SWEETENER USERS ASSOCIATION

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April 13, 2022

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

The Honorable Katherine Tai
U.S. Trade Representative
600 17th Street, NW
Washington, DC 20006

Dear Mr. Secretary and Madam Ambassador:

We are writing to you jointly because both the Department of Agriculture and the Office of U.S. Trade Representative have important responsibilities for supplying the U.S. sugar market with adequate supplies at reasonable prices. USDA establishes and, when necessary, increases sugar tariff-rate quotas (TRQs), while USTR allocates TRQs among various quota-holding countries. The agencies' partnership ideally results in a smooth flow of imported sugar to complement our domestic production.

At this moment, members of the Sweetener Users Association (SUA) see a need for **urgent action to provide additional supplies to the domestic market.** We would note that –

- The April *World Agricultural Supply and Demand Estimates* project September 30, 2022, ending stocks at only 12.5 percent of total use – **well below the lower bound of USDA's traditional target range** of 13.5-15.5 percent of use.
- Last week, a major seller of domestic sugar informed all customers that it could not fully satisfy its contractual obligations during this fiscal year, announced **a 25 percent reduction** in customers' ability to obtain delivery of contracted amounts, **and invoked *force majeure***.
- Cane and beet sugar **prices are trading at levels that the markets have only seen once before** on a sustained basis, but on that prior occasion, USDA was projecting the stocks-to-use ratio at 10 percent or below – in other words, even though current supplies are tight, markets are trading as if they were much tighter.

It is important to understand that the present situation is not the result of supply-chain problems. While those certainly exist, sugar prices are quoted on free-on-board (FOB) plant basis, meaning that they do not incorporate subsequent transportation and logistics complications between the seller's plant and the buyer's manufacturing facility. **Taking these into account, the situation is still more dire than it appears.**

The current U.S. sugar market situation is directly exacerbating food price inflation. Because sugar is an ingredient in a wide variety of consumer products, from bread to confectionery to canned fruit to peanut butter, the impact of tight sugar supplies is felt throughout the food sector.

Importantly, **the U.S. government has the authority to mitigate consumer price inflation in the food sector** simply by –

- Immediately identifying (through the Department of Commerce) **Additional U.S. Needs for sugar from Mexico** pursuant to the suspension agreement between the two countries; and
- **Increasing the raw sugar TRQ**, with prompt reallocation to quota-holding countries.

In combination, **these steps need to make available an additional 600,000 short tons, raw value** (STRV), to bring stocks up to adequate levels. This quantity recognizes that some raw sugar in Louisiana is again likely to be temporarily unavailable to the market because of refining limitations, and that bulk raw sugar may continue to be entered against tranches of the specialty sugar quota, with excess amounts held against future tranches rather than being immediately refined. In the current situation, the most pressing market need is for granulated sugar for coastal refineries, not liquid sugar.

Thank you for your attention to this request, which we regard as urgent. This is no longer simply an issue of price, but of the physical availability of refined sugar.

Sincerely,

Richard Pasco
President