

# **SWEETENER USERS ASSOCIATION**

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**Submission of the**

**SWEETENER USERS ASSOCIATION**

**To the**

**U.S. INTERNATIONAL TRADE COMMISSION**

**Pursuant to**

**INVESTIGATION NO. 332-325**

**THE ECONOMIC EFFECTS OF SIGNIFICANT U.S. IMPORT**

**RESTRAINTS: SEVENTH UPDATE**

**November 29, 2010**

The Sweetener Users Association (SUA) appreciates the opportunity to provide information and perspective to the U.S. International Trade Commission on the significant U.S. barriers to sugar imports. SUA's members use sugar and other nutritive sweeteners in their business operations. Our membership includes confectioners, beverage companies, food manufacturers, bakers, dairy product manufacturers, cereal makers and other companies, along with the trade associations that represent these firms.

Since SUA last testified before the Commission during its 2008 investigation of the economic effects of significant U.S. import restraints, there have been a number of developments affecting sweetener trade that should be of particular interest to the Commission.

- As we feared, the implementation of the provisions of the 2008 farm bill has increased the adverse impacts of sugar import restraints on sugar consumers and users.
- The evolving integration of the U.S. and Mexican sweetener markets has been mostly beneficial, but Mexico maintains import barriers for other countries comparable to those imposed by the United States, so the integration does not change the protected nature of the overall market.
- One positive development has been the addition to the Harmonized Tariff Schedules of the United States (HTSUS) of a separate tariff line for high quality refined sugar.

- Finally, U.S. sugar producers have continued to make efforts to achieve some form of managed trade with Mexico in order to roll back the full liberalization under NAFTA that finally occurred on January 1, 2008.

All of these developments tend to highlight the increasingly anachronistic character of the U.S. sugar price support program and associated import barriers.

### **Impact of 2008 Farm Bill Changes**

The 2008 farm bill included four main changes to the sugar program. First, sugar loan rates for raw cane sugar and refined beet sugar were increased.

Second, the legislation made changes in the marketing allotment provisions, establishing a permanent Overall Allotment Quantity (OAQ) that cannot be less than 85% of estimated consumption. Some trade experts believe this reservation of 85% of our market for solely domestic production – reminiscent of past “domestic content” requirements in other industries – may violate U.S. obligations under international law. The 85% marketing allotment “floor” removes USDA’s main cost-control lever, so the government can no longer prevent costly surpluses by controlling domestic output. This increases the risk that in some future year U.S. taxpayers will pay the price instead, through the forfeiture of surplus sugar to the government. The new legislation also eliminated the previous 1.532 million ton sugar import trigger for suspension of marketing allotments.

Third, the farm bill mandates that USDA purchase surplus sugar (or sell any Commodity Credit Corporation-owned sugar that has been forfeited) to producers of fuel ethanol or other forms of bioenergy if necessary to prevent sugar loan forfeitures. The sugar-for-ethanol mandate – formally called the “Feedstock Flexibility Program” – means that USDA will have to buy any future surplus sugar and sell it to ethanol plants at a tremendous loss.

Finally, and most importantly, the 2008 farm bill imposed new restrictions on the Secretary of Agriculture’s authority to establish and adjust sugar import quotas to meet domestic needs. Specifically, the farm bill requires the Secretary of Agriculture to initially set the sugar import quotas (except for specialty sugars) each year at the minimum required to comply with international trade agreements. At the beginning of the quota year, TRQs for raw and refined sugar are to be established at the WTO minimums, which are 1,231,484 short tons (raw value) and 24,251 short tons (raw value) respectively.

These TRQs cannot be increased until the second half of the October-September marketing year, unless there is an “emergency shortage,” which to date has been narrowly defined by the Secretary of Agriculture. This has proven to be the most damaging new provision in terms of further restricting the available supply of sugar in the U.S. market. In fact, the U.S. now consumes nearly 11 million tons of sugar per year, but only produces about 8 million, which leaves an import requirement in the range of 3 million tons. Going through half the year with import quotas at less than half that amount creates serious distortions in the market, particularly since about half the quota-holding countries no longer ship any sugar to the U.S.

## **Market Developments and Signs of Program Failure**

During 2010, U.S. wholesale and retail sugar prices rose to record highs. This has been due partly to a rise in world market sugar prices, partly due to the more restrictive import quotas resulting from the changes in the 2008 farm bill, and partly due to USDA reluctance to make adequate quantities of foreign sugar available to the marketplace. These factors have made for a lethal combination for anyone in the U.S. needing to buy sugar. Chart 1 shows the relationship between the world market raw sugar price (Number 11 Futures), the U.S. raw sugar price (Number 16 Futures), and the wholesale price of U.S. refined beet sugar in the Midwest reported by Milling & Baking News, a trade publication. Chart 2 shows the U.S. and world market refined sugar prices and the differential between the two.

