SWEETENER USERS ASSOCIATION

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

December 2, 2022

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

The Honorable Jason Hafemeister
Acting Under Secretary for Trade and Foreign Agricultural Affairs
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

The Honorable Dr. Julie Callahan
Assistant U.S. Trade Representative for Agricultural Affairs and Commodity Policy
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Under Secretary Bonnie, Acting Under Secretary Hafemeister and Assistant USTR Callahan:

On behalf of the Sweetener Users Association (SUA), thank you for your continued management of U.S. sugar policies. Our member companies, who use sugar in their food and beverage manufacturing business, rely on the Department of Agriculture (USDA) and the Office of the U.S. Trade Representative (USTR) to strike a balance between the interests of producers, consumers, refiners and industrial users in administering the complex and restrictive policies that govern U.S. sugar sales and imports.

Despite previous policy actions by your agencies and the Department of Commerce, U.S. sugar supplies remain historically tight. Official USDA statistics no longer accurately reflect the condition of the sugar market, for complex reasons. Consider that –

- This calendar year, there have been two separate *force majeure* declarations by beet sugar sellers that resulted in customers being unable to receive supplies for which they had previously contracted.
- As of November 23, “no beet processors were offering sugar for 2022-23 sale,” according to Sosland Publishing. “One cane refiner … was about the only source of spot sugar except for distributors.” This means that companies that need additional supplies

because of higher-than-anticipated demand – a not uncommon phenomenon – often cannot get it.

- There have been two significant recent disruptions to raw cane sugar imports. The Philippines has announced it will not ship any of its 2022-23 quota, and U.S. Customs and Border Protection announced it will detain imports from the largest supplier of sugar from the Dominican Republic.
- Prices remain at historically high levels, not surprising when considering the absence of most sellers from what is normally an active spot market.

SUA members support expanded sugar production and manufacturing and refining capacity in the United States. Higher domestic output would have important advantages to both producers and consumers, in the form of more reliable high-quality supplies and more dependable supply chains. We believe USDA should work with Congress to examine whether current policies may operate to dissuade new entrants and capacity expansion. As it is, the occurrence of multiple *force majeure* declarations over a multi-year period raises troubling questions about the reliability of some U.S. sellers.

In the short term, however, there are two actions the federal government can take under existing laws and regulations to ease the acute supply crisis.

First, USTR should immediately reallocate the raw sugar tariff-rate quota (TRQ) to account for the shortfalls anticipated from the Philippines, the Dominican Republic and the multiple countries that never fill their quotas because they no longer produce or export sugar.

Second, to meet immediate needs, USDA should significantly increase the TRQ for refined sugar by at least 250,000 short tons, raw value (STRV). In permitting this additional amount, USDA should impose conditions sufficient to ensure that it is filled with sugar that is immediately usable by manufacturers without the need for further processing. USDA has ample authority to impose such conditions, which could include a requirement for polarization of 99.8 or above; requirements as to packaging, vessel type or other parameters; or an affidavit that the sugar will not undergo further processing in the United States.

In SUA's view, the regulations would permit such restrictions on any sugar imported under the refined TRQ. But even if one took the viewpoint that restrictions could constitute the withdrawal of a tariff concession, this argument would apply only to the minimum refined TRQ, not to any additional amounts such as we are requesting, for the simple reason that our trading partners are entitled only to the minimum under World Trade Organization rules, and any additional quantities are at the sole discretion of the United States government, which may impose conditions on the imports as long as those are consistent with our international obligations.

In the absence of such stipulations, an increase in the refined sugar TRQ would not materially help the market. We strongly urge USDA to use its existing authority to meet market needs. Timely action will prevent slowdowns in manufacturing as a result of inadequate supplies, mitigate food price inflation and discourage further offshoring of sugar refining. The economic firm Agralytica estimates that net imports of sugar-containing products not subject to quotas are now equivalent to 1.5 million STRV of sugar. These imports are the result of U.S. policies that consistently short the sugar market, and they directly displace the demand for sugar produced in the United States. In the absence of action by USDA and USTR to boost supply adequacy, it is highly likely that the trend toward products displacing U.S. sugar demand – and jobs – will continue.

Thank you for your consideration of our requests.

Sincerely,

Richard Pasco
President