May 19, 2026

VIA REGULATIONS.GOV

Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Attn: Philip Butler, Chair of the Section 301 Committee, USTR
Nanda Srikantaiah, Assistant General Counsel, USTR

Re: Docket No. USTR-2026-0067: Request for Rebuttal Comments on the Section 301 Investigations of Acts, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors

Dear Chairman Butler:

Multiple practices have led to the development and maintenance of structural excess capacity in global sugar production. The 301 Committee requested this information during Dr. Robert Johansson's testimony at the USTR panel on the Section 301 investigation relating to structural excess capacity on May 5, 2026. This summary has been prepared by the American Sugar Alliance (ASA).

Global Sugar Market Distortions

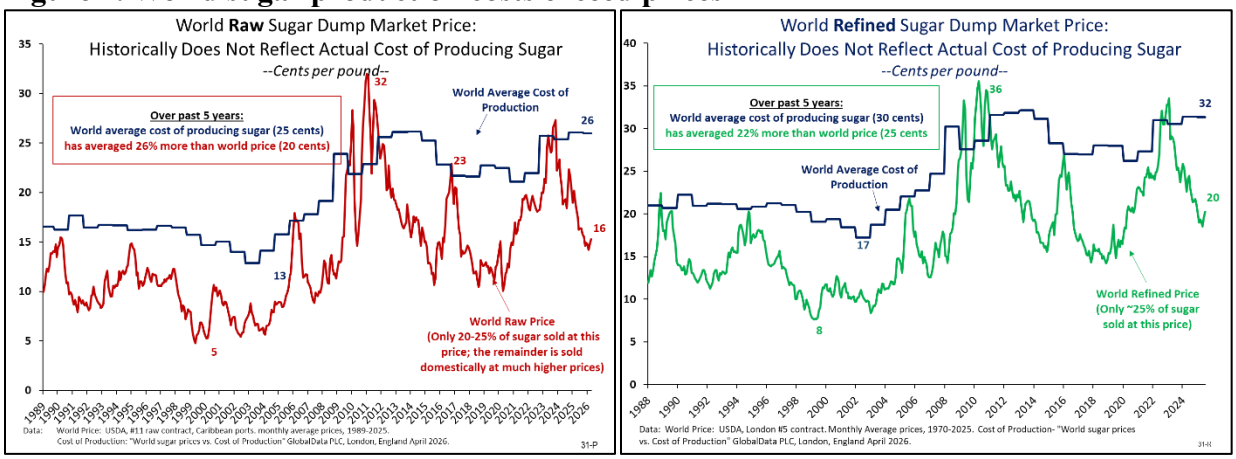
Outside the United States, virtually all sugar-producing countries offer subsidies, trade protection, price support, and various other market interventions to promote domestic sugar production and exports. Globally, those policies make sugar one of the most distorted commodity markets.

A broad range of policy tools are utilized by U.S. trading partners — direct financial subsidies, minimum price guarantees and price support, export subsidies/rebates and dumping support, concessional loans and credit support, government market controls and production management, government investment, research and development (R&D), infrastructure support, and ethanol and biofuel integration policies — which together shield foreign sugar industries from competition while encouraging excess capacity and continued expansion of sugar output. Those policies fuel overproduction. Then, instead of allowing their own markets to be flooded with overproduced sugar that would drive down prices and harm their own farmers, those countries dump their excess sugar on the global market. In turn, that excess sugar drives world sugar prices to levels lower than the true market cost of producing sugar. Significantly, foreign producers often charge a higher price for sugar sold in their own domestic market and then sell into the global market at unsustainably low pricing.

As a result of those dumped surpluses, the so-called "world price" for raw sugar has been distorted by government subsidies and fails to cover the true cost of producing sugar – a bare minimum criterion for any meaningful market price. The world price is so depressed by subsidies and

dumping that, over the past 25 years, the world average cost of producing sugar has exceeded the world price by **nearly 40%** on average (see figure 1).

Figure 1. World sugar production costs exceed prices



Data: GlobalData and USDA/ERS.

These practices continue to distort world sugar markets. The world raw sugar price has dropped by 35% since 2022/23 – from an average of 23 cents per pound to less than 14 cents now – and the cost of producing sugar has averaged 22-26% more than world prices over the last five years (GlobalData and USDA/ERS). One would expect such low prices to put many producers out of business, and signal planting reductions to all. Yet, despite the price collapse, world sugar production is projected to continue to be in a surplus for 2026/27 (Czarnikow, 2026). Sugar producers abroad are responding not to world market signals but rather to their home market prices and the government programs that sustain those prices.

