SWEETENER USERS ASSOCIATION

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November 1, 2021

Honorable Katherine Tai
U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Madame Ambassador:

On behalf of the Sweetener Users Association (SUA), I respectfully request that the Office of the U.S. Trade Representative move expeditiously to reallocate the fiscal year (FY) 2022 raw sugar tariff-rate quota (TRQ) to put additional supplies into the U.S. market, which remains unduly elevated at historically high prices that are not justified by supply-demand fundamentals. The need for reallocation is twofold. First, as explained further below, 10 quota-holding countries never fill their quotas because they have ceased to produce or export sugar. Not one of these countries has shipped a single ton of sugar to the United States since 2008. There is no reason to wait on reallocating the quota shares of these countries.

Second, the Philippines sugar authority has stated that it will not ship any sugar against its sizeable quota due to domestic production shortfalls. This being the case, the entirety of that nation's quota should also be reallocated. Again, if a quota-holding country has stated on the record that it will not sell the United States any sugar, there is no reason to wait before reallocating its quota.

Some Quota-Holding Countries Never Sell Sugar to the United States

The raw sugar TRQ is allocated to 40 different countries. Because the allocations are based on trade patterns from 1975-81 (the last time there was unrestricted trade in sugar imports), some allocations are provided each year to countries that no longer produce or export sugar, and therefore do not fill their quotas. (Quotas can only be filled with a quota-holding country's domestically-produced sugar; a quota holder cannot ship sugar of another country to fill the first country's quota.)

Nine countries – **Congo, Cote d'Ivoire, Gabon, Haiti, Madagascar, Papua New Guinea, St. Kitts and Nevis, Trinidad-Tobago and Uruguay** – did not export a single ton of sugar during any of the fiscal years 2008-2021. A tenth country, **Taiwan**, exported in only one year, 2008. Cumulatively, these 10 countries account for **78,071 metric tons, raw value (MTRV), or 86,058 short tons, raw value (STRV),** of the raw sugar TRQ.

USDA Has Accepted the Philippines' Statement That It Will Not Fill Any of Its Quota

According to the October *Sugar and Sweetener Outlook* published by the U.S. Department of Agriculture, "The U.S. Embassy in the Philippines reported in their semi-annual sugar report that the country would be unlikely to fill any of its World Trade Organization (WTO) raw sugar tariff-rate quota (TRQ) allocation, wiping out 157,000 STRV of expected import supplies." The October *World Agricultural Supply and Demand Estimates* similarly stated: "Raw sugar TRQ imports for 2021/22 are further reduced by 151,556 STRV as the Philippines is not expected to export any of the raw TRQ sugar allocated to it by USTR." (The Philippines TRQ is formally expressed as 142,160 MTRV.)

Unreasonably High Prices Justify Additional Supplies

Nearby January domestic raw sugar prices are trading at a historically high 37 cents per pound. A more normal price under the influence of the U.S.-Mexico suspension agreements is about 25 cents per pound. Both raw and refined prices are, in fact, trading at or near the level where high-tier (over-quota) imports can be profitably imported, and indeed in both 2019/20 and 2020/21, historically high levels of these imports – which pay a duty that is explicitly designed to be prohibitive – entered the United States: 206,000 STRV and 205,000 STRV, respectively, according to USDA.

High-tier imports should be objectionable to the Biden administration on at least three grounds:

- From the standpoint of a **worker-centered trade policy,** substantial high-tier imports of refined sugar mean that workers in other countries, not the United States, were employed in refining the sugar.
- From the standpoint of **efficient and effective trade policy,** high-tier imports signal that the U.S. tariff system is not working as intended, since the tariffication of import barriers after the Uruguay Round of multilateral trade talks was explicitly intended to limit sugar imports to in-quota amounts.
- Finally, in terms of **foreign policy,** raw sugar quotas confer a benefit on dozens of countries, mostly low- or middle-income countries, and hence advance U.S. diplomacy. However, by being forced to bring in high-tier imports to meet U.S. demand, these developing countries are denied the opportunity to capture the rent by filling a portion of U.S. demand, which also unnecessarily increases prices for the entire U.S. market.

If USTR moves now to reallocate the quotas discussed in the letter, supplies in the U.S. market would be expected to increase by approximately 200,000 STRV (the sum of the non-supply countries' and the Philippines' quota, less a reasonable estimate of likely shortfalls). Applied to the October WASDE, this would suggest a 2021/22 ending stocks-to-use ratio of **14.8 percent,** well within the traditional target range maintained by USDA.

USDA has recognized the need for additional supplies just within the past week. The Foreign Agricultural Service announced that sugar under the 2020/21 TRQ, which previously was enabled to enter as late as October 31, will now be eligible for entry through December 31, 2021. Users appreciate this action by the Biden administration and suggest that a prompt reallocation by USTR, as recommended above, would be an important complement to FAS's late-entry announcement.

Thank you for your attention to our request. Please move expeditiously to provide adequate supplies of sugar to the U.S. marketplace.

Sincerely,

Richard Pasco
President