June 21, 2021

Dr. Melissa R. Bailey

Agricultural Marketing Service

Room 2055–S, STOP 0201

1400 Independence Avenue, S.W.

Washington, DC 20250–0201

**RE: Docket Number AMS–TM–21–0034, Federal Register, Vol. 86, No. 93 (May 17, 2021), p. 26689.**

Dear Dr. Bailey:

Thank you for the opportunity to submit comments on “Supply Chains for the Production of Agricultural Commodities and Food Products.” The Sweetener Users Association (SUA) comprises companies that use sugar and other caloric sweeteners to make foods and beverages, as well as trade associations representing these companies. Sweetener-using segments of the food industry directly employ some 600,000 Americans.

Before the COVID-19 pandemic hit, sugar users were already faced with disruptions in the normal supply chain because of weather-related reductions to the 2019 sugar beet crop. The short crop had already caused some major sugar sellers to declare *force majeure,* limiting users’ access to supplies for which they had already contracted, and causing a scramble for alternatives.

In most U.S. commodity markets, the price signals conveyed by a short domestic crop would provide incentives for increased imports until supplies equilibrated. In theory, that should certainly happen in the case of sugar, since the United States and its predecessor British colonies have been net importers of sugar for 400 years and import supply chains are well-established.

But sugar markets are and have always been different because of a virtually unprecedented degree of government control. In a nutshell, imports cannot freely compensate for inadequate domestic supplies. Nor can domestic production easily increase. In both cases, this is because of deliberate policies. Imports are strictly limited through separate quotas on raw and refined sugar, with any out-of-quota imports subject to a duty that is normally prohibitive. Meanwhile, domestic production is limited by law to entities with government-issued “marketing allotments,” i.e., in practice limited to incumbent processors with assigned production quotas.

The U.S. sugar industry includes sugar beet production centered in the Upper Midwest and Mountain West, and sugarcane production occurs primarily in Louisiana and Florida. Raw cane sugar, both domestic and imported, becomes refined sugar – the type required by end users—at refineries located in coastal zones.

The combination of lower beet sugar supplies and pandemic effects on demand channels created enormous logistical challenges. Users accustomed to receiving their supplies from traditional suppliers along certain modes of transportation needed to line up alternate supplies, which may have traveled along different modes (e.g., by truck rather than rail) and in some cases may have been packaged in less-than-optimal ways for the end user because of supply limits (e.g., bagged rather than bulk).

Imports could not automatically stem the supply bottlenecks – not because supplies were not available (they were), but because U.S. government policies prevented it.

In these circumstances, imports of refined sugar should have increased dramatically. This is not an ideal situation, since users prefer to obtain refined sugar from domestic suppliers, but the markets were in turmoil.

However, it took time for the U.S. Department of Agriculture to increase the raw and refined sugar import quotas, and even when that happened, technical definitions in the Harmonized Tariff Schedules of the United States (HTSUS) allowed much of the supposed refined quota to be filled by what was functionally raw sugar, and was therefore not immediately available to end users.

Over the years, sugar supplies have been affected by a number of sudden or unexpected events, including hurricanes and fire-related refinery shutdowns. In each case, market disruption was greater than it needed to be, because of the archaic, inflexible and sclerotic nature of U.S. sugar policy.

USDA alone cannot resolve the problems caused by sugar policy; only Congress can do that. USDA could, however, mitigate the ill effects of U.S. sugar policy by –

* Making policy decisions more transparent by stating in advance what circumstances and parameters will cause USDA to increase quotas;
* Working with the Office of the U.S. Trade Representative to regularize the reallocation of import quota shares among countries, recognizing that many countries with U.S. quotas no longer even produce sugar;
* Establishing policies on what constitutes “reasonable prices” as referenced in Additional U.S. Note 5 to Chapter 17 of the HTSUS, and outlining policy responses when prices exceed this level;
* Recognizing that a greater level of imports can now be allowed than was traditional, because price rules under the U.S.-Mexico sugar suspension agreements largely eliminate any danger of forfeitures under the price support program; and
* Designing policies so that they are balanced, giving due weight to the interests of producers and processors but also recognizing the legitimate claims of cane refiners and sugar users.

Thank you for your attention to these matters. Inasmuch as sugar policy is largely administered through the Farm Services Agency and the Foreign Agricultural Service, we have taken the liberty of providing copies of these comments to those agencies.

Sincerely,



Rick Pasco

President