Examples of policies that have led to the development and maintenance of structural excess capacity:

Countries use a wide range of policy tools to support, promote, and subsidize sugar production (see figure 2). Those market interventions in turn have encouraged excess capacity. Some of those policy tools include direct financial subsidies, minimum price guarantees and price support, export subsidies/rebates and dumping support, concessional loans and credit support, government market controls and production management, government investment, R&D, infrastructure support, and ethanol and biofuel integration policies (see Hudson, 2019).

Figure: 2. Policy Mechanisms leading to Sugar Excess Capacity

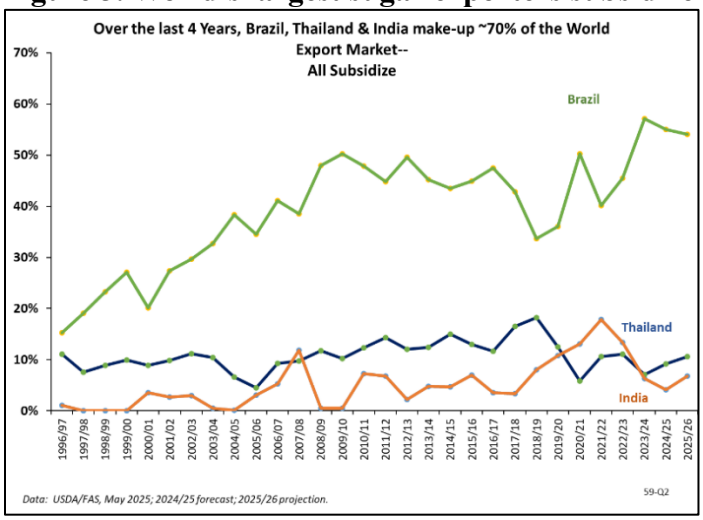
Country	Export Tariff/Quota	Import Tariff/Quota	Production Quota	Direct Price Support	Input Subsidies	Ethanol Mandates	Other Non-Price Support
Argentina	X	X		X		X	
Australia		X				X	
Benin		X					
Brazil		X			X	X	
Burkina Faso		X					
Canada		X				X	
China		X		X	X	X	
Cote d'Ivoire		X					
Egypt		X		X	X		
EU		X				X	X
India		X		X	X	X	X
Indonesia		X		X	X	X	
Japan		X		X			
Mali		X					
Mexico	X	X		X	X		
Nigeria		X			X		X
Pakistan	X	X		X			
Russia		X					X
South Africa		X					
Swaziland		X	X				X
Thailand		X		X		X	
Turkey		X	X			X	

Source: Hudson (2019).

Country Specific Examples:

Approximately 70% of the world's sugar exports come from just three countries – Brazil, India, and Thailand – each of which heavily subsidizes its own sugar producers and helps drive global prices below the cost of production (see figure 3). For example, one study found that "the immense power of Brazil's sugar industry is founded upon many years of strong government intervention" (Chatenay, 2013). India is the world's second leading sugar producer, and it maintains some of the world's most aggressive sugar subsidies, with a U.S. government report finding that India subsidized its industry by $17.6 billion in 2022 (USTR, 2024). A 2015 report found that Thailand subsidizes its sugar industry by $1.3 billion a year, including $500-$535 million per year in direct payments (Meriot, 2015).

Figure 3. World's largest sugar exporters subsidize



Data: USDA/FAS (Production, Distribution, and Supply database).

Below, ASA summarizes specific subsidy programs observed in selected U.S. sugar trading partners.

Brazil

Brazil is a prime example of a so-called "developing" country with an advanced, modern, and, in this case, massive agricultural industry. Brazil is the largest sugar exporter in the world by a huge margin, dominating the global market with over half of all sugar exports. But the Brazilian sugar industry would be a fraction of its current size if not for a Brazilian government decision in the early 1970s to aggressively intervene in the sugarcane ethanol industry.

Brazil implemented subsidies to plant more sugarcane and build mill/distilleries that could convert the cane to sugar or ethanol. The government also enacted ethanol consumption mandates and ethanol and gasoline price controls. Consequently, the Brazilian cane industry exploded, and Brazil became the world's largest cane ethanol producer and sugar exporter.

After its "Pro-Alcohol" program was unleashed in 1975, Brazilian cane ethanol production soared from small amounts to 36.83 billion liters in 2024. Over that same period, sugar production increased from 6 million tons to 43.7 million tons, and sugar exports grew from 1 million tons to 34.9 million tons. Cane planting decisions have been driven primarily by government ethanol policies, with about half of cane going to ethanol, and the remainder to sugar (USDA, 2026; Brazil).

