High Fructose Corn Syrup And Mexico

National Corn Growers Association www.ncga.com

Overview

One of the largest processing markets for corn is refinement into high fructose corn syrup (HFCS) for soft drinks. The United States corn sweetener industry has long considered Mexico an important market for high fructose corn syrup. Per capita beverage consumption in Mexico rivals that in the US, and much of the market is caloric rather than diet soft drinks. Its proximity to the US makes it an especially attractive market for exports of HFCS.

The United States has a long-standing trade dispute over access to the sweetener market in Mexico, specifically HFCS. The United States government has filed cases under the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) stating that Mexico violated these agreements by restricting the market access through "anti dumping" duties on HFCS going into Mexico. Over the course of the last five years, the United States government has won both of these cases, the most recent in October 2001 with a WTO decision. On December 11, 2001, the US and Mexican governments agreed to settle the sweetener dispute via bilateral negotiations, and therefore the US government agreed not to retaliate against Mexico for its violation.

On January 1, 2002, Mexico passed legislation that implements a 10-20% tax on soft drinks not produced using cane sugar. This action effectively prices HFCS out of the Mexican soft drink market. High fructose corn syrup is both imported from the United States and produced in Mexico by wholly–owned subsidiaries of U.S. firms.

Approximately $66 million of U.S. corn (31.5 million bushels) is required to produce HFCS for the Mexican soft drink industry. Corn refiners in the U.S. and Mexico will be required to reduce corn purchases by this amount if this market is eliminated. The Mexican soft drink industry uses 475,000 tons of HFCS, worth $240 million, importing a substantial portion of the HFCS from the U.S.

This new tax has effectively eliminated the HFCS market in Mexico. As the tax is being implemented, the use of HFCS is declining, and orders to US companies have already been canceled.

Action Needed

Congress must voice its concern regarding this issue to the US Trade Representatives Office and urge the US government seek resolution of the soft drink tax issue and not include it as part of the bilateral negotiations on sweetener. The soft drink tax must be remedied separately from the negotiations on sweeteners.