World sugar prices began to creep up in 2009 due to production shortfalls in a number of countries. After peaking in February 2010, they fell back to about 15 cents but began to rise again as it became apparent that sugarcane crops in Brazil, India, Australia, Thailand and other countries were being adversely affected by the La Niña weather phenomenon, erasing the prospect of any rebuilding of world sugar stocks in 2010/11.

U.S. raw sugar prices followed the world price, but with a differential roughly equal to the high second tier duties under our tariff-rate quota. Those duties are 33.87 cents per kilogram of raw sugar (15.36 cents/pound) and 35.74 cents per kilogram of refined sugar (16.21 cents/pound). These duties are normally prohibitive, because that is their purpose. But that did not prove to be the case in 2010.

Throughout the course of the 2009/10 marketing year (October-September), it was clear that the U.S. market was short of sugar. In early 2010, SUA told USDA that import quotas needed to be increased by at least one million tons to meet market needs, but USDA officials were reluctant to go that far. By July they had increased the raw sugar TRQ by only 500,000 short tons, raw value, (STRV) and made some additional sugar available by reallocating quota shortfalls.

But the dire need for additional sugar supplies forced end users to resort to extraordinary measures to get more sugar. They made more use of the sugar re-export program. They bought additional sugar from Mexico at high prices. And they actually paid the second-tier duty of about 16 cents on 207,000 STRV to get over-quota sugar into the country. In our minds that is a clear sign of program failure. Moreover, it deprives quota-holding countries of their rights negotiated during the Uruguay Round, because the proper alternative would have been an increase in the TRQ that would have permitted the quota holders to receive the benefit of the higher protected U.S. price.

## **Progress on Defining Raw Sugar**

One problem SUA mentioned in its 2008 testimony was actually addressed by the USITC and other government agencies the next year. For some time, high polarity raw sugar had been entering the U.S. market against the refined sugar quota because the HTSUS defined raw sugar as having polarity (a measure of purity) of 99.5 degrees or less, so any sugar of higher polarity was considered refined. U.S. industrial sugar users require polarity of 99.8 degrees or greater,

and in fact, refined sugar futures contracts are written with precisely this specification. Opportunistic sugar traders had been making world-market purchases of "high polarity raw sugar" with polarity intermediate between 99.5 and 99.8 degrees, knowing that while this sugar requires further refining to be usable, it was still high enough in polarity to qualify as "refined sugar" under U.S. import quotas. This undermined USDA efforts to offset the temporary loss of a major U.S. cane refinery by increasing the refined quota.

As a result of interagency deliberations during the course of 2009, a statistical note and a separate tariff line for refined sugar of 99.8 degrees or more polarity and color less than or equal to 45 units on the ICUMSA scale were added to the tariff schedule, giving the government an additional tool for responding to a refined sugar shortage. We are very appreciative of the efforts of USITC staff to study this issue.

### **Sugar Producer/Processor Efforts to Further Restrain Imports**

U.S. sugar beet and sugarcane growers and processors have made numerous attempts in recent years to control sweetener trade between Mexico and the United States. These efforts have rightfully been rejected by Congress, the Administration and the Mexican government, especially since they jeopardize free trade in other agricultural commodities as provided under NAFTA.

During the 2008 farm bill deliberations, the U.S. sugar industry attempted to insert language constituting a sweetener trade deal with Mexican sugar producers that would have exposed U.S. beef, pork, poultry, dairy, corn, high fructose corn syrup (HFCS), soybean meal, dry beans, rice, apples, and other commodities to retaliation and managed trade. This proposal was soundly rejected by Congress and not included in the 2008 farm bill, since it represented a violation of NAFTA and WTO provisions and would have invited retaliation and reciprocal Mexican restraints on imports of many U.S. commodities.

The U.S.-Mexico sugar proposal specifically called for a quota on future Mexican sugar exports to the United States, with the quota being set by a complex formula that could have been as low as 300,000 tons annually. This proposal would have created an incentive for Mexico to limit future shipments of U.S. HFCS because doing so would have kept Mexico from being stuck with a sugar surplus. Clearly, the terms of the proposal effectively prohibited Mexico from exporting surplus sugar to the United States. Fortunately, virtually all of U.S. agriculture other than sugar groups strongly opposed the proposal, and it was not adopted by House and Senate conferees.

