SUGAR

Report to the President on Investigation
No. 22-45 Under Section 22
of the Agricultural Adjustment Act

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United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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REPORT TO THE PRESIDENT
ON INVESTIGATION NO. 22-45

SUGAR

UNITED STATES INTERNATIONAL TRADE COMMISSION

June 8, 1982

Determination

On the basis of the information developed during the investigation, the Commission determines that sugars, sirups, and molasses, derived from sugar cane or sugar beets, provided for in items 155.20 and 155.30 of the Tariff Schedules of the United States, are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program of the U.S. Department of Agriculture for sugar cane and sugar beets. 1/

Background

On December 29, 1981, the Commission received a letter from the President directing the Commission to determine, pursuant to section 22 of the Agricultural Adjustment Act (7 U.S.C. 624), whether sugars, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program of the U.S. Department

1/ Vice Chairman Michael J. Calhoun determines that the described products are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the price support program of the U.S. Department of Agriculture for sugar cane and sugar beets.

of Agriculture for sugar cane and sugar beets. Accordingly, the Commission instituted the present investigation, No. 22-45, on January 15, 1982.

Notice of the Commission's investigation was published in the Federal Register of January 20, 1982 (47 F.R. 2956). A public hearing was held on April 6, 1982, in Washington, D.C., at which all interested parties were afforded an opportunity to be present, to present evidence, and to be heard.

The information for this report was obtained from information presented at the public hearing, interviews by members of the Commission's staff, other Federal agencies, responses to Commission questionnaires, briefs submitted by interested parties, the Commission's files, and other sources.

Recommendation

We recommend that the President:

(1) Maintain the current fee system set forth in Proclamation 4940;

(2) maintain the duties set forth in Proclamation 4888;

(3) maintain the quota system set forth in Proclamation 4941 until such time as duties and fees, which are preferred to a restrictive quota, are once again adequate to protect the price support program; and

(4) establish guidelines for the orderly transition between reliance on a quota and reliance on duties and fees.

STATEMENT OF THE COMMISSION

Introduction

The President asked us to determine, pursuant to section 22 of the Agricultural Adjustment Act, whether sugars, sirups, and molasses, derived from sugarcane or sugar beets, 1/ are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture (USDA) for sugarcane and sugar beets. With an affirmative determination, the Commission makes appropriate recommendations concerning actions the President should take to protect the integrity of the program. 2/

Pending submission of our findings and recommendations, the President issued two emergency proclamations, Proclamation 4887 of December 23, 1981 (46 F.R. 62641) and Proclamation 4940 of May 5, 1982 (47 F.R. 19657), imposing fees on imports of the articles described above pursuant to his section 22(b) authority. 3/ Further, the President issued two additional proclamations,

1/ These articles are provided for in items 155.20 and 155.30 of the Tariff Schedules of the United States (TSUS).

2/ Under sec. 22 the Commission is to advise the President about the measures needed to protect the existing domestic price support program for sugar from import interference. It is not the Commission's responsibility to review policy issues, such as the necessity for a sugar program and the proper support price for sugar. The Commission could not anticipate all developments that might complicate administration of the domestic price-support program. Such factors include the possibility that high support prices could spur domestic production, or that the demand for sugar, both in the United States and abroad, could decline significantly in the years ahead. Developments such as these may require further policy consideration by Congress and the Executive Branch.

3/ Proclamation 4887 is reprinted in Appendix C of the report at A-72-75; Proclamation 4940 is reprinted in Appendix D at A-78-82. These proclamations are discussed at A-8-11 of the attached report.

Proclamation 4888 of December 23, 1981 (46 F.R. 62645) and Proclamation 4941 of May 5, 1982 (47 F.R. 19661), raising duties and modifying quotas, respectively, on such imports pursuant to separate authority set forth in Headnote 2, Subpart A, Part 10, Schedule 1 of the TSUS (19 U.S.C. § 1202). 4/

After considering all of the information before us, including the arguments of the interested parties presented at the public hearing and in briefs and other submissions, we have determined that imports of sugars, sirups, and molasses, in the absence of recent Presidential action, would materially interfere with the USDA price-support program for sugarcane and sugar beets. 5/

We therefore recommend that the President:

(1) maintain the current fee system set forth in Proclamation 4940;

(2) maintain the duties set forth in Proclamation 4888;

(3) maintain the quota system set forth in Proclamation 4941 until such time as duties and fees, which are preferred to a restrictive quota, are once again adequate to protect the price support program; and

(4) establish guidelines, as outlined below, for the orderly transition between reliance on a quota and reliance on duties and fees.

