

SWEETENER USERS ASSOCIATION

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July 20, 2011

Honorable Michael Scuse
Acting Under Secretary for Farm and Foreign Agricultural Services
U.S. Department of Agriculture
1400 Independence Ave., SW
Washington, D.C. 20250

Dear Mr. Secretary:

The Agriculture Department's *World Agricultural Supply and Demand Estimates* for July show the need for a further increase in the raw sugar tariff rate quota (TRQ), as well as other steps to insure adequate supplies. You will recall that the Sweetener Users Association has publicly expressed its appreciation for both of the previous TRQ increases which you announced this year, while noting the potential need for additional supplies. We believe this month's *WASDE* justifies a review of the market and additional action on USDA's part.

When USDA on June 21 announced a TRQ increase of 120,000 short tons, raw value (STRV), the Department stated that the resulting "increase in sugar supplies is forecast to yield an ending FY 2011 stocks-to-use ratio of 15.0 percent ..." In the same statement, USDA said that "additional adjustments to import TRQs" and other measures "may be needed later in FY 2011 to ensure an adequate sugar supply ..."

In a letter sent to you the day after the June 21 announcement, SUA praised USDA's action and its reference to a 15.0% stocks-to-use ratio, but also expressed the view that "USDA's official supply-demand estimates probably overstate available supplies, including imports from Mexico, while likely understating domestic deliveries in the United States."

Comparing the July *WASDE* to the June numbers which you had available in making the last TRQ decision would tend to bear out our comments. First, the *WASDE* projects that 2010/11 TRQ imports will increase by only 80,000 STRV, not the 110,000 STRV projected by USDA in its press release. Second, the July *WASDE* reduced the official estimate of imports from Mexico by 110,000 STRV. Third, the report raised domestic deliveries by 50,000 STRV. In each case, the effect of the adjustment was to make supply-demand conditions tighter than they appeared when you made the June 21 decision. As a result, instead of a 15.0% stocks-to-use ratio, the official USDA estimate is now for a 13.3% level – identical to the prior season and, in our view, uncomfortably tight. Therefore, we respectfully recommend that USDA immediately –

- Provide a further TRQ increase in an amount sufficient to yield a 15.5% stocks-to-use ratio for 2010/11;

- Announce the 2011/12 TRQ so that commercial arrangements for shipments can be made; and
- Permit the 2011/12 TRQ to enter up to one month early (i.e., from September 1) and the 2010/11 TRQ to enter up to one month late (i.e., through October 31).

We believe these steps will be helpful to market stability and are consistent both with measures taken by USDA in the past, and with your own previous TRQ decisions. We will be happy to discuss these matters further with you or your staff if it would be helpful.

Sincerely,



Perry Cerminara, Chairman