On a different front, in June 2008 the sugar industry applied to the U.S. Department of Commerce to obtain an Export Trade Certificate, which would have exempted it from U.S. antitrust laws. After overwhelming opposition to this application from several organizations, including the National Foreign Trade Council (NFTC) and the Emergency Committee for American Trade (ECAT), the U.S. sugar companies withdrew their application to form an export trading company in October 2008. In its comments to the Commerce Department, ECAT stated that the proposed export trading company would "greatly undermine" competition in the North American market, by allowing it to "restrain trade, affect supply and price and have other anti-competitive effects in the United States."

In the latest instance of attempting to reintroduce some form of managed trade, the sugar industries of the two countries petitioned both governments in October 2009 for creation of a joint government sugar commission, introduction of measures that would give each government a say in the other government's sugar import decisions, and elimination of the U.S. refined sugar re-export program and Mexico's similar IMMEX program. Fortunately, the two governments issued a joint letter earlier this year turning down the key parts of the request, recognizing that they would only open the door to requests from other import sensitive sectors in each country for introduction of new restrictions on trade. It will not be surprising if the U.S. sugar industry makes another try at restricting U.S.-Mexico sweetener trade in the next farm bill.

### **Needs of Sugar Users**

Users of sugar need a reliable, affordable supply of high-quality sugar to make the broad range of products that they manufacture. As noted above, we need access to a large volume of imports because the United States does not produce enough sugar to meet all market needs. However, it is also in users' interest to have access to domestic supplies of sugar. A viable, economically healthy sugar-producing sector in the United States is important to sugar users. Geographically diverse production of both sugar beets and sugarcane is the best way to ensure supply adequacy, since unforeseen weather events – from hurricanes to drought – can have a major regional impact on sugar output. Since economically sound sugarcane production is desirable and imports of additional raw sugar from other countries are necessary, it follows that users' interests are also well served by an independent, viable cane sugar refining industry.

Thus, SUA is not opposed to policies that provide economic support to sugar producers. However, present U.S. policies are poorly designed and distort markets to the long-term detriment of the entire sugar industry and U.S. consumers. While a re-thinking of U.S. sugar policy is long overdue, the 2008 farm bill failed to improve these policies and in fact made them even worse.

Among present U.S. sugar policies, the tariff rate quotas are of course the most relevant to the Commission's present investigation. While the following comments focus primarily on the TRQs rather than on other elements of sugar policy, such as price supports and marketing controls, the Commission should understand that all elements of current sugar policy are closely related. All are in need of reform and all affect import access to the U.S. market.

### **Basic Structure of the TRQ**

As the Commission is aware, the United States is obliged to permit imports of certain quantities of sugar under the terms of the Uruguay Round agreement. In particular, the minimum quota for raw sugar is 1,117,195 metric tons, raw value, while the minimum quota for refined sugar is 22,000 metric tons, raw value. ("Raw value" is a way of comparing different forms of sugar in the same units of measurement. It takes approximately 1.07 tons of raw sugar to make one ton of refined sugar because of normal refining losses, so 22,000 metric tons, raw value, is equivalent to 20,561 metric tons of refined sugar.)

The Secretary of Agriculture announces the amount of the sugar TRQs, while the Office of the U.S. Trade Representatives allocates the quotas among eligible countries. In the case of raw sugar, 40 countries have shares of the TRQ, and these are based on the countries' exports to the United States during 1975-1981, a period when U.S. trade was relatively unrestricted. (The current sugar quota regime dates from the early 1980s and was converted from an absolute quota to a TRQ in the early 1990s.)

Any TRQ creates quota rents, and the method of administering the TRQ influences who collects the rents. In the case of the raw sugar TRQ, USDA gives the governments of quota-holding countries "certificates of quota eligibility" (CQEs) that must accompany the actual shipments of quota sugar. In this system, quota rents will generally be captured by quota-holding countries, and the selling price for quota sugar will normally correspond to the U.S. domestic price, not the lower world price.

### **Welfare Losses and the Sugar TRQ**

All independent analyses of the U.S. sugar TRQ have concluded that it constitutes a net cost to society and creates a large transfer of income from consumers to sugar producers. A 2000 study by the General Accounting Office estimated that Americans paid an extra \$1.9 billion a year for sugar due to the sugar program. Essentially, these analyses have compared the price of raw sugar in the protected U.S. market to either the world price or, in more sophisticated analyses, either to an estimate of the world price in the absence of U.S. import barriers, or to production costs in the main exporting countries. The resulting price gap has been the usual basis for quantifying the costs of U.S. sugar policies (as well as their benefits to U.S. producers).