4/ Proclamation 4888 is reprinted in Appendix C of the report at A-70-71; Proclamation 4941 is reprinted in Appendix D at A-83-88. These proclamations are discussed at A-7-8 and A-11.

5/ The determination of Vice Chairman Calhoun is limited to a finding that imports are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the USDA price-support program for sugarcane and sugar beets. He finds that material interference does not presently exist because of the recent actions taken by the President. As a result of these actions, none of the usual indicia of material interference exist--e.g., there have been no purchases by the CCC, thus there are no significant CCC loan stocks or CCC outlays to purchase the product. Rather, the circumstances discussed in this opinion lead the Vice Chairman to the conclusion that, absent some action under sec. 22, the volume and prices of imports will be such as to cause the CCC to purchase very large quantities of the 1982 crop, and possibly subsequent crops, at considerable expense to the Government.

The USDA price-support program for sugar

The purpose of the USDA's sugar program is to provide price support to domestic sugarcane and sugar beet growers by guaranteeing that the Commodity Credit Corporation (CCC) buys processed sugar from processors at the support price. 6/ The processors are thus able to buy sugar from the growers at a specified price with the knowledge that subsequently they can choose to sell the sugar to the CCC at the support price or on the market at a higher price. If sugar imports are allowed to drive the market price below the support price, it is more profitable for the processors to sell the sugar to the CCC rather than in the marketplace.

The current USDA support program for sugar is governed by the provisions of the Agriculture and Food Act of 1981. 7/ This new law requires the Secretary of Agriculture to support, through purchases, the price of sugar processed from domestically grown sugarcane and sugar beets from December 22, 1981, the date of enactment of the legislation, through March 31, 1982, at a level appropriate to approximate a raw sugar price of 16.75 cents per pound.

The 1981 law also requires the Secretary to support the price of the 1982-85 domestic sugarcane crops through nonrecourse loans at such level as he determines appropriate, but not less than 17 cents per pound for the 1982 crop, 17.5 cents per pound for the 1983 crop, 17.75 cents per pound for the 1984 crop, and 18 cents per pound for the 1985 crop. The Secretary is to support the price of domestically grown sugar beets through nonrecourse loans

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6/ Report at A-4.

7/ Pub. L. 97-98, § 901, 95 Stat. 1213 (1981). The new sugar support prices are set forth in title IX of the 1981 law. Title IX amended sec. 201(h) of the Agriculture Act of 1949 (7 U.S.C. § 1446), which sets forth the basic price support provisions.

at a level that is fair and reasonable in relation to the level of loans for sugarcane.

In its report accompanying the 1981 act, the Senate Committee on Agriculture, Nutrition, and Forestry, the primary author of the sugar provision, urged the President to make timely use of his authorities under both section 22 and the TSUS headnote to avoid the adverse budgetary consequences of situations where the market price for sugar falls below the price objective and loan level specified in the sugar program. 8/

The imported products

The United States imported 51 percent of its sugar needs in calendar year 1981. 9/ The imported sugars, sirups, and molasses enter primarily in four different forms--raw sugar, refined sugar, liquid sugar, and invert sugar sirup. 10/ Raw sugar, which consists of large sucrose crystals coated with molasses, is the principal sugar shipped in world trade. It accounted for 99.9 percent of U.S. sugar imports in 1981. 11/ Raw sugar is an intermediate product, generally brown in color, derived principally from sugarcane. Refined sugar is the pure white sugar of commerce, derived from processing raw sugar and sugar beets. Sugar beets generally are converted to refined sugar in one operation. Liquid sugar is a solution of refined sugar in water. Invert sugar sirup is a combination of equal parts of glucose and fructose formed from sucrose and water by the action of acids or certain other chemicals.

