

Explainer: The U.S.-Mexico Sugar Suspension Agreements

Understanding the agreements is essential to developing smart U.S. sugar policy

Summary

The U.S.-Mexico Sugar Suspension Agreements are bilateral trade arrangements that replaced free trade in sugar with a system of government-managed import limits and minimum price requirements on Mexican sugar exports to the United States. Originally negotiated in 2014 and later amended in 2017, 2019 and 2020, the agreements suspend antidumping and countervailing duty investigations in exchange for strict volume controls, guaranteed floor prices and other conditions governing how and when Mexican sugar may enter the U.S. market.

The suspension agreements directly affect both the availability and cost of sugar in the U.S. market. Understanding the agreements is essential to developing smart and effective sugar policy, including the reallocation of tariff rate quotas (TRQs) and the establishment of domestic marketing allotments.

Why the sugar suspension agreements with Mexico were put in place

The sugar provisions of the North American Free Trade Agreement (NAFTA) gave Mexican sugar producers access to the U.S. market — the same treatment as virtually all other NAFTA products. However, in March 2014, the U.S. sugar industry petitioned the International Trade Commission (ITC) and the U.S. Department of Commerce to impose antidumping and countervailing duties on sugar imports from Mexico, arguing that Mexico was flooding the U.S. market with cheap sugar. The government found that dumped and subsidized Mexican imports were injuring the U.S. sugar industry and imposed preliminary countervailing duties in August 2014 and antidumping duties in October 2014.

In December 2014, the United States and Mexico signed “suspension agreements” that suspended antidumping and countervailing duties and instead capped imports and set minimum price floors. While these limits reduced how much sugar Mexico could export, they also guaranteed higher prices on the sugar that was sold, benefitting the Mexican sugar industry.

Because the United States is a net importer of sugar, requiring foreign imports to meet domestic demand, limits on sugar imports from Mexico also pushed U.S. sugar prices up since these imports were a major portion of total supplies, increasing costs for U.S. food manufacturers and everyday consumers.

The 2017, 2019 and 2020 amendments

U.S. refiners contested the December 2014 suspension agreements in January 2015, and after lengthy behind-the-scenes negotiations, the U.S. Department of Commerce announced the terms of the renegotiated suspension agreements on June 30, 2017. These amended suspension

agreements further raised floor prices for both raw and refined sugar and added new restrictions on sugar imports from Mexico. These additional constraints pushed U.S. sugar prices up again.

The amended suspension agreements also further benefit the Mexican sugar industry by generally giving it the right of first refusal to supply all additional U.S. sugar import needs in each marketing year at the expense of import quota-holding countries. In effect, the first right of refusal feature reduces the ability of TRQ-holding countries to supply additional volumes of sugar required by the U.S. market beyond the World Trade Organization (WTO)-bound minimum import quota.

As re-negotiated and amended in 2017, 2019 and 2020, the sugar suspension agreements include the following provisions:

Export Limit Framework

- Sugar imports from Mexico are not technically subject to a TRQ, but are strictly limited by a quota-like structure. Mexico receives an “Export Limit” that functions as a de facto import quota under the suspension agreements.
- The U.S. Department of Commerce calculates Mexico’s Export Limit based upon USDA’s estimates of sugar needs for the fiscal year, as reflected in USDA’s monthly World Agricultural Supply and Demand Estimates (WASDE). The goal is a ratio of ending stocks to use at 13.5%, a level that would result in a perpetually tight market.
- Mexico’s Export Limit is to be equal to 100% of “U.S. Needs” after accounting for U.S. production, imports from TRQ countries and other factors in the WASDE.
- Total imports from Mexico cannot exceed the Export Limit, and if they do, the excess amounts are doubled and deducted from the amount that could otherwise be imported.
- All shipments of Mexican sugar into the United States must be accompanied by an export license granted by the Mexican government, reflecting Mexico’s allocation of the Export Limit among its sugar industry participants.
- First right of refusal on any additional imports needed in the U.S. market is generally granted to Mexico.
- Mexican imports are prevented from being concentrated during certain times of the year through a so-called “Export Limit Period.”
- No more than 30% of U.S. needs calculated in July and effective October 1 may be exported to the United States from October 1 through December 31.
- No more than 55% of U.S. needs calculated in each September and effective January 1 may be exported to the United States during the period from October 1 through March 31.

Sugar Classification Rules

- “Refined sugar” is defined as sugar with a polarity/purity of 99.2 degrees or higher for the first 7 months of the marketing year — down from the original threshold of 99.5 degrees. *(Note: This updated definition of refined sugar is inconsistent with that of the Harmonized Tariff Schedule of the United States and international standards, which classify refined sugar as sugar with a polarity of 99.5 degrees or above, and raw sugar as anything below 99.5 degrees. Actual requirements of U.S. industrial users are closer to 99.8 to 99.9 degrees.)*
- Imports of “refined sugar” are to account for no more than 30% of Mexico’s sugar imports during any export limit period.

Reference Prices

- The minimum selling prices, referred to as “reference prices,” at which sugar from Mexico may enter the United States are:
 - Refined sugar — 28 cents per pound, ex-mill Mexico.
 - Other sugar — 23 cents per pound, ex-mill Mexico.
- These reference prices are free-on-board (FOB) Mexican plant prices; delivered costs to U.S. customers are typically about 2 cents per pound higher once transportation costs are added.

Shipping and Delivery Requirements

- All Mexican raw sugar imports must be delivered to the United States in ocean-going vessels.
- All Mexican raw sugar exported to the United States must be loaded in bulk and free-flowing (i.e., not in a container, tote, bag or otherwise packaged) into the hold of an ocean-going vessel.
- If any sugar leaves a Mexican mill in a container, tote, bag or similar package, it must be emptied from any such container into the hold of an ocean-going vessel for exportation. Otherwise, it will be subject to the higher floor price of 28 cents per pound for refined sugar.
- Any exports of sugar from Mexico that are not transported in the hold of an ocean-going vessel will be considered to be refined sugar and thus subject to the higher 28 cents per pound minimum price.

Taken together, the terms of the two suspension agreements mean that Mexico cannot export more than 30% of its quota at a minimum price of 28 cents per pound, and the balance will be subject to a minimum price of 23 cents per pound. These guaranteed minimum prices reduce competition for Mexican and U.S. sugar producers while raising costs for U.S. food manufacturers and consumers.

A side-by-side comparison of the original suspension agreements and the new amendments can be found on page 4 of the USDA Economic Research Service's [June 2017 Sugar and Sweeteners Outlook](#).

Conclusion

The U.S.-Mexico Sugar Suspension Agreements have established a system of administrative controls that shape how sugar is supplied to the U.S. market, including through import limits, minimum price requirements and other conditions.

Because the agreements impact U.S. sugar availability and cost, understanding them is essential to developing smart and effective sugar policy, particularly with respect to key components of the U.S. sugar program such as the reallocation of TRQs and the establishment of domestic marketing allotments.

The Sweetener Users Association (SUA) represents American food companies that use sugar to make the products U.S. consumers know and love — from sweet treats to everyday staples like bread, pasta sauce, yogurt and peanut butter. Sugar-using companies employ hundreds of thousands of Americans across the United States, including bakers, confectioners, factory workers and more.

Connect with us at SweetenerUsers.org or follow us on X @[SweetenerUsers](https://twitter.com/SweetenerUsers).