



December 13, 2011

Steven Bipes
Executive Director
The Brazil-U.S. Business Council
1615 H Street, NW
Washington, DC

Dear Mr. Bipes:

In light of the U.S. Chamber and the Brazil-U.S. Business Council's letter to the U.S. Congress calling for fair trade on ethanol, and in response to your request regarding Brazilian ethanol imports, the Brazilian Sugarcane Industry Association (UNICA) would like to clarify some points and state our position on ethanol trade between Brazil and the United States.

The import tariff on anhydrous ethanol in Brazil is zero. In April 2010, with the strong support of the Brazilian sugarcane industry, the Brazilian government included anhydrous ethanol in its product exception list under the Common Southern Market (Mercosur), a customs union agreement of which Brazil is a member state. Under Mercosur rules, signatory countries have the right to apply a lower tariff for a limited number of products without interference from other member countries. These lists are reviewed every six months, and countries have the right to update and modify them. It is not of our knowledge that the Brazilian government has the intention of changing the tariff rate of anhydrous ethanol. In fact, UNICA strongly supports the continuation of zero tariff on ethanol imports as long as the U.S. import tariff on foreign ethanol expires on December 31, 2011 and is not reinstated after this expiration. UNICA believes that ethanol trade needs to be free and, certain that the U. S. Congress will let this tariff expire, we will continue to petition our government to give the same treatment to ethanol imports, including those from the United States.

As you may know, Brazil imported, without any tariff, more than 215 million gallons of American corn ethanol in the past 11 months due to a shortage in the Brazilian ethanol production. As a matter of fact, Brazil changed its ethanol specification in order to simplify the imports of American corn ethanol. Despite signs of recovery experienced by the Brazilian industry this harvest season, we believe ethanol imports will remain strong. Recent October trade data showed that one third of U.S. ethanol exports was destined to Brazil, only slightly smaller than its all time record volumes in September.

In regards to the reduction of ethanol blends in gasoline, UNICA would like to clarify that this is not a trade distortion measure. Brazilian law guarantees the government the flexibility to set the blend anywhere between 18% and 25%, and the government has used this measure many times throughout the existence of the ethanol program, whenever they judged that ethanol supply was at danger. This is nothing new in Brazilian ethanol policy, as soon as supply levels were back to normal the government adjusted the blend back to 25%. Despite our protest, the government lowered the blend to 20% on October 1st, 2011. UNICA believes that this decision was not necessary and continues to call on the government to reinstate the blend at the 25% level. We believe that Brazilian production levels and import volumes in the past few months are a clear sign that there is enough ethanol to guarantee the supply of the Brazilian market.

UNICA will continue to advocate for free and fair trade of ethanol throughout the world, especially amongst the world's largest ethanol producers. We firmly believes that the time has come for Americans to have access to a clean, renewable and advanced fuel like Brazilian sugarcane ethanol and this is why we will continue to support no tariff on U.S. ethanol imports as long as the Brazilian product receives the same treatment in the U.S. market. However, should the U.S. import tariff be renewed at the end of 2011, we will not hesitate to encourage the Brazilian government to challenge this unfair trade restriction in the World Trade Organization (WTO).

We congratulate the Brazil-U.S. Business Council and the U.S. Chamber of Commerce for its leadership on this issue and we remain committed to engage with you, your membership, and the U.S. ethanol industry to help to build a cleaner energy future in our countries.

Sincerely,



Marcos Sawaya Jank
President and CEO