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Release No. 0294.04

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USDA ANNOUNCES FISCAL YEAR 2004 AND 2005 SUGAR PROGRAM PROVISIONS

WASHINGTON, July 16, 2004 -- The U.S. Department of Agriculture today announced details for the operation of the sugar program for the remainder of this fiscal year (FY) and for FY 2005. Specifically, the Department announced that domestic marketing allotments again will be in effect for the upcoming marketing year; the FY 2005 overall allotment quantity (OAQ) and the quantities for beets and cane; and the FY 2004 and 2005 allowable quantities of imports of raw, refined, and specialty sugars.

FY 2004 Overall Allotment Quantity to Remain Unchanged

In accordance with the Agricultural Adjustment Act of 1938, as amended (the Act), the Department conducted a quarterly review of 2003 crop total use, carry-in stocks, production and imports. On the basis of this analysis, the FY 2004 OAQ will remain unchanged at 8.25 million short tons, raw value (STRV). This amount was adjudged to be sufficient for the efficient operation of the market through the remainder of the year and any modification of the FY 2004 OAQ would unnecessarily disrupt established arrangements between sugar buyers and sellers.

FY 2005 Overall Allotment Quantity Announced

The Department's forward-looking analysis also led to the determination that marketing allotments again would be required for the FY 2005 marketing year to meet the statutory program objectives of an orderly market and program operation at no cost to the taxpayer to the maximum extent practicable.

Preliminary market indicators incorporating the latest available information from the July 12, 2004 USDA World Agricultural Supply and Demand Estimates (WASDE) report follow:

	FY 2004	FY 2005
	(000 STRV)	
Carry-in stocks	1,661	2,181
Production	8,844	8,480
Imports 1/	1,746	1,614
Total Use	10,070	10,105
Ending Stocks	2,181	2,170

1/Revised to reflect TRQ for specialty sugars contained in this announcement.

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These estimates indicate that ending stocks would be 2.17 million STRV and the corresponding stocks-to-use ratio would be 21.5 percent in the absence of marketing allotments. This ratio, higher than traditional levels, suggests a likelihood of forfeiture of sugar pledged as collateral for CCC loans and thus the need for market allotments to meet the objectives of the Act.

USDA is establishing the OAQ at 8,100,000 STRV for FY 2005. The calculation of the OAQ is based on the estimate of domestic sugar food use less an estimate of sugar supplied from alternative (non-OAQ) sources. The Department emphasizes that there is considerable market uncertainties surrounding the underlying estimates, particularly domestic food use, non-OAQ supplies that may be available from the sugar re-export program, and sugar sold this fiscal year for delivery in FY 2005.

USDA will closely monitor stocks, consumption, imports, and all other program variables on an ongoing basis. Appropriate adjustments may be made at any time during the year to the OAQ as required, both to ensure an adequate supply for the domestic market in FY 2005 and to avoid forfeitures.

When the OAQ is allocated to the sectors as required by the Act, the resulting allocations are (000 STRV):

Beet Sugar:	4,402
Cane Sugar:	3,698

The Department operates the program at no cost to taxpayers by avoiding forfeitures of sugar to CCC. The Act shifts the responsibility of storing surplus production to the domestic industry rather than the CCC. Should forfeitures occur this summer, CCC reiterates its intention to move these stocks back into the commercial market as expeditiously as practicable. The FY 2005 OAQ allocations to companies thus will be reduced by an amount equal to the forfeited quantity.

FY 2004 Tariff-Rate Quota for Refined and Specialty Sugar Increased

The FY 2004 refined sugar tariff-rate quota (TRQ) is increased by 2,000 metric tons raw value (MTRV) (2,205 STRV), raising the total to 41,000 MTRV (45,195 STRV), for which the sucrose content, by weight, in the dry state, must have a polarimeter reading of 99.5 degrees or more. The increase is designated entirely to the specialty sugar TRQ and is needed to accommodate a rapidly expanding market for organic sugar. This addition to the first three completed tranches brings the total FY 2004 specialty sugar TRQ to 20,656 MTRV (22,769 STRV).

This fourth and final tranche of 2,000 MTRV will open on August 10, 2004, and will be reserved for organic sugar and other specialty sugars not currently commercially produced in the United States or reasonably available from domestic sources.

FY 2005 Allowable Imports for Raw, Refined, and Specialty Sugar Announced

The FY 2005 tariff rate quota for imports of raw cane sugar into the United States is established at 1,117,195 MTRV (1,231,497 STRV). This is the minimal amount to which the United States is committed under the World Trade Organization (WTO) Uruguay Round Agreements. For all countries other than those specifically noted below, Certificates for Quota Eligibility (CQEs) corresponding to each country's allocation may be entered at the low-tier tariff at any time during the fiscal year. CQEs will be issued to allow Brazil, the Dominican Republic, and the Philippines to ship up to 25 percent of each country's allocation at the low-tier tariff during each quarter of FY 2005. Argentina, Australia, Guatemala, and Peru will be allowed to ship up to 50 percent of their initial allocations in the first six months of FY 2005. Allocations not entered with the U.S. Customs Service during any quarter or six-month period may be entered during the remainder of the year.

The FY 2005 refined sugar TRQ is established at 43,000 MTRV (47,399 STRV) for which the sucrose content, by weight, in the dry state, must have a polarimeter reading of 99.5 degrees or more. This amount includes 22,000 MTRV, the minimum level to which the United States is committed under the WTO Uruguay Round Agreements, and an additional 21,000 MTRV for specialty sugars. This additional 21,000 MTRV combined with a specialty sugar allocation of 1,656 MTRV included in the 22,000 MTRV WTO minimum refined sugar level brings the total specialty sugar allocation to 22,656 MTRV (24,974 STRV).

USDA will administer the FY 2005 specialty sugar TRQ in four tranches. Because this is a first-come, first-served TRQ, tranches are needed to allow for orderly marketing throughout the year. The first, totaling 1,656 tons raw value, will open October 26, 2004. All specialty sugars are eligible for entry under this tranche. The next three tranches will each be equal to 7,000 tons. The second tranche will open on November 16, 2004; the third on March 22, 2005; and the fourth on June 7, 2005. The second, third and fourth tranches will be reserved for organic sugar and other specialty sugars not currently commercially produced in the United States or reasonably available from domestic sources.

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