SWEETENER USERS ASSOCIATION

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September 19, 2016

The Honorable Penny Pritzker
Secretary
Department of Commerce
1401 Constitution Avenue, N.W.
Washington, DC 20230

Dear Secretary Pritzker:

In order to serve our consumers and keep our employees working, food and beverage companies depend on being able to get adequate supplies of sugar at reasonable prices. Unfortunately, U.S. sugar policies have long worked in the other direction – restricting supplies and driving prices artificially high.

In the 2018 farm bill, Congress must finally reform outdated sugar policies. Surely the failure of sugar subsidies since the 2014 farm bill was passed makes this clear: When the ink was barely dry on the present farm bill, big sugar processors defaulted on government loans, taxpayers were left holding the bag, and the government was literally compelled to purchase surplus sugar and then re-sell it at a huge loss to ethanol plants to produce fuel.

Even before the next farm bill is written, sugar markets have unfortunately been further distorted by the suspension agreements between the United States and Mexico. Although these agreements are preferable in theory to the antidumping and countervailing duties that would otherwise apply to Mexican sugar, the pacts badly need to be renegotiated and changed to encourage a more competitive marketplace.

In practice, the agreements have created new sugar price floors that are higher than the ones Congress voted for. They have also unnecessarily distorted the flow of raw and refined sugar from Mexico to the United States, leaving coastal cane sugar refineries short of supplies they need to make use of their refining capacity. Since our members rely on these refiners for sugar supplies, their predicament is a concern to us as well.

Despite what some Washington sugar lobbyists may assert, the solution to these problems is not to impose still higher prices. In particular, under no circumstances should the Department of Commerce agree to increase the reference price for refined sugar in the current agreements.

We are aware that the Department of Commerce and the Government of Mexico are meeting to discuss changes to the suspension agreements. We strongly urge that any revised agreements should:

- Reduce the reference (minimum) prices in the agreements to the support prices established by Congress in law, and reject any calls for further increasing these prices;
- Increase the restrictive stocks-to-use target in the current agreements to ensure adequate supplies;
- Increase the amount of raw sugar Mexico is required to ship to the United States; and
- Hold a public comment period on any changes before they are proposed in discussions with the Government of Mexico, so that U.S. food companies and other stakeholders who will be directly affected have a chance to make their views known.

Thank you very much for your leadership, consideration and assistance in this important matter. Industrial users of sugar do not want the suspension agreements thrown out, because then punitive tariffs would cut off virtually all sugar trade with Mexico. Instead, we support renegotiating the deals – but to improve them, not make them even worse and further harm refiners and consumers.

Sincerely,

Richard Pasco
President