



A Two Way Street: The Benefits of Free Trade **Leticia Phillips**

The past few weeks have been busy for the international trade market – especially the ethanol sector. For starters, the United States solidified its new position as the world's largest ethanol exporter. American corn growers successfully lobbied Congress to pass a handful of free trade agreements that open new markets for greater export opportunities. And finally, more than 100 Brazilian sugarcane processors registered with the U.S. Environmental Protection Agency (EPA) to start providing Americans with cleaner, advanced renewable fuel.

These three seemingly unrelated developments caught our attention because each underscores how the benefits of free trade and market competition can be enjoyed from the corn-fields of Iowa to the sugarcane mills of Sao Paulo. With the U.S. ethanol import tariff due to expire in less than ten weeks, clean energy advocates hope these advancements will further demonstrate the industry can withstand the elimination of the 30-year trade barrier that limits Americans access to clean, affordable biofuels. Let's take a closer look.

U.S. Exporting Three Times More Ethanol than 2010

On October 13th the Energy Information Administration released data underscoring how robust the U.S. ethanol industry really is. According to their year-to-date numbers (aggregated from January – August), domestic ethanol producers exported a record 640.7 million gallons of their product. That's nearly triple the amount at this time last year, and already 243 million gallons more than the entire 2010 year. At this current pace, it is estimated that the U.S. will export 900 million gallons of ethanol in 2011.

Chuck Woodside, CEO of the KAAPA Ethanol plant, noted that folks in his industry are seeing the "highest gross margins since 2009". Woodside remarked that, "there were a lot of balance sheets repaired in the industry within the last 12 months."

Corn Growers Recognize the Importance of Free Trade

In addition to the extensive growth in ethanol exports, U.S. corn growers are anxious to access new international markets now that Congress has approved free trade agreements with Korea, Colombia and Panama.

Kevin Ross, President of the Iowa Corn Growers Association, observed that farmers were "losing important market share in other countries... The free trade agreements...represent important export market opportunities and...is crucial to our competitive edge." He concluded that the industry finds, "it frustrating to watch other nations receive access to markets."

We can understand the frustration felt by U.S. corn growers! Sugarcane ethanol has been effectively blocked from the American marketplace for more than 30 years by a cost-prohibitive tariff. Brazilian producers are ready to compete on the price, quality and environmental performance of our biofuel, so let's hope the corn growers' enthusiasm for free trade will carry over into the renewable fuels market.

Having fair, open access to competitive marketplaces around the world benefits consumers and creates a winning environment for all industries. That's why Brazil ended government subsidies for ethanol more than a decade ago and eliminated its ethanol tariff early last year.



Sugarcane Facilities Register to Provide Advanced Renewable Fuel

Anticipating new market opportunities created by the expiring tax credit and trade tariff, the Brazilian Sugarcane Industry has been vigilantly preparing at home. In fact, it was just announced that 107 Brazilian sugarcane processing facilities have successfully registered with the Environmental Protection Agency (EPA). The registration is significant because it paves the way for Brazilian sugarcane ethanol, which is categorized as an advanced biofuel under the EPA's Renewable Fuel Standard (RFS), to assist the U.S. in meeting the environmental requirements under the new RFS mandate. This is due in large part to the fact that sugarcane ethanol cuts greenhouse gas emissions by up to 91% compared to gasoline, making it even more desirable in the American market.

The benefits of free trade require a two-way street. So whether it's booming exports or access to new international markets, it's clear that corn ethanol producers are in better shape than ever to handle increased competition. With only ten short weeks left until expiration, we remain committed to the idea that it's finally time to level the playing field and retire the tax credit and trade tariff. When businesses are allowed to compete in an open marketplace, everyone wins. And until that day of expiration comes, we will continue to highlight disparities in the marketplace created from ignored opportunities and unfair practices.

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