SWEETENER USERS ASSOCIATION

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May 29, 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:

We understand that you have received a letter from the American Sugar Alliance (ASA) disagreeing with our previous recommendation of a tariff-rate quota increase of at least 500,000 short tons, raw value, with at least 300,000 STRV to be made available in the form of raw sugar. We certainly respect ASA's right to advocate a different course of action, but from what we know of their analysis, it appears to be deeply flawed.

We are told that ASA asserts that **sugar prices are declining**. However, the May 27 edition of the *Sosland Sweetener Report,* which USDA uses as its source of refined beet sugar prices, states: "Prices for next year [i.e., 2020/21] were unchanged." The same publication lists all prices for 2019/20 as unchanged from the prior week, though 9-10.5 cents per pound *above* (not below) a year ago.

ASA also apparently states that **sugar consumption may decline** this year. We agree that it may, which was precisely why we suggested announcing a TRQ increase but making only a portion available immediately. The fact remains that through the first half of the fiscal year, deliveries are up from a year ago, not down or even flat as in USDA's forecast.

ASA also asserts that **imports from Mexico will exceed USDA's expectations**. Nothing is impossible, but we are more inclined to give credence to USDA's own numbers, and we imagine USDA should do as well.

Finally, ASA claims that **high-tier imports will be much greater** than estimated by USDA. We do think these imports will end up somewhat above current USDA estimates, but we doubt the numbers will be radically different, and certainly not enough to make up the gap between the forecast ending stocks level and even the 13.5 percent stocks-to-use level in the U.S.-Mexico suspension agreements, much less the 14.5 or 15.5 percent stocks-to-use that would represent a more balanced market.

Moreover, **we would be surprised if USDA made a conscious decision to rely on, or even encourage, high-tier imports**. Such imports are supposed to be minimal because the over-quota tariff is supposed to be prohibitive. To encourage a policy where the market comes to rely on high-tier imports for adequate supply is to disadvantage traditional quota-holding countries (possibly to the extent of removing a tariff concession), prejudice the interests of Mexico under the suspension agreements, and countenance a long-term strategy of shorting the U.S. market. We are genuinely surprised that ASA would urge reliance on high-tier imports.

We reiterate our respectful request that you move toward a TRQ increase of 500,000 STRV, with 300,000 STRV made available immediately in the form of raw sugar, and the balance (at USDA's discretion) available subsequently in a mix of refined and raw sugar.

Sincerely,

Rick Pasco
President