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August 14, 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:

On behalf of the Sweetener Users Association (SUA), I write to request that the Department of Agriculture increase the 2019/20 raw sugar tariff-rate quota by at least 150,000 short tons, raw value (STRV).

The August 12 *World Agricultural Supply and Demand Estimates* project a stocks-to-use ratio of 14.3 percent. While this is significantly below the level of 15.5 percent that SUA members believe is appropriate, we also recognize that it is within USDA's traditional target range of stocks. However, the problem is that these projected stocks are likely to be overestimated.

- The WASDE continues to forecast deliveries below last year, but actual deliveries through June are up 0.8 percent, according to USDA's own *Sweetener Market Data*. Realizing the WASDE forecast would require declines in coming months that appear unlikely, given current market conditions.
- The August WASDE made no change in the prior projection of imports from Mexico, but we continue to hear skepticism from market participants that Mexico can actually supply the forecast amount.
- The nearby #16 futures contract has recently been trading above 27 cents per pound, which suggests that market participants perceive supply tightness, especially considering that the market is trading at an inverse, with deferred months below the nearby.

In short, we believe strongly the WASDE is too optimistic about ending stocks. Moreover, some market participants have also expressed concern about the supply situation in the first quarter of the new fiscal year, when USDA has fewer options for addressing supply concerns than in the period before October 1. Acting now will allow for a cushion of stocks that can be drawn down as the balance of the calendar year proceeds.

If we accept the August WASDE numbers at face value, SUA's goal of a 15.5 percent stocks-to-use ratio would require ending stocks 145,000 STRV higher than the projected amount, which would still be within USDA's traditional target range. However, if in fact deliveries are being underestimated and imports from Mexico overestimated, then a supply increase of this magnitude would likely leave the stocks ratio at or below the midpoint of the target range.

Because some shortfall would occur, SUA recommends that the raw sugar TRQ be increased by at least 150,000 STRV. We also believe USDA should consider maximizing the flexibility of import timing by permitting early entry of the 2020/21 TRQ.

Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Pasco", with a stylized, cursive script.

Rick Pasco
President