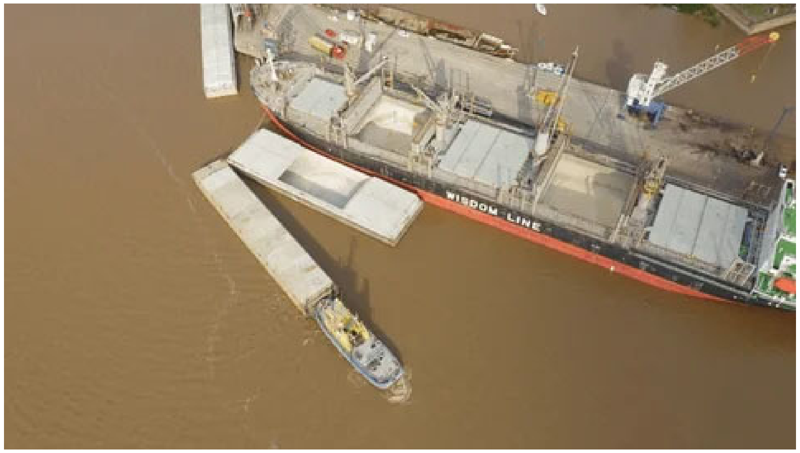
U.S. Sugar Policy:
New Program Parameters

41ST ANNUAL SWEETENER SYMPOSIUM

RANDY GREEN, WATSON GREEN LLC

Why did high-tier imports increase?

- In particular … was it because inflation eroded value of over-quota tariff?
- No doubt inflation had an impact
- But that was true for many years without noticeable high-tier imports
- At recent #11 prices, high-tier tariff equates to around 100% ad valorem even without counting transportation
- Not even the Trump tariffs are that high



Why did high-tier imports increase?

- Short crops in Mexico, U.S. beet sector played a role in various years

- But a major reason high-tier increased was policy failure
- USDA did not authorize enough supply from TRQ countries & Mexico
- Demand for sugar can’t be met if TRQ always held at minimum
- USDA also shifted some demand from TRQ to high-tier by not increasing specialty sugar TRQ
- WASDE under-reported deliveries, over-stated ending stocks
- Once high-tier imports are baked into WASDE, Mexico can’t supply all needs because of suspension agreement formula

What should USDA do?

- When USDA provided supplies through TRQ increases & increases in U.S. Needs, high-tier imports were much lower
- Solution is not to increase high-tier tariffs but to return to a policy that is open to TRQ increases, increases in U.S. needs
- Start by implementing mandatory TRQ reallocation in reconciliation bill
- Getting rid of high-tier imports would –
  - Ensure that these imports don't take share from domestic industry or leave it with burdensome stocks
  - Decouple U.S. market from #11 price, as was the case for decades
  - Honor spirit of suspension agreements, which were reached when high-tier imports were minuscule
- This is not a new position for SUA

Are Markets Tight?

My slide from 2023

In recent years, some companies had to turn

down new business, slow production lines

4th year of high-tier >200,000 STRV

Hgh-tier imports ...

- Not produced with U.S. cane or beets
- If refined, not refined in U.S.
- Subtract directly from Mexico, TRQ countries
- Encourage more SCP imports not produced with U.S. sugar

USDA sugar team is professional, balanced – users appreciate their efforts

- If high-tier imports are going to be the norm, USDA's options are fewer
- Do growers want to be tied to world market when #11 is low (it will be someday)?

A few other thoughts

- Sec. 301 an odd fit for raising high-tier tariffs
  - No petition has been filed
  - No self-initiated case has been brought
  - Must show unfair trade practices by *all* potential origins
  - (Otherwise source just shifts to unaffected countries)
- If high-tier tariffs increase, so should minimum TRQ
  - Like high-tier tariffs, minimum is fixed quantity
  - Even if inflation eroded real value of tariffs, demand growth eroded adequacy of TRQ minimum
  - A higher minimum TRQ is one way to reduce or eliminate high-tier imports
- Recent 301 tariffs of 10%-12.5% effectively increased high-tier tariff since TRQ imports exempt

2027 International Sweetener Colloquium

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