was *** percentage points lower in interim CY2013/14 than in interim CY2012/13. *Id.* Between CY2010/11 and CY2012/13, the millers' total net sales quantity increased *** percent, their U.S. shipments increased *** percent, and their total net sales value increased *** percent. CR/PR at Tables VI-2, C-2. Comparing interim CY2013/14 to interim CY2012/13, however, their total net sales quantity was *** percent lower, their U.S. shipments were *** percent lower, and their total net sales value was *** percent lower. *Id.*

Between CY2010/11 and CY2012/13, domestic processors and refiners reported a *** percent increase in capacity and a *** percent increase in production, resulting in a *** increase in their rate of capacity utilization from *** percent to *** percent. CR/PR at Table C-2. Their capacity and production were lower in interim CY2013/14 as compared to interim CY2012/13 by *** percent and *** percent, respectively, and their rate of capacity utilization was *** percent in interim CY2013/14, down from *** percent in interim CY2012/13. *Id.* Between CY2010/11 and CY2012/13, the processor/refiners' total net sales quantity increased *** percent and their U.S. shipments increased *** percent, but their total net sales value declined *** percent. *Id.* Comparing interim CY2013/14 to interim CY2012/13, however, their total net sales quantity was *** percent higher, their U.S. shipments were *** percent higher, and their total net sales value was *** percent lower. *Id.*

[246] CR at III-33; PR at III-17; CR/PR at Table C-2. Millers and processors/refiners reported that, comparing interim CY2013/14 to interim CY2012/13, their number of PRWs was *** percent higher, hours worked were *** percent higher, and wages paid were *** percent higher. CR/PR at Table C-2.

[247] Millers reported that their end-of-period inventories increased *** percent between CY2010/11 and CY2012/13, and were *** percent higher in interim CY2013/14 than in interim CY2012/13. Memorandum INV-MM-041 (May 8, 2014) at Table III-9; CR/PR at Table C-2. The millers' end-of-period inventories increased as a share of U.S. production from *** percent in CY2010/11 to *** percent in CY2012/13, and were *** percent in interim CY2013/14, up from *** percent in interim CY2012/13. Memorandum INV-MM-041 (May 8, 2014) at Table III-9. They increased as a share of U.S. shipments from *** percent in CY2010/11 to *** percent in CY2012/13, and were *** percent in interim CY2013/14, up from *** percent in interim CY2012/13. *Id.* They increased as a share of total shipments from *** percent in CY2012/13 to *** percent in CY2012/13, and were *** percent in interim 2013/14, up from *** percent in interim 2012/13. *Id.*
(Continued…)

The financial performance of millers and processors/refiners declined markedly toward the end of the period of investigation. The millers' operating income increased from $*** in CY2010/11 to $*** in CY2011/12, but declined to $*** in CY2012/13 and to a loss of $*** in interim CY2013/14, compared to an operating profit of $*** in interim CY2012/13.[248] As a share of net sales, the millers' operating income was *** percent in CY2010/11 and CY2011/12 but declined to *** percent in CY2012/13 and a loss of *** percent in interim CY2013/14, as compared to a positive *** percent in interim CY2012/13.[249]

Similarly, domestic processors and refiners' operating income declined from $*** in CY2010/11 to $*** in CY2011/12 and $*** in CY2013/14.[250] Their operating income was only $*** in interim CY2013/14, down from $*** in interim CY2012/13.[251] As a share of net sales, domestic processors and refiners' operating income declined from *** percent in CY2010/11 to *** percent in CY2011/12 and *** percent in CY2012/13, and was *** percent in CY2013/14, down from *** percent in interim CY2012/13.[252] We find it noteworthy that domestic processors and refiners suffered a significant decline in their financial performance toward the end of the period of investigation even as their market share increased to a period high.[253]

We find further support for our finding that the domestic industry encountered difficulties during the latter portion of the period of investigation in the U.S. government's expenditure of $258.7 million to remove 1 million short tons of domestically-produced sugar from the U.S. market for human consumption in CY2012/13, through a combination of forfeitures and purchases.[254]

For purposes of the preliminary phase of these investigations, we find that subject imports had a significant adverse impact on the domestic industry, particularly toward the end of the period of investigation. Subject import underselling depressed domestic prices, the

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(…Continued)

Processors/refiners reported that their end-of-period inventories increased *** percent between CY2010/11 and CY2012/13, but were *** percent lower in interim CY2013/14 than in interim CY2012/13. Memorandum INV-MM-041 (May 8, 2014) at Table III-9; CR/PR at Table C-2. The processor/refiners' end-of-period inventories increased as a share of U.S. production from 7.9 percent in CY2010/11 to 10.0 percent in CY2012/13, and were 11.1 percent in interim CY2013/14, down from 12.8 percent in interim CY2012/13. Memorandum INV-MM-041 (May 8, 2014) at Table III-9. They increased as a share of U.S. shipments from *** percent in CY2010/11 to *** percent in CY2012/13, and were *** percent in interim CY2013/14, down from *** percent in interim CY2012/13. *Id.* They increased as a share of total shipments from 8.0 percent in CY2012/13 to 10.2 percent in CY2012/13, and were 12.3 percent in interim 2013/14, down from 16.7 percent in interim 2012/13. *Id.*

[248] CR/PR at Table VI-2.

[249] CR/PR at Table VI-2.

[250] CR/PR at Table C-2.

[251] CR/PR at Table C-2.

[252] CR/PR at Table C-2.

[253] CR/PR at Table C-2.

[254] CR at I-29-30; PR at I-21, I-23; CR/PR at Table I-4. The special rules for agricultural products, 19 U.S.C. § 1677(7)(D)(ii), provide, in relevant part, that "in assessing material injury by reason of subject imports, the Commission must consider any increased burden on government income or price support programs."

domestic industry's ratio of COGS to net sales increased,[255] and lower prices and unit values led to the declining financial performance of millers and processors/refiners toward the end of the period of investigation.[256] Declining sugar prices also necessitated substantial U.S. government expenditures for the removal of 1 million short tons of domestically produced sugar from the U.S. market, in an effort to stabilize prices.[257]

We have considered whether there are other factors that may have had an adverse impact on the domestic industry during the period of investigation to ensure that we are not attributing injury from such other factors to the subject imports.[258] Nonsubject imports had a diminished presence in the U.S. market toward the end of the period of investigation, declining from 17.3 percent of apparent U.S. consumption in CY2011/12 to 7.7 percent in CY2012/13.[259] Nonsubject import market share was 6.1 percent in interim CY2013/14, down from 12.4 percent in interim CY2012/13.[260] Indeed, nonsubject imports filled only 53.9 percent of the minimum TRQ of 1.2 million short tons in CY2012/13.[261]

Respondents argue that other factors accounted for subject import volume and price trends during the period of investigation. Specifically, they argue that subject import volume increased in CY2012/13 in response to a shortage of nonsubject imports, caused by high world sugar prices relative to U.S. sugar prices.[262] They also argue that the domestic industry, not subject imports, was responsible for the conditions of oversupply that reduced sugar prices in CY2012/13.[263] Although there is some evidentiary support for these arguments, other evidence

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[255] The COGS to net sales ratio of millers increased from *** percent in CY2010/11 to *** percent in CY2012/13, and was *** percent in interim CY2013/14, up from *** percent in interim CY2012/13. CR/PR at Table VI-2. The COGS to net sales ratio of processors/refiners was stable at around *** percent during the CY2010/11 to CY2012/13 period, but was *** percent in interim CY2013/14, up from *** percent in interim CY2012/13. *Id.* at Table C-2.

[256] The average unit value of the millers' U.S. shipments declined *** percent between CY2011/12 and CY2012/13, and was *** percent lower in interim CY2013/14 than in interim CY2012/13. CR/PR at Table VI-2, C-2. The average unit value of the processor/refiners' U.S. shipments declined *** percent between CY2011/12 and CY2012/13, and was *** percent lower in interim CY2013/14 than in interim CY2012/13. *Id.* at Table C-2.

[257] CR at I-29-30; PR at I-23; CR/PR at Table I-4.

[258] Commissioner Pinkert finds on a preliminary basis that sugar is a commodity product for purposes of the *Bratsk/Mittal Steel* analysis, that nonsubject imports were a significant presence in the U.S. market during the period of investigation, and that they were price competitive with the domestic like product. He finds, however, that nonsubject imports would not have fully replaced the subject imports if the subject imports had exited the U.S. market. Nonsubject imports were limited by country-specific TRQs and additional quotas under various free trade agreements. CR at VII-18; PR at VII-12.

[259] CR/PR at Table IV-5.

[260] CR/PR at Table IV-5.

[261] CR/PR at Table I-2.

[262] Sweetener Users' Postconference Brief at 17-18; *see also* Mexican Sugar Chamber's Postconference Brief at 30.

[263] Sweetener Users' Postconference Brief at 27-28; Mexican Sugar Chamber's Postconference Brief at 34. The Sweetener Users Respondents emphasize the USDA's statement, in the *Sugar and Sweeteners Outlook* issued on April 15, 2014, that the sugar price declines after CY2011/12 "started with (Continued…)

on the record suggests that subject imports may have driven nonsubject imports from the U.S. market in CY2012/13 by depressing domestic prices.[264] We intend to further investigate respondents' claims in any final phase investigations.

In sum, the record of these preliminary phase investigations supports the conclusion that there is a reasonable indication of material injury by reason of subject imports.

CONCLUSION

For the foregoing reasons, and based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports from Mexico that are allegedly subsidized and sold at LTFV.

(…Continued)
U.S. beet sugar prices" followed by sugar prices in Mexico and subject import prices. Sweetener Users' Postconference Brief at 21-22. Statements made by USDA in *Sugar and Sweeteners Outlooks* issued in July 2013, November 2013, and February 2014, however, indicate that subject imports significantly contributed to lower U.S. sugar prices. *See* Petitioners' Postconference Brief at 3 (citing USDA, *Sugar and Sweeteners Outlook*, November 2013, at 15-16; USDA, *Sugar and Sweeteners Outlook*, July 2013, at 5); USDA, *Sugar and Sweeteners Outlook*, February 2014, appended to Petition at Exhibit I-3, at 6.

[264] *See* USDA, *Sugar and Sweeteners Outlook*, November 2013, EDIS Document No. 533432, at 15-16; USDA, *Sugar and Sweeteners Outlook*, February 2014, appended to Petition at Exhibit I-3, at 6; *see also* Nonparty Statement of the International Sugar Trade Coalition at 5.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by the American Sugar Coalition and its members: American Sugar Cane League, Thibodaux, LA; American Sugarbeet Growers Association, Washington, DC; American Sugar Refining, Inc., West Palm Beach, FL; Florida Sugar Cane League, Washington, DC; Hawaiian Commercial and Sugar Company, Puunene, HI; Rio Grande Valley Sugar Growers, Inc., Santa Rosa, TX; Sugar Cane Growers Cooperative of Florida, Belle Glade, FL; and United States Beet Sugar Association, Washington, DC on March 28, 2014, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of sugar [1] from Mexico. The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
March 28, 2014	Petition filed with Commerce and the Commission; institution of Commission investigations (79 FR 18697, April 3, 2014)
April 18, 2014	Commission's conference
April 24, 2014	Commerce's notices of initiation (79 FR 22790, 22795)
May 9, 2014	Commission's vote
May 12, 2014	Commission's determinations
May 19, 2014	Commission's views

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[2] Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in app. B of this report.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> *. . .*
> *In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*
> *. . .*
> *In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the*

domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and the domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers and growers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Sugar is generally used as a caloric sweetening agent in food. The leading U.S. producers[4] of sugar are ***, while leading producers of sugar in Mexico are ***. The leading U.S. importers of sugar from Mexico are ***. The leading importers of sugar from nonsubject countries are ***.

Apparent U.S. consumption of sugar totaled approximately 11.7 million short tons raw value ("STRV") ($7.7 billion) in crop year 2012/13.[5] Currently, 13 firms are known to mill sugarcane in the United States; six firms are known to refine sugarcane in the United States, including two firms that both mill and refine sugarcane; and seven firms are known to process sugar from sugar beets in United States. U.S. producers' U.S. shipments[6] of refined sugar totaled 8.7 million stvr ($6.2 billion) in 2012/13, and accounted for 74.6 percent of apparent U.S. consumption by quantity and 80.1 percent by value. U.S. imports from subject sources totaled 2.1 million STRV ($1.0 billion) in 2012/13 and accounted for 17.7 percent of apparent U.S. consumption by quantity and 13.5 percent by value. U.S. imports from nonsubject sources

[4] Throughout this report, references to U.S. producers encompass millers of sugarcane, sugarcane refiners, and processors of beet sugar. Additional information on the U.S. industry is contained in part III.

[5] The U.S. crop year begins on October 1 and ends on September 30 of the following year.

[6] U.S. producers' U.S. shipments includes only those refined shipments from U.S. inputs (i.e., fully attributable to U.S. production activities). U.S. shipments of imported inputs further refined in the United States have been removed from this line to avoid double counting. Some of the imports from Mexico and from all other sources reported in this grid had some U.S.-value added operations prior to sale to consumer.

totaled 0.9 million STRV ($498 million) in 2012/13 and accounted for 7.7 percent of apparent U.S. consumption by quantity and 6.4 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 24 firms that accounted for the vast majority of U.S. production of sugar during October 2010 through December 2013. U.S. imports are based on official import data and on questionnaire responses from 19 U.S. importers that are believed to have accounted for 82.0 percent of sugar imports from Mexico and *** percent of sugar imports from nonsubject sources during October 2010 through December 2013.

PREVIOUS AND RELATED INVESTIGATIONS

The Commission has conducted two previous import injury investigations on sugar or similar products.

In March 1979, the Commission determined that an industry in the "Northeastern States region" of the United States was materially injured by reason of imports of sugar and syrups from Canada that Treasury had determined were being, or were likely to be, sold in the United States at less than fair value.[7] Commerce subsequently imposed an antidumping duty order on imports of sugar and syrups from Canada.[8] On October 1, 1998, the Commission instituted a review of the order on sugar and syrups from Canada. On September 15, 1999, the Commission determined that revocation of the antidumping duty order on sugar and syrups from Canada would not be likely to lead to continuation or recurrence of material injury to an industry in the

[7] *Sugars and Sirups from Canada, Determination of Material Injury in Investigation No. 731-TA-3 (Final)*, USITC Publication 1047, March 1980, p. 3. The Commission defined the regional industry in this investigation as domestic producers of refined sugar located in the states of Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Vermont. Ibid., p. 8.

[8] *Antidumping Duty Order; Sugars and Syrups From Canada*, 45 FR 24126 (April 9, 1980). The Commission's 1980 determination was appealed to the U.S. Court of International Trade ("CIT"), and after three remands, the CIT vacated the Commission's affirmative determination. The Commission appealed to the Federal Circuit, which reversed the CIT and reinstated the Commission's affirmative determination. *Sugar from the European Union; Sugar From Belgium, France, and Germany; and Sugar and Syrups from Canada, Investigations Nos. 104-TAA-7 (Review); AA1921-198–200 (Review)*; and *731-TA-3 (Review) ("First Review Determinations")*, USITC Publication 3238, September 1999, p. 3.

United States within a reasonably foreseeable time.[9] Commerce accordingly revoked the order on October 28, 1999.[10]

On July 31, 1978, Treasury imposed a countervailing duty order on imports of sugar from the European Community.[11] On March 28, 1980, the Commission received a request from the Delegation of the European Community (now the EU) for an investigation under section 104(b) of the Trade Agreements Act of 1979 of whether revocation of the countervailing duty order on sugar from the European Community would cause material injury or threat of material injury to a domestic industry. On May 6, 1982, the Commission determined that an industry in the United States would be threatened with material injury if the countervailing duty order on sugar from the European Community were revoked.[12] Accordingly, the order remained in effect.

On September 15, 1999, the Commission determined that revocation of the countervailing duty order on sugar from the EU would likely lead to the continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. The Commission also determined that revocation of the antidumping duty orders on sugar from Belgium, France, and Germany would likely lead to the continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[13]

On August 29, 2005, the Commission determined that revocation of the countervailing duty order on sugar from the European Union would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. The Commission also determined that revocation of the antidumping findings on sugar from Belgium, France, and Germany would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[14] Commerce accordingly revoked the order effective October 28, 2004.[15]

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[9] *Sugar from the European Union; Sugar from Belgium, France, and Germany; and Sugar and Syrups From Canada*, 64 FR 54355 (October 6, 1999).

[10] *Revocation of Antidumping Duty Order: Sugar and Syrups From Canada*, 64 FR 58035 (October 28, 1999).

[11] 43 FR 33237 (July 31, 1978).

[12] *Sugar from the European Community, Inv. No. 104-TAA-7, USITC Pub. 1247* (May 1982).

[13] *Sugar From the European Union; Sugar From Belgium, France, and Germany; and Sugar and Syrups from Canada, Inv. Nos. 104-TAA-7 (Review); AA1921-198-200 (Review); and 731-TA-3 (Review), USITC Pub. 3238* (Sept. 1999).

[14] *Sugar From the European Union; Sugar from Belgium, France, and Germany*, 70 FR 52446, September 2, 2005.

[15] *Revocation of Antidumping Duty Findings and Countervailing Duty Order: Sugar from Belgium, France, Germany and the European Community*, 70 FR 54522 (September 15, 2005).

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On April 24, 2014, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on sugar from Mexico.[16] Commerce identified the following government programs in Mexico:

A. Government Forgiveness or Discount of Debt
    1. Forgiveness of FEESA Mills' Financiera Nacional Azucarera, S.N.C. (FINA) Debt
    2. Discount of Non-FEESA Mills' FINA Debt
    3. FINA 1998 Restructuring of Mill Debt – Grace Period
    4. Forgiveness of FEESA Mills' Tax Liability

B. Grant Programs
    1. 2001-2002 "Special Fund" Grants to FEESA Mills
    2. 2008 Grants to FEESA Mills
    3. 2009 Grants to Cover Operational Deficit of FEESA Mills
    4. 2013 Grants to FEESA Mills
    5. 2011 Grant to Emiliano Zapata Mill
    6. 2008 Programa de Apoyo al Sector Agroindustrial de la Caña de Azúcar (PROINCAÑA Program) Grants
    7. 2008 Programa Complementario de Apoyo al Pago de los Productores de Caña de Azúcar de la Zafra (PROINCAÑA Supplementary Program) Grants
    8. 1997 Export Subsidy
    9. 1998 Inventory Support Subsidy
    10. 1999 Inventory Support Subsidy
    11. SAGARPA Emerging Technology Program for Sugar Cane Producers
    12. Grants from Renewable Energy Funds (Green Fund, Emergent Technologies Fund, Rural Electrification Fund, Biofuels Fund, General Renewable Energy Fund, and Research and Technological Development Fund)

C. Tax Benefit Programs
    1. Program for the Use of Renewable Energy Sources – Accelerated Depreciation for Renewable Energy Investments
    2. Program for the Use of Renewable Energy Sources – Import and Export Tax Exemption for Articles Related to Renewable Energy Investments

[16] *Sugar From Mexico: Initiation of Countervailing Duty Investigation*, 79 FR 22790, April 24, 2014.

D. IMMEX Import Duty Exemptions

E. FINA 1998 Restructuring of Mill Debt – Preferential Loans

F. Uncreditworthiness Allegations
   1. Uncreditworthiness of GAM (1998-2001)
   2. Uncreditworthiness of FEESA Mills (1998-2001)
   3. Uncreditworthiness of BSM (2001)

Alleged sales at LTFV

On April 24, 2014, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on sugar from Mexico. Commerce has initiated an antidumping duty investigation based on estimated dumping margins of 30.00 to 64.31 percent with respect to imports of sugar from Mexico. [17]

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows: [18]

> *The merchandise covered by this investigation is sugar derived from sugar cane or sugar beets. Sucrose gives sugar its essential character. Sucrose is a nonreducing disaccharide composed of glucose and fructose linked via their anomeric carbons. The molecular formula for sucrose is C12H22011, the International Union of Pure and Applied Chemistry (IUPAC) International Chemical Identifier (InChl) for sucrose is 1S/C12H22O11/ c13-l-4-6(16)8(18)9(19)11(21-4)23-12(3-15) 10(20)7(17)5(2-14)22-12/h4-11,13-20H,1-3H2/t4-,5-,6-,7-,8+,9-,10+,11-,12+/m1/s1, the InChl Key for sucrose is CZMRCDWAGMRECN-UGDNZRGBSA-N, the U.S. National Institutes of Health PubChem Compound Identifier (CID) for sucrose is 5988, and the Chemical Abstracts Service (CAS) Number of sucrose is 57-50-1.*
>
> *Sugar within the scope of this investigation includes raw sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of less than 99.5 degrees) and estandar or standard sugar which is sometimes referred to as "high polarity" or "semi-refined"*

[17] *Sugar From Mexico: Initiation of Antidumping Duty Investigation*, 79 FR 22795, April 24, 2014.
[18] *Sugar From Mexico: Initiation of Countervailing Duty Investigation*, 79 FR 22790, April 24, 2014.

sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of 99.2 to 99.6 degrees). Sugar within the scope of this investigation includes refined sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of at least 99.9 degrees. Sugar within the scope of this investigation includes brown sugar, liquid sugar (sugar dissolved in water), organic raw sugar and organic refined sugar.

Inedible molasses is not within the scope of this investigation. Specialty sugars, e.g., rock candy, fondant, sugar decorations, are not within the scope of this investigation. Processed food products that contain sugar, e.g., beverages, candy, cereals, are not within the scope of this investigation.

Merchandise covered by this investigation is typically imported under the following headings of the Harmonized Tariff Schedule of the United States (HTSUS): 1701.12.1000, 1701.12.5000, 1701.13.1000, 1701.13.5000, 1701.14.1000, 1701.14.5000, 1701.91.1000, 1701.91.3000, 1701.99.1025, 1701.99.1050, 1701.99.5025, 1701.99.5050, and 1702.90.4000. The tariff classification is provided for convenience and customs purposes; however, the written description of the scope of this investigation is dispositive.

THE PRODUCT

Description and applications[19]

The products covered by these investigations include sugar derived from sugarcane and sugar beets from Mexico. These sugar products include "raw" sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of less than 99.5 degrees) and "estandar," or standard, sugar, which is sometimes referred to as "high polarity" or "semi-refined" sugar (sugar with a sucrose content by weight in a dry state that corresponds to a polarimeter reading of 99.2 to 99.6 degrees).[20] Also included are "refined" sugar with a

[19] Information in this section has been compiled from the Petition, pp. 13–15; from the Response to Supplemental Scope Questions submitted to the U.S. Department of Commerce, April 14, 2014; from the appendix to Commerce's notices of initiation; and from *Sugar from The European Union, and Sugar from Belgium, France, and Germany, Inv. No. 104-TAA-7 (Second Review) and Inv. Nos. AA1921-198-200 (Second Review),* USITC Publication 3793, August 2005, p. I-11.

[20] There is some difference regarding industry terminology and Harmonized System (HS) nomenclature. The HS defines raw sugar as less than 99.5 degrees; the remaining sugar falls under an "other" subheading. The sugar industry generally refers to raw sugar as that which requires further

(*continued*...)

sucrose content by weight in a dry state that corresponds to a polarimeter reading of at least 99.9 degrees; brown sugar; liquid sugar (sugar dissolved in water); organic raw sugar; and organic refined sugar. Inedible molasses is not within the scope of these investigations. Certain "specialty" sugars (*e.g.*, rock candy, fondant, and sugar decorations) and processed food products that contain sugar (*e.g.*, beverages, candy, and cereals) are also not within the scope of these investigations.

Except for fructose-sugar blends, the sugar found in each of these products is chemically classified as sucrose, a carbohydrate that occurs naturally in fruits and vegetables. Sucrose is found in quantities large enough for commercial extraction in the stalk of sugarcane, a perennial subtropical grass, and in the white root of a sugar beet, an annual vegetable which grows in more temperate climates. Sugar beets are usually grown in rotation with other crops to avoid disease and pest problems which occur when two beet crops are grown successively in the same field.

Sugarcane (approximately 11 percent sugar by weight) is initially cut and milled to obtain sugar juice. Through a process of filtering, evaporating, and centrifuging this juice, raw cane sugar is produced, which consists of large sucrose crystals coated with molasses. This intermediate product is normally 90-99 percent pure sucrose[21] and is the principal "sugar" shipped in world trade. Raw cane sugar is not sold to U.S. consumers because the Food and Drug Administration ("FDA") considers it unsuitable for use, either as food or as an intermediate food ingredient, due to the high level of impurities it contains. Consequently, raw cane sugar is sold only to cane refineries, which further process the sugar through additional melting, filtering, evaporating, and centrifuging, to extract most of the remaining impurities and leave what is called refined sugar. Several U.S. cane refineries are located in separate facilities, some quite distant from raw cane mills. U.S. cane refineries rely on a mix of raw cane sugar from both domestic and imported sources.

Like sugarcane, sugar beets (approximately 17 percent sugar by weight) are also initially processed to obtain sugar juice. Beets grown in the United States are converted directly into refined sugar in the same facility. The sucrose from sugar beets and sugarcane are identical to one another.[22]

Liquid sugar is a combination of sugar and water. Liquid sugar accounts for approximately 17 percent of all sugar production in the United States.[23] Liquid sugar processors or "melt houses" utilize raw cane sugar and/or refined sugar to produce liquid sugar. These facilities include operations that melt refined sugar and add water as well as operations

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(…*continued*)
processing for human consumption and refined sugar as that which requires no further processing for human consumption, regardless of the polarization value.

[21] Purity of sugar is described in "degrees." For example, 95 percent pure raw cane sugar would be described as "95 degree" sugar.

[22] The Sugar Association, *All About Sugar*, available at www.sugar.org/all-about-sugar/ (accessed April 30, 2014).

[23] Petition, p. 30.

that also purify raw and refined cane sugar using more sophisticated methods and machinery during the production process.[24]

The primary use of sugar in the United States is human consumption, as a caloric sweetening agent in food. Among its various applications are use in bakery products, cereals, confections, sauces, and meat curing; use in dairy and ice cream applications; and sales directly to consumers. Most sugar is ultimately sold as pure granulated or powdered sucrose. Substantial quantities also reach consumers as liquid sugar, and in forms other than chemically pure sucrose, such as brown sugar[25] and invert sugar syrups, or as sugar blends with glucose or fructose. In calendar-year 2013, 60 percent of the total quantity of U.S. sugar deliveries (refined basis) was to industrial users, mainly as an ingredient in processed foods.[26] Retail deliveries accounted for 11 percent of the market that year.

Manufacturing processes[27]

Although converting sugar beets into refined sugar is a continuous process performed in one facility, the basic manufacturing steps are similar to the combined operations of milling sugarcane and refining raw cane sugar into a final product. The production of liquid sugar may occur at a cane refinery or beet factory, at a dedicated facility, or at an end-user's facility.[28] A description of each type of manufacturing process follows.

Sugarcane Mill

Raw cane sugar is extracted from sugarcane through a process whereby the cane is sliced into pulp, water is added, and sugar juice is extracted. The leftover pulp (bagasse) is used as fuel to power the mill. The sugar juice is then clarified by adding calcium hydroxide (lime) and carbon dioxide, which trap solid impurities, and then allowing these solids to settle out of the solution. The sugar juice is then crystalized and placed into evaporators and high-speed rotating centrifuges, where extra water is evaporated and the sugar is separated from blackstrap molasses (a byproduct sold mainly as animal feed). The final raw sugar product has a characteristic amber color and is sold or transferred to cane refineries for further processing.

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[24] The petition requested the exclusion of "melt houses" from the U.S. industry. Additional information on U.S. producers' liquid sugar operations are contained in Part III.

[25] Brown sugar is normally produced by adding molasses to sugar fit for human consumption.

[26] *ERS Sugar and Sweetener Yearbook*, table 20, available at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx#25456 (accessed April 1, 2014).

[27] Information in this section has compiled from the Petition, pp. 16–18, and from *Sugar from The European Union, and Sugar from Belgium, France, and Germany, Inv. No. 104-TAA-7 (Second Review) and Inv. Nos. AA1921-198-200 (Second Review),* USITC Publication 3793, August 2005, pp. I-11-I-13.

[28] Conference transcript, pp. 63–67 (O'Malley, Berg); 207–210 (Farmer).

Cane Sugar Refinery

In the first step of the refining process, raw cane sugar is combined with a solution of molasses and water called "affination syrup." This mixture, called "magma," is placed in high-speed rotating centrifuges which separate some of the remaining impurities from raw sugar crystals. The crystals are then melted, run through mesh strainers, and separated from microscopic impurities in a process called "carbonatation." Now referred to as "liquor," the sugar solution is passed through "sweetland presses" and filtered through granular bits of char which absorb most of the remaining impurities. The final processing steps re-crystallize the sugar and evaporate any excess water, leaving the sugar crystals dry enough to be sorted, packaged, and stored for shipment to customers. A variety of products are produced from this refined sugar, including granulated sugar, specialty sugars (such as brown sugar and powdered sugar), syrups, and molasses.

Beet Sugar Factory

Unlike sugarcane, sugar beets are processed, and their sugar refined, in a continuous process within the same manufacturing facility.[29] The beets are first sliced into thin strips called "cossettes," and hot water is added to remove sucrose and create "raw juice." Any leftover sugar beet pulp is pressed into pellets and sold as livestock feed. The sugar juice is then mixed with lime and carbon dioxide to trap and remove solid impurities from the solution. Excess water is removed by evaporators, and the sugar is then crystallized and separated from the rest of the solution, called molasses, by centrifuges. Molasses is sold as an ingredient for animal feed, and to manufacturers for making lysine, baker's yeast, and other products. At the end of the process, the sugar crystals are dried, cooled, and sorted for packaging according to crystal size.

Liquid Sugar Facility

Liquid sugar is produced at cane sugar refineries, beet sugar factories, melt houses, and end-user facilities. The production process depends on the nature of the sugar used as a raw material. Sugar refineries, some other producers, and end-users simply melt previously-refined sugar and add water. Some melt houses purify raw cane sugar or lower-quality refined sugar that may contain foreign matter using more involved processes such as filtration and ultraviolet light treatment.[30] One liquid sugar producer, CSC Sugar LLC, is considered to be a refinery by

[29] Some facilities may divert and store thick juice, which contains approximately 60 percent sugar, for later processing. However, this practice is not common in the U.S. industry.

[30] Sugaright, "Redefining Sugar Refining," p. 3, available at http://www.sugaright.net/pdf/Technical_Brochure.pdf (accessed March 26, 2014).

the U.S. Department of Agriculture for the purposes of the sugar re-export program.[31] According to a U.S. industry source, there are approximately 20 companies operating 38 melt houses in the United States.[32]

TARIFF TREATMENT

Based upon the scope set forth by the Department of Commerce, the merchandise subject to these investigations are imported under the provisions of the 2014 HTS shown in table I-1. Following HS revisions effective in 2012 (part of a periodic 5-year review at the World Customs Organization) raw cane sugar (subheading 1701.11) was divided into non-centrifugal (at least 69 degrees but less than 93 degrees; subheading 1701.13) and other (subheading 1701.14). In addition, standard industry terminology for "raw" and "refined" sugar may not correspond to the HTS definitions (see footnote 20).

