SWEETENER USERS ASSOCIATION

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March 8, 2017

Case No. C-201-846
CVD Suspension Agreement
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VIA ELECTRONIC FILING
The Honorable Wilbur L. Ross
Secretary of Commerce
U.S. Department of Commerce
Attn: Enforcement and Compliance
APO/Dockets Unit, Room 18022
14th Street & Constitution Avenue, NW
Washington, DC 20230

RE: Sugar from Mexico

Dear Secretary Ross:

The Sweetener Users Association ("SUA") appreciates the opportunity to comment on a March 1, 2017 letter filed by the Government of Mexico with respect to that nation's suspension of export licenses for sugar to the United States, as well as related actions. SUA members are the end users of sugar imported from Mexico and other countries, and actions by the governments of the United States and Mexico which materially affect the volume of such imports will have an effect on these companies' sales, costs, employment and contributions to the U.S. economy.

In our view, it would be extremely unfortunate if a misunderstanding or error in administration of the suspension agreements between the two countries caused a prolonged delay in exports of sugar to the United States. Already under the suspension agreements, raw sugar shipments to coastal cane refiners have been artificially suppressed, resulting in a shortage of raw supplies that has inflated values in the #16 futures contract to five-year highs. The sugar refining and using industries have been harmed by this market distortion. A further arbitrary cutoff of Mexican sugar would lead to significant additional harm.

Domestic raw sugar futures have recently traded above 31.50 cents per pound. Since the U.S. support price for raw cane sugar in the farm bill is 18.75 cents per pound, the current market indicates a serious shortage of raw cane sugar. At the same time, markets are distorted – notably as a result of the suspension agreements as well as supply-demand fundamentals in the U.S. market – so that *raw* cane sugar is actually selling at a higher price than *refined* beet sugar. Needless to say, this market inversion creates a significant hardship for U.S. cane refiners, since the cost of their raw material exceeds the selling price of the direct competitor for their finished product.

Just last month, at the recent annual USDA Outlook Forum, a USDA official provided a presentation that graphically demonstrated how the interaction of the suspension agreements with current supply-demand fundamentals has distorted U.S. market conditions. The USDA presentation showed that whereas in the past a calculation of ending stocks-to-use (S/U) ratios for all sugar presented a reliable indicator of market conditions, in the past two seasons the S/U ratio has diverged radically for beet and cane sugar, with the former oversupplied and the latter in serious shortage. For 2015/16, the USDA presentation showed an ending S/U ratio of 26.85% for beet sugar, but only 10.86% for cane sugar, with an even greater hypothetical divergence for 2016/17. In light of this official U.S. government analysis, it would be irresponsible for the Department of Commerce not to take all possible steps to restore the flow of Mexican raw cane sugar into the United States market.

It has been clear for some time that the current suspension agreements are not working as intended, and require amendment. Nearly all market participants in the United States are agreed on this point, though views are quite divergent as to what specific changes to the agreements would best resolve the existing problems. On top of these longstanding problems, the action of the Government of Mexico in suspending outstanding export licenses as well as requests for additional export licenses will further disrupt markets and call into question existing contracts and sales.

We strongly encourage the Department of Commerce to immediately agree with the Government of Mexico on terms that will permit the uninterrupted flow of export shipments from Mexico to the United States. We share the view that Mexico's apparent error in implementing the suspension agreements should not be permitted to create further disruption in trade between the two countries. In that regard, the first option cited in the letter on behalf of

Mexico – to allow export license to be issued up to 55% of the export limit – would seem to represent a workable resolution of the issue. But in any case, SUA supports cooperative steps between the two governments that will permit uninterrupted trade.

Thank you for your consideration of our comments, and for your prompt action to ensure trade flows that will benefit U.S. producers, refiners, industrial users and their employees.

Respectfully submitted,

Richard E. Pasco
President & Counsel
Sweetener Users Association

REPRESENTATIVE CERTIFICATION

I, Richard E. Pasco, with McLeod, Watkinson & Miller, counsel to the Sweetener Users Association and its Members, certify that I have read the attached submission, "Sugar from Mexico" dated March 8, 2017 pursuant to the Suspension Agreement suspending the Countervailing Duty Investigation on Sugar from Mexico (C-201-846). In my capacity as counsel to the Sweetener Users Association and its Members, I certify that the information contained in this submission is accurate and complete to the best of my knowledge. I am aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the CVD proceeding, the U.S. Department of Commerce may preserve this submission for purposes of determining the accuracy of the certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Date: 3-8-17

PUBLIC CERTIFICATE OF SERVICE

Sugar from Mexico
DOC Case No. C-201-846

I hereby certify that on March 8, 2017, copies of the foregoing public submission were served on the following by first class mail, postage prepaid mail.

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