Newsroom

News Release

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USDA ANNOUNCES FISCAL YEAR 2005 AND 2006 SUGAR PROGRAM PROVISIONS

WASHINGTON, August 12, 2005 -- 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 2006.

USDA announced an increase in the FY 2005 overall allotment quantity (OAQ); the FY 2006 OAQ and the quantities for beet sugar and cane sugar; and the FY 2005 and 2006 allowable quantities of imports of raw, refined, and specialty sugars. USDA had earlier (August 1) announced that domestic marketing allotments again will be in effect for the upcoming marketing year.

FY 2005 Overall Allotment Quantity Increased

As the sugar marketing year enters its final months, anomalies have appeared in the market resulting in a supply situation suddenly much tighter than had been anticipated earlier in the year. Because of these developments, the FY 2005 OAQ is increased immediately by 250,000 short tons, raw value (STRV) to 8.350 million STRV. This amount is adjudged to be sufficient for the efficient operation of the market through the remainder of the marketing year.

This additional amount is allocated to the beet (135,875 STRV) and cane (114,125 STRV) sectors as required by the Agricultural Adjustment Act of 1938 (the Act). Since there is insufficient cane sugar to meet this amount, the "shortfall" is assigned immediately to the import sector.

FY 2005 Tariff-Rate Quota for Refined and Specialty Sugar Increased

The FY 2005 refined sugar tariff-rate quota (TRQ) is increased by 2,000 metric tons raw value (MTRV) (2,205 STRV), raising the total to 45,000 MTRV (49,604 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 four completed tranches brings the total FY 2005 specialty sugar TRQ to 24,656 MTRV (27,169 STRV).

This fifth and final tranche of 2,000 MTRV will open on August 30, 2005, 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 2006 Overall Allotment Quantity Announced

In accordance with the Agricultural Adjustment Act of 1938, USDA announced on August 1, 2005 that marketing allotments again would be required for the FY 2006 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 August 12, 2005, USDA World Agricultural Supply and Demand Estimates (WASDE) report follow:

	FY 2005	FY 2006
		(000 STRV)
Carry-in stocks	1,897	1,450
Production	8,052	7,991
Imports *	1,771	1,691
Total Use	10,270	10,315
Ending Stocks	1,450	817

* Reflects TRQ for specialty sugars contained in this announcement.

USDA is establishing the OAQ at 8,600,000 STRV for FY 2006. The calculation of the OAQ is based on the estimate of domestic sugar food use less the amount of sugar that is expected to be supplied from alternative (non-OAQ) sources. USDA emphasizes the 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 from Mexico (so-called "tier II" sugar), and sugar sold this fiscal year for delivery in FY 2006.

The determination of the OAQ reflects the United States-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) which will come into force on January 1. While not all of the countries have yet ratified the agreement, it is assumed that the first year allowable amount of duty free sugar of 120,000 STRV will be available to the domestic market during the January 1 - September 30 portion of the marketing year.

USDA closely monitors 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, to ensure an adequate supply for the domestic market in FY 2006, to avoid forfeitures, and to prevent program disruptions.

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

- Beet Sugar: 4,674
- Cane Sugar: 3,926

Because the available cane domestic sugar supply is expected to be insufficient to fully meet market requirements, the "shortfall" is assigned to imports. This assignment is being made now to facilitate shipping arrangements and ensure that the sugar is made available to the market. These imports do not count against the import trigger of 1.532 million STRV contained in the 2002 Farm Bill. Anticipated imports, in any event, are not expected to exceed the trigger, thus no actions are anticipated to be required to avoid disruption of sugar program operations.

CCC Stocks Sales Policy Restated

USDA operates the program at no cost to taxpayers by avoiding forfeitures to the Commodity Credit Corporation (CCC) of sugar used as collateral for non-recourse loans. The Act shifts the responsibility of storing surplus production to the domestic industry rather than the CCC. Should forfeitures occur, CCC reiterates its intention to move these stocks into the commercial market as expeditiously as practicable. The FY 2007 OAQ allocations to companies thus will be reduced by an amount equal to the forfeited quantity.

FY 2006 Allowable Imports for Raw, Refined, and Specialty Sugar Announced

The FY 2006 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. 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. Certain shipping pattern restrictions used in previous years are no longer being imposed because of changes occurring over time in the domestic marketing of cane sugar.

The FY 2006 refined sugar TRQ is established at 49,000 MTRV (54,013 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 27,000 MTRV for specialty sugars. This additional 27,000 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 28,656 MTRV (31,588 STRV).

USDA will administer the FY 2006 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, 2005. All specialty sugars are eligible for entry under this tranche. The next three tranches will each be equal to 9,000 tons. The second tranche will open on November 9, 2005; the third on March 15, 2006; 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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