SWEETENER USERS ASSOCIATION

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Ambassador Robert Lighthizer
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Ambassador Lighthizer and Secretary Perdue:

As the US-UK Trade Agreement negotiations move forward, the Sweetener Users Association (SUA) encourages you to seek a comprehensive agreement that expands U.S. imports of sugar, which are badly needed in our domestic market. Members of SUA are companies who use sugar and other nutritive sweeteners in making foods and beverages, as well as trade associations representing these and other companies.

Consumers and food companies currently face severe restrictions on both domestic sugar production and imports that insulate U.S. sugar producers almost entirely from normal market forces. This system guarantees sugar companies many years of excessively high prices, often at double the world price, and has cost American consumers and businesses billions of dollars in artificially inflated prices annually. The consequences to the U.S. economy are significant in terms of lost U.S. manufacturing jobs and ever-increasing imports of sugar-containing products made with both foreign sugar and foreign labor as a result of the distortions created by U.S. sugar subsidies.

Overly protective treatment of sugar producers has clearly had widespread negative effects on our economy. We have lost more than 120,000 jobs in the sugar-using industries over the last two decades and denial of access to our trading partners leaves us vulnerable to other countries' refusal to open markets to valuable American agricultural commodities. This self-imposed handicap also stifles our progress on other significant trade priorities and prevents much-needed opportunities for critical American industries to grow their exports.

We urge you to resist any calls to maintain unnecessary trade protections for a small special interest group of sugar producers and processors. Allowing commercially meaningful access to the U.S. sugar market for the United Kingdom will encourage reciprocal market access for many other American commodities and services.

SUA supports the current negotiations on a new trade agreement with the United Kingdom (UK) that is comprehensive and mutually beneficial. Strong ties of commerce, culture and history link the U.S. and the UK, and these ties have given rise to the truism that there is a "special relationship" between the two countries. We believe that an agreement advantageous to both nations should be achievable.

SUA strongly believes that the UK's sugar sector should be included in any trade agreement, for several reasons.

1. The UK should not be treated less favorably than other nations with whom the United States has trade agreements, and which in several cases are less reliable strategic and economic partners than Britain. All of these trade agreements include sugar provisions, with the unfortunate exception of the Australian FTA. Even in that case, the United States subsequently agreed to grant Australia additional sugar access, though the withdrawal from the Trans-Pacific Partnership rendered that agreement moot.

2. The UK is a producer of sugar beets and a refiner of cane sugar. According to press reports, the only British cane refinery operates below capacity, implying an ability to generate exportable supplies if access to the U.S. market were available.

3. The U.S. market is often inadequately supplied because of the interaction of the federal sugar subsidy program and the current suspension agreements with Mexico. Access for UK sugar would assist in alleviating this problem.

4. Part of our market's supply problem is that we consistently fail to fill the entire WTO tariff-rate quota (TRQ) for raw sugar, as discussed further below. TRQ shortfalls stem from the fact that allocations to quota-holding countries are outdated, reflecting trade patterns that prevailed from 1975-81. Since many countries that produced and exported sugar at that time no longer do so, the failure to update allocations leaves the U.S. dependent on reallocating quotas within the fiscal year, a process which can be time-consuming and cumbersome for both USTR and USDA. A sugar quota for the UK

would not eliminate the shortfall problem, but it would compensate for some of the supply problems stemming from the design of the current TRQ.

The UK is not a producer of raw sugar for export, so market access would need to come in the form of refined sugar. The relevant products are essentially those enumerated in Additional U.S. Note 5 to Chapter 17 of the Harmonized Tariff Schedule of the United States: 1701.12.10, 1701.91.10, 1701.99.10, 1702.90.10 and 2106.90.44, i.e., in-quota refined sugar.

SUA strongly recommends that in the case of UK, refining should confer origin, i.e., sugar refined in the United Kingdom should enjoy access to a U.S. quota, regardless of the origin of sugarcane or sugarbeets used in that manufacturing process. In the alternative where the two countries conclude an agreement that does not provide for refining to confer origin, SUA would support a quota for refined sugar produced from UK sugarbeets. In addition, no "net exporter" requirements should apply to the UK. These provisions of other FTAs, whether well-advised or not, were negotiated prior to the imposition of the U.S.-Mexico suspension agreements. Under the suspension agreements, anticipated imports from FTA countries are deducted from the quantity of sugar estimated to be required from Mexico ("U.S. Needs"). If the FTA estimate increases, U.S. Needs decrease, resulting in no net expansion of total imports. Inasmuch as the net exporter requirement was an effort to avert surplus imports that might be harmful to U.S. producers, it is no longer needed, given the suspension agreements.

We recommend that the size of the UK quota be related to the average TRQ shortfall in recent years, as shown in the table below, taken from reports from USDA's Foreign Agricultural Service. For the most recent six fiscal years through 2019, the shortfall has averaged well over 100,000 metric tons, raw value (MTRV).

Fiscal Year	**Shortfall**
2014	214,859
2015	62,875
2016	113,450
2017	76,276
2018	166,585
2019	55,697
6-Year Average	**114,957**

Filling of TRQ shortfalls are not the only relevant factor. Under the U.S.-Mexico suspension agreements, our domestic market is shaped by political formulas that appear designed to deliberately short the U.S. market, notably by basing market access for Mexico on an unreasonably low 13.5% ratio of ending stocks-to-total use. In our view, a meaningful quota for the United Kingdom can help to offset the harm caused by both the suspension agreements' methodology and the perennial shortfall in the main WTO TRQ.

Allowing for both of these market factors, we believe a refined sugar TRQ of approximately 100,000 MTRV or approximately 110,000 short tons, raw value, would be an appropriate outcome in a US-UK Trade Agreement. SUA would certainly support unlimited access for UK sugar, but we recognize the realities of negotiating trade agreements in the presence of the U.S. sugar subsidy program, and we therefore believe that a modest quota of the magnitude we have suggested would be a positive development for supply adequacy, and would encourage growth in food manufacturing in the United States rather than offshore.

We appreciate your efforts and the work of your trade team in obtaining a balanced trade agreement with the UK, and providing additional sugar market access is a key ingredient for achieving that objective.

Sincerely,

Rick Pasco

Rick Pasco
President