Table I-1
HTSUS classification of sugar products within the scope of the investigations

HTSUS subheading	Brief description
1701.12.1000	Raw beet sugar, in-quota
1701.12.5000	Raw beet sugar, over-quota
1701.13.1000	Raw cane sugar, non-centrifugal, in-quota
1701.13.5000	Raw cane sugar, non-centrifugal, over-quota
1701.14.1000	Raw cane sugar, centrifugal, in-quota
1701.14.5000	Raw cane sugar, centrifugal, over-quota
1701.91.1000	Sugar, other than raw, containing additional coloring but not flavoring, in-quota
1701.91.3000	Sugar, other than raw, containing additional coloring but not flavoring, over-quota
1701.99.1025	Sugar, other than raw, not containing additional flavoring or coloring, not specialty sugars, not for further processing, in-quota
1701.99.1050	Sugar, other than raw, not containing additional flavoring or coloring, not specialty sugars, for further processing in-quota
1701.99.5025	Sugar, other than raw, not containing additional flavoring or coloring, not specialty sugars, not for further processing, over-quota
1701.99.5050	Sugar, other than raw, not containing additional flavoring or coloring, not specialty sugars, for further processing, over-quota
1702.90.4000	Other cane and beet syrups, not elsewhere specified or included

Source: HTS, 2014.

[31] U.S. Department of Agriculture, Foreign Agricultural Service, "Licensees operating under 7 CFR 1530," undated, available at http://apps.fas.usda.gov/sugars/FASSugarsLicensees.aspx (accessed April 21, 2014).

[32] Declaration of Brian O'Malley, Exhibit 5 of Petitioners' Postconference Brief and Answers to Commission Staff Questions.

Tariff-rate quotas on U.S. imports

U.S. imports of sugar from Mexico, including the products in the scope of these investigations, have been granted duty-free treatment under the NAFTA since January 1, 2008, following staged reductions in special duty rates. U.S. imports of sugar from sources other than Mexico are currently subject to a system of World Trade Organization (WTO) tariff-rate quotas (TRQs), which have been in place since October 1990.[33] The TRQs were proclaimed following a GATT ruling against the U.S. sugar quota system that was in effect at the time. Pursuant to market access commitments made under the Uruguay Round agreements, the United States has agreed to annually import not less than 1,117,195 metric tons (1,231,484 short tons) of raw cane sugar and not less than 22,000 metric tons (24,251 short tons) of other sugars (including refined sugar[34] and raw beet sugar), syrups, and molasses at low (in-quota) duty rates. The U.S. Trade Representative (USTR) allocates the entire raw cane sugar TRQ on a country-by-country basis, while a portion of the refined sugar TRQ is allocated to specific countries, with the remainder allocated on a global first-come, first-served basis.[35] For the quota year beginning October 1, 2013, the raw cane sugar TRQ is the minimum 1,117,195 metric tons, raw value (1,231,484 STRV), and the refined sugar TRQ is 122,000 metric tons, raw value (134,481 STRV), including 101,656 metric tons, raw value (112,055 STRV), reserved for specialty sugar.[36] Table I-2 presents the raw sugar TRQ allocations for FY 2013.

Raw Cane Sugar

Raw cane sugar imports under the TRQ are assessed an in-quota rate of 1.4606 cents per kilogram (0.6625 cent per pound). This tariff is reduced by 0.020668 cent per kilogram (0.009375 cent per pound) for each degree of purity under 100 degrees (or fractions thereof) to

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[33] Additional U.S. note 5(a)(i) to chapter 17 of the Harmonized Tariff Schedule provides for separate TRQs for imports of raw cane sugar and for imports of certain other sugars, syrups, and molasses. The United States' minimum in-quota sugar import quantity is currently set by commitments made in Schedule XX of the GATT Marrakesh Protocol; however, USDA can adjust the figure upward under certain circumstances, to allow a larger quantity of sugar to enter at the lower, in-quota, duty rate.

[34] Sugar imported under the refined sugar TRQ can be produced from either sugar beets or sugarcane.

[35] The raw cane sugar TRQ is administered by a system of licenses called Certificates of Quota Eligibility (CQEs). CQEs are provided by the USDA to foreign governments to distribute to exporters. Each shipment must be accompanied by a valid CQE.

[36] U.S. Trade Representative, "U.S. Trade Representative Froman Announces FY 2014 WTO Tariff-Rate Quota Allocations for Raw Cane Sugar, Refined and Specialty Sugar and Sugar-Containing Products," press release, September 12, 2013, available at http://www.ustr.gov/about-us/press-office/press-releases/2013/september/WTO-trq-for-sugar (accessed April 2, 2014). Refined sugar is defined by USDA as "sugar of which the sucrose by weight, in the dry state, corresponds to a polarimeter reading of 99.5 degrees or more." Specialty sugar is refined sugar that meets specifications determined by Customs. An increasing portion of the refined sugar TRQ has been reserved for organic sugar in recent years, owing to limited U.S. production and a growing demand by the organic processed foods industry.

a minimum of 0.943854 cent per kilogram (0.428129 cent per pound). Eligible in-quota imports from Canada receive duty-free treatment under the North American Free Trade Agreement (NAFTA), as do in-quota imports from countries eligible for duty-free treatment under preferential trade arrangements (PTAs) including the Generalized System of Preferences (GSP),[37] the Caribbean Basin Economic Recovery Act (CBERA),[38] the African Growth and Opportunity Act (AGOA), and the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) as well as free trade agreements (FTAs) with Australia, Bahrain, Chile, Colombia, Israel, Jordan, Korea, Malaysia, Morocco, Oman, Peru, and Singapore.[39] Tier I tariff rates have not changed during the period of investigation.[40]

Raw cane sugar imports in excess of the quota are subject to a "tier II" tariff equal to 33.87 cents per kilogram (15.36 cents per pound). Tier II tariff reductions have been completed since 2000 in line with the United States' NAFTA and Uruguay Round commitments.[41] In-quota (tier I) tariff rates and over-quota (tier II) tariff rates are not cumulative; sugar imports are either subject to the tier I or the tier II rate, as the HTS has separate subheadings for each tier.[42]

In addition to the WTO TRQs for raw cane sugar, additional quotas have been granted under various FTAs. These quotas are applied to the Tier II tariff rate lines. Generally, these additional quotas are phased in over a period of several years with a small perpetual annual increase at the end of the phase-in period. The additional quotas are subject to the beneficiaries being net exporters, with duty-free treatment granted to the lesser of the scheduled quantity or the net export balance. These quotas apply to refined sugar and various sugar-containing products as well.[43]

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[37] U.S. imports of sugar under HTS subheadings 1701.12.10, 1701.13.10, 1701.13.20, 1701.14.10, 1701.14.20, 1701.99.10, and 1701.99.10 from Brazil and HTS subheading 1701.91.10 from the Philippines are not eligible for duty-free treatment under the GSP. See General Note 4 (d) of the HTS.

[38] U.S. imports of raw cane sugar under HTS heading 1701 from Antigua and Barbuda, Montserrat, Netherlands Antilles, Saint Lucia, and Saint Vincent and the Grenadines are not eligible for duty-free treatment under the CBERA.

[39] The quantity of duty-free imports from countries under these free trade agreements may be limited by conditions related to the countries' net trade or production status for sugar.

[40] Quota imports under the Colombia and Panama FTAs are administered by CQEs.

[41] As of 2000, the United States has fulfilled its Uruguay Round tier II tariff reduction commitments. Any further reductions would result from the present Doha Round of trade negotiations or from future such talks. Tier II tariff rates for Mexico were phased out completely as of January 1, 2008.

[42] The in-quota rates also apply to imports of raw cane sugar under general note 15 to the HTS (relating to imports not entered for general consumption) and to imports of raw cane sugar to be used in the production of polyhydric alcohols or to be refined and re-exported in refined form or in sugar-containing products, or to be substituted for domestically produced raw cane sugar that has been or will be exported. These products are not in the scope of these investigations.

[43] Currently, additional sugar quotas are granted under FTAs with Bahrain, CAFTA-DR, Chile, Colombia, Jordan, Korea, Morocco, Oman, Panama, Peru, and Singapore.

Table I-2

U.S. raw sugar TRQ WTO allocations and entries, FY 2013

Country	Entries final (*metric tons raw value*)	TRQ[1] (*metric tons raw value*)	Final shortfalls (*metric tons raw value*)	Entries' share of TRQ (*percent*)
Argentina	6,100	46,154	40,054	13.22
Australia	29,363	89,087	59,724	32.96
Barbados	0	7,513	7,513	0.00
Belize	26	11,807	11,781	0.22
Bolivia	8,519	8,587	68	99.21
Brazil	146,872	155,634	8,762	94.37
Colombia	22,684	25,760	3,076	88.06
Congo	0	7,258	7,258	0.00
Costa Rica	16,097	16,100	3	99.98
Cote d'Ivoire	0	7,258	7,258	0.00
Dominican Republic	95,435	188,908	93,473	50.52
Ecuador	11,807	11,807	0	100.00
El Salvador	27,870	27,907	37	99.87
Fiji	0	9,660	9,660	0.00
Gabon	0	7,258	7,258	0.00
Guatemala	37,365	51,520	14,155	72.53
Guyana	0	12,880	12,880	0.00
Haiti	0	7,258	7,258	0.00
Honduras	10,733	10,733	0	100.00
India	0	8,587	8,587	0.00
Jamaica	0	11,807	11,807	0.00
Madagascar	0	7,258	7,258	0.00
Malawi	4,708	10,733	6,025	43.86
Mauritius	8,968	12,880	3,912	69.63
Mozambique	0	13,953	13,953	0.00
Nicaragua	22,540	22,540	0	100.00
Panama	31,127	31,127	0	100.00
Papua New Guinea	0	7,258	7,258	0.00
Paraguay	418	7,258	6,840	5.76
Peru	40,517	44,007	3,490	92.07
Philippines	56,373	144,901	88,528	38.90
South Africa	24,232	24,687	455	98.16
St. Kitts and Nevis	0	7,258	7,258	0.00
Swaziland	0	17,174	17,174	0.00
Thailand	0	15,027	15,027	0.00
Trinidad-Tobago	0	7,513	7,513	0.00
Uruguay	0	7,258	7,258	0.00
Zimbabwe	0	12,880	12,880	0.00
Total	601,754	1,117,195	515,441	53.86

Note.—Mexico and Taiwan were not allocated their TRQs in FY 2013.

[1] In September 2012, USDA set the raw sugar TRQ at the minimum level to which the United States is committed in the Uruguay Round Agreement on Agriculture. USDA can increase the TRQ midway through the fiscal year if necessary.

Source: Fiscal Year 2013 Tariff-rate Quota Allocations for Raw Cane Sugar, Refined and Specialty Sugar, and Sugar-Containing Products, 77 FR 57180, September 17, 2012; and U.S. Customs and Border Protection, Weekly Commodity Status Report, found at http://usda.mannlib.cornell.edu/usda/fas/SugMonImp//2010s/2013/SugMonImp-11-19-2013.pdf.

Refined Sugar[44]

The combined TRQ for refined sugar for fiscal year 2014 is 110,678 STRV, including 92,222 STRV reserved for specialty sugars not in the scope of these investigations. Of the quantity not reserved for specialty sugars, 13,283 STRV is allocated to Canada. The remaining 9,142 STRV are allocated on a first-come, first-served basis. Canada may utilize the first-come, first-served portion of the TRQ before filling its reserved amount, thus potentially limiting the amount available to other countries.

Various countries benefit from duty-free access under PTAs and FTAs for in-quota (tier I) U.S. imports of refined sugar. These include GSP (subject to exclusions mentioned in footnote 18), Australia, Bahrain, CAFTA-DR, Canada, Chile, Colombia, CBERA (subject to exclusions mentioned in footnote 19), Israel, Jordan, Korea, Morocco, Oman, Panama, Peru, and Singapore. All other countries have tariff rates ranging from 1.43 to 1.66 cents per pound, depending on the polarity of the sugar being imported. For over-quota (tier II) imports, all countries except Mexico and those with additional quota access under FTAs (see discussion in the section on raw sugar) are levied a tariff equal to 16.21 cents per pound.

Sugar-Containing Products

Along with the raw and refined sugar TRQs, the USTR annually establishes and publishes a TRQ for certain sugar-containing products.[45] For fiscal year 2014, the USTR established a sugar-containing products TRQ of 64,709 metric tons (71,329 short tons), of which 65,311 short tons (or 92 percent of the total TRQ) is allocated to Canada.[46] Sugar-containing products other than certain brown sugars and organic sugars are not in the scope of these investigations.

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[44] The products subject to the tariff rate for refined sugar include raw beet sugar and sugars, syrups, and molasses imported under HTS subheadings 1701.12.10, 1701.91.10, 1701.99.10, 1702.90.10, and 2106.90.44.

[45] The products subject to the tariff rate quota for refined sugar include raw beet sugar and sugars, syrups, and molasses imported under HTS subheadings 1701.12.10, 1701.91.10, 1701.99.10, 1702.90.10, and 2106.90.44.

[46] U.S. Trade Representative, "U.S. Trade Representative Froman Announces FY 2014 WTO Tariff-Rate Quota Allocations for Raw Cane Sugar, Refined and Specialty Sugar and Sugar-Containing Products," press release, September 12, 2013, available at http://www.ustr.gov/about-us/press-office/press-releases/2013/september/WTO-trq-for-sugar (accessed April 2, 2014). The remaining in-quota quantity is available to other countries on a first-come, first-served basis. Specialty sugars are defined in CFR 2011.202.

Safeguards

U.S. imports of various sugar and sugar-containing products subject to TRQs are also subject to additional safeguard duties.[47] These duties are cumulative and are applied in addition to over-quota (Tier II) duties if prices fall below a certain level. The safeguard duties rise as prices fall, within specified bands. Safeguard duties are not applicable to imports from free trade agreement beneficiaries, including Mexico.[48]

U.S. SUGAR PROGRAM

History

The U.S. Government has played an active role in the domestic sugar industry for many years. The first price-support legislation for the U.S. sugar industry, called the Jones-Costigan Act ("Sugar Act"), was instituted in 1934 and set quotas on domestic production and foreign imports based on estimated U.S. demand for the coming year. In the 1970s, inflation forced the demise of this "sugar program," as sugar prices quickly increased and the legislative tools did very little to bring prices back down to their historic level. By November 1974, world raw sugar prices reached 57 cents per pound (from 10 cents per pound the previous year), and on January 1, 1975, the Sugar Act was abandoned. With the Sugar Act's repeal, the Secretary of Agriculture lost the authority to set domestic sugar quotas; import quotas, acreage allotments, and direct payment to farmers were also eliminated.

Three years later, due to increased production in world markets, sugar prices declined to an average of 8 cents per pound. To counteract this decline, and lessen its impact on U.S. farmers, Congress intervened in the market once again, passing the Food and Agriculture Act ("FAA") in 1977. The FAA established a loan (or purchase) program in which cane millers and beet processors could receive loans for every pound of sugar they produced. The loans could be defaulted, and any sugar pledged as collateral forfeited to the Government, if the market price was not higher than the per-pound loan rate. In 1982, after a hiatus of seven years, Congress re-established quotas on sugar imports.

1996-2002

Under Section 156 of the Federal Agriculture Improvement and Reform Act of 1996 (the "Fair Act"), the U.S. sugar program continued to grant loans to domestic producers. Loans were administered by the Commodity Credit Corporation ("CCC") of the U.S. Department of Agriculture ("USDA"), and credits (or "rates") averaged 18 cents per pound for raw cane sugar

[47] These duties are applied to imports under HTS subheading 9904.17.

[48] See U.S. Note 1. Subchapter IV, Chapter 99 of the *Harmonized Tariff Schedule of the United States (2014)*.

and 22.9 cents per pound for refined beet sugar.[49] These rates could not be increased but could be reduced by administrative action if domestic and export subsidies were reduced by the European Union and 10 other sugar producing countries.

Sugar loans could take the form of either "recourse" or "nonrecourse" credits. A nonrecourse loan required the processor receiving credits to make minimum payments for sugarcane or sugar beets delivered to it, and to pay a penalty if it forfeited its loan collateral to the CCC. Conversely, a recourse loan required no minimum payments to growers and no penalty for forfeiture; however, the processor remained liable for any losses the CCC incurred in selling the forfeited sugar. Loans granted by the CCC to U.S. sugar mills and sugar beet processors were recourse, unless in-quota imports of sugar amounted to, or exceeded, 1.5 million STRV. If this occurred, nonrecourse loans would be made available and all recourse loans made during the fiscal year would be converted to nonrecourse loans. Prior to 1996, the sugar program was designed to operate at no net cost to the Federal Government; the Secretary of Agriculture set import quotas at levels which kept U.S. sugar prices above the loan rates to discourage defaults. The Fair Act did not renew this "no-net-cost" provision of the program.

2002–2008

The Farm Security and Rural Investment Act of 2002 (Farm Bill) was signed into law on May 13, 2002 and was effective through Federal fiscal year 2007. Enactment of the 2002 Farm Bill resulted in changes to the U.S. sugar program, the most significant of which included the elimination of recourse loans, the reinstatement of a payment-in-kind ("PIK") program, and the establishment of domestic "marketing allotments" for processed sugar.

The 2002 Farm Bill established that all loans made to U.S. sugar beet or sugarcane processors are nonrecourse. Under these provisions, the USDA was required to accept sugar pledged as collateral as payment in full, in lieu of cash repayment of a loan. The Farm Bill terminated penalties for forfeitures to the CCC, and extended nonrecourse loans to "in-process" beets and cane syrups, allowing processors to obtain loans on these products at 80 percent of the ordinary loan rates (unchanged from the 1996 Fair Act at 22.9 cents per pound for beet processors, and 18 cents per pound for producers of raw cane sugar). Loan rates could be reduced by the USDA if foreign producers reduce export subsidies and support levels for sugar below their current WTO commitments.

Nonrecourse loans were provided only to processors of sugar, who were required to pledge to provide a portion of any loan payment to growers of the sugar beets or sugarcane provided to their firm.

The 2002 Farm Bill authorized a program, offered provisionally in 2000 and 2001, allowing processors to bid on raw cane sugar or refined beet sugar held by the USDA in CCC inventories, in exchange for agreement from the processor to reduce its own production. This

[49] Loan rates are lower for raw cane sugar primarily because it is an intermediate product requiring further processing by refiners.

"payment-in-kind" (PIK) program also allowed for growers of sugar beets and sugarcane to bid for a quantity of CCC inventory they would accept in exchange for reducing planted acreage, or for forgoing the harvest of a specified acreage of sugar beets or sugarcane.

The 2002 Farm Bill reactivated the provision, suspended during application of the 1996 Fair Act, that the U.S. sugar program be administered at no net cost to the Federal Government. Under the provisions of the Farm Bill, the Secretary of Agriculture was directed to achieve the "no net cost" requirement by avoiding, to the maximum extent possible, any forfeitures of sugar to the CCC, which result when the market price for sugar was less than the per pound rate of a nonrecourse loan, plus interest and costs. The PIK program was one method by which the USDA could control excess supplies of sugar. Marketing allotments provide another method.

Under the provisions of the Farm Bill, the USDA was authorized to establish flexible marketing allotments which restricted the amount of sugar individual processors could market in the United States. The overall quantity of sugar to be allotted for a given crop year was determined by subtracting the sum of 1.532 million STRV, and any carry-in stocks (or inventory) of sugar, from the USDA's estimate of domestic consumption, plus a reasonable carryover stock. This overall allotment quantity ("OAQ") was divided between beet and cane sugar at a set ratio of 54.35 percent for beet and 45.65 percent for cane. Beet sugar processors were then assigned allocations based on their sugar production in the 1998-2000 crop years, while cane sugar allocations were assigned on the basis of past marketings, current ability to market, and past processing levels. Processors who produced sugar beyond their allotment were required to postpone sales, and either store the excess or sell it outside the domestic "food-use" market. Table I-3 lists cane millers and beet processors' marketing allotments for FY 2011 through FY 2014.

Table I-3
Sugar: Cane millers/beet processors, and share of Federal fiscal years 2011-2014 overall allotment quantity

Firm	Adjusted FY 2011	Final FY 2012	Final FY 2013	Initial FY 2014
	Quantity (*STRV*)			
Beet Processors' Marketing Allocations:				
Amalgamated Sugar Co.	1,060,209	1,125,852	1,130,074	1,145,405
American Crystal Sugar Co.	1,877,637	1,803,354	1,940,762	1,967,161
Michigan Sugar Co.	569,656	667,314	545,095	552,490
Minn-Dak Farmers Co-op.	369,977	363,119	366,556	371,529
So. Minn Beet Sugar Co-op.	570,174	560,227	712,371	722,035
Western Sugar Co.	529,677	604,965	539,013	546,256
Wyoming Sugar Growers, LLC	42,028	42,360	44,194	44,794
Subtotal, beet processors	5,019,358	5,167,190	5,278,064	5,349,671
Cane Processors' Marketing Allocations:				
Florida Crystals	745,108	747,151	719,606	940,017
Growers Co-op of Florida	335,564	378,773	365,335	410,698
U.S. Sugar Corp	776,177	800,734	820,863	932,397
Louisiana Sugar Cane Products, Inc.	1,101,535	1,070,902	1,164,218	1,226,182
M.A. Patout & Sons	476,274	483,620	560,747	540,061
Rio Grande Valley	173,016	170,745	171,480	198,475
Gay & Robinson, Inc.[1]	45,997	22,637	n/a	n/a
Hawaiian Commercial & Sugar Company	237,219	245,499	230,936	245,499
Subtotal, cane processors	3,890,892	3,920,060	4,033,186	4,493,330
Reassignment to imports	325,000	517,750	400,000	n/a
Total	9,235,250	9,605,000	9,711,250	9,843,000

[1] Gay & Robinson stopped harvesting sugarcane in 2010. *Sugar era ending on Kauai as Gay & Robinson pulls out*, Honolulu Advertiser, September 11, 2008, http://the.honoluluadvertiser.com/article/2008/Sep/11/ln/hawaii809110380.html. In FY 2014, the CCC determined that the Hawaiian cane processor, Gay and Robinson Inc., permanently terminated operations because it had not processed sugarcane for two consecutive crop years. The Gay and Robinson, Inc. FY 2012 allocation of 73,145 STRV was reassigned to the State of Hawaii and then further reassigned to the mainland sugarcane-producing states, because Hawaii is not expected to use all of its cane sugar allotment.

Source: *USDA Increases and Reassigns Fiscal Year 2012 Overall Allotment Quantity and Increases Fiscal Year 2012 Raw Sugar Tariff-Rate Quota,* 77 FR 23450, April 19, 2012; http://www.fsa.usda.gov/FSA/newsReleases?area=newsroom&subject=landing&topic=ner&newstype=newsrel&type=detail&item=nr_20110411_rel_fas0066.html; http://www.fsa.usda.gov/Internet/FSA_File/sugar_allot_allocs_fy2013.pdf; and http://www.fsa.usda.gov/Internet/FSA_File/sugar_allot_allocs_fy2014.pdf.

Under the provisions of the 2002 Farm Bill, the USDA's authority to restrict the marketing of domestically produced sugar through allotments was suspended if imports of sugar for human consumption exceeded 1.532 million STRV, such that the overall allotment quantity would have to be reduced. Marketing allotments would remain suspended until the USDA estimated that imports were reduced to under this "trigger" level.

2008–Present

The current U.S. sugar program was formed by the Food, Conservation, and Energy Act of 2008 (P.L. 110-246; 2008 Farm Bill). The Agricultural Act of 2014 (P.L. 113-79; 2014 Farm Bill) essentially maintained and continued the elements of both the domestic and import components of the U.S. sugar program in the 2008 Farm Bill through the 2018 crop year.[50] The main changes effected by the 2008 Farm Bill included an increase in the loan rates, the elimination of the allotment suspension mechanism, the requirement for USDA to set the initial OAQ at 85 percent of estimated U.S. human consumption of sugar, the requirement to set the WTO TRQs at the minimum level for the first half of the fiscal year, and the establishment of the feedstock flexibility program, whereby surplus sugar stocks are required to be sold for conversion into ethanol.

The base raw cane sugar loan rate was phased upward from 18.00 cents per pound in FY2009 to 18.75 cents per pound in FY 2013. The refined beet sugar loan rate became subject to a formula beginning in FY2010, with the refined beet sugar loan rate equal to 128.5 percent of the raw cane sugar rate; the refined beet sugar rate amounted to 24.09 cents per pound in FY 2013. The 2008 Farm Bill continued the PIK program, but required that planted beets or cane that is diverted from production must be used as bioenergy feedstocks. The 2008 Farm Bill also increased USDA storage payment rates for forfeited raw cane sugar from 8 cents to 10 cents per hundredweight and for forfeited refined beet sugar from 10 cents to 15 cents per hundredweight. The 2008 Farm Bill eliminated prepayment penalties for loans to processors to construct or upgrade storage facilities. The 2008 Farm Bill also required that any reassignment of unused cane and beet allocations to imports be of raw cane sugar. The 2008 Farm Bill also eliminated the requirement for reallocating import TRQ shortfalls. In addition, TRQs must be set at the minimum levels on October 1 and not be increased until April 1, except in the event of emergencies.[51] The 2008 Farm Bill also required USDA to establish "orderly" shipping patterns for imports under TRQs and FTAs. And, the Farm Bill required the United States to restore its membership in the International Sugar Organization.

Prior to FY 2013, the administration of the U.S. sugar program had not resulted in forfeitures since 2004. However, the USDA's Commodity Credit Corporation (CCC) took several actions in FY 2013 to divert sugar supplies and dispose of forfeitures (table I-4). These actions included the exchange of re-export program credits for sugar[52] and sales of sugar for ethanol production and other non-food uses. The re-export credit exchanges involved the substitution

[50] See Section 1301.

[51] This provision generally has been interpreted to refer to natural disasters, such as hurricanes and refinery explosions.

[52] The re-export program credit exchanges also included some CQE exchanges under the Colombia and Panama FTAs. USDA, ERS, *Sugar and Sweeteners Outlook*, November 15, 2013, p. 7, available at http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/1221881/sssm303.pdf (accessed March 26, 2014).

Table I-4

USDA Commodity Credit Corporation (CCC) actions to remove surplus sugar during crop year 2012/13

Date	Program action	Quantity removed (*STRV*)	CCC acquisitions (*STRV*)	CCC acquisitions (*dollars*)	CCC sales (*dollars*)	CCC net cost (*dollars*)	CCC net cost per pound removed (*cents*)
6/18/13	Re-export program credit swap	329,760	100,572	43,835,033	0	43,835,033	6.65
7/10/13	Re-export program credit swap	51,322	17,090	6,871,428	0	6,871,428	6.69
7/31/13	Feedstock flexibility program (FFP)	7,118	7,116	3,587,220	854,100	2,733,120	19.20
8/30/13	Re-export program credit swap	154,193	56,712	23,413,237	0	23,413,237	7.59
9/19/13	Re-export program credit swap	72,572	28,663	11,155,714	0	11,155,714	7.69
9/26/13	FFP	136,026	136,026	65,902,337	12,607,542	53,294,794	19.59
9/30/13	FFP	216,750	216,750	103,736,550	11,325,350	92,411,200	21.32
11/22/13	FFP and non-food use	79,750	79,750	33,198,950	8,197,450	25,001,500	15.67
12/13/13	Total	1,047,490	642,681	291,700,469	32,984,442	258,716,027	12.35

Source: USDA, Farm Service Agency, *Sugar and Sweeteners Outlook*, January 2014.

of a unit of CCC-owned sugar for a multiple amount of export credits or CQE rights.[53] For crop year 2012/13 sugar, the USDA effectively removed 1,047,490 STRV, of sugar from the U.S. market, at a net cost of $258,716,027. The average CCC net cost per pound of the actions was 12.35 cents (raw value basis). This compared with an average U.S. raw cane sugar price of 21.00 cents per pound for fiscal year 2013.[54]

DOMESTIC LIKE PRODUCT ISSUES

The petitioner contends that the domestic like product should be coterminous with the scope of the petition, consisting of sugar in all forms, whether derived from sugarcane or sugar beets.[55] This domestic like product definition is generally consistent with the like product definition the Commission adopted in its previous investigations and reviews of sugar: raw and refined sugar, whether cane or beet.[56]

Respondents Camara Nacional de Las Industrias Azucarera Y Alcoholera ("Mexican Sugar Chamber") do not challenge the petitioners' proposed like product definition for purposes of the preliminary phase investigations but argue that the Commission should address the following domestic like product issues in any final phase investigations: 1) whether raw and refined sugar and high fructose corn syrup ("HFCS") are one like product; and 2) whether raw and refined sugar and downstream sugar-containing products, are separate like products.[57] Similarly, respondent importer Barry Callebaut USA LLC ("Barry Callebaut") and The Sweetener Users Association do not challenge the domestic like product definition proposed by the petitioners, but reserve the right to challenge the Petitioners' like product definition in any final phase investigations.[58]

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[53] ERS computed the ratios of credits/CQEs to sugar at 3.239 for the July 10 exchange and 2.656 for exchanges during August and September. The advantage to export credit and CQE holders is they can sell the exchanged sugar on the world market (for which the price margin had narrowed), while the advantage to the CCC is that it minimized its losses. USDA, ERS, *Sugar and Sweeteners Outlook*, November 15, 2013, pp. 7–9, available at http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/1221881/sssm303.pdf (accessed March 26, 2014.

[54] USDA, ERS, "Sugar and Sweeteners Yearbook Tables," Table 4--U.S. raw sugar price, duty fee paid, New York, monthly, quarterly, and by calendar and fiscal year, available at http://www.ers.usda.gov/datafiles/Sugar_and_Sweeteners_Yearbook_Tables/World_and_US_Sugar_and_Corn_Sweetener_Prices/Table04.xls (accessed April 8, 2014).

[55] Petition, p. 31, and Petitioners' postconference brief, p. 10.

[56] *Sugar from the European Union, and Sugar from Belgium, France, and Germany, Inv. No.104-TAA-7 (Second Review) and Inv. Nos. AA1921-198-200 (Second Review),* USITC Publication 3793, August 2005, pp. 6-7.

[57] Mexican Sugar Chamber's postconference brief, pp. 2-5.

[58] The Sweetener Users Association and Barry Callebaut's postconference brief, p. 6.

