



August 11, 2020

The Honorable Robert E. Lighthizer
U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20508

Dear Ambassador Lighthizer,

With just three weeks remaining before Brazil is likely to impose a tariff of at least 20 percent on all fuel ethanol imports from the United States, we were encouraged to hear President Trump announce on August 10, 2020, that the administration is strongly considering the implementation of reciprocal tariffs on fuel ethanol imports from Brazil.¹

U.S. fuel ethanol exports to Brazil have fallen dramatically under the country's current tariff rate quota (TRQ) and 20 percent over-quota tariff, exacerbating the economic challenges already facing the American ethanol industry. Even before COVID-19 battered world fuel markets, Brazil's protectionist policies caused 2019 U.S. ethanol exports to Brazil to fall 33 percent compared to 2018 volumes. Ethanol exports to Brazil have continued to slide in 2020. Year-to-date exports to Brazil are down 15 percent compared to the same period in 2019 and 48 percent below the same period in 2018.² It is estimated that Brazil's trade barriers have already resulted in the loss of demand for nearly 350 million gallons of U.S. ethanol valued at nearly \$400 million since late 2017.

Meanwhile, U.S. imports of duty-free Brazilian ethanol are surging. According to S&P Global Platts, Brazil's July ethanol exports hit a seven-year high as "Brazilian ethanol producers are taking advantage of a depreciated domestic currency against the US dollar..."³ In addition, imports from Brazil are being encouraged by federal and state policies that assign premium value to sugarcane ethanol due to dubious lifecycle greenhouse gas modeling results. Year-to-date U.S. imports of Brazilian ethanol are at a seven-year high and nearly triple the five-year average volume for the same period.⁴

¹ The White House. "Remarks by President Trump in Press Briefing—August 10, 2020." Issues August 11, 2020. <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-briefing-august-10-2020/>

² U.S. Department of Agriculture. Global Agricultural Trade System Online. Queried August 11, 2020 (HTS codes 2207106010; 2207200010). Year-to-date trade data is for January-June. <https://apps.fas.usda.gov/gats/default.aspx>

³ Nicolle Monteiro de Castro. S&P Global Platts. "FEATURE: Brazilian ethanol trade flow reverses to net exports." August 10, 2020. <https://www.spglobal.com/platts/en/market-insights/latest-news/agriculture/081020-feature-brazilian-ethanol-trade-flow-reverses-to-net-exports>

⁴ U.S. Department of Agriculture. Global Agricultural Trade System Online. Queried August 11, 2020 (HTS codes 2207106010; 2207200010). Year-to-date trade data is for January-June. <https://apps.fas.usda.gov/gats/default.aspx>

Under Brazil's existing TRQ, the country may import 198 million gallons of fuel ethanol from the United States tariff-free. Any import volumes exceeding that quota are charged a 20 percent tariff. With the TRQ set to expire on August 31, 2020, there is growing concern that Brazil will eliminate the tariff-free quota and assess the 20 percent tariff on *all* ethanol imports from the United States. Worse still, some agriculture and trade officials in Brazil are suggesting the tariff on U.S. ethanol should be raised further to as much as 35 percent. Such a move by Brazil would be devastating to the U.S. ethanol industry, which is already suffering from the negative effects of COVID-19 on world fuel markets.

Therefore, we were comforted to hear President Trump state that "...as far as Brazil is concerned, if they do tariffs, we have to have an equalization of tariffs."⁵ We wholeheartedly agree with the President that "fairness in tariffs" is an essential pursuit. Further, with the expiry of the TRQ looming, we were pleased to learn that the administration may be presenting a plan "very soon" to restore fairness in ethanol trade with Brazil.

While we would strongly prefer a return to the free and fair two-way ethanol trade relationship that we enjoyed with Brazil between 2012 and late 2017, it has become clear that the Brazilian ethanol industry (and some of the nation's political leaders) no longer share our desire for free and open markets. Regarding ethanol trade, Brazil has chosen a path of protectionism and obstruction; unfortunately, at this point, it appears we have no choice but to respond in kind.

Please know that the U.S. ethanol industry strongly supports the President's goal of restoring fairness in ethanol trade with Brazil, and the Renewable Fuels Association stands ready to work with you and the Administration to ensure reciprocity and equity is achieved.

Sincerely,



Geoff Cooper
President & CEO
Renewable Fuels Association

Cc:

Sonny Perdue
Secretary of Agriculture
U.S. Department of Agriculture

⁵ The White House. "Remarks by President Trump in Press Briefing—August 10, 2020." Issues August 11, 2020. <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-briefing-august-10-2020/>

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