SWEETENER USERS ASSOCIATION

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November 15, 2019

The Honorable Ted McKinney
Under Secretary
Trade and Foreign Agricultural Affairs
U.S. Department of Agriculture
Washington, DC 20250

The Honorable Bill Northey
Under Secretary
Farm Production and Conservation
U.S. Department of Agriculture
Washington, DC 20250

Dear Under Secretaries McKinney and Northey:

As this month's *World Agricultural Supply and Demand Estimates* made clear, weather-related problems with the 2019 sugar beet harvest are rapidly changing the supply and demand picture for sugar in the United States. The Sweetener Users Association (SUA) urges the Department of Agriculture to use its statutory authorities, and to work with other relevant federal departments, to ensure that supplies of sugar remain adequate at reasonable prices throughout the current fiscal year. In that regard, we were gratified by the Department's public statement earlier today that USDA "fully intends to take appropriate actions to ensure an adequate supply of sugar to the U.S. market." Our members very much appreciate this reassurance.

Even before release of the November 8 WASDE, the *Sosland Sweetener Report* (whose price quotations are used by USDA in its official statistics) reported that "beet processors were out of the market, new sales were not being made …." In the wake of the WASDE's nearly half-million-ton cut in projected beet sugar availability, *Sosland* reported that "United Sugars Corp. and the Western Sugar Cooperative both declared force majeure. In a letter to customers, United said it had lost 25% of its beet crop and would not be able to deliver 18% of the sugar sold for 2019-20 … Western said it would not be able to deliver 15% of its previously-sold sugar …" In both cases, the inability to meet commitments applies to the first three calendar quarters of 2020.

As the same news service also reported, "added uncertainty about the current vacated [amendments to the] suspension agreements with Mexico" is also contributing to market turmoil. *Sosland* continued: "Most in the trade expected sugar prices to easily move over 40¢ a lb, with indications some cane sugar was selling as high as 44¢ a lb." For comparison, the late October quoted price for cane sugar sales in the Northeast was 37¢, so the indicated price would already represent a 19 percent jump in a matter of weeks, from levels that were already high in historic terms.

Finally, the news service concludes that although "some of the roughly 500,000 tons of lost beet sugar could be made up by domestic cane supply, the remainder will need to be made up by increased high-tier imports, imports from Mexico and/or a tariff rate quota increase." Fortunately, under the suspension agreements with Mexico, a review of that nation's Export Limit is due in December, and should lead to a substantial increase based on the recalculation of U.S. Needs. However, it will be imperative – and this need not wait for the December recalculation – that USDA consult with Mexico on its ability to fully supply the amount of its Export Limit. In addition, USDA should ascertain whether provisions of the suspension agreements to identify Additional U.S. Needs should be invoked. Clearly, in the event of any doubts that sufficient supply is available from Mexico, options for importing sugar from other origins should be reviewed immediately.

Beyond these steps, the marketplace requires an expeditious process for clarifying the status of the suspension agreements in the wake of the Court of International Trade's order that the 2017 amendments to those agreements be vacated. SUA strongly opposed some aspects of the 2017 amendments – notably the unnecessary increase to reference prices – and we expect to participate fully in any comment period that Commerce may provide, but we strongly believe that an expeditious, transparent, properly-conducted process to amend the 2014 agreements is necessary.

As noted earlier, we strongly commend USDA for today's statement that it will ensure adequate supplies of sugar. This is a positive and helpful reassurance for market participants. A similar statement from the Department of Commerce that demonstrates that agency's understanding of the need to clarify the suspension agreements' status would also be helpful.

As we have stated before, we appreciate the work that both of you and your colleagues do to operate federal sugar policy in as balanced a manner as possible. Market conditions now require a strong focus on supply adequacy, and we are available to provide any information that may be useful to USDA in fulfilling its responsibilities.

Sincerely,

Richard Pasco
President