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Considerations for U.S. Sugar Policy

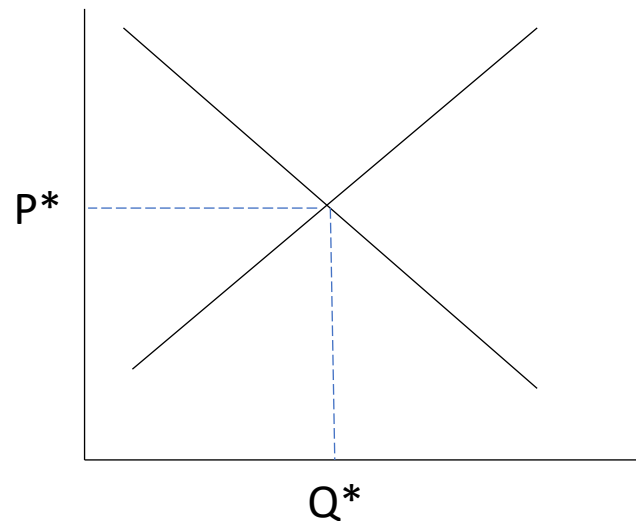
Kent Lanclos
USDA FPAC Business Center

USDA Agricultural Outlook
Forum

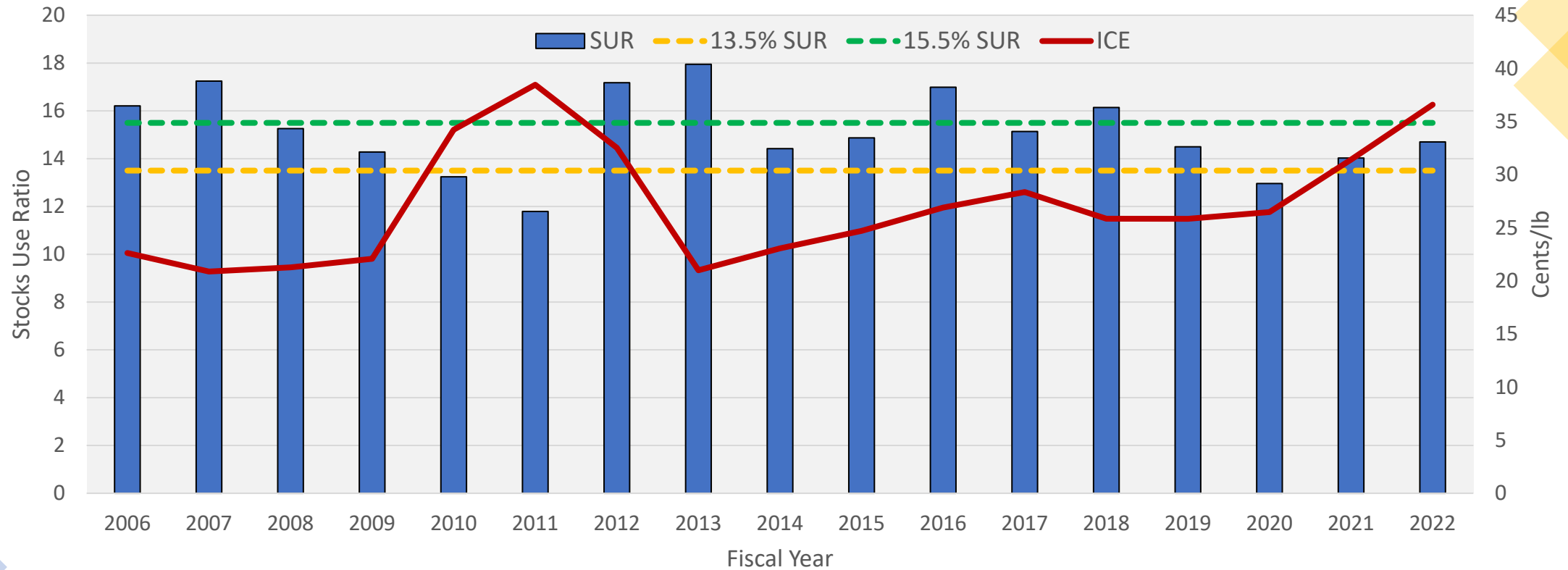
February 25, 2022

Sugar Program Administration

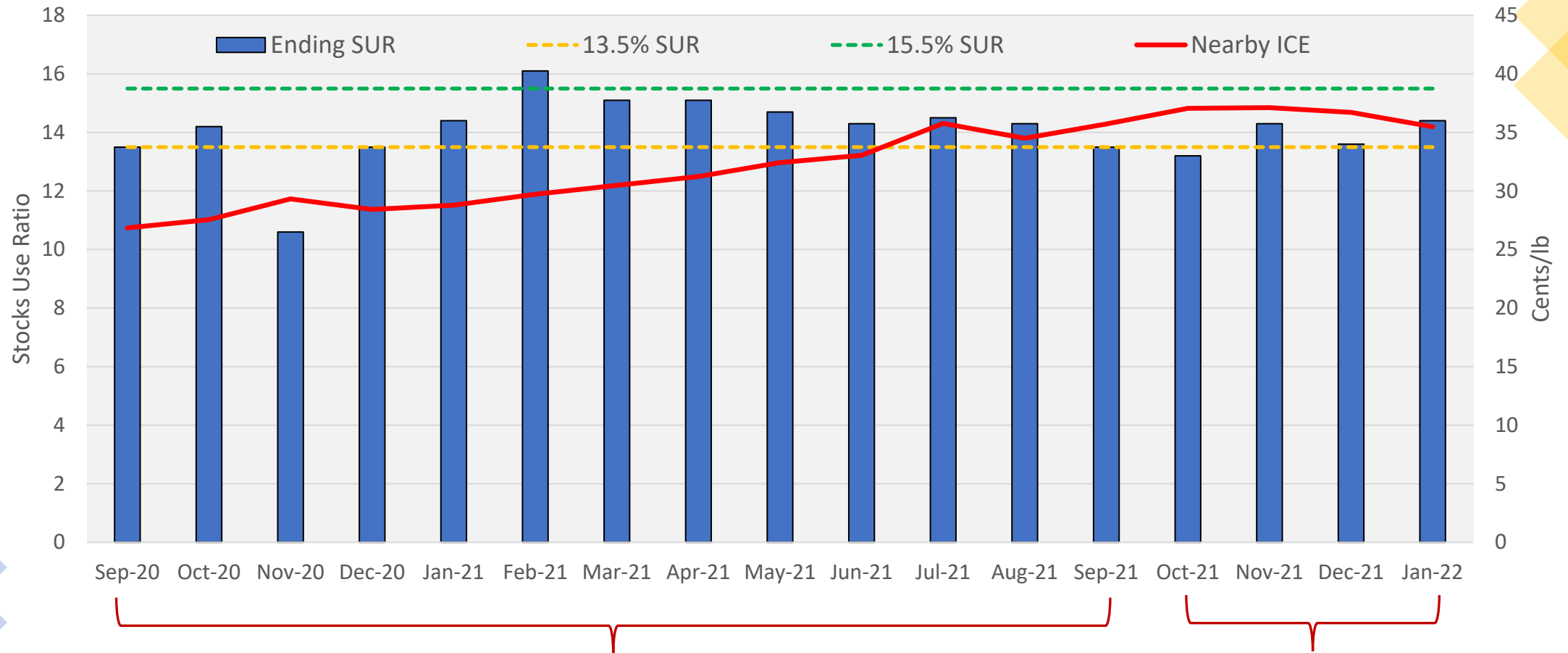
- Statutory mandate: “... the Secretary shall adjust the overall allotment quantity to maintain—
 - “(A) raw and refined sugar prices above forfeiture levels to avoid the forfeiture of sugar to the Commodity Credit Corporation; and
 - “(B) adequate supplies of raw and refined sugar in the domestic market.”;
- Historically, SUR between 13.5% and 15.5% kept prices in the “Goldilocks” range—
 - High enough to avoid forfeitures
 - Low enough to avoid high tier imports



