INTERNATIONAL SUGAR TRADE COALITION, INC.
1701 Pennsylvania Avenue, N.W., Suite 200
Washington, DC 20006
Phone: 202-531-4028 www.sugarcoalition.org istc@sugarcoalition.org

June 18, 2024

The Honorable Gloria Montano Greene
Deputy Under Secretary
Farm Conservation and Production
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, D.C. 20250

The Honorable Jason Hafemeister
Acting Deputy Under Secretary
Trade and Foreign Agricultural Affairs
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, D.C. 20250

Re: Sugar TRQ

Dear Deputy Under Secretaries Montano Greene and Hafemeister:

We commend the Department of Agriculture (USDA) for your June 14, 2024 announcement of the raw and specialty tariff rate quotas (TRQs) for 2024-25. Timely announcement of the TRQs enables the quota holders (and importers) to plan their shipments to the United States and increases the efficiency of administration of the TRQs.

We are also writing to reiterate the view of our members[1] on TRQ shortfall reallocation. As we have previously advised, TRQ shortfall reallocation should be implemented annually at the same time the TRQ is announced. This allows the TRQ quota holders to arrange shipments of the usually relatively small additional amounts that are assigned to them in the shortfall reallocation. Early shortfall reallocation increases the volume of the shortfall that is actually imported and discourages unneeded second-tier imports. The benefit of early shortfall reallocation has been recognized in the House version of the draft 2024 Farm Bill, which mandates that TRQ shortfall reallocation be implemented as soon as possible after the TRQ is announced.

We also want to reiterate our members' opposition to a globalized or auctioned TRQ. One need look no further than the administrative mess surrounding the implementation of the U.S. specialty TRQ to understand the complications that would be inherent in a globalized or auctioned TRQ:

- a race to the border to obtain a share of the TRQ at each opening;
- massive oversubscription of each quota opening;
- duty-free proration of each cargo presented at opening;
- additional warehousing costs for the portion of each cargo that did not clear duty-free;
- second-tier duties paid on the portion of cargoes that did not clear; and

[1] The International Sugar Trade Coalition (ISTC) is an association of sugar industries in countries that hold allocations under the U.S. raw sugar TRQ. ISTC's members account for about half of the TRQ. The members of ISTC are the sugar industries of Barbados, Belize, the Dominican Republic, Eswatini, Fiji, Guyana, Jamaica, Malawi, Mauritius, Mozambique, Panama, the Philippines, and Zimbabwe.

- additional costs for consumers resulting from the foregoing.

The impact of these negative consequences would be especially concentrated on the smaller quota holders, which are almost exclusively developing or least developed countries. In reality, these countries are relatively more dependent upon access to the U.S. sugar market, but would be *de facto* excluded from the market by a globalized or auctioned TRQ.

Moreover, a globalized or auctioned TRQ would also *de facto* transfer the "quota rent" from the developing country sugar producers to the brokers and hedge funds that dominate world sugar trade. This would completely eliminate the foreign policy justifications for the sugar program.

But even more importantly, changing the TRQ allocation system would fix a problem that does not exist because the TRQ regularly fills to a level of at least 90%. This is because the current system of annual TRQ shortfall reallocation works. Just 7% of the TRQ totaling 78,071 metric tons (MT) is assigned to countries that regularly do not perform: Congo, Cote d'Ivoire, Gabon, Haiti, Madagascar, Papua New Guinea, St. Kitts & Nevis, Taiwan, Trinidad & Tobago, and Uruguay. Most of these non-performing quota holders are assigned the so-called "minimum boatload" allocation of 7,258 MT, which is extremely inefficient to ship. In addition, in any given year other quota holders may experience drought, crop failure or other *force majeure* events that prevent them from performing. In a typical year, the total TRQ shortfall is approximately 100,000 MT, which USDA reassigns to other quota holders that are able to ship.

The only problem with the current TRQ shortfall reallocation system is that the reallocation has in the past been done relatively late in the quota year – usually in May or June of the October-September quota year - which makes it difficult to impossible at least six months after the TRQ announcement for those countries reassigned small additional volumes to arrange shipment on short notice and after they have already shipped their base allocation. If the shortfall reallocation were done at the same time that the TRQ is announced (typically in August or September, but June 14 this year), the amount of the shortfall reallocation would be shipped with the base allocations already assigned to those countries that have sugar available.

This year USDA and USTR have an opportunity to announce TRQ shortfall reallocation well in advance of the opening of the TRQ, thereby maximizing the amount of the shortfall reallocation that actually enters and benefiting the developing TRQ quota holders commensurately. For this reason, we urge USDA and USTR to announce TRQ shortfall reallocation now rather than waiting until later in the quota year.

Thank you for considering our views on this important issue.

Respectfully submitted,

Paul Ryberg
President

Dr. Julia Callahan, USTR
Ms. Erin Nicholson, USTR
Ms. Barbara Fecso, USDA
Mr. Dylan Daniels, USDA