A potential limitation of such analyses is that they generally cannot quantify the benefits – to industrial users, final consumers and others – of a stable and reliable domestically produced supply of sugar. That such benefits exist is strongly suggested by the experience of markets when domestic supplies are disrupted, as was the case in the aftermath of Hurricane Katrina in 2005 and the explosion of a major cane sugar refinery in February 2008. Nor, however, can price-gap analyses easily quantify the costs and disadvantages of the cumbersome, anachronistic and inefficient way the current TRQ system is constructed and administered.

The existing analyses generally deal with a market situation in which there is a large gap between U.S. and world raw sugar prices. Certainly that has been the rule rather than the exception in recent decades. From 1990-2005, the world price of raw sugar as reported by USDA averaged 9.4 cents per pound, and the U.S. price of raw sugar averaged 21.5 cents per pound. Adding 2 cents to the world price to get to a delivered U.S. basis yields an average gap of about 10 cents per pound or \$200 per ton over the 16 years. On 11 million tons of consumption that is about \$2.2 billion.

In 2006 and again in 2009, the world price of sugar rallied strongly, averaging 13.6 cents over the four-year period and closing a third of the gap with U.S. prices that averaged 22.3 cents over the four years. The world price rally was partly the result of transient factors (weather problems in various countries, for instance) and partly fueled by factors that may be secular rather than cyclical. These included the incentives to devote a greater portion of the sugarcane crop to

ethanol production, especially in Brazil, because of rising petroleum prices, and far-ranging changes in European Union sugar policy that have eliminated that bloc's large net export position in world sugar trade.

The current year brought a much tighter world sugar supply situation and world raw sugar prices will have averaged over 22 cents per pound by the time 2010 is over, about equivalent to the effective U.S. support level. Based on historical market performance, the U.S. raw sugar price would have only been two or three cents above that figure if the government had announced an adequate import quota. However, this year the U.S. raw sugar price will have averaged 36 cents per pound, which is almost 14 cents above the average world price. Because the U.S. market has not had adequate supplies for most of the year, the price was forced up to such a high level for much of the year that importers had no other choice than paying the prohibitive duty to buy over-quota sugar to meet their needs.

The disequilibrium has been even greater for refined sugar. As shown in Chart 2, the differential between U.S. and world market refined sugar prices was 25-35 cents per pound for most of the year. **Even taking the bottom end of that range, i.e. 25 cents, that is an implied cost to consumers of over \$5 billion on the 10.2 million tons of refined sugar the U.S. used last year.**

SUA therefore recommends that USITC staff study not only the raw sugar price gap, but also the refined sugar price gap. After all, consumers and industrial users buy refined sugar, not raw sugar. The manner in which sugar import restraints now operate, coupled with current industry structure, is resulting in an even wider gap between world market and domestic refined sugar prices. SUA believes U.S. sugar import policies must be improved, so that they are more responsive to market needs and strike a fairer balance between the interests of producers and consumers.

### **Every Quota Creates the Incentive to Avoid It**

Though intended to protect the U.S. market, sugar TRQs have contributed to eroding the U.S. demand base for domestic sugar. The past decade has witnessed an unmistakable trend toward greater net imports of sugar-containing products (SCPs) – goods with high sugar content that could be manufactured in the United States, but instead are imported under tariff lines that are not subject to quotas. These SCP imports are mostly made with world-priced sugar and thus constitute a form of “quota arbitrage” – they are attractive precisely because they can readily compete with U.S.-made goods that incorporate the higher input costs of domestic (quota-protected) sugar. Such products are both exported from and imported into the United States, and as recently as the early 1990s, exports outweighed imports. That is no longer the case, and the transition to a net trade deficit in these products coincided with a period in which world sugar prices were low for a sustained period, both in absolute terms and in comparison to U.S. prices.

The trend has recently been interrupted by periods of high prices in the Mexican and world sugar markets, and the strengthening of the Canadian dollar relative to the U.S. dollar. But with the wider gap between U.S. and world sugar prices, the trend has begun to resume.

Depending on sugar content assumptions and the number of tariff lines one considers, net imports of sugar in SCPs for 2009/10 are estimated at 665,000 short tons, raw value, according to statistics compiled by Promar International. Estimated net imports since 1996/97 are shown in *Chart 3*. (The U.S. Department of Agriculture achieves similar directional results with data that comprise fewer tariff lines.)

Indeed, the sugar in net imports of SCPs now constitutes around 6% of domestic deliveries and has been an even larger share in some recent years. A quota system that creates incentives to erode the U.S. demand base to this extent can only with difficulty be characterized as “protection.” With this sort of protection, the U.S. market has no need of threats.

Despite sugar grower claims that this phenomenon only reflects a quest for low labor costs, the available evidence suggests that sugar costs are a major factor. This is evidenced by employment data. From 1997 to 2008 (*see Table 1*), total employment in U.S. food and beverage industries fell 1.1%, from 1.61 million jobs to about 1.59 million. But that overall decline masked a vastly different performance in those food segments that use sugar, compared to those that do not.

