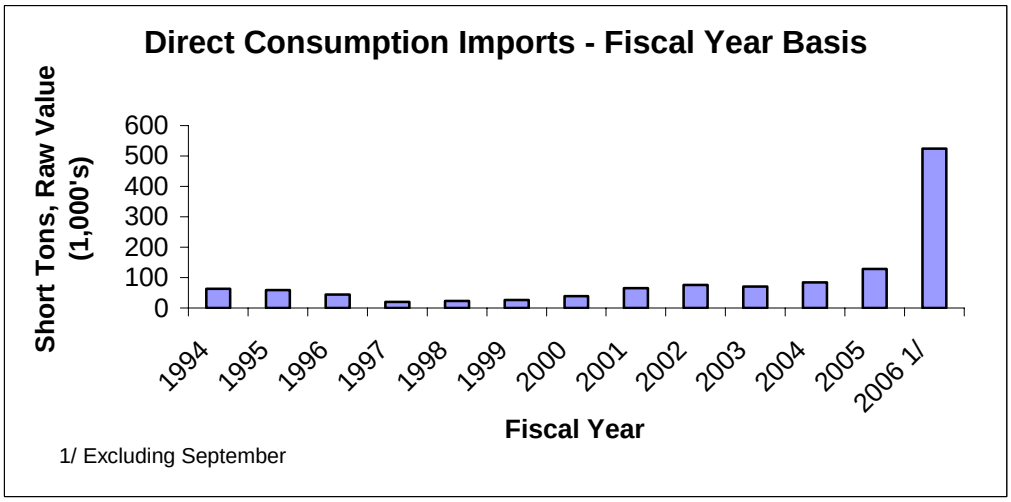
Imports for Direct Human Consumption Confound Sugar Deliveries Data

USDA's ability to track deliveries in FY 2006 has been confounded by the surge in refined sugar imports. Imports for direct consumption (refined sugar) reached a historic high in FY 2006 -- over 500,000 STRV (see table), compared to a five year average of 84,842 STRV (FY01-05). Before FY 2005, the Sweetener Market Data (SMD) report used the refined sugar import data, published by the US Bureau of Census (Census), as its imports of direct consumption sugar, reported under Deliveries in Table 1 of the SMD. FSA realized that this procedure would provide a significant source of error in the deliveries estimate. Refined sugar imports were being double counted to the extent that FSA data reporters were including imported refined sugar in their SMD reporting. The SMD data problems were exacerbated by the fact that much of cane refiner's imports of refined sugar, as identified by Census, had to be further refined for consumption. Imports of refined sugar have challenged the US Department of Agriculture (USDA) in its attempts to sort out sugar imported for direct consumption (refined) versus sugar imported for further refining (raw), on a monthly basis. The major impediment is due to USDA and the Harmonized Tariff Schedule (HTS), an import classification system, using different definitions for raw and refined sugar.



Harmonized Tariff Schedule:
The U.S. Harmonized Tariff Schedule classifies imports with a 10 digit code. These HTS codes identify sugar imports upon entry by polarity measurements (percent sucrose content) and market access (high tier duty versus duty-free tariff rate quota). "Raw" and "refined" sugar are defined strictly by the polarity reading. Raw sugar is defined as any sugar entering with a polarimeter reading of less than 99.5 degrees; refined sugar has a polarimeter reading equal to or greater than 99.5 degrees.

This process, however, does not reflect user specifications for polarity, color or crystal size. For instance, sugar classified as refined in the HTS may require further refining to meet user specifications, e.g., Mexican Estandar. Likewise, under the HTS, turbinado and some organic sugar are classified as "raw" sugar even though it acceptable for direct human consumption. Therefore, USDA cannot simply use import data at face value to classify refined and raw sugar imports for the SMD report. Since sugar for human use is the most critical component for operating the domestic sugar marketing allotment program, the data must be adjusted to reach the true measure of domestic human use.

USDA:
USDA defines "raw" sugar as any sugar that is to be further refined, and "refined" sugar as sugar which is not to be further refined prior to consumption. Cane sugar refiners are instructed to report sugar imports based on USDA's definition -- regardless of HTS classification. USDA further requires refiners to break out imports by HTS code. These data are compared to sugar imports published by Census.

USDA's Imports Reconciliation Process (performed on a monthly basis):

SMD Table 1 – USE:
USDA identifies deliveries from non-reporter imports (see note below) using the following formula:

Total imports under refined HTS codes, reported by Census.
Minus Total imports under refined HTS codes, reported by cane refiners to USDA.
Equals Total deliveries of non-reporter imports

These total deliveries of non-reporter imports appear on SMD Table 1 "Total domestic deliveries Human Use: Imports to non-reporters".

SMD Table 1 – SUPPLY:
USDA identifies direct-consumption imports using the following formula:

Total imports under refined HTS codes and not needing further refining, reported by cane refiners to USDA.
Plus Total non-reporter imports of refined sugar.
Equals Direct-consumption imports

These direct-consumption imports appear on SMD Table 1 "Imports: Direct-consumption".

Sugar classified by HTS code as refined sugar that cane refiners intend to further refine (i.e. Estandar), are included with other raw sugar imports (below 99.5 degrees polarity) in SMD Table 1 "Imports: Raw."

Example:
If Census reported 100 tons of refined imports for the month and cane refiners reported the data below, deliveries of non-reporter imported sugar would be 40 tons.

Cane Refiner Imports Matrix		
Refined HTS Code	Needs further refining	Does NOT need further refining
1111.11.1111	10	
2222.22.2222		
3333.33.3333		50
4444.44.4444		

100 Total refined imports reported by Census
-60 Sum of all refined imports (10 +50) imported by cane refiners
40 Total deliveries of non-reporter imports

Note: Entities not statutorily required too report to USDA – non-reporters (e.g., traders, sugar users, etc.). USDA assumes these imports are delivered in the same month for end use.

If Census reported 100 tons of refined imports for the month and cane refiners reported the data above, direct-consumption imports would equal 90.

40	Imports to non-reporters
+50	"Does NOT need further refining" imported by cane refiners.
90	Total direct-consumption imports

Even though the cane refiner imports matrix reported 60 tons under refined HTS codes, cane refiners indicated in their monthly report that only 10 tons would be further refined (i.e. Estandar).

Recent Changes:
Until recently, USDA included the HTS code 1701.11.5000, defined as raw sugar by the HTS, in its estimate of imported refined sugar deliveries because this sugar was known to enter the US in the form of turbinado or organic sugar (i.e. edible sugar under 99.5 polarity). Recently, imports of raw sugar (needing further refining) have also been included in this HTS code. Given the large quantities (relative to previous imports on this HTS code) entering on 1701.11.5000, USDA has dropped this HTS code to avoid overstating direct consumption imports.

As has been the practice, current month non-reporter imports of refined sugar and direct consumption imports are estimates because Census published data is generally not available at the time the SMD is published. With each monthly SMD publication, the previous month's imports data is replaced with actual imports published by Census adjusted according to procedures stated above.

June – July SMD Total Imports Change:
The Oct-May non-reporter import deliveries data in the July SMD were significantly different from the Oct-May data in the June SMD due to procedural changes addressed above and small company data revisions. Nearly 50,000 STRV of the 104,328 STRV increase in deliveries resulted from using the June actual refined imports data, versus using the June estimate of refined imports, in calculating non-reporter import deliveries. The majority of the remaining 54,000 STRV difference is directly related to USDA's decision to exclude HTS code 1701.11.5000 from its estimate of refined import deliveries.