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Suspension Agreement
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December 20, 2019

MEMORANDUM FOR: Interested Parties

FROM: Sally C. Gannon *SCG*
Director for Bilateral Agreements
Office of Policy
Enforcement and Compliance

SUBJECT: Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico: Calculation of the Export Limit for the October 1, 2019 through September 30, 2020 Export Limit Period, Effective January 1, 2020

In accordance with Section V.B.2 of the Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico (Agreement),¹ the Department of Commerce (Commerce) has calculated the Export Limit for the Export Limit Period to be effective January 1, 2020.² The U.S. Department of Agriculture's (USDA) "World Agriculture Supply and Demand Estimates" for December 2019 and a worksheet detailing the calculation of the Export Limit are attached to this memorandum.

The Export Limit effective January 1, 2020 is 1,461,420 short tons raw value (STRV). On November 25, 2019, Commerce increased the Export Limit for the October 1, 2019 through September 30, 2020 Export Limit Period by an amount of additional sugar requested by USDA, *i.e.*, 100,000 STRV of sugar with a polarity of 99.2 degrees or above.³ In its Export Limit Increase Memorandum, Commerce stated that the restrictions provided in Section V.C of the Agreement do not apply to such additional sugar.⁴

¹ See *Sugar From Mexico: Suspension of Countervailing Duty Investigation*, 79 FR 78044 (December 29, 2014).

² The Export Limit Period covers entries of sugar entered or withdrawn from warehouse for consumption, between October 1, 2019, and September 30, 2020. See Agreement at Section II.G.2.

³ See Memorandum to Interested Parties from Sally C. Gannon, Director for Bilateral Agreements, "Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico: Increase of the Export Limit for the October 1, 2019 - September 30, 2020 Export Limit Period, Effective November 25, 2019" (November 25, 2019) (Export Limit Increase Memorandum).

⁴ *Id.* Commerce notes that the November 25, 2019 increase in the Export Limit was implemented under the Agreement, as amended on June 30, 2017; see *Sugar From Mexico: Amendment to the Agreement Suspending the Countervailing Duty Investigation*, 82 FR 31942 (July 11, 2017). Section V.B.4.f of the 2017 amendment to the Agreement, in effect at that time, stated, "Section V.C does not apply to any additional Sugar exported by Mexico pursuant to this Section V.B.4." Effective December 7, 2019, Commerce has terminated the 2017 amendment to the Agreement; see *Sugar from Mexico: Notice of Termination of Amendment to the Agreement Suspending the Countervailing Duty Investigation*, 84 FR 67718 (December 11, 2019). In order to avoid uncertainty with its application of the Export Limit increase, Commerce continues to find that the restrictions in Section V.C of the



Therefore, pursuant to Section V.C.3 of the Agreement, Refined Sugar⁵ may account for no more than 53 percent of the applicable sugar, *i.e.*, 53 percent of 1,361,420 STRV (1,461,420 STRV – 100,000 STRV), or 721,553 STRV, exported from Mexico during the Export Limit Period. Because Section V.C.3 does not apply to the 100,000 STRV of additional sugar by which Commerce previously increased the Export Limit (as noted above), Refined Sugar, thus, may account for no more than 821,553 STRV in total (721,553 STRV + 100,000 STRV) exported from Mexico during the Export Limit Period.

Consistent with Section V.C.2 of the Agreement, effective January 1, 2020, no more than 55 percent of U.S. Needs calculated in December, *i.e.*, 55 percent of 1,826,775 STRV or 1,004,726 STRV of sugar from Mexico, may be exported to the United States during the period October 1, 2019, through March 31, 2020. However, as noted above, Section V.C.2 does not apply to the amount of additional sugar, *i.e.*, 100,000 STRV of additional sugar with a polarity of 99.2 degrees or above, by which Commerce increased the Export Limit for the October 1, 2019 through September 30, 2020 Export Limit Period.⁶ Therefore, only 904,726 STRV (1,004,726 STRV - 100,000 STRV) is subject to Section V.C.2 for the October 1, 2019 through March 31, 2020 period, which allows the 100,000 STRV of additional sugar from Mexico to be exported to the United States at any time during the October 1, 2019, through September 30, 2020 Export Limit Period.

Commerce notes that it is currently consulting with the Government of Mexico (GOM) on a potential amendment to the Agreement, which may result in modification to the terms of the Agreement.⁷ The terms of the suspension agreement in effect at the time of exportation governs for purposes of determining compliance.

Agreement do not apply to the 100,000 STRV of additional sugar requested by USDA.

⁵ “Refined Sugar” means Sugar with a polarity of 99.5 and above. *See* Agreement at Section II.L.

⁶ *See* Export Limit Increase Memorandum.

⁷ *See* Letter to the GOM from P. Lee Smith, Deputy Assistant Secretary for Policy & Negotiations, “Consultations on Potential Amendment to the Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico” (November 4, 2019); *see also* Letter to Interested Parties from Sally C. Gannon, Director for Bilateral Agreements, “Draft Amendment to the Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico and Draft Statutory Memorandum” (December 4, 2019).