Sugar-using industries – from confectioners and breakfast cereal makers to syrup and concentrate manufacturers – saw a sharp decline in employment of 12.6% or 90,000 jobs. However, in those parts of the food industry that do not use much sugar – from flour milling and seafood products to vegetable fats and oils and coffee companies – total employment *grew* 8.7% over the same 1997-2008 period. If the trend continued through 2009, employment losses in sugar-using industries may have reached 100,000 jobs. (Data for 2009 are scheduled to be released in December.)

So the supposed quest for cheap labor did not prevent non-sugar-using industries from *adding* American workers at the same time that sugar-using industries were *reducing* employment by more than one-eighth. It appears that something other than labor costs was driving the very different results in these industry sectors. The U.S. Department of Commerce concluded in a recent study that sugar costs were probably a major factor, and SUA believes this conclusion is justified.

### **Effect of the TRQ on U.S. Cane Sugar Refining Industry**

Over the past quarter-century, the U.S. cane sugar refining industry has contracted substantially. Many refineries have closed, and thousands of unionized jobs in urban areas have been destroyed as a result.

Traditionally, U.S. cane refineries relied on both domestic and imported supplies of raw cane sugar. As U.S. production of beet sugar increased, the federal government’s primary means of aligning supply with demand was the TRQ. In the absence of supply controls on domestic cane or beet sugar, the main policy lever was the import quota: it could be reduced, and was, in order to prevent a price-depressing surplus.

The resulting reduction in raw cane sugar imports, however, had long-term consequences for the cane refining sector. It is unlikely that government sugar policies were the only factor in that industry's decline, but the fact is that in the face of rising beet sugar production, independent cane refining entered a long-term downtrend at the same time as import quotas were trending downward. Other things being equal, lower raw cane sugar imports meant less throughput in the cane refining sector, so that the sector's capacity was less efficiently utilized. Not only has industry capacity declined as a result, but refining has increasingly become dominated by sugar cane producing firms. Only one significant non-integrated, independent cane sugar refiner remains in operation today.

### **Country Quotas are Increasingly Anachronistic**

The U.S. raw sugar TRQ is allocated among some 40 countries. Consistent with the requirements of the General Agreement on Tariffs and Trade that import quotas be assigned on the basis of a "previous representative period," the quota allocations are based on market shares of the countries during 1975-1981, when sugar trade was largely unrestricted. Such an allocation undoubtedly made sense in the early-to-mid 1980s, when U.S. sugar policies took their present form.

However, it is much less clear that the current allocations are rational as we enter the second decade of the 21<sup>st</sup> century, almost 30 years after the quota scheme was created. In that period, world production and trade patterns have shifted considerably, while quota-holding countries' shares of the TRQ have remained largely unchanged.

The result is that some countries eligible to export quota sugar to the United States are themselves net importers – meaning they have to import sugar from the world market to satisfy domestic needs, if they want to earn foreign exchange by shipping their domestically-produced sugar to the more lucrative U.S. market. This is hardly a model of economic efficiency.

Other countries apparently have production costs so high that even the prospect of gaining the high internal U.S. market price is an insufficient incentive – they routinely fail to ship their quotas, exacerbating the normal shortfall in filling the entire U.S. TRQ. As one can see in Table 2, about half the quota holders sent no sugar to the United States in 2009/10. (Late in that marketing year, some agreed to have their quotas entirely or partially reallocated to other countries.)

During the 1980s and 1990s, only a small percentage of the raw sugar TRQ went unfilled. In most years, the shortfall was only around 50,000 tons out of the more than 1.1 million ton minimum TRQ. But over the last few years, shortfalls have risen steadily, reaching almost 200,000 metric tons in 2008/09. Even with two rounds of quota reallocations, shortfalls in 2009/10 were still almost 100,000 metric tons.

The system for reassigning TRQs from one country to another is cumbersome, time-consuming, opaque and fraught with foreign policy pitfalls – and is therefore seldom used. Despite a 2002 Congressional exhortation to reallocate unused quota in a timely fashion, it has not always happened (note: USTR did make significant reallocations in 2005/06 and 2009/10). It seems

clear that a better system is needed. Some degree of tradability in quotas among countries, for instance, would be a means of ensuring the entry of sugar to the U.S. market, while also providing a mechanism to ensure that quota rents are captured by the original quota-holding country. Since defenders of the U.S. sugar program have frequently described the TRQ as a form of foreign aid, they should welcome such an innovation.

