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April 3, 2020

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:

The Sweetener Users Association commends the Department of Agriculture for increasing the raw and refined sugar tariff rate quotas by 317,515 and 181,437 metric tons, raw value, respectively. This action will be helpful in maintaining adequate supplies of sugar in the United States. Furthermore, it continues a solid track record of actions on your part to respond to turmoil in the current market, including your work with the Department of Commerce to twice increase the refined share of imports from Mexico and with the Office of the U.S. Trade Representative to reallocate the 2020 raw sugar TRQ in a timely fashion.

The seriousness of the current supply-demand imbalance may be clearly seen by overlaying the TRQ increases onto the balance sheet in the March *World Agricultural Supply and Demand Estimates*. Of course, the April numbers may well be different, but assuming full entry of the additional refined TRQ sugar and only a modest shortfall with respect to the raw TRQ increase, the implied ending stocks-to-use ratio based on March numbers would still be well below the minimum target of 13.5 percent.

The COVID-19 pandemic, of course, will only exacerbate the logistical challenges that industrial users already faced as a consequence of lower sugar production across North America. In addition to the need to adapt to unconventional transportation routes, packaging and other factors, manufacturers must now cope with the potential impacts of the virus on both their own operations and those of their suppliers. This makes it all the more important that government policies ease commerce rather than obstruct it.

In that light, we welcome your statement that you “will closely monitor stocks, consumption, imports and all sugar market and program variables on an ongoing basis and may make further program adjustments during FY 2020 if needed.” This reassurance to the marketplace is appropriate and necessary. We have two recommendations that we believe are consistent with the spirit of the statement:

1. As the increased refined TRQ is operationalized, institute requirements that will prevent the quota being filled by high-polarity raw sugar, as has sometimes happened in the past.
2. Continue to monitor the markets with an eye to acting sooner rather than later, given the need to optimize capacity utilization in the cane refining sector. It seems to us highly likely that additional TRQ increases will be needed during the year.

Thank you for the hard work that you and your colleagues continue to devote to sugar market stability.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Pasco". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rick Pasco  
President