Historical SUR & Price

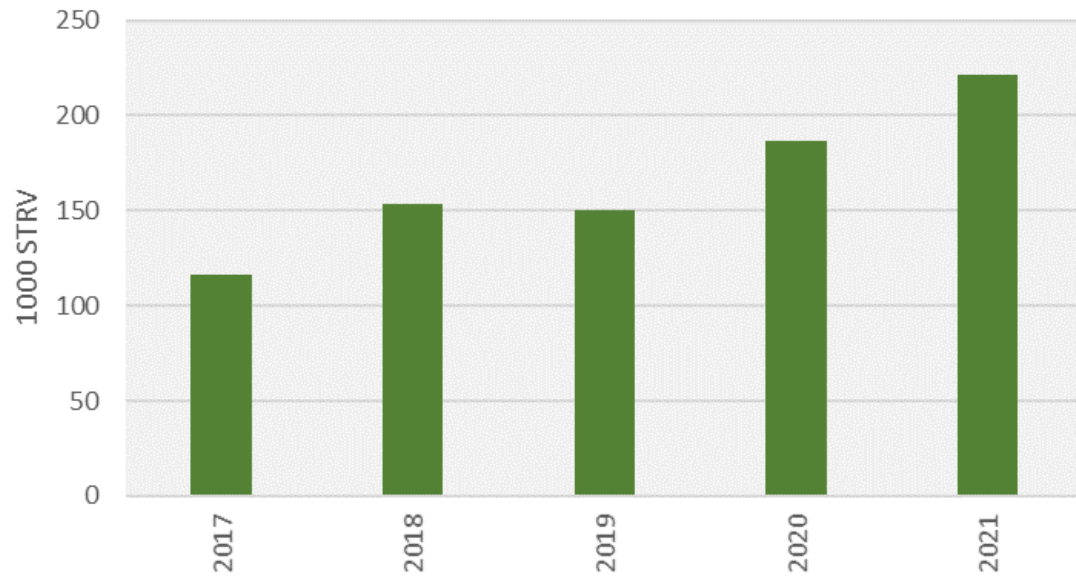


FY21/FY22 SUR & Price



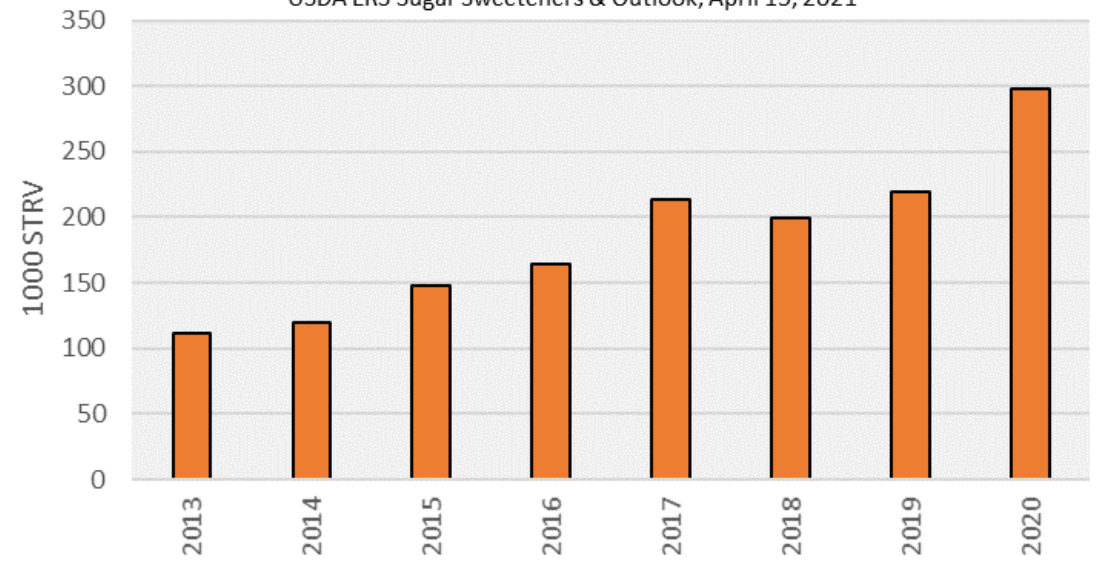