Respondent importer Diazteca Company ("Diazteca") states that the products covered by the petition "are not all 'like products' for purposes of ITC injury analysis. Diazteca believes that these products are separate industries and separate products and that the ITC should consider each one separately for purposes of its injury analysis." Diazteca proposes that: 1) refined sugar is a different product than raw cane sugar, and 2) beet sugar produced from genetically modified organisms ("GMO") is a different product than sugar produced from sugarcane.[59]

The Government of Mexico proposes that HFCS be included as part of the domestic like product.[60]

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding these factors concerning raw and refined sugar; beet and cane sugar; and HFCS and sugar are discussed below.

Raw sugar and refined sugar

In previous reviews of sugar, the Commission concluded that a semifinished product analysis supports the inclusion of raw and refined sugar in a single like product. The Commission noted that raw sugar is dedicated to refined sugar production, and is unfit for human consumption; there was no evidence that producers or consumers perceive markets for raw sugar apart from sugar refineries, as raw sugar is sold only to refineries; both raw and refined sugar consist of sucrose, with physical differences determined by the degree of processing; and the value added through raw cane sugar refining appears modest relative to the value added through sugarcane milling.[61] Petitioners note that nothing has changed with respect to the production or use or sale of sugar since 2005 that would suggest any change to the Commission's analysis in these investigations.[62] Diazteca states that raw and refined sugars have distinct channels of distribution. Raw cane sugar is sold only to refineries for further processing. Refined sugar goes to consumers, including industrial consumers, and grocery stores and restaurants.[63]

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[59] Diazteca's postconference brief, pp. 1-5.

[60] Government of Mexico's postconference brief, Nos. 25-41.

[61] *Sugar from the European Union, and Sugar from Belgium, France, and Germany, Inv. No.104-TAA-7 (Second Review) and Inv. Nos. AA1921-198-200 (Second Review),* USITC Publication 3793, August 2005, pp. 7, fn. 22.

[62] Petition, p. 20.

[63] Diazteca's postconference brief, p. 2.

Beet sugar and cane sugar

Petitioners state that cane and beet sugar constitute a single like product. Sugar refined from sugarcane and from sugarbeets is identical in its physical characteristics and uses. Sugar refined from sugarcane and sugar refined from sugar beets are entirely interchangeable and sold through the exact same channels of distribution. Customers perceive them to be the same product as they are generally sold without any distinction in packaging or price. While extracting sugar from sugarcane requires the additional processing step of milling, once the raw cane sugar is extracted, the process for producing refined sugar from either raw cane sugar or sugarbeets is virtually identical. Finally, petitioners state sugar refined from sugarcane and sugar refined from sugarbeets are chemically indistinguishable and are typically sold for the same price to the same sets of customers.[64]

Approximately 90 percent of sugar beets are GMO.[65] Diazteca contends that beet sugar produced from genetically modified organisms ("GMO") is a different product than sugar produced from sugarcane. Diazteca claims that the Commission's previous analysis of raw and refined sugar should be rejected since the use of GMO sugar beets were not approved until 2006/2007.[66] The company states that many consumers and industrial users are hesitant to use GMO products, and bakers may prefer cane sugar to beet sugar.[67] The president of the American SugarBeet Growers Association claims that "the sugar from GMO beets is no different than any other sugar. The properties of the GMO are completely removed in the process. So when you look at sugar from GMO beets or conventional beets or sugarcane, it's identical."[68] However, some purchasers of beet sugar note that there is a growing trend by customers to refuse to buy beet sugar because of its origin as GMO seed.[69]

HFCS and sugar

Petitioners claim that HFCS is not like sugar. They state that sugar consists of sucrose, which is an organic disaccharide consisting of equal parts glucose and fructose chemically joined by a type of covalent bond known as a glycosidic bond. HFCS, by contrast, is made up of the monosaccharides fructose and glucose. Moreover, they claim HFCS has a different bonding structure with free monosaccharides. As a result, the two function differently and are therefore used differently; they cannot be substituted for one another in most applications. Petitioners state that while HFCS is not sold for retail consumption, more than one-third of sugar is sold to restaurants and other food service suppliers and to retailers for use by individual consumers. In addition, they claim sugar is sold to industrial end users, distributors, retailers, and institutional

[64] Petition, pp. 21-22.
[65] Conference transcript, p. 56 (Snyder).
[66] Diazteca's postconference brief, p. 3.
[67] Diazteca's postconference brief, pp. 4-5.
[68] Conference transcript, pp. 61-62 (Snyder).
[69] Conference transcript, p. 211 (Farmer).

buyers, while HFCS is sold almost entirely to industrial users. Petitioners also assert that customers for HFCS are primarily soft drink producers who purchase HFCS in bulk amounts and in liquid form. Given its stable shelf life and particular sweetening properties, petitioners claim such producers would not and could not easily switch to using sugar. In addition, there are no common manufacturing facilities or production processes used to produce both sugar and HFCS[70] because they are produced by producers using very different processes and inputs. Sugar is extracted from beets or cane while HFCS is manufactured from com by means of a series of chemical reactions induced by enzymes. Finally petitioners state that the price of HFCS is historically significantly less than the price of sugar.[71] The spot price for HFCS-42 was 21.66 cents per pound, dry weight in fiscal year 2011, 23.77 cents in fiscal year 2012, and 27.64 cents in fiscal year 2013.[72]

The Mexican Sugar Chamber claims that HFCS should be included in the domestic like product. They state a 2001 NAFTA Panel decision found that the physical characteristics of sugar and HFCS were similar enough as to allow them to serve the same functions and to be commercially interchangeable. In addition, in 2005, a World Trade Organization ("WTO") panel in Mexico found that cane sugar, beet sugar, and HFCS were like products. Respondents claim that both sugar and HFCS can be used interchangeably by the beverage industry.[73]

The Government of Mexico states that HFCS should be included in the domestic like product. They state that sugar and HFCS physically differ in that they are derived from different inputs, namely, corn and sugarcane, as well as in their production processes; however, both have the same usages: they work as sweeteners with similar nutritional properties, allowing both to be commercially interchangeable. In addition, they claim that soft drink producers and other industries prefer HFCS instead of sugar due to cost considerations.[74]

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[70] All U.S. producers stated that no other products can be produced on the same equipment or machinery used to produce sugar. Molasses are produced as a by-product or co-product of the sugar production process.

[71] Petition, pp. 22-24.

[72] USDA Sugar and Sweeteners Yearbook, table 9, retrieved on April 30, 2014 at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx#.U1bAwRB7SQc.

[73] Mexican Sugar Chamber's postconference brief, pp. 2-4.

[74] Government of Mexico's postconference brief, Nos. 25-41.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Sugar is a basic food item consumed throughout the world. There are a large number of sugar producing countries, although production is somewhat concentrated. About one-third of world sugar production is traded internationally, with a handful of countries dominating exports. The United States is a major, although not the leading, producer, importer, and consumer of sugar; U.S. sugar exports are relatively minor.

Cane sugar dominates world production of sugar, accounting for about 80 percent of the annual total in most years. Brazil and India are the primary producers of cane sugar, and the EU, China, and the United States are the leading producers of beet sugar (see Part VII).

The sugar industry tends to be relatively concentrated at the U.S. producer level. The combined volume of total shipments by the two largest U.S. producers, ***, amounted to almost *** of total U.S. production between October 2010 and December 2013. At the same time, competition from imports from all nonsubject sources is limited due to the TRQ.

CHANNELS OF DISTRIBUTION

In the United States sugar is commonly used in industrial applications including the manufacture of baked goods, ice cream, confections, and beverages, as well as for direct consumer use. U.S. producers sold almost two-thirds of their sales to industrial end users and split the bulk of their remaining sales to grocery chains and distributors, as shown in table II-1. U.S. importers split about three-fourths of their sales of imports from Mexico to industrial end users and distributors.

GEOGRAPHIC DISTRIBUTION

Eleven of 22 U.S. producers and five of 16 importers reported selling to all regions (table II-2). About three-quarters of U.S. producers' sales were between 101 and 1,000 miles and about 16 percent were over 1,000 miles. Importers sold just over one-half of their sugar between 101 and 1,000 miles and almost 30 percent within 100 miles of their U.S. point of shipment.

Table II-1
Sugar: U.S. producers' and U.S. importers' channels of distribution, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Share of quantity (*percent*)				
U.S. producers' U.S. shipments to:					
Distributors	13.5	13.4	14.3	14.8	15.3
Grocery chains	18.9	18.3	16.9	22.2	20.2
Restaurants and restaurant chains	1.2	1.2	1.1	1.1	1.5
Industrial end users	64.5	64.3	65.0	60.6	60.4
Refiners and melt houses	1.9	2.8	2.6	1.3	2.5
U.S. importers' U.S. shipments of imports from Mexico to:					
Distributors	37.3	36.8	37.6	37.4	61.7
Grocery chains	3.2	4.2	5.3	8.4	6.0
Restaurants and restaurant chains	2.5	4.0	4.2	1.2	2.3
Industrial end users	35.1	41.6	43.4	42.2	27.7
Refiners and melt houses	21.9	13.4	9.5	10.8	2.3
U.S. importers' U.S. shipments of imports from all other sources to:					
Distributors	***	***	***	***	***
Grocery chains	***	***	***	***	***
Restaurants and restaurant chains	***	***	***	***	***
Industrial end users	***	***	***	***	***
Refiners and melt houses	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-2

Sugar: Geographic market areas in the United States served by U.S. producers and importers, by number of responding firms

Region	U.S. producers	U.S. imports from Mexico
Northeast	16	11
Midwest	13	9
Southeast	15	13
Central Southwest	19	10
Mountains	13	7
Pacific Coast	14	12
Other[1]	4	4
Present in all continental regions	11	5
Total responding	22	16

[1] All other U.S. markets, including AK, HI, PR, and VI, among others.

Source: Compiled from data submitted in response to Commission questionnaires.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of sugar have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced sugar to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of some capacity and some inventories. The highly regulated nature of the sugar industry limits the flexibility of the U.S. producers in adjusting output in response to price changes. While there are no controls on the amount of sugar produced, sales by individual U.S. producers are limited by marketing allotments that specify the amount of sugar that they may sell during a given crop year.

Industry capacity

Domestic refined sugar capacity utilization increased from 82.3 percent in 2010/11 to 82.8 in 2012/13. This moderately high level of capacity utilization suggests that U.S. producers may have some capacity to increase production of product in response to an increase in prices.

Alternative markets

U.S. refiners' exports, as a percentage of total shipments, decreased from *** percent of total shipments in 2010/11 to *** percent of total shipments in 2012/13, indicating that U.S. producers may have a limited ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

U.S. refiners' inventories increased from 8.0 percent of total shipments in 2010/11 to 10.2 percent of total shipments in 2012/13. These inventory levels suggest that U.S. producers may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

No responding U.S. producers stated that they could switch production from sugar to other products.

Supply constraints

Three of 22 responding U.S. producers reported having refused, declined, or been unable to supply sugar since October 1, 2010. U.S. producers cited refiners delaying raw sugar shipments due to excess sugar, limited production capacity at *** during October 2010 and

September 2012, and an inability to meet sales demand during initial startup and periodically due to mechanical issues in production.

Subject imports from Mexico

Based on available information, producers of sugar from Mexico have the ability to respond to changes in demand with large changes in the quantity of shipments of sugar to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the existence of inventories and the ability to shift shipments from the Mexican home market.

Industry capacity

Mexican capacity utilization increased from 69.4 in 2010/11 percent to 89.9 percent in 2012/13. This high level of capacity utilization suggests that Mexican producers may have some capacity to increase production of product in response to an increase in prices.

Alternative markets

Mexican producers' exports to markets other than the United States, as a percentage of total shipments rose from *** percent in 2010/11 to 3.2 percent in 2012/13. Mexican producers' shipments to the Mexican market declined from *** percent in 2010-11 to *** percent in 2012/13. This data indicates that Mexican producers may have little ability to shift shipments between the U.S. market and other export markets in response to price changes, but have an ability to shift shipments from the Mexican home market.

Inventory levels

Mexican producers' inventories as a share of total shipment increased from 15.0 percent in 2010/11 to 22.4 percent in 2012/13. These inventory levels suggest that Mexican producers may have an ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

None of responding Mexican producers stated that they could switch production from sugar to other products.

Supply constraints

Eight of 16 importers reported they have refused, declined, or been unable to supply sugar since October 1, 2010. Importers cited the tight supply of white sugar during 2012, the lack of organic sugar, limited production capacity at the *** during October 2010 and September 2012, transportation and weather issues in Mexico causing low U.S. inventories, changing market conditions, and aggressive forward pricing from beet sugar producers against a lack of forward pricing ability for sales of Mexican sugar.

Nonsubject imports

The largest sources of nonsubject imports during 2010/11 to 2012/13 were Brazil, the Dominican Republic, and Philippines; the countries with the largest raw sugar TRQ allocations. Combined, these countries accounted for 35 percent of nonsubject imports in 2012/13.

U.S. demand

Based on available information, the overall demand for sugar is likely to experience small changes in response to changes in price. The main contributing factors are the somewhat limited range of substitute products and the small cost share of sugar in most of its end-use products.

Petitioners cite estimates of the price elasticity of demand for sugar ranging from -0.11 to -0.30, suggesting that demand is inelastic.[1] Mexican Sugar Chamber respondents indicate that estimates of the price elasticity of demand for sugar that distinguish between food consumed at and away from home are almost unit elastic, while estimates that didn't make this distinction were much more inelastic. They also claim if any of these estimates include types of sugar not in the like product, the price elasticity of demand for the like product would be higher because types of sugar not in the like product would be additional substitutes for the like product.[2]

End uses

U.S. demand for sugar depends on the demand for U.S.-produced sugar containing products. Reported end uses include bakery products, beverages, confectionary products, food products, and chocolate. Several responding U.S. producers and importers reported changes in end uses. ***.[3] One importer reported a move away from high fructose corn sweeteners and the introduction of evaporated cane juice as a natural alterative to refined sugar.

Business cycles

A majority of U.S. producers and importers indicated that the market was subject to business cycles or distinctive conditions of competition. Specifically, firms cited that customer contracts are made on a crop year basis in line with crop supply and demand. They also cited seasonal demand during the Fall baking and candy production season and during holiday periods. The changes in conditions of competition most cited by firms were the ability of

[1] Petition, pp. 34-36, Petitioners' postconference brief, p. 19, and email from John Greenwald, counsel for petitioners, May 1, 2014.

[2] Mexican Sugar Chamber respondents' postconference brief, Exhibit 8, response to "Page 268 Q10."

[3] ***

Mexican imports to increase in U.S. market and the increase in the refining capacity since 2012. CSC Sugar testified that there has been excess U.S. refining capacity for the past 30 years.[4]

Demand trends

Most firms reported an increase in U.S. demand for sugar since October 2010 both in the U.S. market and outside the U.S. market, typically citing a small increase in demand due to population growth (table II-3).

Substitute products

Fourteen of 22 responding U.S. producers and seven of 15 responding importers indicated that there are substitutes for sugar. HFCS was the most frequently cited substitute product, although some firms also cited other substitutes such as Aspartame, Agave, dextrose, fructose, glucose, and Stevia. All firms naming HFCS as a substitute indicated that changes in the price of HFCS have affected the price of sugar. *** reported that competition from HFCS creates a price ceiling for sugar. *** indicated that the competition from HFCS has displaced sugar in certain applications, but that the collapse in the price of sugar over the past three years was caused by the surge in imports from Mexico and was independent of competition from HFCS. Petitioners indicate that there was a major shift from sugar to HFCS in soft drinks and that HFCS places a ceiling on the price at which sugar could regain the business that it has lost to HFCS. They also indicate that there has been no ssignificant substitution of HFCS or other sweeteners for sugar over the Commission's period of investigation.[5]

Cost share

Sugar typically accounts for a small share of the cost of the end-use products in which it is used, but a large share of sugar products with less value added such as brown and granulated sugar. U.S. producers and importers reported cost shares for sugar used in beverages, chocolate, and other food products ranged from 12 to 15 percent of the cost of the end product in their questionnaire responses. Reported cost shares for brown sugar, granulated sugar, powdered sugar, repackaged sugar, and liquid sucrose ranged from 68 to 100 percent of share of the products. Petitioners indicate that the cost of sugar is a small part of the cost of sugar-containing foods and other products that use sugar. Petitioners claim that the cost share of sugar in food products ranges from 1 to 11 percent, citing a 2013 American Sugar Alliance survey of retail products.[6]

[4] Conference transcript, pp. 258-262 (Farmer).
[5] Petitioners' postconference brief, Part II, Answers to Commission Staff Questions, p. 3.
[6] Petitioners' postconference brief, Part II, Answers to Commission Staff Questions, p. 2.

Table II-3

Sugar: Firms' responses regarding U.S. demand, by number of responding firms

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand inside the United States: U.S. producers	16	1	3	0
Importers	12	0	2	0
Demand outside the United States: U.S. producers	15	0	0	1
Importers	10	0	0	0

Source: Compiled from data submitted in response to Commission questionnaires.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported sugar depends upon such factors as relative prices, quality (*e.g.*, grade standards, reliability of supply, defect rates, etc.), and conditions of sale (*e.g.*, price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is high degree of substitutability between domestically produced sugar and sugar imported from Mexico.

Lead times

Sugar is primarily sold from inventory. U.S. producers reported that about three-fourths of their commercial shipments were sold from inventory, with lead-times typically ranging from 2 to 15 days. The remaining commercial shipments were produced-to-order, with similar lead times for U.S. producers also selling from inventory, but ranging from 1 to 180 days for U.S. producers that only produce to order. U.S. importers reported selling about two-thirds of their commercial shipments from inventory, with lead times typically ranging from one to five days. About a quarter of their sales were from foreign inventory, with lead times typically 15 to 30 days. Lead times for their produced-to-order sales ranged from 15 to 30 days as well.

Factors affecting purchasing decisions

Petitioners indicate that because sugar supply from different sources is perfectly substitutable, they compete largely, if not exclusively, on price.[7] American Crystal Sugar Company indicates that price is the main determinant in making a sale, but that customers have high quality standards, and that service is also important and acts as a "tie-breaker" in making a sale. For example, they indicated that American Crystal Sugar's recent inability to get rail cars

[7] Petition, p. 37.

for sugar delivery to customers was a failure in service in which it lost the "tie-breaker" with other competitors.[8] Domino Foods indicated that certain customers might be willing to pay little more for a demonstrated record of exemplary supply.[9]

Comparison of U.S.-produced and imported sugar

As shown in table II-4, about one-half of U.S. producers indicated that U.S.-produced sugar and imported from Mexico is "frequently" interchangeable, while more than 60 percent of importers responded that U.S.-produced sugar and imported sugar imported was at least "frequently" interchangeable. U.S. producers and importers responded similarly when comparing U.S.-produced sugar with sugar imported from countries other than Mexico. Responding firms indicated that interchangeability was limited by food safety considerations, reliability, perceptions, customer approval of imported sugar, the Mexican and Central American raw sugar rarely being food grade quality, and differences in taste, grain size, color, appearance, or labeling of estandar sugar imported from Mexico.

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of sugar from the United States, subject, or nonsubject countries. As seen in table II-5, about one-half of U.S. producers indicated that differences in factors other than price between sugar produced in the United States and other countries were "sometimes" an important factor in their firm's sales of the products. About 60 percent of importers indicated that differences in factors other than price between U.S.-produced sugar and imported sugar are at least "frequently" important in their sales. Responding firms cited important non-price differences such as the lack of flexibility of shipment periods and logistics chains by U.S. producers, the Jones Act, quality control issues for imported sugar, better availability of sugar imported from Mexico, high transportation costs for imported sugar, and proximity to particular customers of both U.S. producers and importers of Mexican sugar.

[8] Conference transcript, pp. 29, 118-119 (Berg).
[9] Conference transcript, p. 119 (O'Malley).

Table II-4

Sugar: Interchangeability between sugar produced in the United States and in other countries, by country pairs

Country pair	U.S. Producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. Mexico	4	10	4	1	6	5	6	0
United States vs. Other	4	9	3	1	4	5	6	0
Mexico vs. Other	1	4	4	0	6	3	5	0

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-5

Sugar: Significance of differences other than price between sugar produced in the United States and in other countries, by country pairs

Country pair	U.S. Producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. Mexico	5	1	9	3	5	6	4	2
United States vs. Other	2	1	10	3	5	4	4	2
Mexico vs. Other	0	0	6	1	0	3	6	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of all segments of the sugar industry in the United States: 1) growers of sugarcane and sugar beets; 2) millers of sugarcane; 3) cane sugar refiners; and 4) processors of beet sugar.[1]

The Commission issued a U.S. producer questionnaire to the ten firms and/or trade associations contained in the petition. Twenty-four firms, representing the vast majority of sugar production in the United States, provided useable data on their sugar operations. The Commission received questionnaires from 11 of 13 known sugarcane millers, representing at least 90 percent[2] of raw sugarcane production in 2013/14; from all known sugarcane refiners; [3] and from all known sugar beet processors during 2010/11 to 2012/13. In addition, the Commission received 93 usable U.S. sugarcane and sugar beet grower questionnaires.[4]

U.S. SUGAR BEET AND SUGARCANE GROWERS

Sugar beet growers

Sugar beets are currently grown in ten U.S. States: California, Colorado, Idaho, Michigan, Montana, Minnesota, Nebraska, North Dakota, Oregon, and Wyoming.[5] The 2007 Census of Agriculture identified 4,022 farms growing sugar beets in the United States.[6] U.S. sugarbeet processors are farmer-owned cooperatives;[7] most sugar beet farmers lease their land.[8]

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[1] Sugar beet processors produce refined sugar from beets in one continuous process, while refined sugar produced from sugarcane is typically milled by one firm, and then further refined by another firm. There are some sugarcane refiners (see table III-3) that are also sugarcane millers.

[2] The Commission did not receive U.S. producer questionnaires from ***.

[3] In addition, the Commission received a questionnaire response from Archer Daniels Midland Company ("ADM"). ADM produces only liquid sugar and invert sugar at eight sweetener stations located throughout the United States. ADM's Answers to Staff Questions at the Conference, April 23, 2014, p. 1.

[4] The Commission requested petitioners to provide a list of the ten largest suppliers of sugar beets to the beet processors, as well as the ten largest suppliers of sugarcane to the cane millers in the last crop year 2012/13. The Commission sent U.S. grower questionnaires to 132 farms.

[5] Compiled from USDA Sugar and Sweeteners Yearbook, table 14, retrieved on April 22, 2014 at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx#.U1bAwRB7SQc.

[6] Petitioner's postconference brief, p. 35.

[7] Petitioner's postconference brief, p. 18.

[8] Conference transcript, p. 24 (Snyder).

Sugarbeets are an annual crop, planted in the spring and harvested in the fall.[9] After harvest, the beets are stored for processing into refined sugar through the following winter and into the spring. Beet processors process those beets into sugar for human consumption all in one continuous process.[10]

Over 90 percent of sugar beets are GMO.[11] Commercial planting of GMO sugar beets began in the United States in 2008, in order to make weed management simpler and more effective.[12] The GMO seed has improved the sugar beet yield somewhat, but it has also increased the price of seed, up from $50 an acre five years ago to $200 an acre.[13]

Sugarcane growers

Sugarcane is currently grown in four U.S. States: Florida, Hawaii, Louisiana, and Texas.[14] The 2007 Census of Agriculture identified 692 farms growing sugarcane in the United States.[15] Sugarcane is a perennial grass that will yield commercially viable sucrose content for three or more years. Sugarcane fields are replanted or taken out of production in three or four year cycles. [16] Cane sugar is non-GMO.[17] The sugarcane harvest starts in late September and typically runs 100 days, harvesting in December.[18] U.S. mills typically operate seasonally over the October-to-March harvesting season,[19] as sugarcane is best processed within 24 hours after it is cut.[20]

Production of sugar beets and sugarcane

Data relating to U.S. growers' production of sugar beets and sugarcane are presented in table III-1. Acres of sugar beets harvested increased by 4.9 percent from 2010/11 to 2011/12 but then started decreasing, by less than one percent from 2011/12 to 2012/13. Production of sugar beets decreased by 9.8 percent from 2010/11 to 2011/12 and increased overall by 10.0

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[9] Petitioner's postconference brief, p. 18.

[10] Conference transcript, pp. 20-21 (Snyder).

[11] Conference transcript, p. 56 (Snyder).

[12] Diazteca's postconference brief, p. 4, fn 1, citing GMO Compass, www.gmo-compass.org.

[13] Conference transcript, pp. 57-58 (Snyder).

[14] Compiled from USDA Sugar and Sweeteners Yearbook, table 15, retrieved on April 22, 2014 at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx.

[15] Petitioner's postconference brief, p. 35.

[16] Petitioner's postconference brief, p. 17.

[17] Imperial Sugar, Cane Sugar vs. Beet Sugar, http://www.imperialsugar.com/sugar-101/cane-sugar-vs-beet-sugar, accessed on April 25, 2014.

[18] Conference transcript, p. 54 (Landry).

[19] The crop year is October through September for Florida, Louisiana, and Texas. The crop year for Hawaii corresponds with the calendar year.

[20] Petitioner's postconference brief, p. 17.

percent from 2010/11 to 2012/13. Acres of sugarcane increased by 3.6 percent from 2010/11 to 2012/13, while production increased by 18.8 percent over the same period.

Table III-1
Sugar: U.S. sugar beet and sugarcane production and yield, crop years 2001/02 – 2013/14

Crop year	Sugar beets			Sugarcane		
	Acres harvested (*1,000s*)	Production (*1,000 short tons*)	Yield (*tons per acre*)	Acres (*1,000s*)	Production (*1,000 short tons*)	Yield (*tons per acre*)
2001/02	1,243.4	25,764	20.7	970.3	32,775	33.8
2002/03	1,360.7	27,707	20.4	971.9	33,903	34.9
2003/04	1,347.8	30,710	22.8	930.6	31,942	34.3
2004/05	1,306.7	30,021	23.0	879.5	27,243	31.0
2005/06	1,242.9	27,433	22.1	858.2	24,728	28.8
2006/07	1,303.6	34,064	26.1	846.6	27,962	33.0
2007/08	1,246.8	31,834	25.5	827.9	28,273	34.2
2008/09	1,004.5	26,881	26.8	821.6	26,131	31.8
2009/10	1,148.5	29,783	25.9	817.0	28,484	34.9
2010/11	1,156.1	32,034	27.7	825.3	25,663	31.1
2011/12	1,213.2	28,896	23.8	827.1	27,738	33.5
2012/13	1,204.1	35,224	29.3	854.9	30,500	35.7
2013/14	1,154.2	32,837	28.5	858.1	29,705	34.6

Source: Compiled from USDA Sugar and Sweeteners Yearbook, tables 14 and 15, retrieved on April 22, 2014 at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx.

Table III-2 presents a summary of production data received from sugar beet and sugarcane farmers, based on 93 usable questionnaire responses. Seventy-three farms reported that they are members of a sugarcane or sugar beet cooperative and 10 farms reported that its membership in the cooperative has changed during the past three growing seasons. Data received represents 21.0 percent of sugar production[21] and 19.4 percent of sugarcane and sugar beets harvested[22] in 2012/13. All responding growers support the petition.

[21] Coverage is based on responding growers reported production (13.832 million short tons) and USDA total sugar beet and sugarcane production (65.724 million short tons).

[22] Coverage is based on responding growers reported acreage harvested (401,584) and USDA total acres of sugar beets and sugarcane (2.059 million).

Table III-2
Sugar: Reported U.S. sugar beet and sugarcane production and yield, crop years 2011/12 – 2013/14

Item	2010/11	2011/12	2012/13
Acres planted (*acres*)	278,452	283,970	296,922
Acres harvested (*acres*)	358,743	374,404	400,153
Production Q (*1,000 short tons*)	10,925	12,172	13,781
Yield (*tons per acre*)	30.5	32.5	34.4
Average number of PRWs	2,530	2,813	2,772
PRW Hours Worked (*1,000 hours*)	4,785	4,986	5,196
PRW Wages Paid *($1,000s*)	86,222	93,227	101,423

Source: Compiled from data submitted in response to Commission questionnaires.

Farms were asked to report any changes in their operations since October 2010. Changes reported are presented in the following tabulation:[23]

Event	Number of reporting farms
Purchase or expansion of land	52
Sale or reduction of land	14
Increase in production of sugarcane or sugar beets	46
Decrease in production of sugarcane or sugar beets	35
Adverse weather conditions affecting crop yield	52
Labor disputes or shortages	15

Farms listed weather conditions, including drought, and land availability as the primary constraints that limit growing capabilities. Other constraints included company marketing allocations, proper crop rotations (sugar beets only), machinery, and labor. ***.

U.S. SUGARCANE MILLERS, CANE REFINERS, AND SUGAR BEET PROCESSORS

Because it becomes increasingly difficult to recover sucrose from sugarcane once it has been cut, sugarcane mills are located close to cane producing areas. There are 13 sugarcane millers in the United States operating in Hawaii, Florida, Louisiana, and Texas. Once raw cane sugar is milled it is shipped to a refiner for further processing. There are six sugarcane refineries in the United States, including Hawaiian Commercial & Sugar and United States Sugar Corporation which have vertically integrated milling and refining operations. Beet processing is a continuous process, as was detailed in Part I. There are seven sugar beet processors,

[23] The Commission gathered data from the beet processors' and the sugarcane miller/refiners' ten largest supplier farms in the preliminary phase of these investigations. These farms may not accurately represent the average farm profile.

operating in 15 locations in the following states: California, Colorado, Idaho, Nebraska, North Dakota, Michigan, Minnesota, Montana, and Wyoming.

In addition to sugarcane millers, sugarcane refiners, and sugar beet processors, the Petitioners have identified another segment of the sugar market involved in producing liquid sugar. Petitioners claim that these "melt houses" do not produce edible sugar from sugar beets or from raw cane sugar; rather they liquefy the sugar that has been produced by refiners. Petitioners state that unlike refiners, melt houses cannot make refined sugar from raw cane sugar. Melt houses must obtain edible sugar - refined or estandar - from producers in the United States, mills in Mexico, or producers in other countries. Melt houses do not increase the purity of the sugar. Cane refiners, on the other hand, take any form of raw cane sugar or estandar, and engage in a number of steps and processes, including affination, defecation,[24] clarification, absorption, and crystallization to reduce impurities, before evaporating it to create granulated sugar. Melt houses are simply adding water to create liquid sugar. [25] Petitioners estimate that there are 20 current companies or entities in the United States that are engaged in melting sugar to produce liquid sugar.[26]

The Commission received questionnaires from eleven firms that produce liquid sugar – ***.

