

SUGAR IMPORTS

higher than in the previous six months. Even if Mexican imports are restricted, "the implicit shorting of the market and uncertainty about how our supply deficit will be met are expected to keep U.S. sugar prices much higher than they would have been otherwise," he observes.

The DOC had imposed a CVD of 2.99 to 17.01 percent on sugar imports beginning in August, and the day before the tentative suspension agreement was announced it began assessing AD duties ranging from 39.54 to 47.26 percent. If the agreements are accepted, all monies deposited to date would be returned to importers.

For U.S. companies that use imported sugar, removal of the duties would be helpful, although they will continue to pay more per pound for sugar than anywhere in the world, according to a Cato Institute blog post by Senior Fellow in Trade Policy Studies Daniel R. Pearson. In addition, he notes, consumers, particularly those with lower incomes, will pay more for sugar and sugar-containing items.

MODIFICATION WOULD TEMPER HARM

While the tentative agreements have eased tension between the U.S. and Mexico somewhat, several constituencies ardently oppose them.

Even prior to the announcement of the agreements, a bipartisan bloc in Congress sent a letter to DOC Secretary Penny Pritzker and USDA Secretary Tom Vilsack exhorting them not to negotiate agreements, arguing the wrong terms could injure U.S. manufacturers, their employees and American consumers; lead to retaliation against other U.S. products; and encourage unjustified trade actions in the two countries.

Since the announcement of the initialized suspension agreements, members of the Coalition for Sugar Reform, including the American Bakers Association, the Independent Bakers Association, the International Dairy Foods Association, the NCA and the Sweetener Users Association, have expressed concern about possible consequences for the domestic sugar market, consumers and manufacturers. All submitted formal comments to DOC urging modification of the documents.

The NCA maintains: "The agreements assume that each September 30, the U.S. should have stocks of sugar on hand that represent 13.5

percent of total use during the year." Noting USDA targets a higher stocks-to-use ratio of 14.5 percent in a range of 13.5 to 15.5 percent, the Association argues that applying the lower ratio could result in an artificial shortage of sugar, leading to manufacturing inefficiencies and raising the spot price of sugar to the industry. Instead, it suggests the draft CVD agreement use a ratio of 15.5 percent in calculating U.S. needs to "partly mitigate the market-distorting effects of instituting quotas."

As to provisions that not only limit total imports of Mexican sugar, but also impose sub-quotas by allowing certain specified portions of the quota to enter the U.S. during each year's first fiscal quarter and first half-year, the NCA objects that they are "potentially disruptive of markets, since they fail to take account of seasonal variations in both the U.S. and Mexico."

By halting the investigations and eliminating the need for final rulings by the DOC and the U.S. International Trade Commission (USITC), adoption of the suspension agreements as currently written will "short-circuit the normal legal process," the Association claims. "We will never know how the USITC would have ruled, even though voluminous evidence was presented that the U.S. sugar industry did not, in fact, suffer injury and is not threatened with injury.



'If prices remain at 37.5 cents, that extra 11 cents per pound will cost consumers an additional \$2.4 billion'

TOM EARLEY
Agralytica Inc.

"The suspension agreements should provide for continuation of investigations by both DOC and USITC, with affirmative final determinations by each agency required before the suspension agreements take effect."

If the agreements are not approved, both entities will move toward issuing final decisions on their respective investigations in mid-March. If the USITC concurs that Mexican sugar imports have or could materially injure the U.S. sugar industry, the DOC will issue final AD and CVD orders. If the USITC ruling is negative, no DOC orders will be issued. **CST**

'The implicit shorting of the market and uncertainty about how our supply deficit will be met are expected to keep U.S. sugar prices much higher than they would have been otherwise.'

TOM EARLEY
Agralytica Inc.