8/ S. Rept. No. 126, 97th Cong., 2nd Sess. 106 (1981). Commissioner Frank notes the emergency actions taken by the President are in accord with the intent of Congress.

9/ Report at A-21.

10/ Id. at A-2.

11/ Id.

The sweetener market

Sugar derived from sugarcane and sugar beets is the primary sweetener in the U.S. market. The principal alternatives to sugar are noncaloric sweeteners and cornstarch derivatives, including glucose, glucose sirup, dextrose, and high fructose corn sirup (HFCS). 12/ HFCS, the most important of these alternatives, is a liquid form of fructose which can be used as a direct sugar substitute for most sweetener uses that do not specifically require dry crystals. In 1981, HFCS accounted for 25-30 percent of the total industrial sweetener use and 50 percent of beverage sweetener use. 13/

As a result of the increased use of sugar substitutes, U.S. per capita consumption of sugar has declined in recent years. While non-HFCS sweetener consumption has increased moderately during the last 5 years, HFCS use has more than doubled in this period. 14/ This trend is expected to continue.

Material interference

In past section 22 investigations, the Commission has found material interference to exist when the interference is "more than slight interference but less than major interference." 15/ The Commission has considered such factors as import levels, inventories held by the CCC under the particular program, changes in the cost to the Government in running the program, price differences between the domestic and imported products, world stocks of the imported product, and whether objectives of the program are being met. Basic

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12/ Id. at A-15.
13/ Id. at A-17.
14/ Id. at A-23.
15/ See Certain Tobacco, Inv. No. 22-43, USITC Pub. No. 1174 (1981), p. 3; and Casein, Mixtures in Chief Value of Casein, and Lactalbumin, Inv. No. 22-44, USITC Pub. No. 1217 (1982), p. 3.

objectives of a program may be satisfied, but a program may nevertheless be materially interfered with if imports are causing increases in domestic stocks under loan or significant expenditures by the CCC.

In the absence of the President's recent actions, the CCC would have to purchase much of the domestic 1981 sugar crop and would be expected to acquire most of the domestic 1982 crop. This is the case because world sugar prices have fallen substantially in recent months and are now considerably below the U.S. support price. Whenever the world price, as adjusted for U.S. import duties and fees and transportation and other costs, falls below the domestic support price, domestic sugar is likely to be displaced in the marketplace by imports. U.S. processors, wishing to sell at the highest price, will sell to the CCC.

World prices for sugar have fluctuated widely in recent years. Only a relatively small amount of sugar enters the world market (22 percent in 1981) and demand for sugar in most consuming countries is relatively inelastic. As a result, fluctuations in the amount of sugar produced can have an important effect on world prices. 16/ This was demonstrated during the period 1975-81 when the world price for sugar (f.o.b., Caribbean, No. 11 spot price) varied widely, averaging 20.50 cents per pound in 1975, 11.60 cents per pound in 1976, 8.10 cents per pound in 1977, 7.81 cents per pound in 1978, 9.59 cents per pound in 1979, 29.00 cents per pound in 1980, and 16.85 cents per pound in 1981. 17/ The monthly average world price ranged from 41.09 cents per pound

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16/ Report at A-27. The United States has been the largest open market for sugar imports since 1974 when the Sugar Act quotas were terminated (report at A-21).

17/ Id. at A-32-34, table 11.

in October 1980, to 6.43 cents per pound in July 1978. Dramatic price changes can occur over a brief time span. For example, in the 11-month period October 1980-September 1981, the world price fell by 72 percent, from 41.09 cents per pound to 11.66 cents per pound. Domestic sugar prices tend to follow world prices.

The intent of the emergency section 22 fees and higher duties imposed by the President on December 23, 1981, was to ensure that the price received by U.S. processors for sugar was above the support price, thereby avoiding sales to the CCC. 18/ However, during the first 4 months of 1982, world sugar prices continued to fall, requiring additional increases in the level of fees up to the maximum allowed by law. By April 23, the world price had fallen to 8.58 cents per pound, and the maximum duties and fees were not sufficient to raise the world price to the effective market stabilization price (MSP). 19/. To remedy this situation, on May 5, 1982, the President issued two new emergency proclamations pursuant to section 22 and the headnote authority. Quarterly import quotas allocated on a country-by-country basis were imposed in place of the previous global quota under the headnote, and the section 22 fees were adjusted.