CSC Sugar identifies itself as a true refining operation, operating five refineries that produce liquid sugar and invert syrup. Its U.S. facilities has been inspected by USDA and determined to constitute refineries for the purposed of the U.S. Refined Sugar Re-Export Program.[27] CSC's U.S. facilities can take sugar with a polarimeter reading (purity) of 98.5% and refine that input product until it reaches a purity level of over 99.9% (the standard applied to refined sugar).[28] CSC refineries use carbon, ion exchange resin, diatomaceous earth, and press filtration to purify raw sugar into its refined form.[29] CSC's newest plant in Pennsylvania uses a proprietary piece of equipment specially designed by CSC that is unique to the industry.[30] CSC

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[24] Defecation is a clarification process to purify sugar juice during the refining process. It generally involves the addition of lime (calcium oxide) to the sugar juice, heating the mixture, and removing the resulting precipitate of non-sucrose substances. Meade, George P. and James C. P. Chen, Cane Sugar Handbook, Tenth Edition, 1977, John Wiley & Sons, Inc., pp. 110-111.

[25] Petition, p. 11, fn. 14 and pp. 28-30.

[26] Seven of them have multiple facilities, as follows: ADM (8), Cargill (4), CSC (4), Indiana Sugars (3), International Food Products (2), Carry Transit (2), and Sweetener Products (2). The remaining 14 entities have only one facility each. One such company, Zucarmex, based in Mexico, has only announced their intention to build a melting facility in Tucson, AZ. Petitioner's postconference brief, Exhibit 5, Declaration of Brian O'Malley.

[27] CSC's postconference statement, p. 1 and U.S. Department of Agriculture, Foreign Agricultural Service, "Licensees operating under 7 CFR 1530," undated, available at http://apps.fas.usda.gov/sugars/FASSugarsLicensees.aspx (accessed April 21, 2014).

[28] CSC's postconference statement, pp. 3-4 and Conference transcript, pp. 183, 208 (Farmer).

[29] Conference transcript, p. 183 (Farmer).

[30] CSC's postconference statement, p. 4.

has invested $*** in its refining operations over the past six years.[31] The Commission has examined value added by firms. A valued-added calculation shows two ratios: (1) a ratio of the sum of direct factory labor and factory overhead costs (conversion costs) to cost of goods sold (COGS); and (2) a ratio of conversion costs plus selling, general, and administrative expenses (SG&A) to the sum of COGS and SG&A. CSC Sugar's ratio of conversion costs to COGS is between *** percent and *** percent during the period for which data was collected. The ratio of conversion costs plus SG&A is between *** percent and *** percent.

ADM produces liquid sugar and invert sugar using refined sugar at sweetener stations. It does not use the term "melt house" to describe its operations.[32] ADM's sales of sugar products exceeded $*** in 2013 and was *** percent of the company's total sales in 2013. ADM's input material for liquid sugar and invert sugar is domestic refined sugar, not estandar or raw sugar.[33] ADM has invested a total of more than $*** in its sweetener stations in assets relating the sugar business.[34] ADM's ratio of conversion costs to COGS is between *** percent and *** percent during the period for which data was collected. The ratio of conversion costs plus SG&A is between *** percent and *** percent.

Table III-3 presents U.S. producers' nature of operations, ownership, related and/or affiliated firms, and Table III-4 lists U.S. producers of sugar, their production locations, positions on the petition, and shares of total reported raw and refined production.

[31] CSC's postconference statement, p. 8.

[32] ADM's Answers to Staff Questions at the Conference, April 23, 2014, pp. 1-2.

[33] ADM's Answers to Staff Questions at the Conference, April 23, 2014, p. 2.

[34] ADM's Answers to Staff Questions at the Conference, April 23, 2014, p. 4., and correction contained in U.S. Producer Response Revision, April 25, 2014.

Table III-3
Sugar: U.S. producers' nature of operations, ownership, related and/or affiliated firms

Firm	Ownership and related firms
Cane Millers	
Cora Texas	***.
Florida Crystals Corporation	***.
Lafourche Sugars	***.
Louisiana Sugar Cooperative, Inc. ("LASUCA")	***.
Lula-Westfield	***.
M. A. Patout & Son, Limited	***.
Rio Grande Valley Sugar Growers	***.
St. Mary Sugar Cooperative, Inc.	***.
Sugar Cane Growers Cooperative of Florida	***.
Cane Millers & Refiners	
Hawaiian Commercial & Sugar Co.	***.
United States Sugar Corporation	***.
Cane Refiners	
AmCane Sugar	***.
American Sugar Holdings	***.
Imperial Sugar Company	***.
Louisiana Sugar Refining	***.
Beet Processors	
American Crystal Sugar Company	***.
Michigan Sugar Company	***.
Minn-Dak Farmers Coop	***.
Southern Minnesota Beet Sugar Cooperative	***.
The Amalgamated Sugar Company	***.
The Western Sugar Cooperative	***.
Wyoming Sugar Growers	***.
Refiners that primarily produce liquid sugar	
Archer Daniels Midland	***.
CSC Sugar	***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-4
Sugar: U.S. producers, their position on the petition, location of production, and share of reported production, October 2010 through December 2013

Firm	Position on petition	Production location(s)	Share of stand alone raw sugar production (*percent*)	Share of refined sugar production (*percent*)
AmCane Sugar	***	Taylor, MI	***	***
American Crystal Sugar Company	***	Moorhead, MN	***	***
American Sugar Holdings	***	Yonkers, NY Arabi, LA Baltimore, MD Crockett, CA South Bay FL	***	***
Archer Daniels Midland	***	Decatur, IL (headquarters)	***	***
CSC Sugar	***	New Canaan, CT	***	***
Florida Crystals Corporation	***	South Bay, FL Pahokee, FL	***	***
Imperial Sugar Company	***	Wentworth, GA Gramercy, LA Ludlow, KY Wilton, CT	***	***
Louisiana Sugar Refining	***	Gramercy, LA	***	***
LASUCA	***	St. Martinville, LA	***	***
Lula-Westfield	***	Paincourtville, LA	***	***
M. A. Patout & Son	***	Jeanerette, LA Raceland, LA Franklin, LA	***	***
Michigan Sugar Company	***	Bay City, MI Caro, MI Croswell, MI Sebewaing, MI	***	***
Minn-Dak Farmers Coop	***	Wahpeton, ND	***	***

Table continued on next page.

Table III-4--*Continued*
Sugar: U.S. producers, their position on the petition, location of production, and share of reported production, October 2010 through December 2013

Firm	Position on petition	Production location(s)	Share of stand-alone raw sugar production (*percent*)	Share of refined sugar production (*percent*)
Rio Grande Valley Sugar Growers	***	Santa Rosa, TX	***	***
Southern Minnesota Beet Sugar Cooperative	***	Renville, MN Brawley, CA	***	***
St. Mary Sugar Cooperative	***	Jeanerette, LA	***	***
Sugar Cane Growers Cooperative of Florida	***	Belle Glade, FL	***	***
The Amalgamated Sugar Company	***	Boise, ID	***	***
The Western Sugar Cooperative	***	Billings, MT Fort Morgan, CO Lovell, WY Scottsbluff, NE Torrington, WY	***	***
United States Sugar Corporation	***	Clewiston, FL	***	***
Wyoming Sugar Growers	***	Worland, WY	***	***
Cora Texas	***	White Castle, LA	***	***
Lafourche Sugars	***	Thibodaux, LA	***	***
Hawaiian Commercial & Sugar Co.	***	Puunene HI	***	***
Total			100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

As indicated in table III-4, *** related to Mexican producers[35] of sugar and *** related to U.S. importers of sugar from Mexico. In addition, as discussed in greater detail below, five U.S. producers directly import the subject merchandise and five purchase the subject merchandise from U.S. importers.

Producers were asked to report any changes in operations since October 2010. There were three reported plant openings and three closings. ***.

There were three reported expansions. ***.

There were two reported acquisitions. ***.

There was one reported consolidation. ***.

There were three reported prolonged shutdowns or production curtailments. ***.

In addition, ***.

[35] In addition, ***.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Official USDA statistics regarding U.S. sugar production from sugar beets and sugarcane is presented in table III-5.

Table III-5
Sugar: U.S. sugar production, crop years 2001/02 – 2013/14

Crop year	Production (*1,000 STRV*)			Share (*percent*)	
	Beet sugar	Cane sugar	Total	Beet sugar	Cane sugar
2000/01	4,680	4,089	8,769	53.4	46.6
2001/02	3,915	3,985	7,900	49.6	50.4
2002/03	4,462	3,964	8,426	53.0	47.0
2003/04	4,692	3,957	8,649	54.3	45.7
2004/05	4,611	3,265	7,876	58.5	41.5
2005/06	4,444	2,955	7,399	60.1	39.9
2006/07	5,008	3,438	8,445	59.3	40.7
2007/08	4,721	3,431	8,152	57.9	42.1
2008/09	4,166	3,318	7,484	55.7	44.3
2009/10	4,575	3,400	7,975	57.4	42.6
2010/11	4,659	3,172	7,831	59.5	40.5
2011/12	4,900	3,588	8,488	57.7	42.3
2012/13	5,078	3,904	8,982	56.5	43.5

Source: Compiled from USDA Sugar and Sweeteners Yearbook, table 16, retrieved on April 22, 2014 at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx.

Table III-6 and figures III-1 and III-2 present U.S. producers' reported production, capacity, and capacity utilization. U.S. capacity for sugar production increased between 2010/11 and 2012/13 by 6.5 percent, while production of refined sugar increased by 7.2 percent.

Table III-6
Sugar: U.S. producers' capacity, production, and capacity utilization, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Quantity (*1,000 STRV*)				
U.S. millers' stand-alone raw sugar operations:[1]					
Capacity	***	***	***	***	***
Production	***	***	***	***	***
	Ratio (*percent*)				
Capacity utilization, raw sugar	***	***	***	***	***
	Quantity (*1,000 STRV*)				
U.S. processors' and refiners' sugar operations:[1]					
Capacity	12,536	13,402	13,346	4,012	3,952
Production	10,312	10,595	11,053	3,405	3,177
	Ratio (*percent*)				
Capacity utilization, refined sugar	82.3	79.1	82.8	84.9	80.4
	Share of refined sugar production by source of input (*percent*)				
Refined sugar produced from.--[2]					
Domestic inputs	74.9	76.1	80.5	85.9	84.8
Inputs imported from Mexico	7.4	2.8	11.7	3.9	10.4
Inputs imported from sources other than Mexico	17.7	21.2	7.9	10.2	4.8
Subtotal, imported inputs	25.1	23.9	19.5	14.1	15.2
Total production	100.0	100.0	100.0	100.0	100.0

[1] Stand-alone raw sugar data (i.e., millers) relate to firms that first produce raw sugar as an intermediate product in the production of refined sugar in non-continuous operations, which they either sell commercially or internally consume as an input in refined sugar production. Refined sugar data (i.e., refiners and processors) relate to production of sugar from either an agricultural input (sugarcane or sugar beet) or the intermediate product of raw sugar. Refined sugar data can encompass milling operations for those sugarcane refiners with continuous operations or its equivalent in the sugar beet industry, which historically has always been an integrated production process with no distinct intermediate product produced, stored, or sold.

[2] Inputs are understood to be either agricultural sugar crops (sugar beets or sugarcane) or raw (or "semi-refined") sugar destined for further processing. It is understood that the vast majority of U.S. production using imported inputs use the semi-finished raw or refined sugar as the input.

Note.—***. In addition, ***.

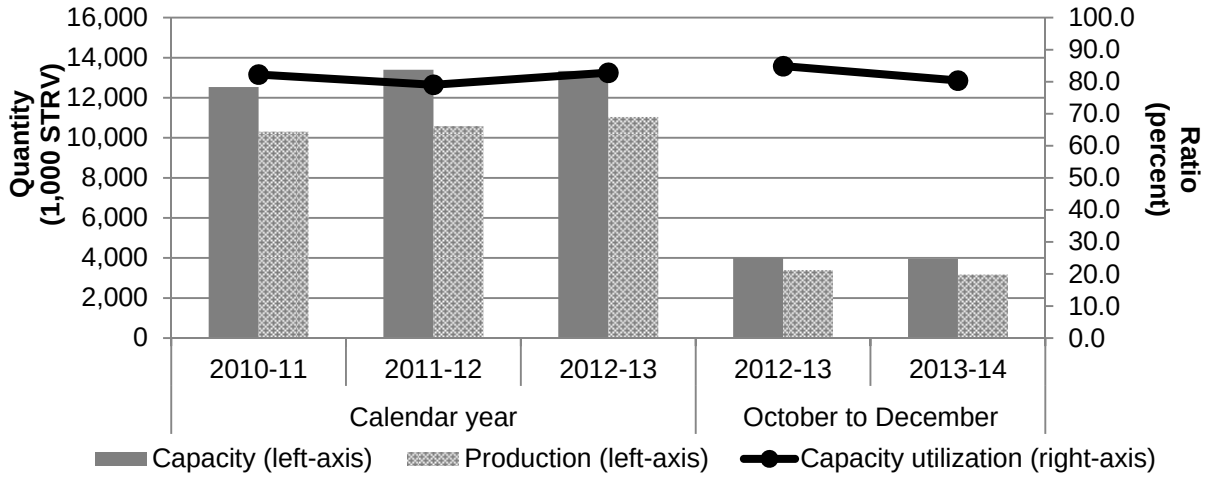
Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1
Sugar: U.S. millers' capacity, production, and capacity utilization, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

* * * * * * *

Source: Table III-5.

Figure III-2
Sugar: U.S. refiners' and processors' capacity, production, and capacity utilization, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14



Source: Table III-5.

Cane refineries ideally run on a continuous basis, 12 days on, two days off. Thus, capacity can be defined as 312 operating days in a year times the average daily melt rate.[36] Sugar beet processors define capacity according to the tons of sugar beets that can be sliced daily. Machines typically run continuously from early September-late August, and through May or sometimes June.[37]

No U.S. producer reported the ability to switch production (capacity) between sugar and other products using the same equipment and/or labor.[38] Many firms did report that molasses is produced on the same equipment and machinery used to produce sugar. Molasses is, however, a byproduct or co-product of sugar production.[39] *** indicated that "byproducts (such as molasses) are produced when making sugar and cannot be produced on a standalone

[36] Conference transcript, p. 73 (O'Malley).
[37] Conference transcript, p. 74 (Berg).
[38] Questionnaire responses, II-5.
[39] Conference transcript, p. 76 (O'Malley).

basis."[40] Accordingly, it is not the primary product refiners specifically seek out to produce.[41] Furthermore, molasses production does not displace sugar production.[42]

Reported constraints in the manufacturing process for the cane millers include weather, the total amount of sugarcane that is available for processing, and the clarifier capacity. Cane refineries generally reported that production is constrained by the raw sugar supply. Imperial Sugar stated that ***[43] Sugar beet processors reported the following constraints to production: sugar content and quality of the beets, weather, beet slicing capacity, crystallizing equipment sizes, shipping capacity, environmental permits, and USDA marketing allocations. CSC Sugar *** and ADM ***.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-7 presents U.S. millers' U.S. shipments and table III-8 presents U.S. refiners' U.S. shipments, export shipments and total shipments. The quantity of U.S. refiners' and processors' U.S. shipments increased from 2010/11 to 2012/13 by *** percent, while the value of their U.S. shipments decreased by *** percent. The unit values of U.S. shipments decreased by *** percent from 2010/11 to 2012/13. U.S. producers reported exports to be less than two percent of total shipments during 2010/11 to 2012/13. *** U.S. producers reported exporting to ***. Domino Foods estimates that it exports less than five percent of its total production.[44]

Table III-7
Sugar: U.S. millers' (i.e., raw sugar) U.S. shipments, export shipments, and total shipments, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

[40] *** U.S. producers' questionnaire response, II-3c.
[41] Conference transcript, p. 86 (Greenwald).
[42] Conference transcript, pp. 85-86 (Berg).
[43] Imperial Sugar further explained, ***.
[44] Conference transcript, p. 78 (O'Malley).

Table III-8

Sugar: U.S. refiners' and processors' (i.e., refined sugar) U.S. shipments, export shipments, and total shipments, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
Quantity (*1,000 STRV*)					
Commercial U.S. shipments	9,931	10,173	10,704	2,563	2,809
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	10,224	10,432	10,878	2,604	2,862
Value (*1,000 dollars*)					
Commercial U.S. shipments	7,725,754	8,494,212	7,729,096	2,015,566	1,812,010
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	7,945,956	8,691,050	7,863,196	2,050,043	1,847,757
Unit value (*dollars per STRV*)					
Commercial U.S. shipments	777.94	834.98	722.08	786.41	645.07
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	777.16	833.14	722.88	787.20	645.58
Share of quantity (*percent*)					
Commercial U.S. shipments	97.1	97.5	98.4	98.4	98.1
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)					
Commercial U.S. shipments	97.2	97.7	98.3	98.3	98.1
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' INVENTORIES

Table III-9 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments over the period examined**.** U.S. millers' inventories of sugar increased by *** percent from 2010/11 to 2012/13, while U.S. refiners' inventories of sugar increased by 36.2 percent. Inventories of refined sugar relative to total shipments increased by 2.2 percentage points from 2010/11 to 2012/13.

Table III-9
Sugar: U.S. producers' inventories, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Quantity (*1,000 STRV*)				
U.S. millers' end-of-period inventories	***	***	***	***	***
	Ratio (*percent*)				
Ratio of inventories to.--					
U.S. Production	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Quantity (*1,000 STRV*)				
U.S. processors' and refiners' end-of-period inventories	815	956	1,110	1,737	1,405
	Ratio (*percent*)				
Ratio of inventories to.--					
U.S. Production	7.9	9.0	10.0	12.8	11.1
U.S. shipments	***	***	***	***	***
Total shipments	8.0	9.2	10.2	16.7	12.3

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' IMPORTS AND PURCHASES

Nine U.S. producers' reported imports and/or purchases of imported sugar since October 1, 2010. Data for each of the nine companies are presented in tables III-10 through III-18. ***.

Table III-10
Sugar: * purchases of imports and production from imported inputs, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-11
Sugar: * imports and production from imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-12
Sugar: * purchases of imports and production from imported imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-13
Sugar: * imports and production from imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-14
Sugar: * imports and production from imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-15
Sugar: * imports, purchases of imports and production from imported inputs, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-16

Sugar: * imports and production from imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-17

Sugar: * purchases of imports and production from imported imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-18

Sugar: * purchases of imports and production from imported imports, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14**

* * * * * * *

Table III-19 presents data on the estimated value added of U.S. shipments of refining operations.

Table III-19

Sugar: Estimated value added of U.S. shipments of U.S. refining operations, by source, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-20 shows U.S. producers' employment-related data during the period examined. The level of production-related workers (PRWs) decreased by *** percent; total hours worked decreased by *** percent; wages paid increased by *** percent; and productivity increased by *** percent. Hourly wages increased for both cane millers and processors and refiners from 2010/11 to 2012/13.

Table III-20
Sugar: U.S. producers' employment related data, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
U.S. millers					
Production-Related Workers (PRWs) (*number*)	***	***	***	***	***
Total hours worked (*1,000 hours*)	***	***	***	***	***
Hours worked per PRW (*hours*)	***	***	***	***	***
Wages paid *($1,000*)	***	***	***	***	***
Hourly wages (*dollars per hour*)	$***	$***	$***	$***	$***
Productivity (*STRV per 1,000 hours*)	***	***	***	***	***
Unit labor costs (*dollars per STRV*)	$***	$***	$***	$***	$***
U.S. processors and U.S. refiners					
Production-Related Workers (PRWs) (*number*)	9,713	8,444	9,134	9,702	10,242
Total hours worked (*1,000 hours*)	20,262	18,177	19,824	5,506	5,812
Hours worked per PRW (*hours*)	2,086	2,153	2,170	568	567
Wages paid (*$1,000*)	456,655	421,203	463,383	128,820	137,115
Hourly wages (*dollars per hour*)	$22.54	$23.17	$23.37	$23.40	$23.59
Productivity (*STRV per 1,000 hours*)	508.9	582.9	557.6	618.4	546.6
Unit labor costs (*dollars per STRV*)	$44	$40	$42	$38	$43

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 28 firms believed to be importers of subject sugar, as well as to all U.S. producers of sugar.[1] Usable questionnaire responses were received from 19 companies, representing 82.0 percent[2] of total imports of sugar from Mexico, and *** percent[3] of total imports of sugar from all other sources between October 2010 and December 2013. Table IV-1 lists all responding U.S. importers of sugar from Mexico and other sources, their locations, and their shares of U.S. imports, in October 2010 through December 2013.

[1] The Commission issued questionnaires to those firms identified in the petition,***.

[2] Coverage was based on total reported imports from Mexico during October 2010 through December 2013 (4.387 million STRV) versus official import statistics (5.351 million STRV).

[3] Coverage was based on total reported imports from nonsubject sources during October 2010 through December 2013 (*** million STRV) versus Customs data which includes TRQ HTS numbers (6.404 million STRV).

Table IV-1
Sugar: U.S. importers, their headquarters, and share of total imports by source, October 2010 through December 2013

Firm	Headquarters	Share of imports by source (*percent*)		
		Mexico	All other sources	Total imports
Able Sales Company, Inc.	San Juan, PR	***	***	***
AmCane Sugar LLC	Taylor, MI	***	***	***
American Sugar Holdings, Inc.[1]	Yonkers, NY	***	***	***
B&M Sugar Products, LLC	Miami, FL	***	***	***
Barry Callebaut USA LLC[2]	Chicago, IL	***	***	***
Blackhive Corporation, Inc.[3]	Fayetteville, AR	***	***	***
C. Czarnikow Sugar Inc.[4]	Miami, FL	***	***	***
Cargill Inc.[5]	Minneapolis, MN	***	***	***
CSC Sugar, LLC[6]	New Canaan, CT	***	***	***
Diazteca, Co	Rio Rico, AZ	***	***	***
E D & F Man Sugar Inc.[7]	Miami, FL	***	***	***
Evergreen Sweeteners	Hallandale Beach, FL	***	***	***
H-E-B Grocery Co.	San Antonio, TX	***	***	***
LD Commodities Sugar Holdings LLC (including Imperial Sugar Company and LD Commodities Sugar Merchandising LLC)[8]	Wilton, CT	***	***	***
Peachtree Commodities, LLC	Norcross , GA	***	***	***
Royal Ingredients, LLC[9]	Swedesboro, NJ	***	***	***
Sucden Americas Corporation[10]	Miami, FL	***	***	***
Walrus Trading, LLC[11]	Houston, TX	***	***	***
Zucrum Foods LLC dba Zucarmex USA[12]	Nogales, AZ	***	***	***
Total		100.0	100.0	100.0

[1] American Sugar Holdings is ***.
[2] Barry Callebaut USA ***.
[3] Blackhive's ***.
[4] C. Czarnikow Sugar's ***.
[5] Cargill's ***.
[6] CSC Sugar is ***.
[7] E D & F Man Sugar is ***.
[8] LD Commodities Sugar Holdings is ***.
[9] Royal Ingredients is ***.
[10] Sucden Americas is ***.
[11] Walrus Trading is ***.
[12] Zucrum Foods is ***.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Tables IV-2 and IV-3 and Figure IV-1 present data for U.S. imports of sugar from Mexico and all other sources. Import data is based on official import statistics, HTS statistical reporting numbers, 1701.11.1000 (historical), 1701.11.5000 (historical), 1701.12.1000,1701.12.5000, 1701.13.1000, 1701.13.5000, 1701.14.1000, 1701.14.5000, 1701.91.1000, 1701.91.3000,1701.99.1020 (historical), 1701.99.1025, 1701.99.1030 (historical), 1701.99.1050, 1701.99.5020 (historical), 1701.99.5025, 1701.99.5030 (historical), 1701.99.5050, and 1702.90.4000.[4]

In 2012, HTS subheading 1701.11, which had covered raw "cane sugar" was discontinued and replaced by 1701.13, "Cane sugar specified in subheading note 2 to this schedule" (non-centrifugal sugar), and 1701.14, "Other cane sugar." These new subheadings are subdivided into 8-digit tariff rate lines to administer the TRQ, but no statistical reporting numbers exist under them. To present an accurate data set from October 2010 through December 2013, HTS heading 1701.11 is also included in import data throughout this report. In 2012, HTS statistical subheadings 1701.99.1020 and 1701.99.1030 were broken out into 1701.99.1025, 1701.99.1050 and 1701.99.1010 (out of scope).

Likewise, HTS statistical subheadings 1701.99.5020 and 1701.99.5030 were replaced by 1701.99.5025, 1701.99.5050, and 1701.99.5010 (out of scope). To present an accurate data set from October 2010 through December 2013, HTS statistical subheadings 1701.99.1020, 1701.99.1030, 1701.99.5020, and 1701.99.5030 are also included in import data throughout this report.

Imports of sugar from Mexico decreased from 2010/11 to 2011/12 by 35.6 percent, but increased overall from 2010/11 to 2012/13 by 25.2 percent. Imports of sugar from nonsubject sources increased from 2010/11 to 2011/12 by 20.8 percent, but decreased overall from 2010/11 to 2012/13 by 41.6 percent.

[4] All import data are reported on a raw value basis. HTS items identified as refined or specialty sugars were converted to a raw basis by multiplying by 1.07. HTS items identified as raw sugar were not converted. This method may slightly understate the true raw basis of these imports, since some product entering as raw sugar in the HTS may have a polarity level less than 99.5 (the HTS definition of raw sugar) but more 93.0 degrees (the polarity for which raw sugar converts to 100 percent refined sugar using the 1.07 conversion rate).

Table IV-2

Sugar: U.S. imports, by source, crop years 2010/11 through 2012/13, Oct-Dec 2012-13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Quantity (*1,000 STRV*)				
U.S. imports from.--					
Mexico	1,650	1,062	2,066	272	573
All other sources	1,532	1,850	895	338	189
Total U.S. imports	3,183	2,912	2,962	610	762
	Value (*1,000 dollars*)				
U.S. imports from.--					
Mexico	1,261,924	849,049	1,042,185	176,964	256,880
All other sources	1,086,181	1,298,815	497,767	206,235	87,963
Total U.S. imports	2,348,105	2,147,864	1,539,952	383,199	344,843
	Unit value (*dollars per STRV*)				
U.S. imports from.--					
Mexico	765	799	504	650	448
All other sources	709	702	556	611	466
Total U.S. imports	738	737	520	628	453
	Share of quantity (*percent*)				
U.S. imports from.--					
Mexico	51.9	36.5	69.8	44.7	75.2
All other sources	48.1	63.5	30.2	55.3	24.8
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
	Share of value (*percent*)				
U.S. imports from.--					
Mexico	53.7	39.5	67.7	46.2	74.5
All other sources	46.3	60.5	32.3	53.8	25.5
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
	Ratio to U.S. refined sugar production (*percent*)				
U.S. imports from.--					
Mexico	16.0	10.0	18.7	8.0	18.0
All other sources	14.9	17.5	8.1	9.9	5.9
Total U.S. imports	30.9	27.5	26.8	17.9	24.0

Source: Compiled from official U.S. import statistics.

Table IV-3

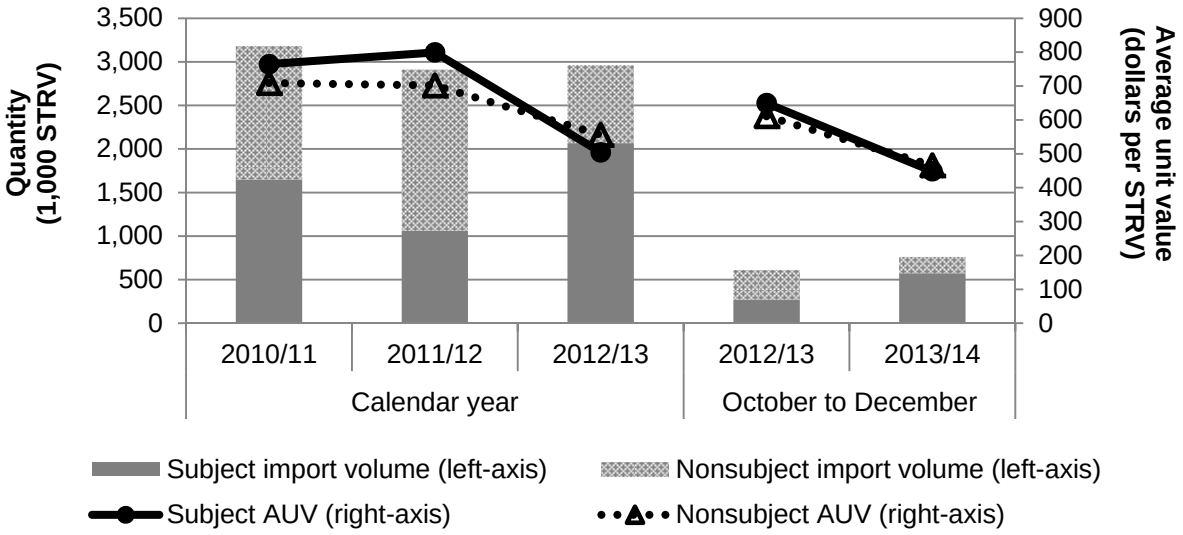
Sugar: U.S. imports, by source and type of sugar, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
			Quantity (*1,000 STRV*)		
U.S. imports from Mexico.--					
Raw sugar	495	134	761	50	275
Refined sugar	1,156	928	1,305	222	298
Other sugars	0	0	0	0	0
Total U.S. imports from Mexico	1,650	1,062	2,066	272	573
U.S. imports from nonsubject sources--					
Raw sugar	1,464	1,516	803	292	175
Refined sugar	68	332	86	45	13
Other sugars	([1])	2	7	1	1
Total U.S. imports from nonsubject sources	1,532	1,850	895	338	189
			Share of type by source (*percent*)		
U.S. imports from Mexico.--					
Raw sugar	30.0	12.6	36.8	18.4	48.0
Refined sugar	70.0	87.4	63.2	81.6	52.0
Other sugars	0.0	0.0	0.0	0.0	0.0
Total U.S. imports from Mexico	100.0	100.0	100.0	100.0	100.0
U.S. imports from nonsubject sources--					
Raw sugar	95.5	82.0	89.7	86.4	92.5
Refined sugar	4.5	18.0	9.6	13.5	6.8
Other sugars	([2])	0.1	0.7	0.2	0.6
Total U.S. imports from nonsubject sources	100.0	100.0	100.0	100.0	100.0
			Share of source by type (*percent*)		
U.S. imports from Mexico.--					
Raw sugar	25.3	8.1	48.7	14.6	61.2
Refined sugar	94.4	73.6	93.8	83.0	95.8
Other sugars	0.0	0.0	0.0	0.0	0.0
Total U.S. imports from Mexico	51.9	36.5	69.8	44.7	75.2
U.S. imports from nonsubject sources--					
Raw sugar	74.7	91.9	51.3	85.4	38.8
Refined sugar	5.6	26.4	6.2	17.0	4.2
Other sugars	100.0	100.0	100.0	100.0	100.0
Total U.S. imports from nonsubject sources	48.1	63.5	30.2	55.3	24.8

[1] less than 500 short tons raw value.
[2] Less than 0.05 percent

Source: Compiled from official U.S. import statistics.

