



Ethanol industry urges USTR to move on Brazil's 'unfair' tariffs

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The U.S. ethanol industry wants its Brazilian market back, urging the Office of the U.S. Trade Representative to press the country to remove its 20 percent tariffs on ethanol imports or "reevaluate" the U.S.' lack of duties.

USTR officials, led by Assistant U.S. Trade Representative Daniel Watson, were in Brasilia earlier this week to "discuss the important bilateral work under the Agreement on Trade and Economic Cooperation and shared priorities for trade," according to [the agency on Twitter](#).

The meetings were expected to be largely a "meet-and-greet," Brian Healy, director of global ethanol market development at the U.S. Grains Council, told *Inside U.S. Trade*. The industry is hopeful the Biden administration can "reset" relations and bring Brazil back to the negotiating table on this issue, Renewable Fuels Association General Counsel and Vice President for Governmental Affairs Edward Hubbard said this week.

Ethanol is the U.S.' top agricultural export to Brazil, according to Healy, and the 20 percent tariff constitutes one of the most significant trade irritants between the two countries. In 2017, the country imposed a tariff-rate quota on U.S. ethanol imports after several years of nearly duty-free ethanol trade between the two largest ethanol producers in the world: the U.S. and Brazil. In December of last year, a 90-day extension of the TRQ expired -- and the U.S. and Brazilian governments failed to agree to another one -- with Brazil imposing a hefty 20 percent tariff on U.S. ethanol.

U.S. tariffs on ethanol are under 3 percent, and Hubbard noted that some Brazilian producers benefit from the Renewable Fuel Standard, which requires a certain amount of gasoline to be mixed with ethanol.

Both Healy and Hubbard said their groups have conveyed their position to USTR. Hubbard added that he was confident the issue was "at or near the top of the list" of what needs to be addressed with Brazil.

The issue is a priority not only for the industry, but also for a number of lawmakers, who have written to the Trump administration about the TRQ and subsequent tariff and have asked U.S. Trade Representative Katherine Tai about it when she appeared before congress.

One such lawmaker, Sen. Chuck Grassley (R-IA), a former Senate Finance Committee chair, told reporters this week that he had not heard from the Biden administration on this issue, but expected "they're going to fight for ethanol."

The tariff has had a noticeably detrimental impact on U.S. exports, Healy said, noting that U.S. ethanol exports to Brazil from September 2020 to June 2021 are down 200 million gallons from that same span in 2019-2020. The U.S. in 2019 exported more than 330 million gallons to Brazil, according to RFA.

The industry's ideal outcome, Healy and Hubbard said, is for the U.S. to regain its tariff-free access to the market. A TRQ, while not the industry's preferred option, is better than the tariff on all ethanol imports, Hubbard added.

Both also agreed that the lopsided relationship is not sustainable in the long term and should eventually prompt a U.S. response. "If we've changed the relationship, maybe it's time for the U.S. to change its tariff structure" with regard to Brazilian imports of ethanol, Hubbard said.

Hubbard outlined a few options the RFA believed could work to put the two countries on more equitable footing. For one, he said, the U.S.' tariff schedule at the World Trade Organization does allow it to impose an additional \$0.14 per liter fee on imported ethanol, he said, and that could be "readily" re-imposed.

He also pointed to Section 301 of the Trade Act of 1974, which allows the U.S. to investigate foreign trade practices it believes to be discriminating against U.S. producers. This kind of probe can take into account the denied "reciprocal opportunities" for the U.S. industry, Hubbard said.

Beyond the significant loss of market share in Brazil, the 20-percent tariff also hurts global opportunities for ethanol, both Healy and Hubbard argued. The world's two largest ethanol producers should be working together to expand the global demand for ethanol and improve trading opportunities, they said, rather than engaging in a tariff fight. -- *Hannah Monicken* (hmonicken@iwpnews.com)