With the cane industry propped up by ethanol subsidies, Brazil has continued its excess sugar export expansion, even as world sugar prices have fallen below 14 cents per pound in 2026. A 2013 study estimated that the value of Brazil's indirect subsidization of its cane sugar industry, by way of cane ethanol subsidies and related government benefits, was $2.5-3.0 billion per year (Chatenay, 2013).

In recent countervailing duty cases involving agricultural products other than sugar, the International Trade Administration (ITA) has determined that Brazil offers various additional subsidies to agricultural producers, including excessive remission of value added tax (VAT) on exported goods; federal tax exemptions on seeds, seedlings and other agricultural inputs; preferential loans for agribusinesses; free or low-cost port services and infrastructure; and preferential electricity costs (ITA, 2026).

Thailand

Thailand is not a particularly efficient sugar producer. But government programs have enabled its stunning expansion, regardless of remarkably low world prices. According to a 2015 study, the value of government subsidies to the Thai sugar industry is estimated to be no less than $1.3 billion per year, including $500-$535 million annually in direct payments (Meriot, 2015). The $1.3 billion figure includes both direct payments and indirect export subsidies but does *not* include substantial benefits given to Thai sugar producers through soft loans and input subsidies that the Thai government makes available to all of Thailand's farmers.

The same study points out that from 2010 to 2014, world sugar prices dropped by 40% yet Thai sugar export volumes rose by 70%. Meriot explains that Thai sugar producers were cushioned from the world price drop by much higher guaranteed prices for sugar sold within Thailand. This is the type of indirect export subsidy that the WTO criticized in a 2005 ruling against European Union sugar exports.

Other ways in which the Thai government supports the rampant overcapacity in its sugar industry include import tariffs and cane ethanol subsidies (Meriot, 2015).

India

In 2010, world sugar prices were approaching a 30-year high and India was one of the world's largest sugar importers, with net imports of 2.2 million metric tons. Since that time, world prices have dropped in half, but India has become a significant net exporter.

How has India achieved the transformation from sugar importer to exporter, even as world sugar prices were declining? The Indian government made decisions to set prices and encourage production and to attack other markets with blatant export subsidies.

Faced with complaints from other WTO members that those export subsidies violate India's WTO obligations, India has *increased* those subsidies. According to the U.S. Department of Agriculture, generous federal, and even state-level, subsidies enabled India to export an estimated 11.5 million tons of sugar in 2021/22 (USDA, PSD). Those exports plainly contributed to the global supply surplus and the sharp decline in world sugar prices starting in 2023.

A 2016 study identified the following Indian federal and state government programs to support its sugar industry: export subsidies, interest free loans and tax forgiveness, and promotion of biofuels to promote sugarcane ethanol production (Meriot, 2016).

According to a U.S. government report, India subsidized its sugar industry by a whopping $17.6 billion in 2022 (USTR, 2024). Those subsides persisted in the face of a WTO dispute panel ruling that India had violated its WTO commitments on sugar. After that dispute panel found that India had subsidized its industry by $13.4 billion in 2018, Indian subsidy levels continued to climb to $15.9 billion in 2019, $14.6 billion in 2020, $16.5 billion in 2021, and $17.6 billion in 2022.

The ITA has also identified numerous agricultural subsidies granted by India with respect to the production of rice, wheat, and other commodities. For example, the ITA recently found that Indian subsidies bestowed on exports of organic soybean meal ranged from 3.66% to *340.27*% (see ITA, 2025).

Mexico

When NAFTA entered into effect in 1994, the Mexican sugar industry was struggling financially and was an occasional exporter of small volumes of sugar. In 2001, the government expropriated half of all Mexican sugar mills, rather than allowing them to go out of business. With government help, Mexican sugarcane area exploded and Mexico became one of the world's largest sugar

exporters. Virtually all those exports were sent to the U.S. market – fully open to Mexican sugar from 2008 under NAFTA rules until the Suspension Agreements in 2015.

At one point, the Mexican government was Mexico's largest sugar producer and exporter, accounting for one fifth of Mexican production and mills. In addition to government ownership, Mexican producers benefited from federal and state cash infusions, debt restructuring and forgiveness, and government grant programs to finance inventory, exports, and inputs.

In 2012/13, Mexican sugar production soared to an all-time high, a stunning 38% higher than the previous year's production. Yet, despite the huge domestic market surplus, Mexico was able to sustain home market sugar prices higher than those in the United States. How did they manage to balance their market? By dumping their subsidized surplus on the U.S. market.