The world price continued to fall, in part because of the new U.S. actions. The world price was 7.85 cents per pound on May 18, 1982, less than one half the support price of 16.75 cents per pound. 20/

18/ Id. at A-10.

19/ Id. The MSP is the minimum market price required to discourage sale or forfeiture of sugar to the CCC. The MSP equals the sum of the support price, a transportation factor, and an incentive factor. The import fee, pursuant to Proclamation 4940, is based on the difference between the MSP and the No. 12 domestic contract price for sugar.

20/ By June 7, 1982, the world price had fallen to 7.05 cents per pound.

As of May 12, 1982, the CCC had entered into purchase agreements with U.S. processors for about 863,000 short tons of sugar. This amount was expected to exceed 1 million short tons by May 31, 1982, the deadline for entering into such agreements. 21/ Processors have through September 30, 1982, to give notice of their intent to sell this sugar to the CCC. Some, if not most, of this sugar can be expected to be sold to the CCC if the U.S. market price is below the support price on that day. 22/

In the absence of the actions which the President has taken since December, imports of low-priced sugar would be materially interfering with the USDA's price-support program by forcing the CCC to purchase large amounts of domestically grown sugar. To prevent this, it is necessary that a system of duties, fees, and quotas be maintained.

Recommendations 23/

Section 22(b) permits the President to impose such fees (up to 50 percent ad valorem) or such quantitative restrictions (up to 50 percent of the imported articles entered or withdrawn from warehouse during a representative period) as are necessary in order that the imported articles will not render or tend to render ineffective, or materially interfere with, the subject program. In addition, the sugar headnote requires the President to impose a duty of between 0.6625 and 2.98125 cents per pound and a quota on imports of

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21/ Report at A-6. The deadline was later extended to June 14, 1982.

22/ The USDA is strongly opposed to the CCC becoming a large purchaser of domestic sugar. Hearing transcript at 68-69.

23/ We have relied extensively on data and estimates provided by USDA for our assumptions and calculations. Because the sugar market is highly volatile, the specifics of our recommendations must be adjusted for any significant changes in USDA's data and estimates.

the sugars, sirups, and molasses provided for in TSUS items 155.20 and 155.30. The headnote imposes no limits on the President's authority to set quotas.

Our remedy recommendation in this investigation is a flexible system designed to ensure that imports do not materially interfere with the price-support program. We have taken into account the fact that only one measure, either a system of fees and duties or a quota, is the primary restraint at any given time. Therefore, we have designed a remedy which shifts the primary restraint between a system of fees and duties, which is preferable when effective, and a restrictive quota, 24/ when necessary. To prevent severe dislocation of the market during a shift, fees and duties should be adjusted to achieve the MSP.

Flexible system.--In the present case, we recommend that the President continue to impose a system of fees pursuant to section 22 and duties and restrictive quotas pursuant to the headnote authority. In general, a system of fees and duties is to be preferred over a restrictive quota, provided that there is authority to raise fees and duties to a level sufficient to close the gap between the world price and the MSP. Fees and duties are likely to have a less distortive effect on the marketplace than are restrictive quotas. 25/ However, when the gap between the world price and the MSP exceeds the amount

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24/ A restrictive quota is one set at a level which is expected to be filled and constrain imports. A nonrestrictive quota is one set at a level above the expected demand for imports. Quotas may be set on a global or country-by-country basis. For example, the quota in effect on sugar under the headnote prior to May 11, 1982, was a global nonrestrictive quota of 6.9 million short tons per year. Imports have never exceeded 6.2 million short tons.

