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Raw Sugar TRQ Shortfall Should Be Reallocated when the TRQ Is Announced

The International Sugar Trade Coalition (ISTC) is a nonprofit association of sugar industries in countries that export raw sugar to the United States under the U.S. raw sugar TRQ.[1] ISTC appreciates the opportunity to share its views of U.S. sugar policy in the context of the 2023 Farm Bill.

ISTC supports renewal of the current U.S. sugar program, which maintains a reasonable price for sugar exported by developing countries. Access to the U.S. sugar market is important for ISTC's members, as the U.S. market is their only export market where the price is maintained above the cost of production.

ISTC suggests only one change to the current U.S. sugar program: TRQ shortfall should be reallocated when the TRQ is announced. Some critics of the U.S. sugar program allege that the TRQ is not fully utilized and should be reallocated to those countries that will regularly fill it. This argument is based on a false premise. In fact, year after year, the TRQ is filled to a level in excess of 90%. This is because of the current system of TRQ shortfall reallocation. During the course of the quota year, USDA regularly polls the quota holders to ascertain whether they will fill their respective TRQ allocations. The quota shares assigned to those that cannot perform are reallocated among the quota holders that can perform. The system works well.[2]

The only problem with the current TRQ shortfall reallocation system is that the reallocation is typically done relatively late in the quota year – usually in May or June - which makes it difficult to impossible for those countries reassigned small 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), the amount of the shortfall reallocation would be shipped with the base allocations already assigned to those countries that have sugar available. This would maximize the amount of the shortfall reallocation that actually enters and

[1] ISTC's members are the sugar industries of Barbados, Belize, the Dominican Republic, Eswatini, Fiji, Guyana, Jamaica, Malawi, Mauritius, Panama, the Philippines and Zimbabwe. ISTC's members account for approximately half of the TRQ.

[2] Just 7% of the TRQ totaling 78,071 metric tons (MT) is assigned to countries that do not regularly 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 TRQ shortfall is approximately 90,000-100,000 MT, which USDA reassigns to other quota holders that are able to ship.

increase the TRQ fill level. Moreover, earlier shortfall reallocation would not increase the administrative burden on USDA. Rather, it would simply move up the time the polling of the quota holders is done and the results of the reallocation are announced.[3]

Some have suggested a permanent reallocation of the TRQ. But permanent reallocation would fix a problem that does not exist because, as noted above, the TRQ regularly fills to a level of at least 90%. Moreover, permanent reallocation would be a time-consuming and controversial process, as some current quota holders would no doubt dispute the loss of access to the U.S. market, leading to costly WTO dispute resolution proceedings. Higher TRQ fill levels can be achieved by a much simpler and non-controversial solution: TRQ shortfall reallocation when the TRQ is announced.

Finally, there need be no concern that earlier shortfall reallocation might lead to sugar imports in excess of market requirements. In fact, earlier shortfall reallocation should not increase the volume of imports at all. Instead, it would simply result in the amount of the TRQ shortfall being imported from other quota holders rather than from Mexico.[4]

For all these reasons, ISTC respectfully urges Congress to specify in the 2023 Farm Bill that shortfall under the raw sugar TRQ should be reallocated among the other quota holders at the time the TRQ is initially announced.

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[3] USDA should continue its current practice of periodically polling the quota holders during the course of the quota year to ascertain whether *force majeure* events might prevent any of them from performing, and if so, whether an additional shortfall reallocation might be needed.

[4] Under the Suspension Agreements in the antidumping and countervailing duty cases against sugar imports from Mexico, Mexico's access to the U.S. sugar market is calculated using the following (simplified) formula:

U.S. sugar consumption
Minus U.S. sugar production
Minus TRQ imports net of shortfall
Equals Mexico's access

The use of TRQ imports net of shortfall in this formula has the effect, in essence, of transferring the amount of the shortfall to Mexico. This preferential reassignment of a portion of the TRQ to Mexico is inconsistent with WTO standards and prejudices the other quota holders. But this potentially serious WTO problem can be avoided by implementing TRQ shortfall reallocation to the other quota holders at the time the TRQ is announced.