

SWEETENER USERS ASSOCIATION

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May 15, 2015

The Honorable Michael Scuse
Under Secretary
Farm and Foreign Agricultural Services
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Mr. Under Secretary:

The May 12, 2015, *World Agricultural Supply and Demand Estimates* (WASDE) only heightened our previous concerns about the availability of sugar during the balance of the 2014/15 marketing year. As you know, estimates of current-year supplies and carryover stocks were revised downward for both the United States and Mexico, and the first WASDE forecast for 2015/16 pointed to an even tighter supply situation in both countries for the year ahead.

The Sweetener Users Association strongly urges USDA to act now in order to ensure that adequate supplies will be available to consumers and to food and beverage manufacturers, who currently face some of the highest industrial prices in the world. At this stage of the marketing year, immediate USDA action is needed in allowing additional imports to balance our domestic market.

With U.S. carryover forecast at the lowest level since 2011, there is unfortunately a significant likelihood that manufacturers will run into supply problems this summer. Additionally, there appears to be virtually no downside for USDA in making more tariff-rate quota (TRQ) sugar available in the immediate future through a quota increase since there is no danger of forfeitures under the price support program.

Looking first at the current marketing year, domestic beet sugar production was revised downwards by 108,000 short tons, raw value (STRV), and the stocks-to-use (S/U) ratio fell to 13.2%, below the lower bound of USDA's target range. In Mexico, production and imports were revised downward by a total of 68,000 metric tons (80,000 STRV). And weekly harvest reports from Mexico through May 9 indicate that cumulative production is running 42,000 metric tons

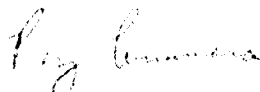
behind the pace that would get to the USDA estimate of 6 million tons. Therefore, we question whether Mexico can reliably supply U.S. needs this summer.

With respect to imports, the USDA estimates seem unduly optimistic. We expect shortfalls to be significant under both the main TRQ category and the new quota for Mexico. Just the dozen countries that shipped no sugar for the last two years, and no sugar so far this year, have quotas that exceed USDA's 99,000 STRV shortfall estimate. Similarly, it is unrealistic to think that every Mexican firm with a permit to sell to the United States is going to achieve perfect fulfillment of the permitted quantity. Agralytica put total shortfalls from all sources at about 85,000 STRV higher than USDA's estimate. This would push USDA's S/U ratio for the current year down to 12.5%.

For 2015/16, the WASDE report shows the United States needing to import more than 2.1 million STRV from Mexico due to low beginning stocks. But to do that, Mexico would have to draw its own stocks down to levels that would not meet consumption requirements in the fall of 2016. This would force Mexico to import from the world market, something that is explicitly discouraged under the suspension agreements. It seems unreasonable for the WASDE to generally build its assumptions around the suspension agreements, but make an exception in this case.

The better course would be for the United States to import additional sugar under the TRQ this summer to ensure that we have a reliable supply at reasonable prices. We therefore reiterate our request that USDA authorize an increase of 300,000 STRV in the TRQ for raw sugar to alleviate legitimate concerns about inadequate supply going forward. We would not oppose the use of a tranche system for this increase if USDA believed it necessary. In addition, we urge USDA to cooperate with the Office of the U.S. Trade Representative to expeditiously reallocate quotas with the existing TRQ to minimize shortfalls. It is clear that the odds of loan forfeitures this year are essentially zero and the modest amounts of additional imports we are suggesting would not change those odds. Instead, the risks are heavily weighted toward the danger of under-supply and unstable markets.

Sincerely,



Perry Cerminara
Chairman

cc: Ron Baumgarten, Director of Agricultural Affairs, USTR