### **Conclusion**

The United States needs a modern, market-based and efficient sugar policy. In numerous ways, the present sugar TRQ system falls short of those criteria. That need not imply the abandonment of the TRQ structure completely, but it certainly suggests the urgent need for significant improvements in the way it is administered.

The integration of the U.S. and Mexican sweetener markets, with large volumes of HFCS flowing south and large volumes of sugar flowing north, alters the dynamics to some degree, but the combined market will continue to be a major net importer of sugar. This means that the two governments will continue to be able to use sugar TRQs to limit supply and support market prices, transferring large amounts of income from sugar consumers to sugar producers, and reducing total economic welfare.

For purposes of the Commission's present investigation, SUA again urges a thorough study of not only the raw sugar price gap maintained by the TRQs, which is no longer their most onerous feature, but also the refined sugar price gap. In addition, SUA encourages the Commission to identify the inefficiencies, distortions and perverse incentives that are inherent in the current TRQ structure, and assess the adverse impacts that import quotas are having on employment in food and beverage manufacturing. In so doing, the Commission will perform a notable service to Congress, the sugar industry and the public.

SUA thanks the Commission for the opportunity to express these views.

**Table 1: Employment in U.S. Food and Beverage Industries**

<b>Industry</b>	<b>1997</b>	<b>2008</b>	<b>Absolute change</b>	<b>% change</b>
<b>Sugar-using industries</b>				
Breakfast cereal mfg	14,396	13,269	-1,127	-7.8%
Choc. & confec. Mfg. from cacao beans	9,946	7,064	-2,882	-29.0%
Confec. Mfg from purchased choc.	32,871	26,007	-6,864	-20.9%
Nonchocolate confectionary mfg.	25,512	16,306	-9,206	-36.1%
Frozen food mfg.	94,192	85,390	-8,802	-9.3%
Fruit & veg canning, pickling., & drying	97,384	82,301	-15,083	-15.5%
Ice cream & frozen desert mfg.	19,786	18,208	-1,578	-8.0%
Bread & bakery product mfg.	222,596	208,096	-14,500	-6.5%
Cookie, cracker & pasta mfg	64,401	49,080	-15,321	-23.8%
Snack food mfg	46,609	44,016	-2,593	-5.6%
Flavoring syrup & concentrate mfg	6,243	6,471	228	3.7%
Soft drink & ice mfg	83,256	70,601	-12,655	-15.2%
<b>Sub-total</b>	<b>717,192</b>	<b>626,809</b>	<b>-90,383</b>	<b>-12.6%</b>
<b>Other food &amp; beverage</b>				
Animal food mfg.	46,651	46,127	-524	-1.1%
Flour milling & malt mfg	17,877	15,191	-2,686	-15.0%
Starch & veg fats & oils mfg	26,970	24,735	-2,235	-8.3%
Dairy product (except frozen) mfg	112,082	132,290	20,208	18.0%
Animal slaughtering & processing	464,991	505,667	40,676	8.7%
Seafood product prep & packaging	40,763	37,015	-3,748	-9.2%
Tortilla mfg	11,303	14,412	3,109	27.5%
Coffee & tea mfg	12,895	13,954	1,059	8.2%
Seasoning and salad dressing mfg	26,055	33,419	7,364	28.3%
All other food mfg	56,886	64,480	7,594	13.3%
Breweries	34,251	21,483	-12,768	-37.3%
Wineries	18,193	34,420	16,227	89.2%
Distilleries	6,417	8,199	1,782	27.8%
<b>Sub-total</b>	<b>875,334</b>	<b>951,392</b>	<b>76,058</b>	<b>8.7%</b>
<b>Sugar manufacturing</b>				
Sugar manufacturing	16,547	12,526	-4,021	-24.3%
<b>Total food &amp; beverage</b>	<b>1,609,073</b>	<b>1,590,727</b>	<b>-18,346</b>	<b>-1.1%</b>

