SWEETENER USERS ASSOCIATION

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

March 22, 2022

The Honorable Robert Bonnie
Under Secretary
Farm Production and Conservation
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Mr. Under Secretary:

The Sweetener Users Association (SUA) urges the Department of Agriculture to act promptly to assure adequate supplies at reasonable prices during the balance of the current fiscal year. Because the primary supply need is raw cane sugar and the U.S. cane refining industry has only a fixed amount of production capacity, we believe action is needed sooner rather than later. A basic reality of cane refining is that days of production lost due to inadequate supplies cannot subsequently be made up, due to capacity limitations.

In our view, USDA's current official estimates of supply and demand are likely to understate the actual deliveries of sugar this year, based on performance to date. Similarly, we share the view of other market participants that beet sugar output may ultimately be less than USDA now projects. This viewpoint is certainly consistent with current pricing, which clearly reflects tighter stocks than indicated in the *World Agricultural Supply and Demand Estimates (WASDE).*

Even if the current WASDE numbers, including ending stocks, were taken at face value, historically high market prices strongly suggest that USDA's traditional stocks-to-use target range should be at least temporarily modified or abandoned. The last time prices were at current levels for a sustained period of time, in fiscal years 2009-10 and 2010-11, USDA's projected stocks-to-use ratios were much lower than at present – below 10 percent in several instances.

Sugar markets are trading at or near "high-tier equivalence," meaning they are so far above world market levels that it is economical to pay the supposedly prohibitive "high-tier" duty and import world-market sugar rather than sourcing it domestically or from quota-holding countries or Mexico.

As we have previously observed, high-tier pricing will –

- Send U.S. refining jobs offshore;
- Encourage further growth in imports of sugar-containing products not subject to quotas, with the net volume in this trade now around 1.2 million short tons, raw value (STRV), reducing the demand for American farmers' output by the same amount;
- Adversely affect the interests of countries holding shares of the raw sugar tariff-rate quota (TRQ); and
- Directly reduce the quantity of sugar available for import from Mexico, violating the spirit if not the letter of the U.S.-Mexico sugar suspension agreements.

Markets are not trading at high-tier levels because current prices are natural. They are trading at that level because market participants perceive that USDA has changed its previous policies and now accepts that high-tier pricing is normal.

We do not believe that is the case, but it is important for USDA to make that point. We urgently ask that the department act to –

- State clearly that high-tier pricing is neither normal nor desirable, and that USDA will act to avert it;
- Identify Additional U.S. Needs to provide access to more raw sugar from Mexico; and
- Increase the raw sugar TRQ as soon as possible after April 1 such that total additions to supply from Mexico and TRQ-holding countries are approximately 400,000 STRV.

SUA appreciates your consideration of our views.

Sincerely,

Richard Pasco
President

cc: Gloria Montaño Greene, Deputy Under Secretary, Farm Production and Conservation
Jason Hafemeister, Acting Deputy Under Secretary, Trade and Foreign Agricultural Affairs