Why the Divergence

Non-SMD Raw Imports

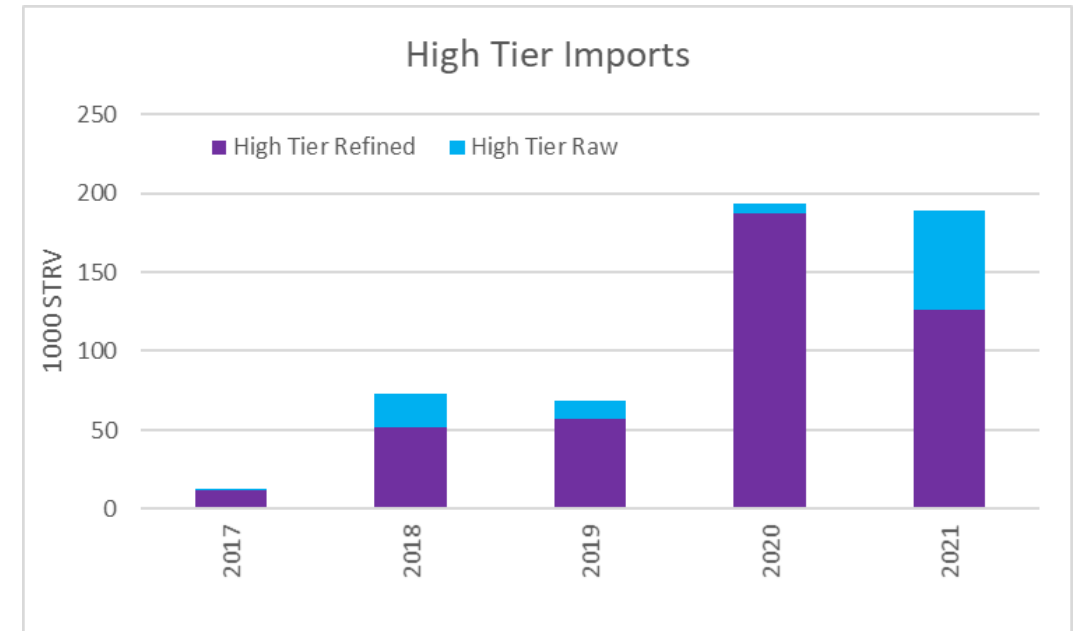
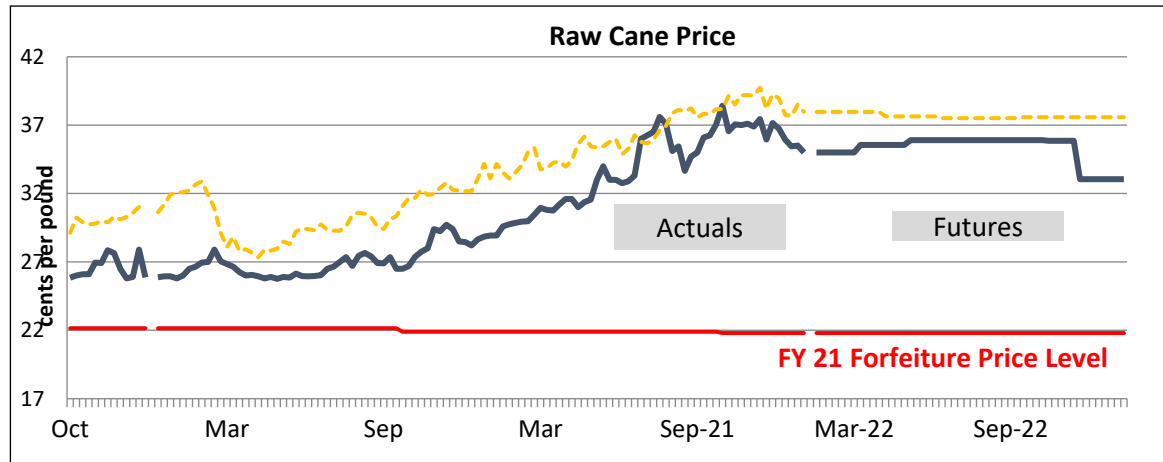