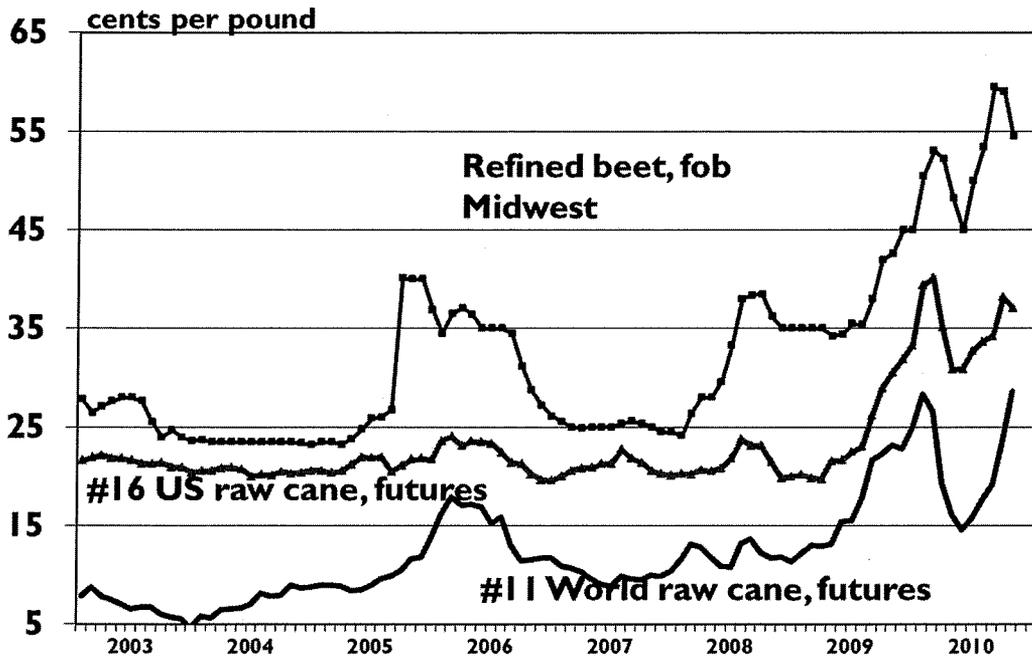
Source: U.S. Census Bureau, Economic Census

**Table 2: Status of raw sugar TRQs for 2009/10 fiscal year (metric tons, raw value)**

Country	2008/09	2008/09	2008/09	2009/10	2009/10	2009/11	2010/11	2010/12
	Quota	Imports*	Shortfall	Quota	Imports	Shortfall	Quota	Imports
Argentina	45,281	45,194	87	73,789	73,562	227	45,281	
Australia	87,402	87,402		142,428	142,428		87,402	
Barbados	7,371		7,371	0			7,371	
Belize	11,583		11,583	18,876		18,876	11,583	
Bolivia	8,424	8,424		13,728	13,711	17	8,424	
Brazil	152,691	150,289	2,402	248,822	248,822		152,691	
Colombia	25,273	22,725	2,548	41,184	41,184		25,273	
Congo	7,258		7,258	7,258		7,258	7,258	
Cote D'Ivoire	7,258		7,258	7,258		7,258	7,258	
Costa Rica	15,796	15,771	25	25,741	25,712	29	15,796	
Dom. Rep.	185,335	176,960	8,375	253,830	253,830		185,335	
Ecuador	11,583	7,696	3,887	18,876	18,876		11,583	
El Salvador	27,379	27,379		44,617	44,605	12	27,379	
Fiji	9,477	154	9,323	0			9,477	
Gabon	7,258	0	7,258	0			7,258	
Guatemala	50,546	50,546		82,368	82,368		50,546	
Guyana	12,636	7,556	5,080	20,592	20,592		12,636	
Haiti	7,258		7,258	0			7,258	
Honduras	10,530	10,530		17,160	17,160		10,530	
India	8,424		8,424	13,728	2	13,726	8,424	
Jamaica	11,583		11,583	18,876	14,539	4,337	11,583	
Madagascar	7,258		7,258	0			7,258	
Malawi	10,530	9,276	1,254	17,160	5,069	12,091	10,530	
Mauritius	12,636	66	12,570	7,021	7,021		12,636	
Mexico	7,258		7,258	7,258		7,258	7,258	
Mozambique	13,690	63	13,627	22,308	22,308		13,690	
Nicaragua	22,114	22,114		36,036	36,036		22,114	
Panama	30,538	30,483	55	49,764	48,858	906	30,538	
Papua N. Guinea	7,258		7,258	7,258		7,258	7,258	
Paraguay	7,258	5,192	2,066	7,258	1,719	5,539	7,258	
Peru	43,175	43,175		70,356	68,302	2,054	43,175	
Philippines	142,160	140,899	1,261	178,437	177,367	1,070	142,160	
South Africa	24,220	24,220		39,468	39,468		24,220	
St. Kitts-Nevis	7,258		7,258	0			7,258	
Swaziland	16,849	16,849		27,456	26,802	654	16,849	
Taiwan	12,636		12,636	0			12,636	
Thailand	14,743	14,743		24,025	23,263	762	14,743	
Trinidad-Tobago	7,371		7,371	0			7,371	
Uruguay	7,258		7,258	7,258		7,258	7,258	
Zimbabwe	12,636	149	12,487	20,593	20,593		12,636	
Rounding	3	0	3	0			3	
	1,117,195	917,856	199,339	1,570,787	1,474,197	96,590	1,117,195	

