SWEETENER USERS ASSOCIATION

1100 New Jersey Ave., SE
Suite 910
Washington, DC 20003
Phone: (202) 842-2345

September 21, 2021

The Honorable Thomas J. Vilsack
Secretary of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Secretary:

On behalf of the Sweetener Users Association (SUA), I write to respectfully but urgently request that you take action to increase domestic sugar supplies, which remain inadequate in a market characterized by unreasonably high prices, despite some recent policy actions by the Department of Agriculture. While welcome, these actions fell short of the quantities needed to supply the market.

The September *World Agricultural Supply and Demand Estimates* forecast stocks at the end of this month at only 13.2 percent of total usage, well below even the lower bound of USDA's traditional target range. This fact alone would justify an increase in supplies.

In addition, however, market prices remain unusually elevated, in part as a result of the insufficient steps USDA has taken during the course of the fiscal year. In effect, the Department has told the marketplace that high-tier imports (those which pay the normally prohibitive over-quota tariff) are an acceptable segment of the marketplace. This sharp departure from the views prevailing in previous administrations of both parties has yielded a market in which pricing is essentially a function of the world sugar price, plus the high-tier duty, plus transportation costs.

The November #16 raw sugar futures contract closed September 20 at 36.10 cents per pound, with all contracts on the board above 30 cents per pound. These price levels are extraordinary. In the more than 60 years' worth of data published by USDA in its Sugar and Sweetener Yearbook Tables, the raw sugar futures price has averaged 30 cents or more in only four fiscal years, all of which were characterized by more extreme market events than any that have occurred this year.

The Harmonized Tariff Schedules of the United States explicitly provide you with authority to increase tariff rate quotas when necessary to achieve adequate supplies at reasonable prices. By any standard, current prices are not reasonable, nor are supplies adequate.

Recent events underscore the need for more supplies. Hurricane Ida temporarily idled two Gulf Coast sugarcane refineries, reducing refiners' ability to meet market needs. Lost refining days cannot be made up through domestic sources alone, given the realities of capacity utilization. Nor is the outlook for raw sugar supplies all that encouraging, with Louisiana crop ratings cut again September 19 by the National Agricultural Statistics Service. Beet sugar supplies are approximately 90 percent contracted already, according to Sosland Publishing, and in any event the beet supply is already accounted for in current market prices. Some users, in addition, label their products as made with cane sugar and therefore cannot readily substitute beet sugar.

In current conditions, SUA believes USDA should aim for the high end of its traditional target range, i.e., a stocks-to-use ratio of at least 15.5 percent. To achieve this, a raw sugar TRQ increase of approximately 300,000 short tons, raw value, is needed. In addition, USDA should permit late entry, until December 31, 2021, of the entire remaining 2020/21 raw sugar TRQ.

SUA respectfully requests a meeting with you and your colleagues to discuss further the urgent need for adequate supplies at reasonable prices. Thank you for your consideration of our request.

Sincerely,

Richard Pasco
President