Figure IV-1
Sugar: U.S. imports, by source, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14



Source: Table IV-2.

Table IV-4 presents data for U.S. imports of sugar from the top nonsubject sources. The leading nonsubject source of sugar imports is Brazil, which accounted for 5.6 percent of total imports in 2012/13.

Table IV-4

Sugar: U.S. imports from major nonsubject sources, by source, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Quantity (*STRV*)				
U.S. imports from.--					
Brazil	252,509	412,864	164,843	156,000	27,811
Dominican Republic	221,599	221,824	101,992	1,028	5
Philippines	71,823	68,110	82,684	26,105	5,082
Guatemala	107,590	158,632	81,343	15,642	27,523
Colombia	213,526	264,307	59,582	12	31,085
El Salvador	136,979	136,314	59,525	59,525	69,446
Australia	6,917	97,566	58,127	18,469	12,016
Argentina	71,003	61,689	54,654	3,268	0
Nicaragua	66,987	53,434	42,792	12,041	0
Republic of South Africa	48,439	46,077	40,106	0	0
All other nonsubject sources	334,842	329,503	149,659	45,538	15,857
Total imports from nonsubject sources	1,532,213	1,850,321	895,305	337,629	188,824
	Share of total imports (*percent*)				
U.S. imports from.--					
Brazil	7.9	14.2	5.6	25.6	3.7
Guatemala	7.0	7.6	3.4	0.2	([1])
El Salvador	2.3	2.3	2.8	4.3	0.7
Dominican Republic	3.4	5.4	2.7	2.6	3.6
Philippines	6.7	9.1	2.0	([1])	4.1
Colombia	4.3	4.7	2.0	9.8	9.1
Australia	0.2	3.3	2.0	3.0	1.6
Argentina	2.2	2.1	1.8	0.5	0.0
Costa Rica	2.1	1.8	1.4	2.0	0.0
Nicaragua	1.5	1.6	1.4	0.0	0.0
All other nonsubject sources	10.5	11.3	5.1	7.5	2.1
Total imports from nonsubject sources	48.1	63.5	30.2	55.3	24.8

[1] Less than 0.05 percent.

Source: Compiled from official U.S. import statistics.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[5] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[6] Imports of sugar from Mexico accounted for 74.38 percent[7] of total imports of sugar by quantity during the 12-month period of April 2013 through March 2014.

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APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table IV-5 and Figure IV-2 presents data on apparent U.S. consumption and U.S. market shares for sugar over the period examined. Apparent U.S. consumption, based on quantity, decreased by 0.2 percent from 2010/11 to 2011/12 but increased overall by 8.6 percent from 2010/11 to 2012/13. Apparent U.S. consumption, based on value, increased by 6.2 percent from 2010/11 to 2011/12 but decreased overall by 3.4 percent from 2010/11 to 2012/13. U.S. producers' share of apparent U.S. consumption, based on quantity, increased steadily from 2010/11 to 2012/13, increasing by 4.2 percentage points. The market share of imports of sugar from Mexico increased by 2.3 percentage points over the period, while the market share of nonsubject imports decreased by 6.6 percentage points over the period.

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[5] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[6] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

[7] Total imports were 3,156,555 metric tons raw value; imports from Mexico were 2,347,873 metric tons raw value. USDA Sugar and Sweeteners Yearbook, "Table 61 -- U.S. monthly sugar imports, fiscal years (FYs) 2008-14". http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx.

Table IV-5
Sugar: Apparent U.S. consumption and market shares, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
			Quantity (*1,000 STRV*)		
U.S. producers' U.S. shipments[1]	7,555	7,806	8,697	2,117	2,331
U.S. imports from.--					
Mexico	1,650	1,062	2,066	272	573
All other sources	1,532	1,850	895	338	189
Total U.S. imports	3,183	2,912	2,962	610	762
Apparent U.S. consumption	10,738	10,719	11,659	2,727	3,093
			Value (*1,000 dollars*)[2]		
U.S. producers' U.S. shipments[1]	5,642,656	6,334,965	6,180,960	1,625,511	1,475,719
U.S. imports from.--					
Mexico	1,261,924	849,049	1,042,185	176,964	256,880
All other sources	1,086,181	1,298,815	497,767	206,235	87,963
Total U.S. imports	2,348,105	2,147,864	1,539,952	383,199	344,843
Apparent U.S. consumption	7,990,761	8,482,828	7,720,911	2,008,710	1,820,562
			Share of quantity (*percent*)		
U.S. producers' U.S. shipments	70.4	72.8	74.6	77.6	75.4
U.S. imports from.--					
Mexico	15.4	9.9	17.7	10.0	18.5
All other sources	14.3	17.3	7.7	12.4	6.1
Total U.S. imports	29.6	27.2	25.4	22.4	24.6
			Share of value (percent)		
U.S. producers' U.S. shipments	70.6	74.7	80.1	80.9	81.1
U.S. imports from.--					
Mexico	15.8	10.0	13.5	8.8	14.1
All other sources	13.6	15.3	6.4	10.3	4.8
Total U.S. imports	29.4	25.3	19.9	19.1	18.9

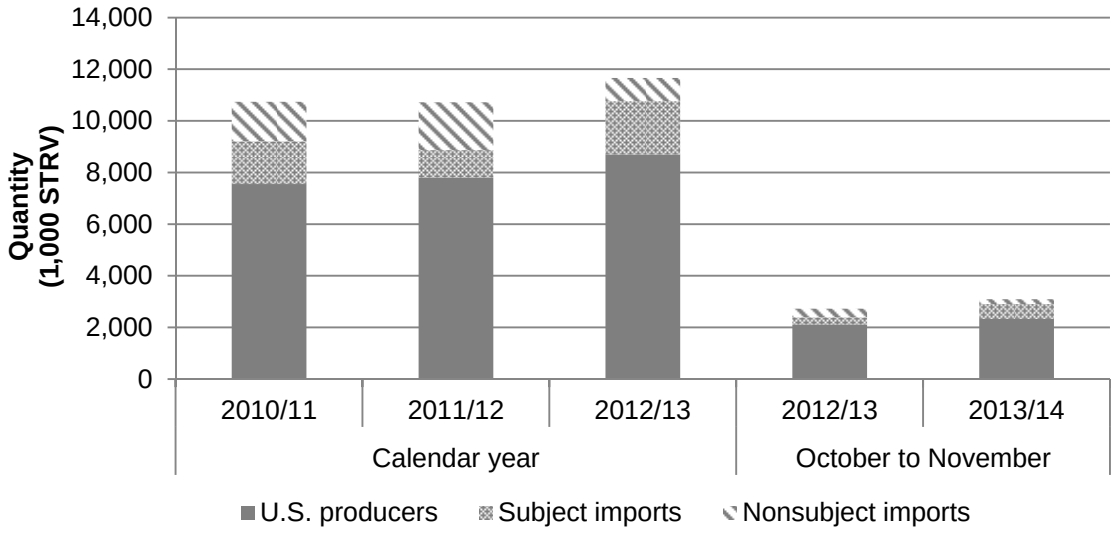
[1] U.S. producers' U.S. shipments includes only those refined shipments from U.S. inputs (i.e., fully attributable to U.S. production activities). U.S. shipments of imported inputs further refined in the United States have been removed from this line to avoid double counting. Some of the imports from Mexico and from all other sources reported in this grid had some U.S.-value added operations prior to sale to consumer.

[2] Landed, duty-paid.

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics.

Figure IV-2

Sugar: Apparent U.S. consumption, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14



Source: Table IV-5

Official statistics, compiled by USDA, relating to U.S. production, and consumption of sugar are presented in table IV-6.

Table IV-6
Sugar: U.S. production, imports, and consumption, crop years 2010/11 through 2012/13

Item	Crop year		
	2010/11	2011/12	2012/13
	Quantity (*1,000 STRV*)		
Beginning stocks	1,498	1,378	1,979
U.S. production:			
Beet sugar	4,659	4,900	5,076
Cane sugar	3,172	3,588	3,905
Total production	7,831	8,488	8,981
U.S. imports:			
Mexico	1,708	1,071	2,124
Other non-program imports	18	13	7
TRQ imports	1,721	1,883	957
Other program imports	291	664	136
Total imports	3,738	3,632	3,224
Total U.S. supply	13,067	13,498	14,185
U.S. shipments:			
Food & beverage	11,193	11,141	11,511
Other[1]	229	173	265
Total shipments	11,422	11,313	11,776
U.S. exports	248	269	274
Ending stocks	1,378	1,979	2,158
	Ratio (*percent*)		
Stocks to use ratio	11.79	17.18	17.95
	Share of total U.S. shipments (*percent*)[2]		
U.S. production	68.56	75.03	76.27
U.S. imports	32.73	32.10	27.38

[1] Includes sugar transferred to sugar-containing products and alcohols, intended for re-export, as well as sugar intended for nonhuman consumption (e.g., animal feed).
[2] Due to the presence of sugar stocks (or inventories), total U.S. shipments of sugar may exceed (or be less than) the sum of U.S. sugar production and U.S. sugar imports.

Note.--Due to rounding and statistical adjustments in the original data, items may not add to the totals shown.

Source: Compiled from USDA Sugar and Sweeteners Yearbook, table 24a, retrieved on April 23, 2014 at http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx#.U1bAwRB7SQc.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

A large majority of the cost of production for both sugarcane milling and sugar beet processing is the cost of raw materials, sugarcane and sugar beets, respectively. Raw material costs made up over 70 percent of the costs of goods sold for refiners during 2012/13.

U.S. inland transportation costs

Almost all responding U.S. producers and importers reported that they typically arrange for transportation to their customers. Most U.S. producers reported that their U.S. inland transportation costs ranged from 2 to 20 percent while most importers reported costs of 1 to 30 percent.

PRICING PRACTICES

Pricing methods

Prices are most commonly determined under contract negotiations for multiple shipments, although transaction-by-transaction negotiations for spot sales were also reported (table V-1). The majority of sugar sales by processors/refiners and importers are on a contract basis as with short-term contracts accounting for the majority of sales (table V-2). Short-term contracts are typically for periods of 90 days to one year. Long-term contracts are typically for periods up to two years, although two U.S. producers (***) reported using 10-year contracts. For most U.S. producers and importers, prices and quantities are fixed during the contract period. None of the responding firms' contracts typically contain meet-or-release provisions.

Sales terms and discounts

Questionnaire responses indicated that most U.S. producers and importers quote prices on a delivered basis, but that a few quote only on an f.o.b. basis and some quote on both bases. Most U.S. producers and importers do not offer discounts on their sales of sugar. Volume discount policies vary among processors/refiners.

Table V-1

Sugar: U.S. producers' and importers' reported price setting methods, by number of responding firms[1]

Method	U.S. producers	U.S. importers
Transaction-by-transaction	8	12
Contract	23	13
Set price list	2	1
Other	2	2

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-2

Sugar: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2012/13

Type of sale	Share of commercial U.S. shipments (*percent*)	
	U.S. producers	U.S. importers
Long-term contracts	21.1	7.4
Short-term contracts	63.5	61.7
Spot sales	15.3	30.9

Note.--Because of rounding, figures may not add to 100.0 percent.

Source: Compiled from data submitted in response to Commission questionnaires.

PRICE DATA

The Commission requested that U.S. producers and importers provide quarterly data for the total quantity and f.o.b. value of the following sugar products shipped to unrelated U.S. customers from October 2011 to December 2013.

Product 1.-- Raw cane sugar or estandar sold to sugar refiners.

Product 2.-- Refined sugar or estandar sold to industrial producers of food, beverages or other sugar-containing-products (e.g., General Mills, Mars, Coca-cola, Kraft).

Product 3.-- Refined sugar sold in packages of 50 lbs. or less to grocery chains (e.g., Safeway, Harris Teeter, Walmart, Costco).

Product 4.-- Refined sugar sold in packages of 50 kgs. (110.23 lbs.) or less to institutional and/or food service providers (e.g., Sysco, restaurant chains, bakeries, schools, hospitals, prisons).

<u>Product 5</u>.-- Refined sugar sold in bulk to institutional and/or food service providers (e.g., restaurant chains, bakeries, schools, hospitals, prisons).

<u>Product 6</u>.-- Refined sugar or estandar sold in packages of 50 kgs. (110.23 lbs.) or less to distributors (i.e., companies such as Batory Foods that buy sugar to resell to the industrial trade for use as an ingredient).

<u>Product 7</u>.-- Refined sugar or estandar sold in bulk to distributors (i.e., companies such as Batory Foods that buy sugar to resell to the industrial trade for use as an ingredient).

Twenty U.S. producers and 13 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[1] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of sugar and 26 percent of subject imports from Mexico between October 2011 and December 2013. Price data for products 1-7 are presented in tables V-3 to V-9, and figure V-1.

The Mexican Sugar Chamber estimates that the coverage for the price data as only *** percent. They indicate that the coverage is low because a high percentage of the subject imports does not enter the merchant market, but is raw sugar imported and then refined by the domestic industry.[2] In estimating the coverage of import from Mexico, the Mexican Sugar Chamber does not explain why it included none of the reported price data for Mexican imports for products 1, 4, 5, and 7 and smaller quantities for the other three price products is estimating the coverage.[3]

Petitioners suggest the data for product 1 are not particularly meaningful since ***.[4]

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[1] Price data for products 2, 5, and 6 reported by importer *** was not included. This importer reported processing all of the sugar that it imports. It ***.

[2] Mexican Sugar Chamber respondents' postconference brief, Exhibit 1, Economic Submission, p. 21.

[3] Mexican Sugar Chamber respondents' postconference brief, Exhibit 1, Economic Submission, p. 21 and accompanying tables; and Exhibit 8, response to "Pages 263-264 Q9." Except for data reported by ***, Mexican Sugar Chamber respondents do not explain why they do not use all of price data reported in the questionnaires for imports from Mexico. They allege the import price data for ***. Email from ***, economist for Mexican Sugar Chamber respondents, May 5, 2014. Mexican Sugar Chamber respondents' postconference brief, exhibit 1, Economic Submission, p. 21 and accompanying tables.

[4] Petitioners' postconference brief, p. 28.

Table V-3

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by month, October 2011-December 2013

Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011:					
October	30.83	1,848,697	--	0	--
November	32.27	2,666,217	--	0	--
December	25.87	2,405,682	--	0	--
2012:					
January	31.94	1,621,002	--	0	--
February	32.06	1,227,456	***	***	***
March	31.82	1,985,828	***	***	***
April	32.79	1,783,287	--	0	--
May	32.44	2,769,543	--	0	--
June	32.38	1,973,793	--	0	--
July	32.70	2,804,749	--	0	--
August	33.37	2,690,322	--	0	--
September	32.69	3,884,214	--	0	--
October	29.04	2,001,421	--	0	--
November	26.04	2,219,925	--	0	--
December	26.89	3,699,790	--	0	--
2013:					
January	28.33	1,170,352	--	0	--
February	27.60	1,864,646	--	0	--
March	25.35	2,258,468	--	0	--
April	27.10	1,587,289	***	***	***
May	26.72	1,309,296	--	0	--
June	28.20	2,388,269	***	***	***
July	27.87	3,109,973	--	0	--
August	25.77	1,815,027	***	***	***
September	26.67	4,189,661	***	***	***
October	26.59	1,307,948	***	***	***
November	23.17	2,119,634	--	0	--
December	21.01	1,701,867	***	***	***

[1] Product 1: Raw cane sugar or estandar sold to sugar refiners.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by month, October 2011-December 2013

Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011:					
October	39.44	9,782,126	44.79	314,082	(13.6)
November	40.11	8,068,219	46.30	332,432	(15.4)
December	41.30	7,642,652	46.34	290,833	(12.2)
2012:					
January	41.78	8,829,604	47.58	258,699	(13.9)
February	41.85	8,580,925	46.27	302,886	(10.5)
March	42.46	9,461,545	44.27	403,858	(4.3)
April	42.20	8,889,932	44.07	340,314	(4.4)
May	42.04	9,266,980	46.72	412,889	(11.1)
June	41.44	8,932,469	45.61	331,723	(10.1)
July	42.21	9,773,927	44.28	287,038	(4.9)
August	41.44	9,597,441	43.70	344,824	(5.4)
September	39.84	12,017,185	43.18	258,632	(8.4)
October	40.47	7,271,760	41.04	314,188	(1.4)
November	38.72	7,288,625	40.17	240,092	(3.8)
December	39.46	6,966,282	38.14	219,294	3.4
2013:					
January	37.97	9,285,536	33.27	292,198	12.4
February	37.37	8,861,939	32.75	384,660	12.4
March	34.04	9,650,695	33.30	355,086	2.2
April	36.70	9,667,836	33.12	302,819	9.8
May	36.45	9,357,610	33.60	397,550	7.8
June	35.84	9,672,268	34.86	359,174	2.7
July	34.83	9,907,071	34.43	352,071	1.1
August	35.17	9,887,255	32.77	354,830	6.8
September	30.20	15,296,211	31.59	381,120	(4.6)
October	31.74	10,329,999	32.17	330,343	(1.4)
November	31.47	8,486,481	30.83	250,312	2.0
December	32.99	7,420,319	29.95	258,374	9.2

[1] Product 2:Refined sugar or estandar sold to industrial producers of food, beverages or other sugar-containing-products (e.g., General Mills, Mars, Coca-cola, Kraft).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by month, October 2011-December 2013

Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011:					
October	49.96	3,609,740	***	***	***
November	50.21	3,401,182	***	***	***
December	50.90	2,852,987	***	***	***
2012:					
January	51.98	1,623,393	***	***	***
February	51.66	2,138,917	***	***	***
March	50.46	2,432,919	***	***	***
April	50.90	2,295,408	***	***	***
May	50.00	2,420,747	***	***	***
June	49.53	2,547,605	***	***	***
July	48.72	2,917,214	***	***	***
August	48.58	2,781,939	***	***	***
September	48.18	3,340,632	***	***	***
October	46.99	3,171,406	***	***	***
November	46.41	3,318,129	***	***	***
December	47.02	2,628,777	***	***	***
2013:					
January	44.58	1,747,267	***	***	***
February	43.14	2,055,655	***	***	***
March	42.31	2,719,215	***	***	***
April	42.30	1,925,616	***	***	***
May	41.86	2,384,496	***	***	***
June	40.94	2,682,698	***	***	***
July	40.33	2,437,691	***	***	***
August	39.82	2,725,494	***	***	***
September	39.80	3,041,346	***	***	***
October	37.85	3,239,405	***	***	***
November	35.21	3,588,969	***	***	***
December	41.58	2,613,201	***	***	***

[1] Product 3: Refined sugar sold in packages of 50 lbs. or less to grocery chains (e.g., Safeway, Harris Teeter, Walmart, Costco).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by month, October 2011-December 2013

Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011: October	***	***	51.30	69,544	***
November	***	***	51.43	72,227	***
December	***	***	52.78	81,927	***
2012: January	***	***	47.50	33,399	***
February	***	***	50.34	45,823	***
March	***	***	50.49	63,546	***
April	***	***	52.44	60,330	***
May	***	***	49.60	61,680	***
June	***	***	49.70	53,770	***
July	***	***	48.91	60,721	***
August	***	***	47.99	65,024	***
September	***	***	47.85	58,169	***
October	***	***	39.59	36,822	***
November	***	***	***	***	***
December	***	***	***	***	***
2013: January	***	***	33.10	35,241	***
February	***	***	32.36	38,065	***
March	***	***	33.49	43,917	***
April	***	***	32.96	51,104	***
May	***	***	33.98	52,383	***
June	***	***	32.76	55,272	***
July	***	***	31.89	53,962	***
August	***	***	***	***	***
September	***	***	***	***	***
October	***	***	30.79	51,881	***
November	***	***	***	***	***
December	***	***	32.80	46,683	***

[1] Product 4: Refined sugar sold in packages of 50 kgs. (110.23 lbs.) or less to institutional and/or food service providers (e.g., Sysco, restaurant chains, bakeries, schools, hospitals, prisons).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-7

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by month, October 2011-December 2013

Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011: October	***	***	***	***	***
November	***	***	--	0	--
December	***	***	--	0	--
2012: January	***	***	--	0	--
February	***	***	--	0	--
March	***	***	***	***	***
April	***	***	***	***	***
May	***	***	***	***	***
June	***	***	***	***	***
July	***	***	***	***	***
August	***	***	***	***	***
September	***	***	***	***	***
October	***	***	***	***	***
November	***	***	--	0	--
December	***	***	--	0	--
2013: January	***	***	***	***	***
February	***	***	***	***	***
March	***	***	***	***	***
April	***	***	--	0	--
May	***	***	--	0	--
June	***	***	--	0	--
July	***	***	***	***	***
August	***	***	***	***	***
September	***	***	***	***	***
October	***	***	--	0	--
November	***	***	--	0	--
December	***	***	--	0	--

[1] Product 5: Refined sugar sold in bulk to institutional and/or food service providers (e.g., restaurant chains, bakeries, schools, hospitals, prisons).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-8

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 6[1] and margins of underselling/(overselling), by month, October 2011-December 2013

Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011:					
October	44.53	783,021	45.62	210,420	(2.5)
November	44.07	665,110	46.26	212,704	(5.0)
December	44.41	595,938	47.38	102,532	(6.7)
2012:					
January	45.32	619,505	48.47	47,090	(6.9)
February	45.13	658,205	48.40	48,579	(7.3)
March	45.32	758,241	47.58	89,476	(5.0)
April	45.58	749,344	46.73	95,028	(2.5)
May	44.83	731,939	46.38	114,329	(3.5)
June	44.02	747,042	43.76	72,578	0.6
July	44.32	773,822	43.36	84,117	2.2
August	43.90	895,441	42.48	101,172	3.3
September	41.96	947,430	41.27	94,609	1.7
October	38.91	940,598	40.09	151,307	(3.0)
November	39.65	819,859	38.39	128,065	3.2
December	40.70	734,771	35.30	99,825	13.3
2013:					
January	38.75	769,991	33.52	104,363	13.5
February	38.09	654,298	32.34	105,805	15.1
March	37.20	790,047	31.66	141,814	14.9
April	36.77	756,223	31.68	167,278	13.8
May	36.37	784,720	31.89	179,224	12.3
June	36.62	764,364	31.41	143,386	14.2
July	35.15	795,431	28.90	136,325	17.8
August	35.81	848,609	29.07	179,164	18.8
September	33.22	852,246	29.75	148,845	10.4
October	32.39	786,555	29.05	224,033	10.3
November	32.41	658,135	29.19	148,863	9.9
December	34.35	675,321	29.42	157,706	14.3

[1] Product 6: Refined sugar or estandar sold in packages of 50 kgs. (110.23 lbs.) or less to distributors (i.e., companies such as Batory Foods that buy sugar to resell to the industrial trade for use as an ingredient).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-9

Sugar: Weighted-average f.o.b. prices and quantities of domestic and imported product 7[1] and margins of underselling/(overselling), by month, October 2011-December 2013

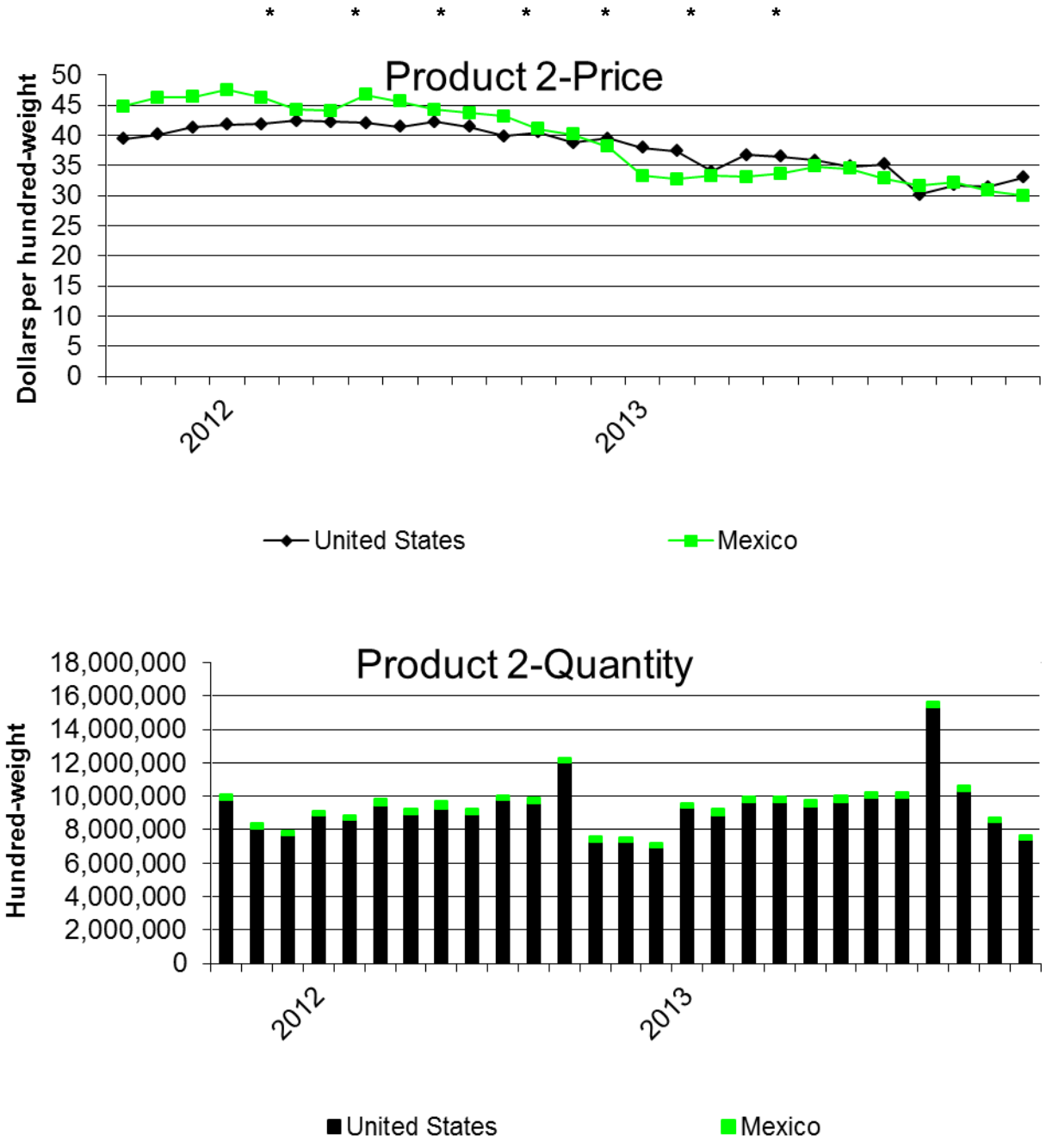
Period	United States		Mexico		
	Price *(dollars per hundred-weight)*	Quantity *(hundred-weight)*	Price *(dollars per hundred-weight*	Quantity *(hundred-weight)*	Margin *(percent)*
2011:					
October	37.33	1,421,843	***	***	***
November	38.30	1,312,609	***	***	***
December	39.40	1,081,903	***	***	***
2012:					
January	40.57	1,344,426	***	***	***
February	39.97	1,459,994	***	***	***
March	41.12	1,431,245	***	***	***
April	41.33	1,179,371	***	***	***
May	40.48	1,518,793	***	***	***
June	40.92	1,303,955	***	***	***
July	40.33	1,640,120	***	***	***
August	40.68	1,324,791	***	***	***
September	38.91	2,367,378	***	***	***
October	35.85	1,283,451	***	***	***
November	37.79	1,416,354	***	***	***
December	37.55	1,330,982	40.13	15,392	(6.9)
2013:					
January	36.59	1,565,687	***	***	***
February	35.87	1,423,363	***	***	***
March	34.99	1,657,657	***	***	***
April	34.92	1,496,953	***	***	***
May	33.85	1,817,550	***	***	***
June	33.48	1,679,774	***	***	***
July	32.99	1,626,222	***	***	***
August	33.82	1,694,824	***	***	***
September	32.45	2,149,145	***	***	***
October	32.02	1,455,680	***	***	***
November	31.25	1,675,304	***	***	***
December	31.87	1,486,257	***	***	***

[1] Product 7: Refined sugar or estandar sold in bulk to distributors (i.e., companies such as Batory Foods that buy sugar to resell to the industrial trade for use as an ingredient).

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-1

Sugar: Weighted-average prices and quantities of domestic and imported product, by month, October 2011-December 2013



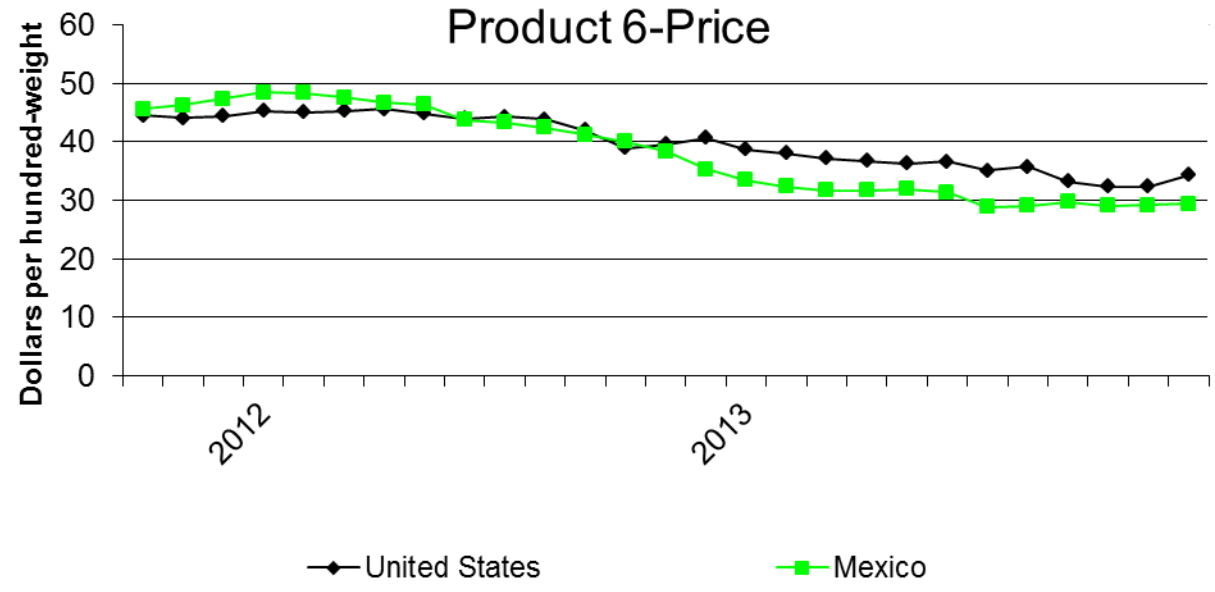
Product 2:Refined sugar or estandar sold to industrial producers of food, beverages or other sugar-containing-products (e.g., General Mills, Mars, Coca-cola, Kraft).