Organic Imports

USDA ERS Sugar Sweeteners & Outlook, April 15, 2021

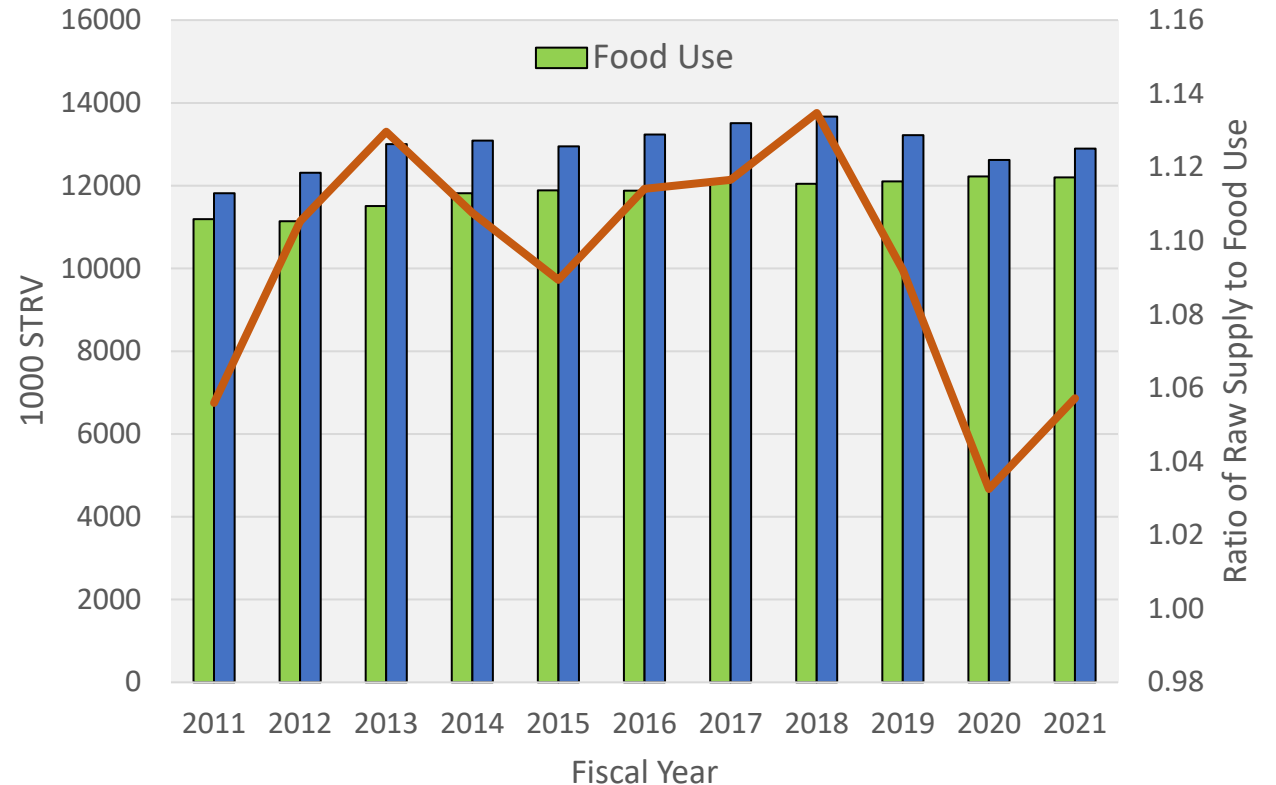


High Tier Imports



Adequate Supply Metric

- Is current situation a temporary phenomenon or does it represent a permanent change in market dynamics
- Is some alternative measure appropriate
- Should price be an explicit consideration



*Beet production + cane production + beginning stocks + raw imports by cane refiners

Tools Available to Adjust Supplies

- Tariff rate quotas
 - TRQ allocations do not reflect current production/trade patterns
 - Refined TRQ imports require further processing
 - Specialty (organic) imports supposed to be refined but require further processing
- U.S./Mexico suspension agreement
 - Export limit periodically reset based on 13.5 percent SUR
 - Fixed split between raw and refined
- OAQ and Processor Allocations
 - OAQ does not reflect current production levels for beet and cane sugar
 - Beet and cane sector allotments, as well as some individual beet and cane processor allocations do not reflect current levels of expected production

Overarching Issue

- Ongoing tensions and challenges in sugar program management
- Provides fodder for program critics
- Sugar market is dynamic ... are current program design, parameters and tools adequate for an evolving market?