25/ Report at A-45.

by which fees and duties can be raised, as in the present case, a restrictive quota must be imposed and maintained. 26/ When the world price rises to a level high enough to allow the fees and duties once again to bridge the gap between the world price and the MSP, the quota should be relaxed in order to allow the fees and duties to be the effective import constraint. 27/

A restrictive quota should continue in effect until the world price of imported sugar is higher than the level at which the maximum possible duties and fees, added to the cost of shipping sugar to U.S. ports, are capable of attaining the price objective, the MSP. Under current price-support levels, the world price must be at least 10.32 cents per pound for maximum duties and fees and shipping costs to achieve the MSP of 19.88 cents per pound. 28/ Based on current market conditions, we suggest that the restrictive quota be relaxed when the world price rises to two cents per pound above this level, or 12.32 cents per pound.

The restrictive quota would be relaxed and duties and fees would become the primary import constraint only after this price level (i.e., currently 12.32 cents per pound) has been reached or exceeded for 20 consecutive market days. This length of time and two-cent price rise are necessary to establish

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26/ Id. at A-46-47.

27/ Retaining the fee and duty structure along with the restrictive quota provides an orderly transition period until the quota has its intended effect. If for any reason the President is precluded from imposing a restrictive quota under the headnote authority at the same time that a fee system is in place pursuant to sec. 22, and world prices continue to be below the level which we recommend for relaxing the quotas then we recommend that the restrictive quota be continued pursuant to sec. 22, thereby necessitating elimination of the fee structure until such time as prices permit the maximum fees and duties to achieve the MSP.

28/ The USDA estimates shipping costs from Caribbean ports to U.S. ports north of Cape Hatteras at 1.6 cents per pound.

the difference between a price trend and a temporary fluctuation. 29/ During periods when duties and fees are the primary constraint, we recommend that they be adjusted so the market price does not exceed the MSP solely because of the duties and fees. We therefore recommend that provision be made for adjustment of fees and duties to minimize costs to consumers.

When quotas are not restrictive and the world price has fallen sufficiently, the quota should be tightened and again become the primary constraint. To avoid CCC purchases, this shift must occur before the world price drops below the level at which maximum fees and duties become inadequate. We therefore recommend that quotas be tightened when the world price falls to within one cent per pound of the price below which maximum fees and duties are ineffective and remains below this level for 5 consecutive days. 30/

Under current price-support levels, the restrictive quota system would go into effect if the world price falls to 11.32 cents per pound and remains at or below that level for 5 consecutive days. Duties and fees would remain at levels necessary to achieve the MSP in order to avoid disrupting the market when prices approach the transition point.

Quota on raw sugar.--Because present world sugar prices are considerably below 10 cents per pound, the Commission recommends that quarterly quotas be established for raw sugar. Under the headnote authority, the President has

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29/ See data in the report at A-32-34, table 11.
30/ The 5-day period should protect against the system responding to temporary aberrations. If before the 5-day time limit expires, the world price should plummet to a level below which fees and duties (added to transportation costs) can raise it to the MSP level, the quota should be tightened as soon as possible.

already acted to constrain sugar imports in the period May 11-June 30 to 220,000 short tons. The quota level of 220,000 short tons was based on a USDA estimate that imports would total 877,000 short tons during the first 4 months of 1982, and 110,000 short tons under the Proclamation's exemption clause. 31/ Imports during the first 4 months of 1982 were 861,000 short tons, or 16,000 short tons less than the USDA estimate. However, the amount of sugar imported under the exemption clause is now estimated to be two or three times more than the 110,000 short tons initially anticipated by USDA. As a result of this underestimation, it is likely that the amount of sugar imported for the first half of the year may exceed the USDA estimates by as much as 110,000 to 220,000 short tons. Because of the uncertainties with respect to import quantities during the first half year, we think it is more prudent to accept the 220,000 short ton amount as a basis for determining the third quarter quota.

