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December 5, 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:

Members of the Sweetener Users Association (SUA) appreciate the Department of Agriculture's (USDA) recent request to the Department of Commerce (DOC) to increase the quantity of refined sugar that Mexico is able to supply to the United States, as well as DOC's compliance with that request. When coupled with the anticipated increase in Mexico's export limit in December, this action should be helpful to industrial users of sugar, who are struggling to obtain adequate supplies.

At the same time, supply pressures have not gone away. USDA is aware that two major sellers of sugar have declared *force majeure* with respect to a portion of their 2020 obligations. As of November 26, 2019, according to the major commercial price-discovery service used by USDA, "cash sugar prices remained mostly unquoted or nominal as nearly all sellers had withdrawn or were out of the market amid reduced U.S. beet sugar supply." The report continues: "One major seller continued to offer refined cane sugar with sales subject to review, while indications were another refiner's offers were valid for only 24 hours." The market reporter described beet sugar from Michigan as being offered "to 'strategic partners' only." Other sources of beet sugar were listed as "unquoted," a highly unusual situation.

In short, every available market indicator suggests that supplies are inadequate at this time. In this context, we respectfully urge you to request a reallocation of the raw sugar tariff-rate quota (TRQ) by the Office of the U.S. Trade Representative (USTR). Even though it is relatively early in the fiscal year, we already know from long experience that a number of quota-holding countries do not have the capacity to deliver their quotas because they have long since ceased

producing sugar. Their situation will not change as the months proceed, nor will it change in response to market conditions. Therefore, we see no reason for USTR to wait.

Reallocating these quotas might effectively provide access to approximately the quantity of refined sugar recently added to Mexico's export limit. These additional supplies of raw sugar should also represent beneficial additional throughput to cane refiners.

While we fully recognize that reallocation is under USTR's authority, we have consistently observed over the years that USTR tends to act on reallocation when requested to do so by USDA, inasmuch as USTR respects USDA's role in coordinating domestic sugar policy. Therefore, we hope you will instruct your staff to work with USTR to develop the necessary information to achieve an efficient reallocation as soon as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Pasco". The signature is fluid and cursive, with the first name "Richard" being more prominent than the last name "Pasco".

Richard Pasco  
President

cc: Honorable Sharon Bomer Lauritsen  
Assistant U.S. Trade Representative for Agricultural Affairs