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May 15, 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:

Members of the Sweetener Users Association (SUA) reiterate the thanks expressed in our previous letter for your timely action in April to increase the raw and refined sugar tariff-rate quotas (TRQs). Unfortunately, the circumstances that led to the necessity for that action have been exacerbated by the revised estimates in the May 12, 2020, *World Agricultural Supply and Demand Estimates* (WASDE) and an additional TRQ increase is needed.

For reasons explained further below, SUA recommends that, at a minimum, USDA should **announce a TRQ increase of 500,000 short tons, raw value (STRV), with at least 300,000 STRV of this amount available immediately as raw sugar.** The balance could conceivably be made available in a second tranche in June in order to obtain final numbers on Mexico's campaign, but in that case a large quantity of that tranche would likely need to be in the form of refined sugar.

Compared to the April WASDE, this week's report reduced estimated imports from Mexico by 149,000 STRV and U.S. sugar production by 14,000 STRV. The resulting cut in the ending stocks estimates shows **a stocks-to-use ratio of only 10.4 percent, compared to the 11.7 percent April estimate.**

In addition to the disastrously low stocks forecast, other factors also argue in favor of an immediate TRQ increase:

- **March sugar deliveries for food use were 12.6 percent above the same month a year earlier** as reported in USDA's *Sweetener Market Data*. While this likely reflects heavy consumer purchasing of bagged sugar in the early period of the COVID-19 pandemic and so we would not expect increases of that size to persist, the short-term impact was to further restrict available supplies. We note that while USDA continues to predict that 2019/20 deliveries will be virtually unchanged from 2018/19, actual food-use deliveries through the first half of the fiscal year have risen 2.9 percent.
- We are now a month farther along in assessing **Mexico's potential exports to the United States**. There now seems to be very little chance that Mexican output can make up a meaningful part of the additional supplies that are needed, so turning to third countries is the only alternative.

To attain the upper end of USDA's traditional 13.5-15.5 percent stock-to-use target range, stocks would need to be 1.901 million STRV, **implying the need for an additional 628,000 STRV of imports**. Even reaching the lower end of the range, or ending stocks of 1.652 million STRV, would require additional imports of 383,000 STRV. SUA would strongly argue that USDA should target more stocks rather than less in the current climate.

Nevertheless, should USDA wish to target the midpoint of its stocks-to-use range (i.e., 14.5 percent), there is still a need for over a half-million tons of additional supply. As noted earlier, **SUA recommends that, at a minimum, USDA should announce a TRQ increase of 500,000 STRV, with at least 300,000 STRV of this amount available immediately as raw sugar. The balance could conceivably be made available in a second tranche in June in order to obtain final numbers on Mexico's campaign, but in that case a large quantity of that tranche would likely need to be in the form of refined sugar.**

Thank you for your consideration of this request, as well as for the hard work that you and your colleagues continue to devote to sugar market stability.

Sincerely,



Rick Pasco  
President