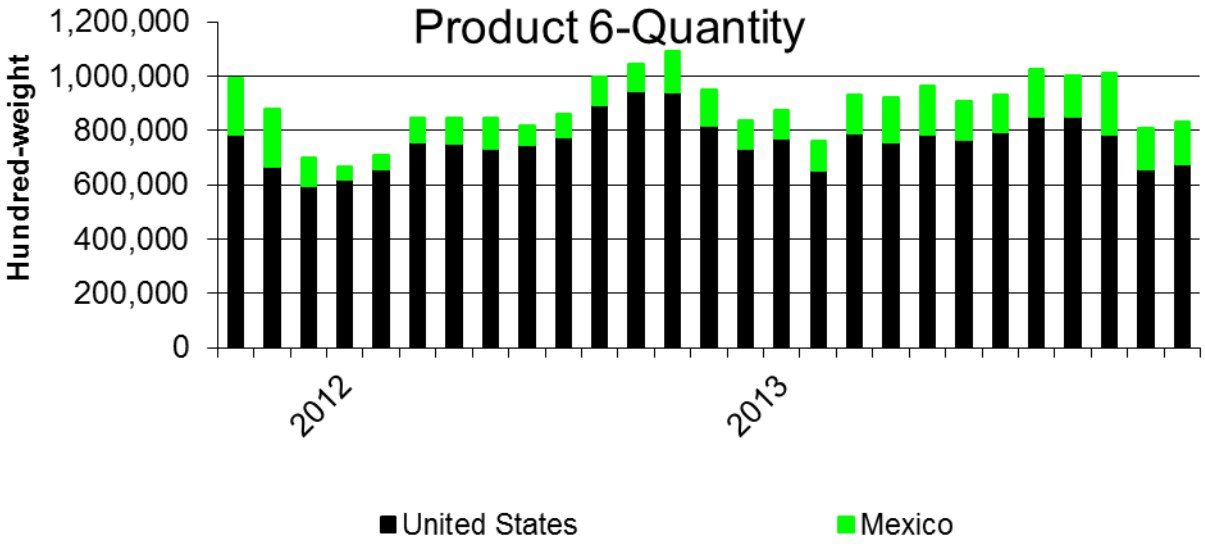
Figure continued.

Figure V-1-*Continued*.

Sugar: Weighted-average prices and quantities of domestic and imported product, by month, October 2011-December 2013

* * * * * * *





Product 6: Refined sugar or estandar sold in packages of 50 kgs. (110.23 lbs.) or less to distributors (i.e., companies such as Batory Foods that buy sugar to resell to the industrial trade for use as an ingredient).

* * * * * * *

Price trends

Prices reported by U.S. producers and importers decreased between October 2011 and December 2013. Table V-10 summarizes the price trends, by country and by product. As shown in the table, domestic price declines ranged from *** to 32 percent between October 2011 and December 2013 while import price declines ranged from *** to *** percent.

Petitioners claim that because most sugar is sold under fixed price contracts of 3 months to 2 years in length, prices have been locked into contracts for that time period. They indicate that changes in the spot price for sugar are entirely unrelated to the price of Mexican sugar imports.[5] Mexican Sugar Chamber respondents estimate that there is no correlation between historical trends of spot market price for sugar and imports of sugar from Mexico. They claim that the price for sugar declined during 2013 because of ideal weather conditions in the United States and the rest of the world creating record high U.S. and world sugar supplies and because conditions at two domestic refineries that led to shortages in the early part of the POI were resolved. Mexican Sugar Chamber respondents indicate that prices are returning to historical norms after departing from recent historical anomalies and suggest that the Commission should use proper historical context for its injury analysis.[6]

Price comparisons

As shown in table V-11, prices for sugar imported from Mexico were below those for U.S.-produced product in 104 of 158 instances; margins of underselling ranged from 0.6 to 30.3 percent. In the remaining 54 instances, prices for sugar from Mexico were between 0.7 and 54.0 percent above prices for the domestic product. There was overselling in all but one instance for product 1 which compared U.S.-produced raw sugar with Mexican imports of estandar. There was underselling in 60 of 69 instances for products 3, 4, and 5 which compared which U.S.-produced refined sugar with Mexican imports of refined sugar, but no imports of estandar from Mexico.[7]

Petitioners claim that the pricing data properly capture competition both between imports of estandar and domestic raw cane sugar in sales to refiners, and between imports of estandar compared with refined sugar and domestic refined sugar in sales to industrial users and distributors. They also claim that there is no “estandar discount” since industrial users and

[5] Petitioners’ postconference brief, pp. 2, 16-17.

[6] Mexican Sugar Chamber respondents’ postconference brief, pp. 17-18, 32-33 and exhibits 1 and 4.

[7] About *** percent of the price data for products 2, 3, 4, 6, and 7 reported by U.S. producer *** appears to be production by other sources which they identified as repackaging of sugar processed by other firms. Their price data accounts for about *** percent of the price data reported by U.S. producers. If all of the price data for *** were excluded from the price data, there would be underselling in 103 of 158 instances.

Table V-10

Sugar: Summary of weighted-average f.o.b. prices for products 1-7 from the United States and Mexico

Item	Number of quarters	Low price (*dollars per unit*)	High price (*dollars per unit*)	Change in price[1] (*percent*)
Product 1				
United States	27	21.01	33.37	(31.8)
Mexico	***	***	***	***
Product 2				
United States	27	30.20	42.46	(16.3)
Mexico	27	29.95	47.58	(33.1)
Product 3				
United States	27	35.21	51.98	(16.8)
Mexico	***	***	***	***
Product 4				
United States	***	***	***	***
Mexico	27	30.79	52.78	(36.1)
Product 5				
United States	***	***	***	***
Mexico	***	***	***	***
Product 6				
United States	27	32.39	45.58	(22.9)
Mexico	27	28.90	48.47	(35.5)
Product 7				
United States	27	31.25	41.33	(14.6)
Mexico	***	***	***	***

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available, based on rounded data.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-11

Sugar: Instances of underselling/overselling and the range and average of margins, by country, October 2011-December 2013

Source	Underselling			Overselling		
	Number of instances	Range (*percent*)	Average margin (*percent*)	Number of instances	Range (*percent*)	Average margin (*percent*)
Product 1	1	2.3 to 2.3	2.3	7	4.6 to 54.0	33.9
Product 2	11	1.1 to 12.4	6.3	16	1.4 to 15.4	7.8
Product 3	27	1.5 to 30.3	15.8	0	-	-
Product 4	27	2.2 to 26.5	13.5	0	-	-
Product 5	6	9.9 to 28.4	15.6	9	7.5 to 21.0	14.1
Product 6	18	0.6 to 18.8	10.5	9	2.5 to 7.3	4.7
Product 7	14	3.0 to 21.7	11.7	13	0.7 to 20.8	9.8
Total	104	0.6 to 30.3	12.6	54	0.7 to 54.0	12.2

Source: Compiled from data submitted in response to Commission questionnaires.

distributors chose between estandar from Mexico and refined sugar based on their needs and the difference in price.[8]

Mexican Sugar Chamber respondents indicate that refined sugar and estandar sell at different price points and that comparing the two inevitably shows underselling. They argue that the Commission should use alternative pricing comparisons that exclude estandar. The Mexican Sugar Chamber also claims that prices for companies that blend sugar cannot be used to assess the existence of underselling.[9] The Sweetener Users Association and Barry Callebaut claim that the price comparisons are of limited value because the majority of comparisons are of the prices of raw or refined sugar of U.S. producers with imports from Mexico of estandar. They indicate that although estandar and refined sugar might be used in some similar end use applications, the Commission's price comparisons assume that estandar and refined sugar are interchangeable.[10]

LOST SALES AND LOST REVENUE

The Commission requested U.S. producers of sugar to report any instances of lost sales or revenue they experienced due to competition from imports of sugar from Mexico since October 2010. Of the 16 responding U.S. producers, 14 reported that they had to either reduce prices or roll back announced price increases. The 128 lost sales allegations involved 4.0 billion pounds of sugar (about 80 percent of imports of Mexican sugar during the period of investigation) and the 25 lost revenue allegations totaled $3.2 million and involved 110 million pounds of sugar (see tables V-12 and V-13). U.S. producers did not provide a rejected U.S. price for 44 allegations representing 2.9 billion pounds of sugar, so the value of lost sales cannot be calculated. The remaining 84 lost sales allegations totaled $367 million and involved about 1.0 billion pounds of sugar. Staff attempted to contact all purchasers and a summary of the information obtained follows.

Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of sugar from U.S. producers to suppliers of sugar from Mexico since October 2010. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of sugar from Mexico. Seven of the 24 responding purchasers reported that they had shifted purchases of sugar from U.S. producers to subject imports since October 2010; two of these purchasers reported that price was the reason for the shift. Four of 19 purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2009.

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[8] Petitioners' postconference brief, pp. 15-16.

[9] Mexican Sugar Chamber respondents' postconference brief, Exhibit 8, response to "Page 263-264 Q9." Importer *** reported that it sells U.S.-produced sugar and imports from Mexico together. It provided estimates for sales of its imports from Mexico that are included in the price data.

[10] Sweetener Users Association and Barry Callebaut respondents' postconference brief, pp. 22-23.

Table V-12
Sugar: U.S. producers' lost sales allegations

* * * * * * *

Table V-13
Sugar: U.S. producers' lost revenue allegations

* * * * * * *

The Sweetener Users Association and Barry Callebaut indicated that purchaser responses to lost sales and lost revenue allegations do not support Petitioners' allegations that imports from Mexico have been the cause of declining prices in the U.S. market.[11] Petitioners cite narrative responses which they claim establish that Mexican imports captured significant sales volumes at specific accounts, that price was critical to deciding the outcome of competition, and that domestic producers lost volume or lowered prices.[12]

***.

***.[13]

***.

[11] Sweetener Users Association and Barry Callebaut post conference brief, pp. 23-24.
[12] Petitioners' postconference brief, pp. 30-31 and exhibit 9.
[13] Staff interview, with ***, April 11, 2014.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

As noted in Part III of this report, the Commission gathered data from growers of sugarcane and sugar beet; millers, which refine sugarcane into raw sugar; and processors/refiners, which process sugar beets and raw cane sugar, respectively, into refined sugar. Eighty-nine growers of cane and beet, 10 millers of sugar cane, and 15 processors/refiners[1] provided useable financial data. Growers of sugarcane and sugar beets are predominantly members of agricultural co-operative associations ("co-op"). Cane millers ship to cane refiners and may be part of a related co-op and/or part of an integrated supply chain; sugar beet processors, which produce refined sugar, are typically part of the cooperative association. Finally, refiners may or may not be stand-alone independent entities.

OPERATIONS ON SUGAR

Aggregated data collected for the period examined (crop years 2010/11, 2011/12, and 2012/13) are presented in table VI-1 for U.S. growers' operations (i.e., sugarcane and sugar beet farms) in relation to sugar,[2] which is presented first. Next in order of presentation (for the full crop years and for the partial crop years of October-December 2012/13 and October-December 2013/14) are the aggregated data on U.S. miller's (sugar cane milling) operations in table VI-2, while aggregated data on U.S. processors' and refiners' operations together are presented in table VI-3**.**

[1] Petitioners argue that two firms, (CSC Sugar and ADM), termed "melt houses," should be excluded from the domestic industry. Whether or not these firms engage in sufficient domestic-related production activity is discussed in Part III of this report.

[2] Many growers did not provide one or both of the interim periods rendering such data not comparable. Additionally, several farmers commented that the October-December net income is not representative of the full year as approximately 65 percent of revenue is received (a portion of the payment from the cooperative) while a much smaller percentage of costs are incurred. Hence, there is a fundamental mismatch of revenues and expenses.

Table VI-1
Sugar: Results of operations of U.S. growers, crop years 2010/11 through 2012/13

Item	Crop year		
	2010/11	2011/12	2012/13
	Quantity (*1,000 STRV*)		
Total net sales:[1]	16,961	19,487	20,981
of which sugar beet growers	3,021	3,051	3,513
of which sugar cane growers	13,940	16,436	17,468
	Value (*1,000 dollars*)		
Total net sales revenues and incomes:[1]	673,987	829,805	804,756
of which sugar beet growers	196,089	212,625	220,213
of which sugar cane growers	477,898	617,180	584,543
Cost of goods grown (COGG): Planting, growing, and harvesting costs	467,874	546,473	564,437
Transportation expenses	60,304	66,550	64,098
Total COGG	528,178	613,023	628,535
of which COGG for beet growers	126,793	141,218	158,260
of which COGG for cane growers	401,385	471,805	470,275
Gross farming profit: [2]	145,809	216,782	176,221
of which gross income or (loss) for beet growers	69,296	71,407	61,953
of which gross income or (loss) for cane growers	76,513	145,375	114,268
Other Expense / (Income), net	10,120	2,080	12,569
Net Income [2]	135,689	214,702	163,652
Depreciation/Amortization	54,415	54,649	63,634
Cash Flow	190,104	269,351	227,286
	Ratio to net sales (*percent*)		
COGG: Planting, growing, and harvesting costs	69.4	65.9	70.1
Transportation expenses	8.9	8.0	8.0
Average COGG	78.4	73.9	78.1
of which average COGG for beet growers	64.7	66.4	71.9
of which average COGG for cane growers	84.0	76.4	80.5
Gross farming profit:	21.6	26.1	21.9
of which gross income or (loss) for beet growers	35.3	33.6	28.1
of which gross income or (loss) for cane growers	16.0	23.6	19.5

Table continued on the next page.

Table VI-1--*Continued*
Sugar: Results of operations of U.S. growers, crop years 2010/11 through 2012/13

Item	Crop year		
	2010/11	2011/12	2012/13
	Unit value (*dollars per STRV*)		
Total net sales	39.74	42.58	38.36
of which sugar beet growers	64.91	69.69	62.69
of which sugar cane growers	34.28	37.55	33.46
COGG:			
Planting, growing, and harvesting costs	27.59	28.04	26.90
Transportation expenses	3.56	3.42	3.06
Average COGG	31.14	31.46	29.96
of which average COGG for beet growers	41.97	46.29	45.05
of which average COGG for cane growers	28.79	28.71	26.92
Gross farming profit:	8.60	11.12	8.40
of which gross income or (loss) for beet growers	22.94	23.40	17.64
of which gross income or (loss) for cane growers	5.49	8.85	6.54
	Number of firms reporting:		
Operating losses[2]	4	5	5
Data	89	89	88

[1] includes commercial sales (i.e., non-co-op shipments) and shipments to the member's cooperative and "other revenues" as shown in the folowing tablulation:

Type of sale	2010/11	2011/12	2012/13
Commercial sales value ($1,000)	346,287	436,649	408,065
Co-op shipments value ($1,000)	286,546	342,231	345,206
Other revenues value ($1,000)	41,154	50,925	51,485
Total Net Sales value ($1,000)	673,987	829,805	804,756

The structure of the growing parts of the industry differ: All or nearly all of the beet farmers belong to agricultural co-ops while only some of the cane farmers are members of co-ops.

[2] Net income equals gross farming profit minus interest expense and other expense plus other income (e.g., government programs).

Source: Compiled from data submitted in response to Commission questionnaires.

With respect to the reporting growers, total net sales, total costs of goods grown ("COGG"), gross farming profit, and net income increased between the full crop years 2010/11-12/13. Many growers noted that growing and harvesting costs rose as sugar prices increased but costs have not fallen with the decline in sugar prices. One grower estimated that farming costs had risen by 40 percent between 2009 and 2013; another commented "we are battling rising labor costs, fuel prices, fertilizer prices, equipment repairs, and insurance costs."[3] Others

[3] ***.

included land rent and new equipment purchases among rising costs.[4] They also mentioned various farming conditions they encountered in the past three crop years as constraints on production, including variable weather, drought and lack of water resources, early freezes, lack of available farm labor, and the like. Each of these undoubtedly affected the costs of growing and harvesting.

As noted earlier, many of the reporting growers belong to agricultural cooperatives ("co-op"). A co-op is an entity that is legally separate from its members, performs processing and sales services and acts as a pass-through mechanism of sales proceeds and costs.[5] The co-op shipments value shown above is an approximation of the sales proceeds of refined sugar made through members' co-ops. Growers of sugarcane and sugar beets reported commercial sales,

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[4] For example, ***. In regard to new equipment purchases, several growers mentioned recognizing capital purchases as an expense using accelerated depreciation allowed under Section 168 of the Internal Revenue Code.

[5] Agricultural cooperatives are voluntary associations of growers and the related miller/processor. Here, sugarcane or sugar beets growers provide the input cane and beets to sugarcane millers and sugar beet processors, respectively, for refining into raw and refined sugar, respectively. Processors and millers provide marketing services for the sugar product. Several growers stated that they purchase shares in their agricultural co-op, which gives them the right to grow beets on one acre per share; hence, coop members share in the processor's USDA marketing allotment. The agricultural co-op provides an initial payment to its growers, representing about 65 percent of the projected final sales price of the refined sugar product and including deduction of processing costs, with subsequent payments based on realized prices minus processing costs.

The co-op acts as a pass-through mechanism for revenues and costs. In other words, growers' reported revenues mainly reflect distributions from the coops with which they are affiliated. Co-ops' distributions to their members reflect sales revenues minus processing and marketing costs, i.e., coops' distributions to their members reconcile and account for net proceeds from member and nonmember business in their public statements. *See*, for example, Minn-Dak Farmers Coop., 2011 Form 10-K, downloaded April 17, 2014. In this regard, coop ***. All or nearly all of the coops participating in this investigation stated that they did not know their members' growing and harvesting costs. Hence, the actual costs of raw material inputs of the co-op are unknown and cannot be calculated exactly. When growers made profits, input costs to the co-ops are understated; when growers made losses, input costs are overstated. The total effect of this veil between growers and co-ops is to make more difficult an analysis of the financial results of the industry as a whole. In investigations, the Commission typically examines financial data of related entities on a consolidated basis with sales reported to unrelated parties on a commercial basis and transfers of inputs from related parties on the basis of actual cost. In accounting terms, consolidation of related entities means reconciling intra-firm transfers and eliminating intra-firm profits on those transfers.

Petitioners recommended using studies performed by universities as a surrogate for planting, growing, and harvesting costs of sugarcane and sugar beets. Academic studies have a number of shortfalls, including covering only a small sample of growers in a limited geographic area, not aligning with the period of investigation, lacking specificity to sugarcane or sugar beet crops, not informing the Commission of conditions specific to sugar, not being record information, not subject to ITC verification, and the like. Hence, they are usable as background information but not a substitute for questionnaire responses focused on the subject product.

cooperative shipments (distributions) and other revenues, which are generally from sales of byproducts or coproducts. Co-op distributions represented only about 19 percent of their total revenues while that figure was over 98 percent for sugar beet growers.

Table VI-2 presents aggregated data for the sugar operations of *** reporting millers and is briefly summarized here. Total net sales include commercial sales and transfers to related firms. The quantity of total sales rose between the full crop years 2010/11 to 2012/13 but was lower in the partial crop year October-December 2013/14 than in October-December 2012/13. The value of total sales rose irregularly between the full crop years (sales value was highest in 2011/12) and was lower in October-December 2013/14 than in October-December 2012/13. Operating income, net income before taxes, and cash flow fell between the full crop years 2010/11 to 2012/13, and registered a loss in the partial crop year October-December 2013/14 compared with a profit in October-December 2012/13.

Table VI-2
Sugar: Results of operations of U.S. millers, crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

* * * * * * *

With regard to sugarcane millers, total net sales include commercial sales and transfers to related firms. The latter category accounted for *** percent to *** percent of total sales, by quantity, and between *** percent and *** percent of total sales, by value in the full year periods. Transfers accounted for *** percent to *** percent by quantity and *** percent to *** percent by value in the two partial year periods.

With regard to sugarcane millers, the value of raw material costs, which are the single largest component of COGS, irregularly rose between the full yearly periods but was lower in October-December 2013/14 than in October-December 2012/13. *** of the ten reporting millers reportedly purchase their cane from independent growers or only loosely affiliated growers who are not be part of a formal co-op arrangement. *** of the ten sugarcane millers reporting data are co-ops.[6]

Commission staff are not able to consolidate such co-op entities with their related growers because co-ops do not maintain their accounting records to record their member-owners' costs of production, and the co-ops reported member distributions as their own raw material costs while the member growers reported distributions received as sales revenue in their questionnaire responses, respectively. Commission staff compared deliveries of sugarcane reported by grower-members and receipts of sugarcane reported by the co-ops; staff then calculated a "coverage ratio" by dividing the quantity (in short tons) of sugarcane delivered by members of the co-op by the quantity in short tons of sugarcane received reported by the co-

[6] These are ***. A number of cane growers reported commercial shipments that accounted for more than 80 to 90 percent of their total shipments (e.g., ***). Additionally, ***.

op.[7] Staff then divided the total costs of planting, growing, harvesting, and transport (cost of goods grown) reported by the grower-members of each co-op by the coverage ratio. This may be one way to extrapolate growers' COGGs to the affiliated co-op and thereby estimate raw material inputs of the co-op at cost. Finally, staff compared the resulting number, which is the theoretical raw material costs of the co-op, against the reported raw material costs of the co-op. The difference between the calculated raw material costs and the reported raw material costs would flow through to the co-ops' operating income.[8] For both of the reporting millers, using this method results in an estimated raw material costs that are lower and an estimated operating income that is greater than what was reported. For ***. The effect on the industry milling sugar cane can be estimated as the sum of estimated differences of those two millers, $*** in the three crop years, 2010/11, 2011/12, and 2012/13, respectively.

A table showing the results of operations on sugar by U.S. millers on a firm-by-firm basis is presented in appendix D.

Table VI-3 presents aggregated data for the sugar operations of 15 reporting processors and refiners and is briefly summarized here. Total net sales rose on a quantity basis between 2010/11 and 2012/13 and were higher in partial crop year October-December 2013/14 than October-December 2012/13. On a value basis total net sales declined irregularly from 2010/11 to 2012/13 and were lower in October-December 2013/14 than October-December 2012/13. Operating income fell between the full crop years 2010/11 to 2012/13, and were much lower, but still profitable, in the partial crop year October-December 2013/14 compared with October-December 2012/13. To the contrary net income before taxes and cash flow increased between the crop years of 2010/11 and 2012/13 but were lower in the partial crop year October-December 2013/14 compared with October-December 2012/13.

[7] The coverage ratio calculated for *** in the full year periods 2010/11, 2011/12, and 2012/13, respectively. In the case of *** in those same time periods, respectively.

[8] For example, assume that the ratio of deliveries of cane reported by growers to receipts of cane reported by coop (the coverage ratio) is 50 percent and the growers reported an aggregate total cost of goods grown (COGG) of $50,000. Dividing COGG by the coverage ratio equals an estimated raw material cost for the coop of $100,000. If the coop had reported raw material costs of, say, $125,000, then the estimated effect would be to reduce the coop's raw material costs and increase its operating income by the difference between the reported costs and estimated costs, or $25,000 in this example. The estimate is influenced by several factors, including the coverage ratio and the quality of reporting of both growers and millers.

Table VI-3
Sugar: Results of operations of U.S. processors and refiners,[1] crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Quantity (*1,000 short tons raw value*)				
Total net sales	10,704	10,800	11,451	2,720	2,923
	Value (*1,000 dollars*)				
Total net sales	8,485,821	9,066,487	8,407,088	2,203,559	1,895,682
Cost of goods sold (COGS).-- Raw materials	5,132,261	5,614,993	4,895,642	1,306,557	1,160,978
Direct labor	319,948	271,280	312,410	83,217	96,525
Other factory costs[2]	1,509,464	1,639,141	1,696,055	406,622	408,955
Total COGS	6,961,673	7,525,414	6,904,107	1,796,396	1,666,458
Gross profit	1,524,148	1,541,073	1,502,981	407,163	229,224
SG&A expense	784,773	832,990	869,445	260,282	200,941
Operating income	739,375	708,083	633,536	146,881	28,283
Other expense or (income), net	(131,078)	(191,000)	(450,303)	(263,870)	(68,190)
Net income	870,453	899,083	1,083,839	410,751	96,473
Depreciation/amortization	220,580	227,041	240,454	69,575	74,709
Cash flow	1,091,033	1,126,124	1,324,293	480,326	171,182
	Ratio to net sales (*percent*)				
COGS: Raw materials	60.5	61.9	58.2	59.3	61.2
Direct labor	3.8	3.0	3.7	3.8	5.1
Other factory costs	17.8	18.1	20.2	18.5	21.6
Average COGS	82.0	83.0	82.1	81.5	87.9
Gross profit	18.0	17.0	17.9	18.5	12.1
SG&A expense	9.2	9.2	10.3	11.8	10.6
Operating income	8.7	7.8	7.5	6.7	1.5
Net income	10.3	9.9	12.9	18.6	5.1

Table continued on the next page.

Table VI-3—*Continued*
Sugar: Results of operations of U.S. processors and refiners,[1] crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Unit value (*dollars per STRV*)				
Total net sales	793	839	734	810	649
COGS:					
Raw materials	479	520	428	480	397
Direct labor	30	25	27	31	33
Other factory costs	141	152	148	149	140
Average COGS	650	697	603	660	570
Gross profit	142	143	131	150	78
SG&A expense	73	77	76	96	69
Operating income	69	66	55	54	10
Net income	81	83	95	151	33
	Number of firms reporting				
Operating losses	5	6	4	9	10
Data	15	15	15	15	15

[1] ***.
[2] Includes ***.

Note.—Changes to the questionnaire response of *** were received too late to be used. It is believed that such changes would have no effect on the financial performance of the industry.

Source: Compiled from data submitted in response to Commission questionnaires.

The value of raw material costs, the single largest component of COGS, irregularly declined between the full crop years of 2010/11 to 2012/13 but was lower in October-December 2013/14 than in October-December 2012/13. Six of the sugar beet processors reporting data are co-ops.[9] As noted earlier, Commission staff are not able to consolidate such co-op entities with their owners but as with two miller co-ops (discussed earlier in this section of the report) calculated a coverage ratio[10] and used that coverage ratio to estimate raw material costs of the co-op in place of the reported distributions to growers.[11] Staff then

[9] These are: ***. ***.

[10] Staff calculated a "coverage ratio" by dividing the quantity (in short tons) of sugar beets delivered by members of the coop by the quantity in short tons of sugar beets received as reported by the coop. The grower-members reported shipping 100 percent of their crop to the cooperative. Staff calculated the coverage ratio by dividing the reported deliveries of sugar beets by members by the receipts reported by the cooperative. Coverage ranged from a low of 4 to 5 percent in the case of *** to a high of 15.4 percent in the case of *** during the three yearly periods.

[11] Commission staff divided the total costs of planting, growing, harvesting, and transport (cost of goods grown) reported by the grower-members of each processor by the coverage ratio referred to earlier. The total raw material costs of the co-op may be estimated by dividing the coverage ratio into the growers' reported COGGs, thus extrapolating growers' costs to the co-op's raw material costs and

(*continued*...)

compared the resulting number, which is the theoretical raw material costs of the co-op, against the reported raw material costs of the co-op and examined the effect on the co-op's operating income. In most instances, estimated raw material costs were lower and estimated operating income was greater than reported; notable exceptions to this were ***. The total effect on the industry processing sugar beets can be estimated as the sum of differences between estimated and reported operating income of the six processors, $*** in 2010/11, 2011/12, and 2012/13 respectively. Including the estimate for *** in the above, this would lead to a further increase in industry operating income by $*** in 2010/11, 2011/12, and 2012/13 respectively.[12]

A table showing the results of operations on sugar by U.S. processors/refiners on a firm-by-firm basis is presented in appendix D.

Variance analysis

A variance analysis for the operations of U.S. producers of sugar is presented in tables VI-4, VI-5, and VI-6 for growers, millers, and processor/refiners, respectively.[13] The information for these variance analyses is derived from tables VI-1, VI-2, and VI-3.

(…*continued*)
may represent one way to estimate raw material inputs of the coop at cost. Limitations are posed by the low coverage ratio and by the quality of the data reported.

[12] See earlier note on this calculation.

[13] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

Table VI-4
Sugar: Variance analysis on the operations of U.S. growers, crop years 2010/11 through 2012/13

Item	Between crop years		
	2010/11 to 2012/13	2010/11 to 2011/12	2011/12 to 2012/13
	Value (*$1,000*)		
Net sales:			
Price variance	(28,968)	55,464	(88,685)
Volume variance	159,737	100,354	63,636
Net sales variance	130,769	155,818	(25,049)
Cost of sales:			
Cost/expense variance	24,823	(6,201)	31,499
Volume variance	(125,180)	(78,644)	(47,011)
Total cost of sales variance	(100,357)	(84,845)	(15,512)
Gross profit variance	30,412	70,973	(40,561)
Summarized as:			
Price variance	(28,968)	55,464	(88,685)
Net cost/expense variance	24,823	(6,201)	31,499
Net volume variance	34,557	21,710	16,624

Source: Compiled from data submitted in response to Commission questionnaires.

As shown above, growers' gross profit from farming operations (which is before consideration of other income or expense but nearly the same as reported net income) increased by $30.4 million as reported unit costs declined, volume increased, but unit prices fell between the full crop years, 2010/11 to 2012/13.

Table VI-5 presents a variance analysis on the operations of sugarcane millers. In contrast to the data in table VI-4, operating income of the millers fell due to an unfavorable price variance (unit prices fell) that was much greater than favorable variances on net cost/expenses (unit costs/expenses fell) and net volume.

Table VI-5
Sugar: Variance analysis on the operations of U.S. millers, crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

* * * * * * *

Table VI-6 presents a variance analysis for the sugar operations of processors and refiners.

Table VI-6
Sugar: Variance analysis on the operations of U.S. processors and refiners,[1] crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Item	Between crop years			Between Oct.-Dec.
	2010/11-12/13	2010/11-11/12	2011/12-12/13	2012/13-13/14
	Value (*$1,000*)			
Commercial sales: Price variance	***	***	***	***
Volume variance	***	***	***	***
Total commercial sales variance	***	***	***	***
Internal consumption: Price variance	***	***	***	***
Volume variance	***	***	***	***
Total internal consumption variance	***	***	***	***
Related firm transfers: Price variance	***	***	***	***
Volume variance	***	***	***	***
Total transfers variance	***	***	***	***
Net sales: Price variance	(670,933)	504,479	(1,205,816)	(472,366)
Volume variance	592,200	76,187	546,417	164,489
Net sales variance	(78,733)	580,666	(659,399)	(307,877)
Cost of sales: Cost/expense variance	543,400	(501,238)	1,074,847	264,034
Volume variance	(485,834)	(62,503)	(453,540)	(134,096)
Total cost of sales variance	57,566	(563,741)	621,307	129,938
Gross profit variance	(21,167)	16,925	(38,092)	(177,939)
SG&A expenses: Cost/expense variance	(29,905)	(41,171)	13,747	78,770
Volume variance	(54,767)	(7,046)	(50,202)	(19,429)
Total SG&A expense variance	(84,672)	(48,217)	(36,455)	59,341
Operating income variance	(105,839)	(31,292)	(74,547)	(118,598)
Summarized as: Price variance	(670,933)	504,479	(1,205,816)	(472,366)
Net cost/expense variance	513,495	(542,409)	1,088,594	342,804
Net volume variance	51,599	6,638	42,675	10,964

[1] No reported internal consumption. ***.

