



**United States
Department of
Agriculture**

Farm and
Foreign
Agricultural
Services

Farm Service
Agency

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Notice to the Trade

BCD-44

DATE: March 26, 2003

TO : All Sugar Processors and Warehouse Operators Under the Sugar Storage Agreement

SUBJECT: USDA Disposes of Commodity Credit Corporation's Final Sugar Inventories

As of March 1, 2003, Commodity Credit Corporation (CCC) has sold the remaining raw cane sugar inventory to storing warehouse operators. The sales are in keeping with USDA's January announcement of taking action designed to increase the supply of sugar to the domestic market. Over a three-year period beginning in 2000, the CCC disposed of approximately one million tons of refined and raw cane sugar. CCC acquired the sugar stocks through purchases in the marketplace and forfeitures of 1999 and 2000-crop sugar loan collateral.

USDA disposed of the sugar stocks through a variety of methods. Most of the sugar inventories were either released in the Payment-In-Kind (PIK) programs or sold to storing warehouse operators. Also, in settlement of a lawsuit involving the 2001-crop year sugar PIK Program, CCC transferred to the plaintiffs, title to 25,760 tons (27,048 short tons, raw value) of raw cane sugar owned by CCC. When the USDA implemented the PIK programs, offered in 2000 and 2001, farmers were given the option of diverting part of their sugar acreage from production in exchange for CCC-owned sugar. The programs helped alleviate over-supply of sugar and strengthen low domestic sugar prices.

A more common method of disposing CCC-owned sugar was to make such stocks available for sale to storing warehouse operators. In the case of sugar, the storing warehouse operator is also a sugar processor. This allowed USDA to meet a major objective of increasing the supply of sugar to the domestic market and provided the storing warehouse operator the means to use the sugar in their marketing plans.

Other disposal methods used by CCC included: 1) exchanging sugar for warehouse storage cash payments due storing warehouse operators; 2) selling sugar to ethanol producers; 3) exchanging sugar for Certificates of Quota Exchange, which reduced sugar imports without reducing sugar availability; and, 4) providing sugar to the Agricultural Marketing Service to be used in combination with surplus cranberries to provide cranberry juice for domestic food programs. See attached table.



USDA is required by statute to operate the sugar program at no-net cost to taxpayers. To reduce the potential for future sugar forfeitures and to create stability in the marketplace, in August USDA announced that domestic marketing allotments would be in effect for the 2002 crop year. USDA has requested input and suggestions from the sweetener industry, product organizations and other stakeholders on program operations.

/s/
George Aldaya
Director

DISPOSITION OF CCC SUGAR INVENTORY

Disposition Outlet	Refined Actual Wt. Tons	Raw value	Raw Actual Wt Tons	Raw value	Total Actual Tons
Payment-in-Kind					
2000 PIK	277,678	297,115	0	0	277,678
2001 PIK	194,958	208,605	313	329	195,271
Storage	2,407	2,575	0	0	2,407
FL PIK Settlement	55	59	25,760	27,048	25,815
Total	475,098	508,354	26,073	27,377	501,171
Donations					
Feeding Programs/Prisons	10,093	10,799	491	515	10,584
Southern Minnesota Disaster	10,000	10,700	0	0	10,000
Total	20,093	21,499	491	515	20,584
Ethanol Sales					
2001 Sales	8,048	8,611			8,048
2002 Sales	2,250	2,407			2,250
Total	10,298	11,018	0	0	10,298
Unrestricted Sales					
Unrestricted #6 (12/12/01)	43,137	46,156			43,137
PNW #7 (12/14/01)	26,850	28,730			26,850
Unrestricted #8 (12/20/01)	23,467	25,110			23,467
Unrestricted #9 (1/24/02)	12,857	13,756			12,857
Unrestricted #10 (2/8/02)	27,414	29,333			27,414
Unrestricted #11 (4/10/02)	12,518	13,394			12,518
KC-CQE #1 (5/8/02)	481	514	115,115	120,871	115,596
Unrestricted #14 (5/14/02)	15,989	17,108			15,989
Unsolicited Sale (7/18/02)	39,030	41,762			39,030
Bulk Commodity Division (BCD-35) (1/15/03)	22,344	23,908			22,344
(BCD-36) (2/5/03)			25,000	26,250	25,000
Florida Warehouse Sale (2/12/03)			106,853	112,196	106,853
(BCD-37) (2/5/03)			21,386	22,455	21,386
Inventory Adjustment	0	0	-128,239	-134,651	-128,239
Total Committed	729,574	780,644	166,679	175,013	896,253
Total Acquired	729,574	780,644	294,918	309,663	1,024,492
Total Inventory Remaining (Committed, Yet Undisbursed)	0	0	128,239	134,651	128,239