The subsidized and subsequently dumped Mexican surpluses collapsed the U.S. sugar market and caused the U.S. sugar program to record its first cost to the government in a dozen years as American farmers struggled to repay loans they normally repay in full, with interest.

The U.S. sugar industry filed unfair trade petitions. In response, the U.S. Department of Commerce (DOC) imposed preliminary countervailing and antidumping duties on Mexican sugar collectively averaging 56% in 2014; the final combined subsidy and dumping margins averaged 79% (ITA, 2015).

The U.S. and Mexican governments negotiated agreements intended to suspend the collection of duties, resume sugar trade with Mexico, and eliminate the injury that dumped and subsidized Mexican sugar had caused — an estimated $4 billion in losses to U.S. sugarbeet and sugarcane farmers. The U.S. International Trade Commission (ITC), meanwhile, proceeded with its final injury investigation (ITA, 2015).

In 2014, the ITC found that Mexican sugar imports caused material injury to American sugar producers. Duties were imposed but later suspended under anti-dumping/countervailing duty Suspension Agreements that were signed in 2014, strengthened in 2017, and extended for another five years in September 2025 (ITC, 2025). Since NAFTA was enacted in 1994, the U.S. sugar industry has closed 48 beet and cane processing facilities with only 43 remaining open today. Mexico continues to use direct payments to sugar producers, among other tactics, to support its domestic sugar industry.

<u>European Union</u>:
Decades of generous subsidies transformed the EU from a net importer of sugar to, in the 1990's and early 2000's, the world's second largest sugar exporter. In 2005, the WTO ruled that EU exports were benefiting from indirect export subsidies, and the EU subsequently revamped its sugar program. As a result of its unilateral sugar policy changes, 83 EU sugar mills closed, an estimated 120,000 jobs were lost, and, as sugar production plunged and the EU became a net importer of sugar, EU consumer prices for sugar soared (Chatenay, 2012).

Notwithstanding these facts, the EU remains the third largest sugar producer in the world, with about 16 million tons of production (USDA/FAS, 2025). The EU initiated further changes to its sugar policy in 2017, and the government's role in the industry has remained substantial.

The 2019 study found that "EU sugar now operates with fluctuating, distorted and most often depressed world market prices, influenced by widespread government interventions". The most recent (2024) WTO notification on trade distorting support to EU growers still amounted to $200 million annually.

The EU's struggle to reform its sugar regime makes it clear that the distorted nature of the global sugar market does not allow for fair competition. Chatenay (2026) notes that the current flood of subsidized raw sugar imports into the EU is not compatible with a viable domestic sugar industry. Thus, it seems clear that EU producers will face increasing pressure to seek markets outside of Europe.

Russia:
Russia's sugar industry made a transformation from one of the world's biggest sugar importers, relying on foreign sugar for up to 80% of its needs as recently as 2003, to a net exporter of sugar. The Russian Federation reduced its dependence on foreign sugar as long-time supplier Cuba's sugar market collapsed. Russia utilizes direct and indirect subsidies to bolster its own inefficient sugar industry, at an estimated cost of $392 million per year (Chatenay & Gudoshnikov, 2021).

Some other examples (USDA Global Agricultural Information Network, 2025)**:**

- China: The government tightly controls trade in the Chinese sugar market, with state-trading enterprises controlling 70% of all Chinese quota imports.
- Pakistan: A U.S. government report documented that Pakistan exerts "extensive control" over its sugar industry, including by banning new mills.
- Morocco: The Moroccan government provided $190 million in financial support in 2024 to subsidize raw and refined sugar and maintain fixed prices for consumers and food industries in response to global price fluctuations.

Conclusion

This report documents the widespread use of government subsidies, market protections, and trade-distorting policies in the global sugar industry. The world sugar market is not a free or fair market. By highlighting how countries support overproduction and export excess sugar at artificially low prices, it becomes clear that the existing U.S. over-quota import tariff levels are insufficient to sustain our domestic industry. ASA seeks USTR's support for U.S. trade enforcement actions through increased over-quota tariffs including the current Section 301 investigations that will defend American sugar producers from unfair foreign competition and highly subsidized imports.

References

Chatenay, P. 2012 *"Lessons from the 2006 EU Sugar Regime Reform," Prosunergy (UK) Ltd* (available online at: https://sugaralliance.org/wp-content/uploads/2026/05/Chatenay-Lessons-from-the-EU-Sugar-Regime-Reform-8-12.pdf).

