

SWEETENER USERS ASSOCIATION

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March 13, 2006

Honorable J.B. Penn, Under Secretary
Farm and Foreign Agricultural Services
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

Members of the Sweetener Users Association would like to express their continued appreciation for the Department's efforts to manage the U.S. sugar program in a challenging environment. You and your colleagues have been required to devote extensive time to this program during a period when, to say the least, many other important issues also required attention.

Thank you for recognizing that a unique combination of weather and market events during the past months called for active and ongoing program management by USDA at senior levels. The need for active management will likely persist in view of last week's *World Agricultural Supply and Demand Estimates*, which indicated a tighter market ahead than suggested by last month's data. Some private analysts also feel USDA is underestimating shortfalls in quota deliveries, which would argue for still tighter conditions.

It remains important to assure smooth market operations and adequate supplies during the balance of this season and next. Imports are, of course, a critical factor in determining whether supplies will be adequate and available when they are needed. In today's unusual world sugar market, the challenges of matching import availabilities, domestic refining capacity and buyer needs will be particularly acute.

Our members believe USDA could take several actions in the near future to both convey information about the future course of U.S. import policy and also encourage prompt and timely entry of quota imports. We respectfully submit these ideas for your consideration.

1. **Announce that shipping patterns will not be in effect during 2006/07.** Certainly, we know enough about the year ahead to make a decision against arbitrary quarterly limits on imports within a fiscal year. This announcement will facilitate advance planning for both exporting countries and domestic cane refiners.
2. **In conjunction with the Office of the U.S. Trade Representative, send a strong signal that the United States will insist on entry by July 1 of the increased raw sugar TRQ**

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amounts announced February 2. We are deeply appreciative of USDA's earlier notice that these imports must enter the United States by July 1. Current world market developments lead us to the conclusion that it would also be helpful for the Department and USTR to announce a disincentive for delay. For example, the agencies might state that countries which fail to enter their increased TRQ quantities by July 1 will thereby create a negative presumption about their willingness and ability to export sugar under any subsequent TRQ increases or reallocations that might become necessary as a result of shortfalls in imports of the additional TRQ.

3. **Work with USTR to promptly reallocate TRQ shortfalls this year.** By later this spring, it should be possible for the United States to determine which countries will not ship their full-year TRQ quantities, and reallocate these quantities to countries capable of supplying them. In addition, any portion of the February 2 TRQ increase not entered by July 1 should also be reallocated in a timely manner.
4. **Permit early entry of 2006/07 TRQ imports.** Market analysts concur that the final quarter of this fiscal year poses the greatest danger of supply shortfalls that might lead to market turbulence. To avoid this problem, the Department could permit early entry (e.g., as of August 15) of the 2006/07 TRQ. In this way, U.S. refiners could take fullest advantage of available supplies during a critical time period, and market participants would be better able to plan for the balance of this season and the initial portion of the next.

We would be happy to meet you or your colleagues to discuss these ideas, or to provide any further information that might be helpful in your consideration of our suggestions. Thank you again for your responsible and thoughtful approach to management of the sugar program.

Sincerely,

A handwritten signature in black ink that reads "Randy Green". The signature is written in a cursive, flowing style with a large initial "R".