Source: Compiled from data submitted in response to Commission questionnaires.

The variance for the processor/refiner industry is similar to that for the millers. Operating income fell between the full yearly periods due to an unfavorable price variance that was much greater than favorable variances on net cost/expense and volume.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-7 presents capital expenditures and research and development ("R&D") expenses for growers; tables VI-8 and VI-9 present data on capital expenditures and research and development ("R&D") expenses, by firm, for millers and processors/refiners, respectively. The data for processors/refiners in table VI-9 are presented with and without the data reported by ***.

Table VI-7
Sugar: Capital expenditures and research and development expenses of U.S. growers, crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Item	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Value (*$1,000*)				
Sugarcane:					
Capital expenditures	414,556	534,776	677,193	310,454	599,978
R&D expenses	***	***	***	***	***
Sugar beets:					
Capital expenditures	22,976	38,517	48,284	18,507	13,860
R&D expenses	***	***	***	***	***
Total:					
Capital expenditures	437,532	573,293	725,477	328,961	613,838
R&D expenses	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-8
Sugar: Capital expenditures and research and development expenses of U.S. millers, by firm, crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

* * * * * * *

Table VI-9
Sugar: Capital expenditures and research and development expenses of U.S. processors/refiners, crop years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop year			October to December	
	2010/11	2011/12	2012/13	2012/13	2013/14
	Capital expenditures (*$1,000*)				
AmCane Sugar LLC	***	***	***	***	***
American Crystal Sugar Co.	***	***	***	***	***
American Sugar Holdings, Inc.	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar, LLC	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar Co.	***	***	***	***	***
Louisiana Sugar Refining, LLC	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop.	***	***	***	***	***
Southern Minnesota Beet Sugar Coop.	***	***	***	***	***
The Amalgamated Sugar Company LLC	***	***	***	***	***
The Western Sugar Coop.	***	***	***	***	***
United States Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers, LLC	***	***	***	***	***
All firms	316,405	291,025	318,333	49,555	71,072
All firms excluding melt houses	***	***	***	***	***
	Research and development expenses (*$1,000*)				
AmCane Sugar LLC	***	***	***	***	***
American Crystal Sugar Co.	***	***	***	***	***
American Sugar Holdings, Inc.	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar, LLC	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar Co.	***	***	***	***	***
Louisiana Sugar Refining, LLC	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop.	***	***	***	***	***
Southern Minnesota Beet Sugar Coop.	***	***	***	***	***
The Amalgamated Sugar Co. LLC	***	***	***	***	***
The Western Sugar Coop.	***	***	***	***	***
United States Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers, LLC	***	***	***	***	***
All firms	4,696	5,431	6,554	1,705	2,032
All firms excluding melt houses	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Capital expenditures reported by *** are as shown in table VI-9; ***.

ASSETS AND RETURN ON INVESTMENT

Table VI-10 presents data on the U.S. growers' total net assets used in production, warehousing, and sales of sugar, and their return on investment ("ROI"). Tables VI-11 and VI-12 present data on U.S. millers' and U.S. processors'/refiners' total assets and their return on investment ("ROI"), respectively. Table VI-12 data for U.S. processors/refiners are presented with and without ***. Data are presented for the crop years 2010/11 through 2012/13.

Table VI-10
Sugar: Total assets and return on investment of U.S. growers, crop years 2010/11 through 2012/13

Item	Crop year		
	2010/11	2011/12	2012/13
Sugarcane			
Total assets (*$1,000*)	483,953	696,790	716,487
ROI, based on gross profit (*percent*)	15.8	20.9	15.9
ROI, based on net income (*percent*)	16.0	21.8	15.9
Sugar beets			
Total assets (*$1,000*)	280,165	335,813	374,317
ROI, based on gross profit (*percent*)	24.7	21.3	16.6
ROI, based on net income (*percent*)	20.8	18.8	13.3
Total			
Total assets (*$1,000*)	764,118	1,032,603	1,090,804
ROI, based on gross profit (*percent*)	19.1	21.0	16.2
ROI, based on net income (*percent*)	17.8	20.8	15.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-11
Sugar: Total assets and return on investment of U.S. millers, by firm, crop years 2010/11 through 2012/13

* * * * * * *

Table VI-11
Sugar: Total assets and return on investment of U.S. processors/refiners, by firm, crop years 2010/11 through 2012/13

Firm	Crop year		
	2010/11	2011/12	2012/13
	Total net assets (*$1,000*)		
AmCane Sugar LLC	***	***	***
American Crystal Sugar Co.	***	***	***
American Sugar Holdings, Inc.	***	***	***
Archer Daniels Midland	***	***	***
CSC Sugar, LLC	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***
Imperial Sugar Co.	***	***	***
Louisiana Sugar Refining, LLC	***	***	***
Michigan Sugar Co.	***	***	***
Minn-Dak Farmers Coop.	***	***	***
Southern Minnesota Beet Sugar Coop.	***	***	***
The Amalgamated Sugar Company LLC	***	***	***
The Western Sugar Coop.	***	***	***
United States Sugar Corp.	***	***	***
Wyoming Sugar Growers, LLC	***	***	***
All firms	4,842,186	5,195,218	5,383,400
All firms excluding melt houses	***	***	***
	Operating return on assets (*percent*)		
AmCane Sugar LLC	***	***	***
American Crystal Sugar Co.	***	***	***
American Sugar Holdings, Inc.	***	***	***
Archer Daniels Midland	***	***	***
CSC Sugar, LLC	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***
Imperial Sugar Co.	***	***	***
Louisiana Sugar Refining, LLC	***	***	***
Michigan Sugar Co.	***	***	***
Minn-Dak Farmers Coop.	***	***	***
Southern Minnesota Beet Sugar Coop.	***	***	***
The Amalgamated Sugar Company LLC	***	***	***
The Western Sugar Coop.	***	***	***
United States Sugar Corp.	***	***	***
Wyoming Sugar Growers, LLC	***	***	***
All firms	15.3	13.6	11.8
All firms excluding melt houses	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of sugar to describe any actual or potential negative effects of imports of sugar from Mexico on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Appendix E presents the responses of U.S. growers, millers, processors, and refiners.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

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[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN MEXICO

Introduction

In 2011, the value of sugar production in Mexico totaled about 54 billion pesos (roughly $4.3 billion) and represented 2.4 percent of the value of the Mexican food industry.[3] Sugarcane ranks second among agricultural crops in Mexico, behind corn.[4]

The Mexican sugar industry reportedly provides for 457,000 direct jobs.[5] These include approximately 170,000 sugarcane growers, 147,000 laborers, 69,000 cutters, and 36,000 transporters who grow, harvest, and transport sugarcane to more than 50 sugar mill-refineries, which employ approximately 36,000 workers.

Most Mexican sugarcane growers are represented by two unions—the National Sugarcane Growers and the National Association of Sugarcane Growers.[6] Growers and sugarcane processors enter annual contracts, with sugarcane prices set at 57 percent of a reference price for sugar. The reference price is determined by a formula based on several factors, including the average domestic price of estandar sugar and export prices depending on destination (based on the ICE number 16 contract price for exports to the United States and the ICE number 11 price for exports to the world market).[7] The growers receive initial pre-settlement payments, generally paid monthly during October-May. Final settlement payments begin in June, and a final adjustment is paid during October-December based on updated information.[8]

Mexican sugar mill/refineries are integrated facilities that mill sugarcane and produce refined sugars of various grades. The industry terminology for these grades include estandar, a lower-polarity grade; refinada, a high-polarity grade white sugar; blanca especial, a lower-quality white sugar; and muscovado, a brown sugar. The Mexican sugar refining industry is organized into 12 corporate groups comprising 47 facilities, with an additional 7 independent operations in 2010/11.[9] The largest group is FEESA, which is a collection of facilities that were expropriated and are now administered by the Mexican government. FEESA accounts for about 20 percent of total domestic production capacity. Capacity shares of the other groups range

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[3] Campos-Ortiz, Francisco and Mariana Oviedo-Pacheco, *Study on the Competitiveness of the Mexican Sugar Industry*, Banco de México Working Paper No. 2013–16, November 2013, p. 2. The food industry accounted for about 4 percent of Mexican GDP in 2011.

[4] Ibid.

[5] Jasso, Humberto, "Dynamics of an Oversupplied Market," presentation at the 30th International Sweetener Symposium, August 2013. Included as Exhibit I-7 of the Petition.

[6] USDA, FAS, *Mexico Sugar Annual*, GAIN Report No. MX4032, April 15, 2014, pp. 3–4.

[7] Jasso, Humberto, "Dynamics of an Oversupplied Market," presentation at the 30th International Sweetener Symposium, August 2013. Included as Exhibit I-7 of the Petition.

[8] Campos-Ortiz, Francisco and Mariana Oviedo-Pacheco, *Study on the Competitiveness of the Mexican Sugar Industry*, Banco de México Working Paper No. 2013–16, November 2013, pp. 30–32.

[9] Campos-Ortiz, Francisco and Mariana Oviedo-Pacheco, *Study on the Competitiveness of the Mexican Sugar Industry*, Banco de México Working Paper No. 2013–16, November 2013, p. 47.

from 2 to 14 percent, with the independent facilities collectively accounting for about 11 percent.[10]

The harvested area of Mexican sugarcane increased from 1.7 million acres in 2010/11 to 1.9 million acres in 2012/13, or by 16 percent (table VII-1). The increase was largely spurred by rising sugar prices.[11]

All Mexican sugar production is refined, but at different quality levels. As shown in table VII-1, the primary refined sugar produced in Mexico is estandar, which accounted for over 60 percent of total production during 2012/13 (tel quel –"as is"-- basis). About 30 percent of annual production was of refinada sugar, with the remainder accounted for by blanca especial and muscovado sugar. The Mexican sugar industry also produces alcohol, generally between three to five million gallons per year; most of this is either for beverage or non-fuel industrial uses.

Table VII-1
Sugar: Mexican production of sugarcane, harvested area, production of refined sugar, and production of alcohol from sugar, 2010/11–2012/13

Item	Crop year		
	2010/11	2011/12	2012/13
Sugarcane crushed, gross (*short tons*)	48,646,230	50,960,684	67,723,702
Sugarcane crushed, net (*short tons*)	46,878,692	49,022,880	65,048,263
Harvested area (*acres*)	1,664,203	1,739,029	1,928,047
Total sugar production (*short tons*)	5,713,772	5,564,927	7,688,321
Sugarcane crushed per acre (*short tons per acre*)	28.2	28.2	33.7
Refinada sugar production (*short tons*)	1,883,194	1,725,118	2,297,727
Estandar sugar production (*short tons*)	3,573,909	3,568,111	4,941,304
Blanca especial sugar production (*short tons*)	206,679	252,610	382,160
Muscovado sugar production (*short tons*)	49,990	19,087	67,130
Alcohol production (*gallons*)	5,109,751	4,044,278	4,407,964

Source: CONADESUCA, Sistema Infocaña, Resumen Historico Años, available at http://www.campomexicano.gob.mx/azcf/reportes/reportes.php?tipo=OTROS (accessed April 24, 2014).

Mexican sugar consumption declined between 2008/09 and 2010/11 before rebounding during 2011/12 and 2012/13 (table VII-2). The decline occurred as high-fructose corn syrup displaced a portion of sugar in end-use markets such as soft drinks in the face of a substantial rise in domestic and global sugar prices.[12] Consumption recovered, in part, owing to a severe drought in the United States in 2012 that caused a substantial rise in corn prices, which affected the competitiveness of high-fructose corn syrup relative to sugar.[13] Imports typically supply a

[10] Ibid.
[11] Conference transcript, pp. 224 (Cortina).
[12] Conference transcript, pp. 233-234 (Cortina).
[13] Ibid.

relatively small share of the Mexican sugar market and accounted for approximately 5 percent in 2012/2013.

Table VII-2
Mexican sugar supply and use, crop years 2008/09-2013/14

Item	Crop year					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Quantity (*1,000 STRV*)					
Beginning stocks	2,177	687	1,073	888	1,129	1,706
Production	5,798	5,638	6,057	5,898	8,149	7,595
Imports	176	949	337	557	252	255
Total supply	8,152	7,274	7,467	7,344	9,530	9,556
Exports	1,519	828	1,716	1,086	2,304	2,739
Human domestic consumption	5,834	5,087	4,566	4,727	5,009	5,228
Other disappearance	111	287	297	402	511	438
Total use	5,946	5,374	4,862	5,129	5,520	5,666
Ending stocks	687	1,073	888	1,129	1,706	1,151
Exports/production (*percent*)	26.2	14.7	28.3	18.4	28.3	36.1

Source: USDA, FAS, PSD Online database, available at http://apps.fas.usda.gov/psdonline/psdQuery.aspx (accessed April 23, 2014).

Note.--Data for 2013/14 are estimated.

Operations on sugar

The Commission issued foreign producers' or exporters' questionnaires to 20 sugar producing groups believed to produce and/or export sugar from Mexico.[14] Useable responses to the Commission's questionnaire were received from 16 producers and one exporter, including FEESA, 10 responding producers in sugar producing groups,[15] and five independent firms. The combined operations for these firms included 49 facilities. Table VII-3 presents summary data on the groups and firms that provided responses. These firms' exports to the United States accounted for approximately 97 percent[16] of U.S. imports of sugar from Mexico over the period being examined. According to estimates requested of the responding Mexican

[14] These firms were identified through a review of information submitted in the petition and provided by counsel for respondent Camara Nacional de Las Industriaas Azucarera Y al Alcoholera (Mexican Sugar Chamber) ("Camara").

[15] A group is a firm that owns sugar mills. Conference transcript, p. 220 (Armero).

[16] Coverage was based on total reported exports to the United States from Mexico during October 2010 through December 2013 (5.164 million STRV) versus official U.S. import statistics (5.351 million STRV).

producers, the production of sugar in Mexico reported in this Part of the report accounts for approximately 90 percent of overall production of sugar in Mexico.[17]

Table VII-3

Sugar: Summary data on firms in Mexico, October 2010 through December 2013

Group	Production (*1,000 STRV*)	Share of reported production (*percent*)	Exports to the United States (*1,000 STRV*)	Share of reported exports to the United States (*percent*)	Total shipments (*STRV*)	Share of firm's total shipments exported to the United States (*percent*)
ASR Holdings De Mexico[1]	***	***	***	***	***	***
Azucar Grupo Saenz	***	***	***	***	***	***
Beta San Miguel	***	***	***	***	***	***
Cía Azucarera de los Mochis	***	***	***	***	***	***
ED&F Man de Comercio, S.A. de C.V.	***	***	***	***	***	***
Fondo de Empresas Expropiadas de Sector Azucarero (FEESA)	***	***	***	***	***	***
Grupo La Margarita	***	***	***	***	***	***
Grupo Motzorongo	***	***	***	***	***	***
Grupo Porres	***	***	***	***	***	***
Impulsora Azucarera del Noroeste	***	***	***	***	***	***
Ingenio de Puga	***	***	***	***	***	***
Ingenio El Molino	***	***	***	***	***	***
Ingenio Panuco[3]	***	***	***	***	***	***
Ingenios Santos	***	***	***	***	***	***
Organizacion Cultiba	***	***	***	***	***	***
Promotora Industria Josela S.A. de C.V.	***	***	***	***	***	***
Promotora Industrial Azucarera	***	***	***	***	***	***
Total	20,364	100.0	5,164	100.0	20,726	***

Note.-- All but one firm *** reported that sales of sugar represents a large share of the firm's total sales in their last fiscal year, ranging from *** percent to *** percent. *** reported that sales of sugar represented *** percent of its sales in its most recent fiscal year, with its *** accounting for its other sales. E-mail from ***, April 25, 2014.

[1] ASR Holdings de Mexico ("ASR Mexico") is a subsidiary of ASR Group, and producer Ingenio San Nicolas, S.A. de C.V. is a subsidiary of ASR Mexico. ASR Mexico is affiliated with petitioning firm and importer of subject merchandise, American Sugar Holdings. ASR Mexico ***. Questionnaire response of ***, II-4.

[2] ED&F Man de Comercio, S.A. de C.V. ***.

[3] Ingenio Panuco reported that ***. Questionnaire response of Ingenio Panuco, ***.

[17] Questionnaire responses of foreign producers, II-9. Comparing VII-1 data to questionnaire data shows 95 percent coverage.

Responding Mexican producers identified changes to their operations since October 1, 2010. Thirteen firms reported revised labor agreements. According to the responses, the mandatory collective agreement in Mexico for the sugar mills is enforced by law (Contrato Ley). As of October 16, each year the salary portion of the agreement is negotiated, and every two years (on even years), the benefits portion of the agreement is negotiated.[18] Five firms reported expansions.[19] *** reported that it made ***.[20] Relatedly, *** also reported that it ***.[21] *** reported that it increased grinding capacity from ***. This mill was ***.[22] *** reported that it ***.[23] One firm, *** reported ***.[24] Four firms reported changes to their energy cogeneration, three of which, ***, reported investments in cogeneration plants, and one firm *** reported ***.[25]

Two firms reported anticipated changes to their operations. *** reported that it plans ***.[26] *** reported that ***.[27]

Mexican producers' capacity, production, and shipments

Table VII-4 presents information on the sugar operations of the 16 responding producers in Mexico. Capacity increased by 3.6 percent from crop year 2010/2011 to crop year 2012/13, and was 3.5 percent lower in October-December 2013/14 as compared to October-December 2012/13.[28] Compared to crop year 2012/13, capacity is projected to be virtually unchanged in crop years 2013/14 and 2014/15. Production decreased by 2.7 percent from crop year 2010/11 to 2011/12, but was 34.2 percent higher in crop year 2012/13 compared to crop year 2010/11.[29] Respondents claim the increase resulted from a combination of increased harvested area and beneficial weather conditions that resulted in high yields.[30] Production was

[18] Questionnaire responses of multiple firms, II-2.
[19] ***. Questionnaire responses of ***, II-2.
[20] Questionnaire response of ***, II-2.
[21] Questionnaire response of ***, II-2.
[22] Questionnaire response of ***, II-2.
[23] Questionnaire response of ***, II-2.
[24] Questionnaire response of ***, II-2.
[25] Questionnaire responses of ***, II-2.
[26] Questionnaire response of ***, II-2.
[27] Questionnaire response of ***, II-2.
[28] No firm reported that it is able to shift production (capacity) between sugar and other products using the same equipment and/or labor. Questionnaire responses, II-5. Many firms did report that molasses is produced on the same equipment and machinery used to produce sugar. Molasses can be, however, either a byproduct or co-product of sugar production. Conference transcript, p. 76 (O'Malley). Accordingly, it is not the primary product refiners specifically seek out to produce. Conference transcript, p. 86 (Greenwald). Furthermore, molasses production does not displace sugar production. Conference transcript, pp. 85-86 (Berg).
[29] Many firms reported that production constraints include sugarcane availability, emphasizing that weather plays a large role, and several firms also reported price. Questionnaire responses, II-4d.
[30] Conference transcript, pp. 224 (Cortina); table VII-2.

31.0 percent lower in October-December 2013/14 compared to October-December 2012/13. *** responding producers reported increased production in crop year 2012/13 compared to crop year 2010/11. The combination of relatively stable capacity and increased production shows an increase in capacity utilization from 69.4 percent in crop year 2010/11 to 89.9 percent in crop year 2012/13. The capacity utilization rate for October-December 2012/13 was 54.6 percent compared to 39.1 percent for October-December.[31]

In crop year 2012/13, 32.0 percent of total shipments of sugar from Mexico were exported to the United States and 3.2 percent were exported to all other markets.[32] Exports of sugar to the United States increased by 67.8 percent from crop year 2010/11 to crop year 2012/13,[33] and were more than double in October-December 2013/14 compared to October-December 2012/13. Exports to the United States are projected to decrease by 23.4 percent from crop year 2012/13 to crop year2013/14, and to remain at a similar lever during crop year 2014/15.

Exports of sugar with greater than 97.0 polarity for further refinement[34] accounted for 97 percent of the 940,000 STRV increase in exports to the United States from crop year 2010/11 to crop year 2012/2013. There were no reported exports to the United Sates of sugar less than 97.0 polarity, and exports to the United Sates of sugar with greater than 99.5 polarity fluctuated throughout crop years 2010/11-2012/13. Exports to other markets increased from 4,000 STRV in crop year 2010/11 to 231,000 STRV in crop year 2012/13. In October-December 2012, there were no exports to all other markets and in October-December 2013 there were 143,000 STRV exports to other markets.

Internal consumption/transfers as a share of total sales fluctuated, increasing from *** percent in crop year 2010/11 to *** percent in crop year 2011/12, followed by decreasing to *** percent in crop year 2012/12. During October-December 2012, internal consumption accounted for *** percent of shipments and in October-December 2012 7.3 percent. Projections show volumes of internal consumption slightly greater than any period for which actual data were reported, but remain within the same range as share of total shipments. *** firms reported shipments used for internal consumption/transfers. *** accounted for approximately *** of the reported internal consumption/transfers, with the sugar used to produce ***.[35] The other *** producers, ***, combined, accounted for approximately *** percent of the reported internal consumption/transfers. As noted above, ***.[36]

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[31] The capacity utilization rates for the interim periods appear to be lower than the full year rates because of the timing of the sugarcane harvest and interim periods' capacity allocation methodologies.

[32] Table VII-5 provides data for Mexico's exports of sugar, by country, based on data reported by the government of Mexico.

[33] *** of the *** reporting firms reported increased exports to the United States during this period of comparison.

[34] Shipments of estandar would be included in this product category.

[35] E-mail from ***, April 28, 2014.

[36] E-mail from ***, April 25, 2014 and e-mail from ***, April 28, 2014.

Table VII-4

Sugar: Data on industry in Mexico, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14 and projection crop years 2013/14, 2014/15

Item	Actual experience					Projections	
	Crop year			October to December		Crop year	
	2010/11	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15
	Quantity (*1,000 STRV*)						
Capacity	8,447	8,416	8,747	2,491	2,403	8,689	8,665
Production	5,861	5,700	7,863	1,361	940	7,244	7,259
End-of-period inventories	909	1,026	1,625	1,039	751	1,001	1,081
Shipments: Internal consumption/ transfers	***	***	***	***	***	***	***
Home market shipments	***	***	***	***	***	***	***
Export shipments to: United States <97.0 polarity	0	0	0	0	0	0	0
>97.0 polarity for further refinement	585	224	1,495	103	380	1,188	870
>99.5 polarity not intended for further refinement	803	595	833	140	249	596	842
Total exports to the United States	1,388	819	2,328	243	629	1,784	1,712
Exports to all other markets	***	0	231	0	143	1,186	451
Total exports	***	819	2,559	243	772	2,970	2,163
Total shipments	6,068	5,582	7,264	1,330	1,811	7,860	7,181
	Ratios and shares (*percent*)						
Capacity utilization	69.4	67.7	89.9	54.6	39.1	83.4	83.8
Inventories/production	15.5	18.0	20.7	19.1	20.0	13.8	14.9
Inventories/total shipments	15.0	18.4	22.4	19.5	10.4	12.7	15.1
Share of total shipments: Internal consumption/ transfers	***	***	***	***	***	***	***
Home market shipments	***	***	***	***	***	***	***
Export shipments to: United States <97.0 polarity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
>97.0 polarity for further refinement	9.6	4.0	20.6	7.8	21.0	15.1	12.1
>99.5 polarity not intended for further refinement	13.2	10.7	11.5	10.5	13.7	7.6	11.7
Total exports to the United States	22.9	14.7	32.0	18.3	34.7	22.7	23.8
Exports to all other markets	***	0.0	3.2	0.0	7.9	15.1	6.3
Total exports	***	14.7	35.2	18.3	42.6	37.8	30.1
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Note.-- Firms reported capacity based on factors including: sugarcane crushing capacity, days of harvest, factory yield rate, and milling capacity. Questionnaire responses, II-9.

Mexican export markets

The United States is Mexico's principal export market for sugar (table VII-5). Mexico exported sugar to several new markets in 2013, including Burkina Faso, Switzerland, Cote d'Ivoire, Morocco, Australia, and Mauritania. These shipments were part of an effort by the Mexican government -- in consultation with U.S. government officials -- and industry to redirect exports away from the U.S. market.[37]

Table VII-5
Sugar: Mexican sugar exports, by principal markets, 2008-2013

Market	2008	2009	2010	2011	2012	2013
	Quantity (*short tons, tel quel*)					
United States	1,027,893	1,082,968	965,334	1,512,844	1,099,009	2,606,570
Burkina Faso	0	0	0	0	0	36,376
Switzerland	0	0	0	0	0	33,620
Cote d' Ivoire	0	0	0	0	0	33,069
Morocco	0	0	0	0	0	31,636
Australia	0	0	0	0	0	29,762
Canada	0	13,641	0	15,568	71	26,323
Mauritania	0	0	0	0	0	20,833
United Kingdom	937	220	0	22,018	0	17,637
Colombia	0	6	3	8	24	13,556
All other	55,399	19	15	3,792	25	35,598
World	1,084,229	1,096,854	965,352	1,554,230	1,099,129	2,884,980

Source: Global Trade Atlas, GTIS Database, based on INEGI, HS subheadings 1701.11, 1701.12, 1701.13, 1701.14, 1701.91, and 1701.99.

Mexican exports are mainly of sugar with 99.5 degrees polarity and above (table VII-6). This accounted for 56 percent of total Mexican exports in 2013. While sugar below 99.5 degrees polarity excludes refinada sugar and likely is accounted for totally by estandar sugar, the category for sugar 99.5 degrees polarity and above can include both types.

[37] Conference transcript, pp. 160 (Rello) and 188-189 (Farmer). In 2007, the United States and Mexico established a Consultative Committee on Agriculture ("CCA") to coordinate agricultural policy between the two countries. Based on a joint recommendation by the two governments, a sweeteners working group under the CCA was also established in 2007. The working group includes undersecretaries from Mexico's Ministry of Economia and Ministry of Agriculture and undersecretaries from the USDA and the United States Trade Representative. Respondent Chamber's postconference brief, Exh. 1, pp. 3-4. The CCA met in August 2013 and addressed diverting sugar from Mexico to alleviate the oversupply of sugar in the United Sates. Arrangements were subsequently made to divert export shipments to markets other than the United States. Respondent Chamber's postconference brief, pp 15-16. Respondent Chamber provided a list detailing the Mexican firms, their buyers, and volume of sugar under contract totaling *** metric tons (***) and an additional *** from ***. The total ***. Respondent Chamber's postconference brief, Exh. 3.

Table VII-6

Sugar: Mexican sugar exports, by principal HS subheadings, 2008-2013

HS subheading	2008	2009	2010	2011	2012	2013
	Quantity (*short tons, tel quel*)					
1701.11	403,678	379,501	253,261	302,453	118,555	0
1701.12	20,160	0	27,012	13,702	11	147
1701.13	0	0	0	0	241	5,325
1701.14	0	0	0	0	83,689	1,264,847
1701.91	24,134	11,450	13,147	4,413	3,710	4,131
1701.99	636,257	705,903	671,932	1,233,663	892,923	1,610,531
Total	1,084,229	1,096,854	965,352	1,554,230	1,099,129	2,884,980

Source: Global Trade Atlas, GTIS Database, based on INEGI.

Note.-- Sugar below 99.5 degrees polarity comprises HS subheadings 1701.11, 1701.12, 1701.13, and 1701.14. Other sugar 99.5 degrees polarity and above includes HS subheadings 1701.91 and 1701.99.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-7 presents data on U.S. importers' reported inventories of sugar.

Table VII-7

Sugar: U.S. importers' end-of-period inventories of imports by source, crop years 2010/11 through 2012/13, Oct-Dec 2012/13, and Oct-Dec 2013/14

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of sugar from Mexico after December 31, 2013. Table VII-8 presents U.S. import shipments of sugar arranged for importation after December 31, 2013.

Table VII-8

Sugar: U.S. importers' arranged imports, by quarter, 2014

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

TRADE REMEDY MEASURES IN THIRD-COUNTRY MARKETS

No Mexican producer reported that it is subject to trade remedy findings, remedies, or proceedings in third-country markets.

INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[38]

As discussed in Part I of this report, U.S. imports of sugar from sources other than Mexico are currently subject to the WTO TRQs, which have been in place since October 1990, and additional quotas under various FTAs. The TRQs provide one method for managing sugar supplies to avoid forfeitures.[39] The USTR allocates the entire raw cane sugar TRQ on a country-by-country basis, while a portion of the refined sugar TRQ is allocated to specific countries, with the remainder allocated on a global first-come, first-served basis. As shown in Table I-2, fiscal year 2012/13 (the fiscal year corresponds with the crop year), the Dominican Republic received the largest allocation under the TRQ (144,901 MTRV), and fulfilled half of it, making it the second largest source of imports under the TRQ.[40] Brazil received the second largest allocation under the TRQ (155,634 MTRV), and fulfilled 95 percent of it, making it the largest source of imports under the TRQ.[41] The Philippines received the third largest allocation under the TRQ (144,901 MTRV), and fulfilled 39 percent of it, making it the third largest source of imports under the TRQ.[42] For fiscal year 2013/14, the total raw cane sugar TRQ is set at 1,117,195 MTRV, the minimum amount to which the United States is committed under the WTO agreement, and the same amount it was for fiscal year 2012/13.[43] The Dominican Republic has

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[38] *Mittal Steel Point Lisas Ltd. v. United States*, Slip Op. 2007-1552 at 17 (Fed. Cir. Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; *see also Bratsk Aluminum Smelter v. United States*, 444 F.3d 1369 (Fed. Cir. 2006).

[39] No party has argued that nonsubject imports are an alternative source of injury to the domestic industry.

[40] In crop year 2012/13, the Dominican Republic accounted for 3.2 percent of total U.S. imports of sugar. See table IV-4.

[41] In crop year 2012/13, Brazil was the largest nonsubject supplier of sugar to the United States, accounting for 5.5 percent of total U.S. imports of sugar. See table IV-4.

[42] In crop year 2012/13, the Philippines accounted for 2.8 percent of total U.S. imports of sugar. See table IV-4.