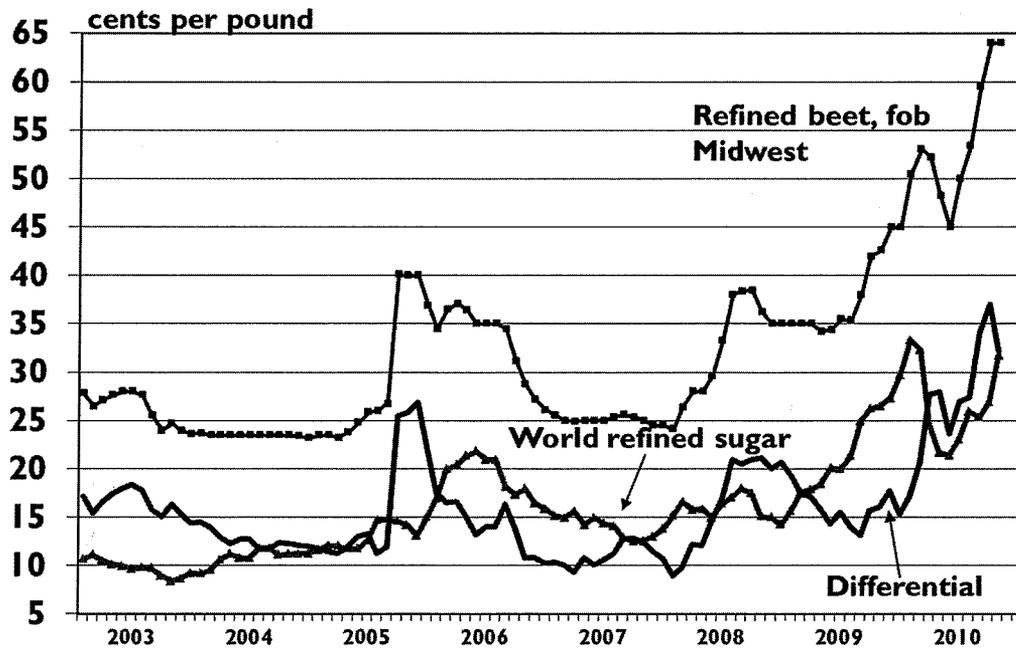
Source: Promar International

**Chart 1**  
**World and US Sugar Prices**



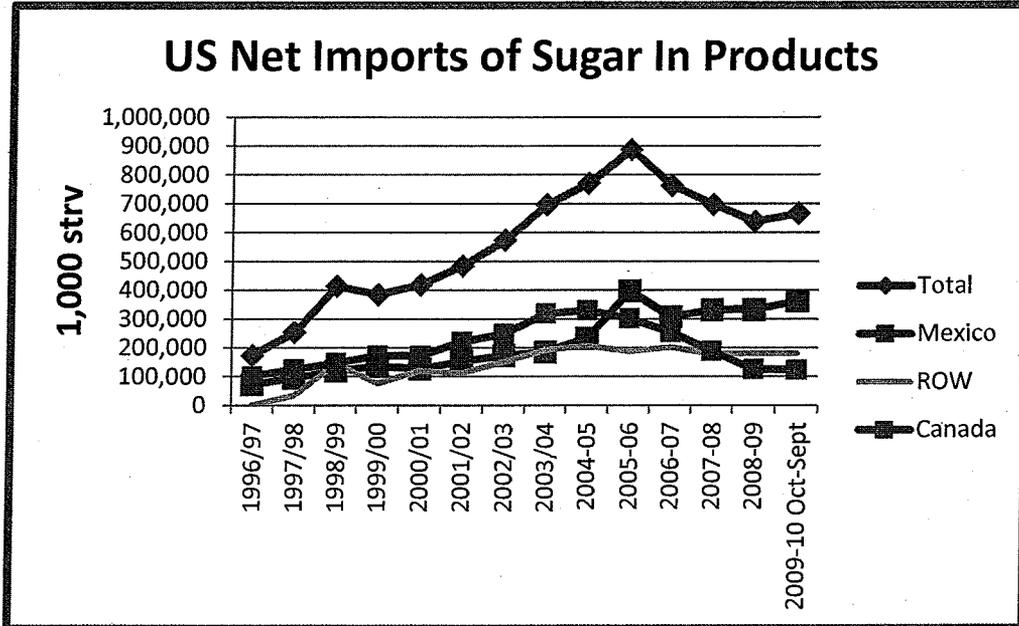
Source: Promar International

**Chart 2**  
**World and US Refined Sugar Price Differential**



Source: Promar International

Chart 3



Source: Promar International