Chatenay, P. 2013. "Government Support and the Brazilian Sugar Industry," *ProSunergy (UK) Ltd* (available online at https://sugaralliance.org/wp-content/uploads/2021/01/gov-support.pdf).

Chatenay, P. 2019. "The European Union Sugar Industry at World Market Prices," *ProSunergy (UK) Ltd* (available online at https://sugaralliance.org/wp-content/uploads/2019/06/Chatenay_EU_sugar_at_world_market_prices.pdf)

Chatenay, P., & Gudoshnikov, S. 2021. "Russia's Sugar Industry: Transformation with Government Intervention"*, ProSunergy (UK) Ltd*. (available online at https://sugaralliance.org/wp-content/uploads/2023/02/Chatenay-Gudoshnikov-Russias-Sugar-Industry-6-21.pdf).

Chatenay, P. 2026. "Does the EU know it is killing its sugar industry? Regulation determines a sugar industry's financial sustainability," *Sugar Industry,* 151: 266-268.

Czarnikow. 2026. "Sugar Balance Sheets & Trade," data downloaded May 8, 2026 (available online at: https://app.czapp.com/auth/dashboard).

Department of Commerce. 2015. "Fact Sheet: Commerce Finds Dumping and Countervailable Subsidization of Imports of Sugar from Mexico", International Trade Administration (available online at https://enforcement.trade.gov/download/factsheets/factsheet-mexico-sugar-ad-cvd-final-091715.pdf).

European Union. (2024). "European Union Domestic Support Notification, "*Communication to the WTO Committee on Agriculture* (24-7593) (available online at https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=310311,309375,307868,306747,306415,305666,305485,305420,302160,297491&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True)

GlobalData PLC. 2026. "World sugar prices vs. Cost of Production".

Hudson, D. 2019. "An Examination of Foreign Subsidies and Trade Policies for Sugar," *International Center for Agricultural Competitiveness,* Report ICAC-GP-19-01 (May) (available online at: https://sugaralliance.org/wp-content/uploads/2021/01/Texas-Tech-foreign-sugar-subsidies-7-19-FINAL.pdf).

International Trade Administration. 2025 (June 18). "Organic Soybean Meal from India: Preliminary Results and Partial Rescission of Countervailing Duty Administrative Review;

2023," *Federal Register*, Vol. 90 (116) (available online at: https://www.govinfo.gov/content/pkg/FR-2025-06-18/pdf/2025-11233.pdf).

International Trade Administration. 2026 (March 25). "High Purity Dissolving Pulp from Brazil: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Duty Determination," *Federal Register*, Vol. 91 (57) (available online at: https://www.govinfo.gov/content/pkg/FR-2025-06-18/pdf/2025-11233.pdf).

Meriot, A. 2015. "Thailand's Sugar Policy: Government Drives Production and Export Expansion," *Sugar Expertise* (available online at https://sugaralliance.org/wp-content/uploads/2021/02/Meriot-Thai-Subsidy-062015.pdf).

Meriot, A. 2016. "Indian Sugar Policy: Government role in production expansion and transition from importer to exporter," *Sugar Expertise*, Report No. SE1501-09 (August) (available online at: https://sugaralliance.org/wp-content/uploads/2021/01/Meriot-India-8-16.pdf).

Office of the United States Trade Representative. 2024. "India's Measures to Provide Market Price Support to Sugarcane," *Communication to the WTO Committee on Agriculture* (24-3593) (available online at https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=310807,308898,306707,306134,306040&CurrentCatalogueIdIndex=4&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True).

United States Department of Agriculture, Economic Research Service. 2026. "World, U.S., and Mexican sugar and corn sweetener prices," Tables 2 and 3b (available online at https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables).

United States Department of Agriculture, Foreign Agricultural Service. 2025. Production Supply and Distribution Online Database (available online at https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery).

United States Department of Agriculture, Foreign Agricultural Service. 2025. "Global Agricultural Information Network (GAIN). Sugar reports," reports compiled by the American Sugar Alliance, (available online at: https://sugaralliance.org/wp-content/uploads/2024/09/GAIN-Report-2025.pdf).

United States Department of Agriculture, Foreign Agricultural Service. 2026. Brazil: Sugar Annual, *GAIN Report* (available online at https://www.fas.usda.gov/data/gain/2026/04/brazil-sugar-annual).

United State International Trade Commission. 2025. "Sugar from Mexico, Inv. Nos. 701-TA-513 and 731-TA-1249 (Second Review)," *USITC Publication* (available online at https://www.usitc.gov/publications/701_731/pub5664.pdf).