[43] U.S. Trade Representative, "U.S. Trade Representative Froman Announces FY 2014 WTO Tariff-Rate Quota Allocations for Raw Cane Sugar, Refined and Specialty Sugar and Sugar-Containing Products,"

(*continued*...)

the largest allocation (185,335 MTRV), followed by Brazil (152,691 MTRV), and the Philippines (142,160 MTRV).[44]

The global sugar market

Sugar is produced in substantial quantities throughout the world. Table VII-9 presents data on global sugar production, for the top 10 producing countries. Global sugar production increased by 18 percent during 2008/09–2012/13 and totaled 194 million STRV (centrifugal basis). Brazil was the leading producer, accounting for 22 percent of the total the latter year. Following Brazil were India (16 percent), the European Union (9 percent), and China (8 percent). The United States was the sixth-leading producer in 2012/13 (5 percent), while Mexico ranked sixth (4 percent). Growth generally was greatest during the period in Asian markets, including India (41 percent), Thailand (28 percent), and Pakistan (27 percent).

Table VII-9
Sugar: Global sugar production, by principal suppliers, marketing years 2008/09-2012/13

Country	2008/09	2009/10	2010/11	2011/12	2012/13
	Quantity (*1,000 STRV, centrifugal basis*)				
Brazil	35,108	40,124	42,273	39,848	42,549
India	17,582	22,748	29,293	31,548	29,983
European Union	15,752	18,626	17,570	20,194	18,288
China	14,679	12,598	12,345	13,603	15,432
Thailand	7,937	7,639	10,652	11,282	11,023
United States	7,532	7,963	7,831	8,488	8,977
Mexico	5,798	5,638	6,057	5,898	8,149
Russia	3,837	3,796	3,302	6,112	5,512
Pakistan	3,871	3,770	4,321	4,982	5,269
Australia	5,306	5,181	4,079	4,060	4,685
All other	41,344	41,013	40,766	43,503	44,175
Total	158,747	169,096	178,488	189,520	194,041

Source: USDA, FAS, PSD Online database, available at http://apps.fas.usda.gov/psdonline/psdQuery.aspx (accessed April 23, 2014).

(…*continued*)
press release, September 12, 2013, available at http://www.ustr.gov/about-us/press-office/press-releases/2013/september/WTO-trq-for-sugar (accessed April 30, 2014). In calendar year 2013, an additional 184,176 metric tons of sugar and sugar-containing products were eligible for duty-free access under various FTAs, with entries under these quotas totaling 110,544 metric tons. U.S. Department of Agriculture, Foreign Agricultural Service, "Sugar Monthly Import and Re-export Data," available at http://usda.mannlib.cornell.edu/usda/fas/SugMonImp//2010s/2013/SugMonImp-11-19-2013.pdf (accessed April 30, 2014).

[44] Ibid.

Table VII-10 shows that global sugar production is dominated by cane sugar, which accounts for approximately 80 percent of the annual total most years. Beet sugar accounts for the remainder. Primary cane sugar producers include Brazil and India, while the leading beet sugar producers include the European Union, China, and the United States.

Table VII-10

Sugar: Global production of beet sugar and cane sugar, marketing years 2008/09-2012/13

Type	2008/09	2009/10	2010/11	2011/12	2012/13
	Quantity (*1,000 STRV*)				
Beet sugar	33,264	36,806	35,206	42,471	40,039
Cane sugar	125,483	132,290	143,281	147,049	154,002
Total	158,747	169,096	178,488	189,520	194,041
	Share of total (*percent*)				
Beet sugar	21.0	21.8	19.7	22.4	20.6
Cane sugar	79.0	78.2	80.3	77.6	79.4
Total	100.0	100.0	100.0	100.0	100.0

Source: USDA, FAS, PSD Online database, available at http://apps.fas.usda.gov/psdonline/psdQuery.aspx (accessed April 23, 2014).

As shown in table VII-11, global sugar exports have been relatively flat in recent years, totaling about 52 million short tons annually. Brazil is the leading global exporter, accounting for 57 percent of the total in 2012/2013. Thailand was the second leading exporter that year, with a 13-percent share of the global export market. Mexico ranked third among global exporters in 2012/13, with a 6-percent share. The United States is a minor sugar exporter. Mexico exhibited the largest growth in exports, 166 percent during 2008 through 2013. Virtually all of this growth occurred during the latter year.

Table VII-11

Global sugar exports, by principal sources, 2008-2013

Source	2008	2009	2010	2011	2012	2013
	Quantity (*1,000 short tons, tel quel*)					
Brazil	21,465	26,779	30,864	27,953	26,833	29,932
Thailand	5,525	5,569	4,961	7,188	7,554	6,608
Mexico	1,084	1,097	965	1,554	1,099	2,885
Guatemala	1,430	1,754	1,920	1,422	1,687	2,128
India	5,537	86	1,433	4,005	3,819	1,787
EU28	1,472	1,655	2,399	1,507	2,131	1,561
Colombia	459	1,013	887	925	830	684
South Africa	1,186	998	466	293	338	655
Belarus	357	485	544	437	497	555
Philippines	237	276	83	644	224	538
All other	7,367	6,759	8,039	7,375	7,415	5,539
Total	46,118	46,472	52,563	53,304	52,429	52,872

Source: GTIS, Global Trade Atlas database.
Note: Includes HS subheadings 1701.11, 1701.12, 1701.13, 1701.14, 1701.19, and 1701.99.

Global sugar consumption increased by 6.7 percent during 2008/09 through 2012/13 and totaled 180 million short tons, raw value (centrifugal basis) the latter year (table VII-12). India was the leading consumer market for sugar during the period, accounting for 15 percent of the world total in 2012/13. The European Union followed India, with an 11-percent market share that year. The United States was the fifth-leading global sugar market during the period, with a 6-percent market share in 2012/13. Mexico ranked eighth that year, with a market share of 3 percent. The growth in sugar consumption during the period was greatest in Indonesia (14 percent), followed by the United States (10 percent), the European Union (7 percent), and Pakistan (5 percent). Mexican consumption of sugar fell by 14 percent during the period, but rebounded in 2011/12 and 2012/13 after falling the previous two years.

Table VII-12

Sugar: Global sugar consumption, by principal markets, marketing years 2008/09-2012/13

Supplier	2008/09	2009/10	2010/11	2011/12	2012/13
	(*1,000 STRV, centrifugal basis*)				
India	25,904	24,802	25,408	26,447	27,210
European Union	18,779	19,412	19,885	20,062	20,117
China	15,983	15,763	15,432	15,653	16,645
Brazil	12,842	13,007	13,228	12,676	12,346
United States	10,442	10,870	11,211	11,140	11,485
Russia	6,063	6,283	6,088	6,283	6,063
Indonesia	4,960	5,181	5,512	5,567	5,660
Mexico	5,834	5,087	4,566	4,727	5,009
Pakistan	4,602	4,519	4,685	4,740	4,850
Egypt	3,029	2,898	3,086	3,142	3,131
All other	60,721	62,022	61,528	63,887	67,902
Total	169,160	169,843	170,629	174,323	180,417

Source: USDA, FAS, PSD Online database, available at http://apps.fas.usda.gov/psdonline/psdQuery.aspx (accessed April 23, 2014).

Note.-- Includes human consumption only, beet and cane sugar.

Table VII-13 presents data on global sugar imports, showing sugar imports rose between 2008–2010 before falling during 2011–2013 to 35 million tons the latter year. China emerged as the leading global sugar importer during the period and accounted for 14 percent of the total in 2013. The European Union declined to second place among global sugar importers during the period, with a 13 percent share in 2013. The United States ranked fourth, with a 9-percent import market share in 2013. Mexico is a minor global sugar importer. Growth in global sugar imports during 2008–13 was greatest in Asian markets, led by India (1,213 percent), China (483 percent), and Indonesia (228 percent). Global sugar imports became more concentrated among the 10-leading markets during 2008 through 2013, as the global share for all other markets declined by 60 percent during the period.

Table VII-13

Sugar: Global sugar imports, by principal markets, 2008-2013

Market	2008	2009	2010	2011	2012	2013
	Quantity (*1,000 short tons, tel quel*)					
China	860	1,173	1,947	3,218	4,130	5,011
EU28 (External Trade)	3,640	3,372	3,267	4,851	3,992	4,543
Indonesia	1,123	1,536	1,941	2,741	3,081	3,686
USA	2,867	2,731	3,193	3,803	3,329	3,203
South Korea	1,813	1,820	1,807	1,815	1,951	2,071
Malaysia	1,611	1,727	1,890	1,981	1,963	2,022
Algeria	1,209	1,337	1,351	1,710	1,844	1,974
Japan	1,544	1,431	1,220	1,469	1,350	1,545
India	106	2,436	1,825	83	809	1,393
Canada	1,451	1,161	1,144	1,283	1,234	1,233
All other	20,207	17,884	34,649	21,718	17,123	8,106
Total	36,429	36,607	54,236	44,672	40,806	34,786

Source: GTIS, Global Trade Atlas database, HS subheadings 1701.11, 1701.12, 1701.13, 1701.14, 1701.19, and 1701.99.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
79 FR 18697 April 3, 2014	*Sugar From Mexico; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://federalregister.gov/a/2014-07420
79 FR 22790 April 24, 2014	*Sugar From Mexico: Initiation of Countervailing Duty Investigation*	https://federalregister.gov/a/2014-09362
79 FR 22795 April 24, 2014	*Sugar From Mexico: Initiation of Antidumping Duty Investigation*	https://federalregister.gov/a/2014-09363

APPENDIX B

CALENDAR OF THE PUBLIC STAFF CONFERENCE

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Sugar from Mexico

Inv. Nos.: 701-TA-513 and 731-TA-1249 (Preliminary)

Date and Time: April 18, 2014 - 9:30 am

Sessions were held in connection with these preliminary investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

EMBASSY WITNESS:

Embassy of Mexico
Washington, DC

Kenneth Smith Ramos, Head of the Trade and NAFTA Office

OPENING REMARKS:

Petitioner (**Robert C. Cassidy**, Cassidy Levy Kent (USA LLP)
Respondents (**Irwin P. Altschuler**, Greenberg Traurig, LLP)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders:

Cassidy Levy Kent (USA) LLP
Washington, DC
on behalf of

American Sugar Coalition

David Berg, President *and* Chief Executive Officer,
American Crystal Sugar Company

Brian F. O'Malley, President *and* Chief Executive Officer,
Domino Foods, Inc.

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

John Snyder, President, American SugarBeet Growers Association

Todd Landry, Farmer, Loreauville Harvesting, LLC

Robert C. Cassidy)
John D. Greenwald)
) – OF COUNSEL
James R. Cannon, Jr.)
Jennifer A. Hillman)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Greenberg Traurig, LLP
Washington, DC
on behalf of

Camara Nacional de Las Industrias Azucarera Y Al Alcoholera (Mexican Sugar Chamber)

Seth Kaplan, Senior Economic Advisor, Capital Trade

Carlos Rello, Director General, Fondo de Empress Expropiadas del Sector Azucarero ("FEESA")

Juan Cortina, President, Camara Nacional de la Industrias Azucareras y Alcoholeras ("Sugar Chamber")

Humberto Jasso, General Director, Cámara Nacional de las Industrias Azucareras y Alcoholera

Rodolfo Cruz, Attorney, Cruz Abogados, S.C.

Oscar Cruz, Attorney, Cruz Abogados, S.C.

Christophe Armero, Beta San Miguel

Irwin P. Altschuler)
) – OF COUNSEL
Philippe M. Bruno)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Kelley Drye & Warren LLP
Washington, DC
on behalf of

Sweetener Users Association
National Confectioners Association
International Dairy Foods Association
Barry Callebaut USA LLC

Thomas Earley, Vice President, Agralytica

Tim Jones, Senior Manager, Procurement & Operations, Just Born, Inc.

Brad Hudgens, Economist, Georgetown Economic Services, LLC

Paul C. Rosenthal)
John M. Herrmann) – OF COUNSEL
Grace W. Kim)

Covington & Burling LLP
Washington, DC
on behalf of

CSC Sugar LLC

Paul J. Farmer, President *and* Chief Executive Officer,
CSC Sugar, LLC

David R. Grace)
) – OF COUNSEL
Harvey M. Applebaum)

Akin Gump Strauss Hauer & Feld LLP
Washington, DC
on behalf of

Archer Daniels Midland Company

Christopher M. Cuddy, President, Sweeteners and Starches
Business, Archer Daniels Midland Company

Warren E. Connelly) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioner (**John D. Greenwald** and **James R. Cannon, Jr.**, Cassidy Levy Kent (USA) LLP)
Respondents (**Paul C. Rosenthal**, Kelley Drye & Warren LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Sugar: Summary data concerning the U.S. market, crop years 2010-11 through 2012-13, Oct-Dec 2012-13, and Oct-Dec 2013-14

(Quantity=short tons raw value; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton raw value; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Crop year			October to December		Full crop year comparisions			Partial year comparison
	2010-11	2011-12	2012-13	2012-13	2013-14	2010-11 to 2012-13	2010-11 to 2011-12	2011-12 to 2012-13	2012-13 to 2013-14
U.S. consumption quantity:									
Amount	10,738	10,719	11,659	2,727	3,093	8.6	(0.2)	8.8	13.4
Producers' share (fn1)	70.4	72.8	74.6	77.6	75.4	4.2	2.5	1.8	(2.3)
Importers' share (fn1):									
Subject	15.4	9.9	17.7	10.0	18.5	2.4	(5.5)	7.8	8.5
Nonsubject	14.3	17.3	7.7	12.4	6.1	(6.6)	3.0	(9.6)	(6.3)
Total imports	29.6	27.2	25.4	22.4	24.6	(4.2)	(2.5)	(1.8)	2.3
U.S. consumption value:									
Amount	7,990,761	8,482,828	7,720,911	2,008,710	1,820,562	(3.4)	6.2	(9.0)	(9.4)
Producers' share (fn1)	70.6	74.7	80.1	80.9	81.1	9.4	4.1	5.4	0.1
Importers' share (fn1):									
Subject	15.8	10.0	13.5	8.8	14.1	(2.3)	(5.8)	3.5	5.3
Nonsubject	13.6	15.3	6.4	10.3	4.8	(7.1)	1.7	(8.9)	(5.4)
Total imports	29.4	25.3	19.9	19.1	18.9	(9.4)	(4.1)	(5.4)	(0.1)
Additional domestic value added as a ratio to the value of apparent U.S. consumption on:									
Subject imports	0.4	0.1	4.5	1.4	4.7	4.0	(0.3)	4.4	3.3
Nonsubject imports	4.3	6.4	3.3	5.8	2.6	(1.0)	2.1	(3.1)	(3.2)
Total imports	4.7	6.5	7.8	7.3	7.4	3.1	1.8	1.3	0.1
U.S. imports from.--									
Subject sources:									
Quantity	1,650	1,062	2,066	272	573	25.2	(35.6)	94.5	110.3
Value	1,261,924	849,049	1,042,185	176,964	256,880	(17.4)	(32.7)	22.7	45.2
Unit value	$765	$799	$504	$650	$448	(34.0)	4.5	(36.9)	(31.0)
Ending inventory quantity	101	156	186	109	192	84.3	54.4	19.3	76.2
Nonsubject sources:									
Quantity	1,532	1,850	895	338	189	(41.6)	20.8	(51.6)	(44.1)
Value	1,086,181	1,298,815	497,767	206,235	87,963	(54.2)	19.6	(61.7)	(57.3)
Unit value	$709	$702	$556	$611	$466	(21.6)	(1.0)	(20.8)	(23.7)
Ending inventory quantity	133	241	109	124	58	(18.2)	81.0	(54.8)	(53.1)
Total imports:									
Quantity	3,183	2,912	2,962	610	762	(6.9)	(8.5)	1.7	24.9
Value	2,348,105	2,147,864	1,539,952	383,199	344,843	(34.4)	(8.5)	(28.3)	(10.0)
Unit value	$738	$737	$520	$628	$453	(29.5)	(0.0)	(29.5)	(27.9)
Ending inventory quantity	234	397	295	233	250	26.0	69.5	(25.7)	7.3
U.S. processors' and refiners':									
Average capacity quantity	12,536	13,402	13,346	4,012	3,952	6.5	6.9	(0.4)	(1.5)
Production quantity	10,312	10,595	11,053	3,405	3,177	7.2	2.7	4.3	(6.7)
Capacity utilization (fn1)	82.3	79.1	82.8	84.9	80.4	0.6	(3.2)	3.8	(4.5)
Share of U.S. production using:									
Domestic raw sugar/sugar crop inputs	74.9	76.1	80.5	85.9	84.8	5.5	1.2	4.4	(1.1)
Mexican raw sugar/estandar inputs	7.4	2.8	11.7	3.9	10.4	4.3	(4.6)	8.9	6.5
Nonsubject raw sugar inputs	17.7	21.2	7.9	10.2	4.8	(9.8)	3.5	(13.3)	(5.4)
Imported raw sugar/estandar inputs	25.1	23.9	19.5	14.1	15.2	(5.5)	(1.2)	(4.4)	1.1
U.S. shipments produced from domestic raw sugar/sugar crop sources:									
Quantity	7,555	7,806	8,697	2,117	2,331	15.1	3.3	11.4	10.1
Value	5,642,656	6,334,965	6,180,960	1,625,511	1,475,719	9.5	12.3	(2.4)	(9.2)
Unit value	$747	$812	$711	$768	$633	(4.8)	8.7	(12.4)	(17.6)
U.S. shipments produced from imported raw sugar/estandar from Mexico:									
Quantity	727	257	1,204	116	330	65.5	(64.6)	367.7	183.2
Value	597,694	208,889	913,452	98,482	231,244	52.8	(65.1)	337.3	134.8
Unit value	$822	$812	$759	$846	$702	(7.7)	(1.2)	(6.5)	(17.1)
of which estimated domestic value	35,899	10,676	346,781	28,987	86,140	866.0	(70.3)	3,148.4	197.2
of which estimated subject import value	561,795	198,214	566,672	69,495	145,104	0.9	(64.7)	185.9	108.8
U.S. shipments produced from imported raw sugar from nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
of which estimated domestic value	***	***	***	***	***	***	***	***	***
of which estimated nonsubject import value	***	***	***	***	***	***	***	***	***
Total U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	815	956	1,110	1,737	1,405	36.2	17.3	16.1	(19.1)
Inventories/total shipments (fn1)	8.0	9.2	10.2	16.7	12.3	2.2	1.2	1.0	(4.4)
Production workers	9,713	8,444	9,134	9,702	10,242	(6.0)	(13.1)	8.2	5.6
Hours worked (1,000s)	20,262	18,177	19,824	5,506	5,812	(2.2)	(10.3)	9.1	5.6
Wages paid ($1,000)	456,655	421,203	463,383	128,820	137,115	1.5	(7.8)	10.0	6.4
Productivity (short tons raw value per 1,000 hours)	508.9	582.9	557.6	618.4	546.6	9.6	14.5	(4.3)	(11.6)
Unit labor costs	$44.28	$39.75	$41.92	$37.83	$43.16	(5.3)	(10.2)	5.5	14.1

Table C-1--Continued
Sugar: Summary data concerning the U.S. market, crop years 2010-11 through 2012-13, Oct-Dec 2012-13, and Oct-Dec 2013-14

(Quantity=short tons raw value; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton raw value; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Crop year			October to December		Full crop year comparisions			Partial year comparison
	2010-11	2011-12	2012-13	2012-13	2013-14	2010-11 to 2012-13	2010-11 to 2011-12	2011-12 to 2012-13	2012-13 to 2013-14
Net Sales:									
Quantity	10,704	10,800	11,451	2,720	2,923	7.0	0.9	6.0	7.5
Value	8,485,821	9,066,487	8,407,088	2,203,559	1,895,682	(0.9)	6.8	(7.3)	(14.0)
Unit value	$793	$839	$734	$810	$649	(7.4)	5.9	(12.5)	(19.9)
Cost of goods sold (COGS)	6,961,673	7,525,414	6,904,107	1,796,396	1,666,458	(0.8)	8.1	(8.3)	(7.2)
Gross profit of (loss)	1,524,148	1,541,073	1,502,981	407,163	229,224	(1.4)	1.1	(2.5)	(43.7)
SG&A expenses	784,773	832,990	869,445	260,282	200,941	10.8	6.1	4.4	(22.8)
Operating income or (loss)	739,375	708,083	633,536	146,881	28,283	(14.3)	(4.2)	(10.5)	(80.7)
Capital expenditures	316,405	291,025	318,333	49,555	71,072	0.6	(8.0)	9.4	43.4
Unit COGS	$650	$697	$603	$660	$570	(7.3)	7.1	(13.5)	(13.7)
Unit SG&A expenses	$73	$77	$76	$96	$69	3.6	5.2	(1.6)	(28.2)
Unit operating income or (loss)	$69	$66	$55	$54	$10	(19.9)	(5.1)	(15.6)	(82.1)
COGS/sales (fn1)	82.0	83.0	82.1	81.5	87.9	0.1	1.0	(0.9)	6.4
Operating income or (loss)/sales (fn1)	8.7	7.8	7.5	6.7	1.5	(1.2)	(0.9)	(0.3)	(5.2)
U.S. millers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Productivity (short tons raw value per 1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net Sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit of (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

fn1.--Report data are in percent and period changes are in percentage points.

Table C-2
Sugar: Summary data concerning the U.S. market excluding ADM, crop years 2010-11 through 2012-13, Oct-Dec 2012-13, and Oct-Dec 2013-14

(Quantity=short tons raw value; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton raw value; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Crop year			October to December		Full crop year comparisions			Partial year comparison
	2010-11	2011-12	2012-13	2012-13	2013-14	2010-11 to 2012-13	2010-11 to 2011-12	2011-12 to 2012-13	2012-13 to 2013-14
U.S. consumption quantity:									
Amount	10,738	10,719	11,659	2,727	3,093	8.6	(0.2)	8.8	13.4
Producers' share (fn1):									
Included producers	***	***	***	***	***	***	***	***	***
Excluded producers	***	***	***	***	***	***	***	***	***
All producers	70.4	72.8	74.6	77.6	75.4	4.2	2.5	1.8	(2.3)
Importers' share (fn1):									
Subject	15.4	9.9	17.7	10.0	18.5	2.4	(5.5)	7.8	8.5
Nonsubject	14.3	17.3	7.7	12.4	6.1	(6.6)	3.0	(9.6)	(6.3)
Total imports	29.6	27.2	25.4	22.4	24.6	(4.2)	(2.5)	(1.8)	2.3
U.S. consumption value:									
Amount	7,990,761	8,482,828	7,720,911	2,008,710	1,820,562	(3.4)	6.2	(9.0)	(9.4)
Producers' share (fn1)									
Included producers	***	***	***	***	***	***	***	***	***
Excluded producers	***	***	***	***	***	***	***	***	***
All producers	70.6	74.7	80.1	80.9	81.1	9.4	4.1	5.4	0.1
Importers' share (fn1):									
Subject	15.8	10.0	13.5	8.8	14.1	(2.3)	(5.8)	3.5	5.3
Nonsubject	13.6	15.3	6.4	10.3	4.8	(7.1)	1.7	(8.9)	(5.4)
Total imports	29.4	25.3	19.9	19.1	18.9	(9.4)	(4.1)	(5.4)	(0.1)
Additional domestic value added as a ratio to the value of apparent U.S. consumption on:									
Subject imports	***	***	***	***	***	***	***	***	***
Nonsubject imports	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from.--									
Subject sources:									
Quantity	1,650	1,062	2,066	272	573	25.2	(35.6)	94.5	110.3
Value	1,261,924	849,049	1,042,185	176,964	256,880	(17.4)	(32.7)	22.7	45.2
Unit value	$765	$799	$504	$650	$448	(34.0)	4.5	(36.9)	(31.0)
Ending inventory quantity	101	156	186	109	192	84.3	54.4	19.3	76.2
Nonsubject sources:									
Quantity	1,532	1,850	895	338	189	(41.6)	20.8	(51.6)	(44.1)
Value	1,086,181	1,298,815	497,767	206,235	87,963	(54.2)	19.6	(61.7)	(57.3)
Unit value	$709	$702	$556	$611	$466	(21.6)	(1.0)	(20.8)	(23.7)
Ending inventory quantity	133	241	109	124	58	(18.2)	81.0	(54.8)	(53.1)
Total imports:									
Quantity	3,183	2,912	2,962	610	762	(6.9)	(8.5)	1.7	24.9
Value	2,348,105	2,147,864	1,539,952	383,199	344,843	(34.4)	(8.5)	(28.3)	(10.0)
Unit value	$738	$737	$520	$628	$453	(29.5)	(0.0)	(29.5)	(27.9)
Ending inventory quantity	234	397	295	233	250	26.0	69.5	(25.7)	7.3
U.S. processors' and refiners':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
Share of U.S. production using:									
Domestic raw sugar/sugar crop inputs	***	***	***	***	***	***	***	***	***
Mexican raw sugar/estandar inputs	***	***	***	***	***	***	***	***	***
Nonsubject raw sugar inputs	***	***	***	***	***	***	***	***	***
Imported raw sugar/estandar inputs	***	***	***	***	***	***	***	***	***
U.S. shipments produced from domestic raw sugar/sugar crop sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
U.S. shipments produced from imported raw sugar/estandar from Mexico:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
of which estimated domestic value	***	***	***	***	***	***	***	***	***
of which estimated subject import value	***	***	***	***	***	***	***	***	***
U.S. shipments produced from imported raw sugar from nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
of which estimated domestic value	***	***	***	***	***	***	***	***	***
of which estimated nonsubject import value	***	***	***	***	***	***	***	***	***
Total U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Productivity (short tons raw value per 1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***

Table C-2--Continued
Sugar: Summary data concerning the U.S. market, crop years 2010-11 through 2012-13, Oct-Dec 2012-13, and Oct-Dec 2013-14

(Quantity=short tons raw value; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton raw value; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Crop year			October to December		Full crop year comparisions			Partial year comparison
	2010-11	2011-12	2012-13	2012-13	2013-14	2010-11 to 2012-13	2010-11 to 2011-12	2011-12 to 2012-13	2012-13 to 2013-14
Net Sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit of (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***
U.S. millers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Productivity (short tons raw value per 1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net Sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit of (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

fn1.--Report data are in percent and period changes are in percentage points.

APPENDIX D

RESULTS OF OPERATIONS OF MILLERS, PROCESSORS, AND REFINERS

Table D-1
Sugar: Results of operations of U.S. millers, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

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Table D-2
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
			Net Sales Quantity (*1,000 STRV*)		
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.[1]	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	10,704	10,800	11,451	2,720	2,923
All firms excluding melt houses	***	***	***	***	***
			Net Sales Value (*$1,000*)		
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.[1]	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	8,485,821	9,066,487	8,407,088	2,203,559	1,895,682
All firms excluding melt houses	***	***	***	***	***

Table continued on the next page.

Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
			Total COGS (*$1,000*)		
AmCane Sugar	***	***	***	***	***
American Crystal[2]	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.[1]	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	6,961,673	7,525,414	6,904,107	1,796,396	1,666,458
All firms excluding melt houses	***	***	***	***	***
			Gross profit or (loss) (*$1,000*)		
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	1,524,148	1,541,073	1,502,981	407,163	229,224
All firms excluding melt houses	***	***	***	***	***

Table continued on the next page.

Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
			SG&A expenses (*$1,000*)		
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	784,773	832,990	869,445	260,282	200,941
All firms excluding melt houses	***	***	***	***	***
			Operating income or (loss) (*$1,000*)		
AmCane Sugar	***	***	***	***	***
American Crystal[2]	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	739,375	708,083	633,536	146,881	28,283
All firms excluding melt houses	***	***	***	***	***

Table continued on the next page.

Table D-2--*Continued*

Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
Raw material costs as a ratio to net sales (*percent*)					
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	60.5	61.9	58.2	59.3	61.2
All firms excluding melt houses	***	***	***	***	***
Direct labor costs as a ratio to net sales (*percent*)					
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	3.8	3.0	3.7	3.8	5.1
All firms excluding melt houses	***	***	***	***	***

Table continued on the next page.

Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
	Other factory costs as a ratio to net sales (*percent*)				
AmCane Sugar	***	***	***	***	***
American Crystal[2]	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	17.8	18.1	20.2	18.5	21.6
All firms excluding melt houses	***	***	***	***	***
	COGS as a ratio to net sales (*percent*)				
AmCane Sugar	***	***	***	***	***
American Crystal[2]	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	82.0	83.0	82.1	81.5	87.9
All firms excluding melt houses	***	***	***	***	***

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Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
	SG&A expenses as a ratio to net sales (*percent*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	9.2	9.2	10.3	11.8	10.6
All firms excluding melt houses	***	***	***	***	***
	Operating income or (loss) as a ratio to net sales (*percent*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	8.7	7.8	7.5	6.7	1.5
All firms excluding melt houses	***	***	***	***	***

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Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
	Unit net sale value (*dollars per STRV*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	793	839	734	810	649
All firms excluding melt houses	***	***	***	***	***
	Unit raw material costs (*dollars per STRV*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	479	520	428	480	397
All firms excluding melt houses	***	***	***	***	***

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Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
	Unit direct labor costs (*dollars per STRV*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	30	25	27	31	33
All firms excluding melt houses	***	***	***	***	***
	Unit other factory costs (*dollars per STRV*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	141	152	148	149	140
All firms excluding melt houses	***	***	***	***	***

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Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
			Unit COGS (*dollars per STRV*)		
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	650	697	603	660	570
All firms excluding melt houses	***	***	***	***	***
			Unit gross income or (loss) (*dollars per STRV*)		
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	142	143	131	150	78
All firms excluding melt houses	***	***	***	***	***

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Table D-2--*Continued*
Sugar: Results of operations of U.S. processors and refiners, by firm, 2012/13 years 2010/11 through 2012/13, October-December 2012/13, and October-December 2013/14

Firm	Crop years			October to December	
	2010/11	20111/12	2012/13	2012/13	2013/14
	Unit SG&A expenses (*dollars per STRV*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	73	77	76	96	69
All firms excluding melt houses	***	***	***	***	***
	Unit operating income or (loss) (*dollars per STRV*)				
AmCane Sugar	***	***	***	***	***
American Crystal	***	***	***	***	***
American Sugar Holdings	***	***	***	***	***
Archer Daniels Midland	***	***	***	***	***
CSC Sugar	***	***	***	***	***
Hawaiian Commercial & Sugar Co.	***	***	***	***	***
Imperial Sugar	***	***	***	***	***
Louisiana Sugar Refining	***	***	***	***	***
Michigan Sugar Co.	***	***	***	***	***
Minn-Dak Farmers Coop	***	***	***	***	***
So.Minnesota Beet Sugar Coop	***	***	***	***	***
Amalgamated Sugar	***	***	***	***	***
Western Sugar Coop	***	***	***	***	***
U.S. Sugar Corp.	***	***	***	***	***
Wyoming Sugar Growers	***	***	***	***	***
All firms	69	66	55	54	10
All firms excluding melt houses	***	***	***	***	***

Note.—Changes to *** to the questionnaire response of *** were received too late to be used. These changes would have no effect on the industry presentation.

Source: Compiled from data submitted in response to Commission questionnaires.