U.S. Sugar Supply and Use 1/

	2017/18	2018/19 Est.	2019/20 Proj.	2019/20 Proj.
			Nov	Dec
	<i>1,000 Short Tons, Raw Value</i>			
Beginning Stocks	1,876	2,008	1,779	1,780
Production 2/	9,293	8,996	8,612	8,280
Beet Sugar	5,279	4,939	4,588	4,367
Cane Sugar	4,014	4,057	4,024	3,913
Florida	1,983	2,005	2,096	2,069
Hawaii	0	0	0	0
Louisiana	1,862	1,904	1,794	1,712
Texas	169	147	134	131
Imports	3,277	3,070	3,159	3,860
TRQ 3/	1,663	1,541	1,621	1,614
Other Program 4/	326	438	350	350
Other 5/	1,287	1,092	1,188	1,897
Mexico	1,223	1,000	1,118	1,827
Total Supply	14,445	14,074	13,550	13,920
Exports	170	35	35	35
Deliveries	12,185	12,231	12,230	12,230
Food	12,048	12,106	12,125	12,125
Other 6/	137	126	105	105
Miscellaneous	82	28	0	0
Total Use	12,438	12,294	12,265	12,265
Ending Stocks	2,008	1,780	1,285	1,655
Stocks to Use Ratio	16.1	14.5	10.5	13.5

1/ Fiscal years beginning Oct 1. Data and projections correspond to category components from "Sweetener Market Data" (SMD). 2/ Production projections for 2018/19 and 2019/20 are based on Crop Production and/or processor projections where appropriate. 3/ For 2018/19, WTO raw sugar TRQ shortfall (56) and for 2019/20 (110). 4/ Composed of sugar under the re-export and polyhydric alcohol programs. 5/ Imports from Mexico; and high-tier tariff sugar and syrups not otherwise specified -- for 2018/19 (91) and 2019/20 (70). 6/ Transfers accompanying deliveries for sugar-containing products to be exported (SCP) and polyhydric alcohol manufacture (POLY), and deliveries for livestock feed and ethanol. Total refiner license transfers for SCP and POLY inclusive of WASDE-reported deliveries: 2017/18 -- 278; estimated 2018/19 -- 324; projected 2019/20 -- 340.

Mexico Sugar Supply and Use and High Fructose Corn Syrup Consumption 1/

		Beginning Stocks	Production	Imports	Domestic 2/	Exports	Ending Stocks	
		<i>1,000 Metric Tons, Actual Weight</i>						
Sugar	2018/19 Est.	Nov	1,395	6,426	85	4,532	2,204	1,169
		Dec	1,395	6,426	85	4,532	2,204	1,169
2019/20 Proj.		Nov	1,169	5,772	85	4,492	1,598	936
		Dec	1,169	5,772	85	4,492	1,603	930

1/ HFCS consumption by Mexico (1,000 metric tons, dry basis): 2017/18 = 1,593; Estimated 2018/19 = 1,528; Projected 2019/20 = 1,520; Estimated Oct 2019/20 = 120, Oct. 2018/19 = 127. Footnote source for estimate: Comité Nacional para el Desarrollo Sustentable de la Cana de Azúcar. 2/ Includes deliveries for consumption, Mexico's products export program (IMMEX), and Other Deliveries/Ending Year Statistical Adjustments. IMMEX: 2018/19 (463 est); 2019/20 (435 proj). Other Deliveries/Ending Year Statistical Adjustments: 2018/19 (-23), 2019/20 (0).

**AGREEMENT SUSPENDING THE COUNTERVAILING DUTY INVESTIGATION ON SUGAR FROM MEXICO:
DECEMBER 2019 EXPORT LIMIT CALCULATION FOR PERIOD FROM OCTOBER 1, 2019 - SEPTEMBER 30, 2020**

Section II.R: "U.S. Needs" = (Total Use * 1.135) – Beginning Stocks – Production – TRQ Imports – Other Program Imports – (Footnote 5 for "other high tier" + "other")

Section V.B.2. In December of each Subsequent Export Limit Period, the Department will determine if there is a need for additional Sugar in the U.S. market beyond the Export Limit calculated in September. The Department will calculate the Target Quantity of U.S. Needs based on information in the December WASDE. Effective January 1, the Export Limit shall be revised to equal eighty (80) percent of the Target Quantity of U.S. Needs, unless that amount is less than or equal to the Export Limit announced in September, in which case the Export Limit shall not change.

Section V.C.2. No more than 55 percent of U.S. Needs calculated in each December and effective January 1 may be exported to the United States during the period October 1 through March 31.

Section V.C.3: Refined Sugar may account for no more than 53 percent of the exports during any given Export Limit Period.

Export Limit for the Period Beginning January 1, 2020		
WASDE -- December 10, 2019		
	2019/20 Proj. Dec	
	<i>1,000 Short Tons, Raw Value</i>	
Total Use	12,265	
Beginning Stocks	1,780	
Production	8,280	
TRQ Imports	1,614	
Other Program Imports	350	
Footnote 5 (excl. Imports from Mexico) ¹	70	
Target Quantity of U.S. Needs from December WASDE	1826.775	1,826,775 STRV
80% of Target Quantity of U.S. Needs	1461.420	1,461,420 STRV
Less than or equal to September Export Limit (782,530 STRV)?	More than	
Export Limit beginning January 1, 2019		1,461,420 STRV
Shipping Pattern (55% of Needs) effective January 1 for Oct 1 - Mar 31 period		1,004,726 STRV

¹ We note that, beginning with the June 2018 WASDE, Footnote 5 changed from reporting "other high tier" and "other" to reporting "Imports from Mexico, high-tier tariff sugar, and syrups not otherwise specified." Therefore, to obtain the total for "other high tier" and "other" as stipulated in Section II.R, we have subtracted the total reported for Imports from Mexico from the total for Footnote 5.

NOTE: The Export Limit and Shipping Pattern listed above are subject to the qualifications noted below.

Commerce notes that it is currently consulting with the Government of Mexico which may result in modification to the terms of the Agreement. The terms of the suspension agreement in effect at the time of exportation will govern for purposes of determining compliance.