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March 12, 2021

The Honorable Maria Pagan
Acting U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Acting USTR Pagan:

The Sweetener Users Association (SUA) appreciates the role that the Office of the U.S. Trade Representative plays in administering U.S. sugar policies, in particular the allocation of the tariff-rate quotas (TRQs). You are no doubt aware that operating U.S. sugar policy requires balance and judgment. To a greater extent than for most other commodities, sugar policies have a significant impact on marketplace conditions, such as price and supply. By the same token, changes in market conditions sometimes dictate the need for sugar policy adjustments, and that is the case now.

The *World Agricultural Supply and Demand Estimates* (WASDE) released by the Department of Agriculture (USDA) on March 9 show, on the surface, an adequate level of sugar stocks, specifically a stocks-to-use ratio of 15.1 percent. But market conditions are considerably tighter than the ratio suggests.

- Domestic raw sugar futures are trading at an unusually elevated level above 30 cents per pound.
- Significant quantities of raw sugar are “stranded” in Louisiana, i.e., these supplies exceed the ability of the state’s refineries to refine them in a timely fashion. Although the raw sugar could be shipped to Atlantic Coast refineries, the Jones Act makes it quite expensive to do so. Trade sources estimate that approximately 250,000 short tons, raw value, are in this situation and therefore unavailable to the market.
- The stranded Louisiana sugar should be subtracted from total projected ending stocks in order to get a true picture of supplies that are actually available for use. On this basis, the ratio of free stocks to use is only 13.0 percent – well under USDA’s target range, but

more consistent with current raw sugar futures prices than the stocks-to-use ratio in the WASDE.

- Because world sugar prices are higher than normal, the quantity of raw sugar imported for USDA's re-export programs is far below normal levels.
- A number of market participants question the WASDE's estimates of 2020/21 beet sugar output, believing actual production will fall short of USDA's current estimates, and this is reflected in current pricing.
- For the new sugarbeet crop that will be planted in coming months, high grain and oilseed prices may compete for sugarbeet acres to a greater extent than is normally the case.
- Many market observers believe demand is likely to pick up sharply as COVID-19 vaccination rates increase and food service and entertainment venues gradually reopen. Higher demand would further reduce stocks.

We, therefore, respectfully request that USTR proceed expeditiously to reallocate the World Trade Organization (WTO) TRQ for raw sugar imports, focusing especially on those countries that consistently do not ship against their quotas because they no longer produce or export sugar. USTR has a record of moving in a timely fashion on reallocations when necessary, and we believe current market conditions do require a reallocation in order to ensure that the TRQ can be filled.

In a similar letter to Secretary of Agriculture Vilsack, we have also urged USDA to increase the Export Limit for imports from Mexico, the WTO raw sugar TRQ or a combination of the two. In tandem with a timely reallocation, we believe a TRQ increase will assure supply adequacy and market stability.

Thank you for your consideration of this request. SUA appreciates the openness and professionalism that characterize USTR's approach to sugar policy.

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