SWEETENER USERS ASSOCIATION

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Ambassador Gregg Doud
Chief Agricultural Negotiator
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Doud:

On behalf of America's food and beverage manufacturers, who use sugar to make the products U.S. consumers know and love, congratulations on your confirmation to serve as Chief Agricultural Negotiator for the U.S. Trade Representative. You will soon be inundated with a host of issues to digest, but we write to call your attention to one program in particular that negatively impacts U.S. trade policy – the U.S. sugar program.

Overly protectionist U.S. sugar policies hamper the ability of U.S. negotiators to secure the best trade deals that benefit America and the American people. Over the last 25 years, the sugar program has reduced the potential positive economic impacts of trade agreements by discouraging U.S. trading partners from making meaningful market access concessions in trade negotiations. The result is that the 98 percent of U.S. agriculture that does not produce sugar crops gets less access to foreign markets than it otherwise might have gained. The effect also spills over into the services and manufacturing sectors.

The U.S. sugar program not only hurts American manufacturers, but also hundreds of thousands of U.S. workers and families. According to the American Enterprise Institute, the program costs consumers \$2.4-\$4 billion per year in the form of a hidden tax on products containing sugar. Through a web of government-induced supply restrictions and unnecessary regulation, the sugar program artificially pushes up domestic sugar prices. Higher U.S. sugar prices, as a result of this policy, put undue pressure on good-paying American jobs in the food and beverage industry, contributing to the loss of 123,000 manufacturing jobs between 1997 and 2015.

As if these negative effects of U.S. sugar policy were not enough, in 2014, the U.S. sugar industry asked the U.S. government to limit sugar imports from Mexico through agreements to suspend the imposition of antidumping and countervailing duties. These "suspension agreements" – signed in December 2014 and June 2017 – created an unnecessarily high floor price for both raw and refined sugar imports from Mexico, as well as additional volume restraints on sugar imports. As a result, U.S. sugar prices have been artificially forced up – and certain

U.S. cane refiners and their workers have been injured – by this designed shortage of a particular defined polarity (i.e. purity) for cane sugar from Mexico. The benefits of the suspension agreements flow to Mexican and U.S. sugar companies as an income transfer from American consumers and food companies.

Even in the face of these realities, sugar producers say the problem is foreign subsidies, but those subsidies do not impact the U.S. sugar market because of restrictive U.S. per-country quotas for imports. The real problem is that sugar processors operate in an almost no-risk environment to the detriment of small businesses that are at a competitive disadvantage with imported sugar-containing products (SCPs) from foreign countries. The United States was once a net exporter of sugar in SCPs, but today, our country is a major net importer of these products, further putting American jobs at risk.

U.S. sugar policy should work for America, not against it. The sugar program should balance the interests of sugar producers with the needs of U.S. manufacturers, workers and consumers. Sugar program reform can be achieved while still providing a safety net for sugar farmers.

We look forward to working closely with you to target and eliminate unfair policies that limit the competitiveness of American manufacturers trying to compete in the global economy and jeopardize the benefits of trade agreements to the United States.

We welcome the opportunity to meet with you and your staff once you are settled into your new post. A member of our staff will reach out to your team to schedule a meeting in the coming weeks.

Sincerely,

Rick Pasco
President