

Caribbean Basin Ethanol Producers Association

15 Main Street, Warrenton, Virginia 20186
(540) 347-5283

December 1, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 201510

Dear Majority Leader Reid and Minority Leader McConnell:

Several Senators have sent you a letter claiming that the “costs of the ethanol tariff far outweigh the benefits” and that “maintaining the tariff makes our country more dependent on foreign oil by discouraging imports of ethanol”. We strongly disagree.

In fact, it is the benefits of maintaining the tariff that far outweigh the costs. Tariff revenue from imports of fuel ethanol in recent years (2006 through 2009) was more than \$450 million according to the official statistics of the US Department of Commerce. Although some of this was rebated due to the jet fuel for ethanol drawback scheme, millions of dollars still went to the US Treasury. We are unaware of any cost to the US taxpayer for maintaining the tariff.

We would also point out that, according to the US International Trade Commission in its annual report to Congress on the Impact of the Caribbean Basin Economic Recovery Act (CBERA), ethanol exports from the region had “a **positive** impact on US consumers, producers and the US economy.”

There is another substantial benefit from the tariff and this is the stability and security of the countries of the Caribbean Basin whose ethanol plants would shut down if the tariff was removed. (Ethanol exports from the region have tariff free treatment due to the Caribbean Basin Initiative and that provides a competitive edge over countries like Brazil who do pay the tariff).

By maintaining the tariff you are NOT discouraging imports of ethanol. The only likely source of significant imports if the tariff is removed would be Brazil. It is not Australia, India and other sugar producing countries mentioned in the letter. At least for the foreseeable future, direct imports from Brazil would not be significant because they do not have large quantities to export to the United States.

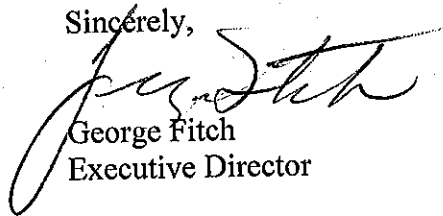
With the tariff in place, you are in fact encouraging imports: imports from the Caribbean Basin using ethanol feedstock from Brazil. So both the Caribbean Basin and Brazil are benefiting from the tariff.

If the Congress would like to facilitate greater imports of ethanol, it can be done without reducing the tariff and instead increasing the 7% quota for the Caribbean Basin countries. There is excess capacity in the region which can be used to meet any domestic shortfalls and keep down prices to US consumers. As one Senator has commented, "the 7% quota of the US ethanol market hasn't come close to being met so let's first continue to have Brazilian ethanol go through the CBI countries to be dehydrated until the quota is met. The Caribbean Basin countries have the capacity to dehydrate a lot more Brazilian ethanol."

Thank you for your consideration.

For and on behalf of the ethanol producers in the Caribbean Basin,

Sincerely,

A handwritten signature in cursive script, appearing to read "George Fitch".

George Fitch
Executive Director