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USDA INCREASES SUGAR MARKETING ALLOTMENTS

WASHINGTON, May 13, 2003 -- The U.S. Department of Agriculture today announced an increase in the overall allotment quantity (OAQ) for domestic sugar. The increase of 463,000 tons brings the total to 8.663 million tons and is effective immediately for the 2002 beet and cane sugar crops.

The 2002 Farm Bill requires that USDA operate the sugar program at no-net cost to taxpayers, thus avoiding forfeitures to the Commodity Credit Corporation and maintaining market balance. For the first year of program operation under the new law, USDA announced in August 2002 that domestic marketing allotments would be in effect for the 2002 crop year with an OAQ of 7.700 million short tons, raw value (STRV), using the allotment formula guidelines in the farm bill. A first adjustment was made in January 2003 with an OAQ increase of 500,000 tons to 8.2 million. Today's announcement is the second adjustment this crop year and results in the following changes in allocation. (The OAQ is allocated 55% to beet sugar and 45% to cane sugar.)

	OAQ	**Beet**	**Cane**
		million tons	
August 2002	7.700	4.185	3.515
January 2003	8.200	4.457	3.743
May 2003	8.663	4.708	3.955

USDA continues to monitor closely the market situation and the supply-use fundamentals that are determining market prices. Important new information available from yesterday's World Agricultural Supply and Demand Estimates (WASDE) report and reevaluation of utilization forecasts led to today's action to increase the supply of sugar available to the domestic market.

Yesterday's WASDE indicated both a 20,000 ton decrease in cane sugar production and a 235,000 ton increase in beet sugar production (due to increased 2002-crop productivity and larger than projected September 2003 production). Without today's change in the OAQ, 202,000 short tons raw value (STRV) of cane sugar stocks and 77,000 STRV of beet sugar stocks would be unavailable to the market (so-called "blocked" stocks) this fiscal year. Today's announcement allows processors to bring all of these stocks to the market.

Market prices remaining well above forfeiture levels warrant making this domestic sugar available to the market. The higher OAQ, combined with the production increase, precludes the need to increase the tariff rate quota (TRQ) and import foreign sugar at this time.

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Subsequent to the last OAQ increase in January, USDA completed liquidation of its remaining refined and raw sugar inventories (184,800 tons in total). This additional supply has been allocated to domestic marketings and is reflected in yesterday's WASDE report. The 463,000 ton OAQ increase is sufficient for all intended 2002 beet sugar marketings to occur and cane sugar supplies to be marketed as intended this fiscal year. This exhausts the 2002 supply of domestically produced sugar, indicating that any further increases in supplies to the market would come from imported sugar (a TRQ increase).

An additional 202,000 tons of freed cane sugar and yesterday's reported additional beet production of 235,000 tons is now available to the market. The combination increases the net sugar availability to the domestic market by 437,000 tons from a month ago.

USDA will continue to monitor closely market performance and critical program variables throughout the year to ensure meeting program objectives and maintaining market balance. Further adjustments in the OAQ and alteration of the WTO sugar TRQ remain options available for consideration as market conditions warrant.

Individual state cane allotments and individual processor marketing allocations will be made available in the next few days.

USDA remains committed to make administration of the domestic sugar allotment program as efficient and transparent as possible. On March 12, the Department held a public stakeholders meeting to discuss a number of relevant industry issues, including previous determinations of the OAQ, CCC sugar inventory sales and other trade related issues. This was an effective forum to solicit input and suggestions from the sweetener industry and others on program operation. The Department welcomes additional consultations such as this with interested parties.

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