THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

June 29, 2005

The Honorable Saxby Chambliss
Chairman, Committee on Agriculture, Nutrition and Forestry
Room SR-328A, Russell Building
Washington, DC 20510

The Honorable Bob Goodlatte
Chairman, House Agriculture Committee
Room 1301 Longworth Building
Washington, DC 20515

Dear Chairman Chambliss and Chairman Goodlatte:

The purpose of this letter is to provide assurance that the Dominican Republic-Central America-United States (CAFTA-DR) Free Trade Agreement will not interfere with our ability to operate the sugar program in a way that provides the full benefit to domestic growers through the remainder of the Farm Security and Rural Investment Act of 2002.

The Farm Bill contains a sugar "import trigger" of 1.532 million short tons which if exceeded precludes the use of domestic marketing quotas and thus could prevent the program from being operated on a "no net cost" basis as required by the law.

Since the U.S. Government already is obligated under international agreements to import annually 1.256 million short tons, there is some concern that annual imports from NAFTA, CAFTA, and other trade agreements in addition to this amount could exceed the Farm Bill trigger and thus jeopardize operation of the program. However, the Charter Act of the Commodity Credit Corporation (CCC) provides additional tools required to preclude that eventuality.

In the event I determine that sugar imports will exceed the current Farm Bill trigger, appropriate steps will be taken to ensure the program is not put at risk. As Secretary of Agriculture, I have the authority to preclude the actual entry of imported sugar into the domestic sweetener market by making payments to exporters and direct purchase of the sugar for restricted (nonfood) use, including ethanol. It would be my intention to use agricultural commodities in payments or to make direct purchases.

Two possible situations could obtain:

- If I determine that the Farm Bill import trigger will be exceeded and that the domestic market is adequately supplied with sugar (i.e., that the imported quantities above the trigger will jeopardize sugar program operation), then I will direct that excess imported sugar up to an amount equivalent to the CAFTA-DR imports be purchased by CCC and be made available for conversion into ethanol. Excess sugar above that amount could either be precluded entry by payment to exporters or made available for non-food use, as I deem appropriate.

- If I determine that the amount of sugar that can be provided by domestic growers plus the minimum import requirement is insufficient to meet the domestic market's needs and that imports sufficient to do so will exceed the Farm Bill import trigger, then those imports will be allowed and no sugar would be diverted for conversion to ethanol.

In addition, USDA will undertake a study of the feasibility of converting sugar into ethanol. Data obtained from any conversion of sugar to ethanol, as noted above, will become a part of the study analysis. This study will be completed and submitted to the Congress not later than July 1, 2006.

Such actions would ensure that the Farm Bill trigger is not exceeded to the disadvantage of growers and that U.S. sugar producers will still have a share of the market no less than the amount provided for by the Congress through the sugar program.

I will also establish a special monitoring mechanism to review all U.S. Customs, Bureau of the Census, and other import data through the year. This mechanism will enable me to stay apprised of the pace of imports and to use the Charter Act authorization in a timely manner. Also, the Office of the U. S. Trade Representative has analyzed this approach and concluded that it is not inconsistent with our World Trade Organization obligations.

Sincerely,

Mike Johanns