In its preliminary quota plan, the USDA recommended quarterly quotas during the last half of 1982 of 825,000 short tons and 990,000 short tons for the third and fourth quarters, respectively. The most critical test for the quota occurs at the end of September when the USDA purchase program ends and the CCC might be required to purchase large quantities of sugar. Hence, the effect of greater-than-anticipated imports at the beginning of the year will have to be balanced by cuts in the third quarter quota. Therefore, we recommend a third quarter quota of 605,000 short tons. If this level should

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31/ The quantitative limitations imposed by Proclamation 4941 do not apply to sugar entered or withdrawn from warehouse for consumption prior to July 1, 1982, if the sugar was exported on a through bill of lading to the United States from the country of origin prior to April 23, 1982. Also, the quota does not apply to sugar imported between the date the proclamation was issued, May 5, 1982, and the date it went into effect, May 11, 1982.

raise the domestic price above the MSP, we recommend that adjustments be made in the fourth quarter quota.

We understand that the third and fourth quarter quotas may require further adjustment if the levels of domestic production, consumption, or stocks vary considerably from current USDA estimates. Our recommendations are based on USDA estimates of a 1982 domestic harvest of 5.8 million short tons and consumption of 9.6 million short tons. Furthermore, USDA estimates stocks at the beginning of January 1982, at 3.4 million short tons. We believe that stocks can be reduced to the 1.1 million short ton level by September 1982, as proposed by USDA and thus maintain the domestic price at the MSP level. However, we recommend that the Secretary of Agriculture have the authority to adjust the quotas to compensate for these uncertainties. 32/

If it is necessary to continue the restrictive quotas beyond 1982, we recommend a quota of 3.4 million short tons for 1983. In reaching this recommendation, we assume that USDA has accurately estimated 1982 production at 5.8 million short tons; that consumption will fall to 9.2 million short tons as sugar users continue to substitute HFCS for sugar; that domestic stocks will be adjusted to normal levels by the beginning of 1983; and that exempted imports will not be a factor in 1983. Therefore, a quota of 3.4 million short tons should be sufficient to allow the available supply to meet

32/ Chairman Alberger, noting that changes in domestic production, consumption, stocks, or first half 1982 imports from USDA estimates may require adjusting second half 1982 quotas, recommends that the third quarter quota be set more conservatively. Since it is essential that prices be at or above the MSP at the end of September, extra care should be taken to handle all possible contingencies. To significantly reduce the likelihood of CCC sugar purchases, he recommends that third quarter imports not exceed 400,000 short tons and that any changes in actual figures for production, consumption, or stocks which would allow for increased imports be reflected by adjusting the fourth quarter quota.

expected demand. In 1984, production is expected to continue at the same level, but we estimate consumption will continue to fall by another 400,000 short tons to 8.8 million short tons. Hence, we recommend that the quota for 1984 be reduced to 3.0 million short tons.

We recognize that uncertainties in this market make accurate predictions difficult and have consequently recommended a flexible system that requires the continued attention of the Secretary. 33/

Quota on refined sugar.--U.S. imports of refined sugar historically have been very small relative to imports of raw sugar. In the period 1975-79, annual imports of refined sugar averaged 122,547 short tons, less than 2 percent of total sugar imports. 34/ In recent years, imports of refined sugar entered principally from Canada and the European Community; however, imports from these sources have been made subject to countervailing and antidumping duties as a result of three proceedings in 1978-80. 35/ In 1980 and 1981, annual imports of refined sugar averaged only 6450 short tons. 36/

At the hearing, USDA requested that the Commission comment on the fee differential between raw and refined sugar necessary to ensure that refined sugar is not imported to circumvent the restrictions on imports of raw sugar.

33/ If at any point the price objectives are met so as to permit relaxation of the restrictive quota, the possibility of its being tightened without a further sec. 22 investigation should serve as a deterrent to sudden large influxes of imported sugar which would once again threaten to disrupt the market and materially interfere with the support program.

34/ Report at A-24.

35/ Countervailing duty on sugar from the European Communities, Treas. Dec. 78-253 (1978), 19 CFR Annex III, Part 335; and antidumping duties on sugar from France, the Federal Republic of Germany, and Italy, Treas. Dec. 79-167 (1979), and sugar and sirups from Canada, 45 F.R. 24127 (1980), 19 CFR Annex I, Part 353.

36/ Report at A-24.

At that time, the quarterly established fee for refined sugar, pursuant to Proclamation 4887, was the fee for raw sugar plus 15 percent of the amount by which the MSP exceeded the 20-day average world spot price for raw sugar. Under Proclamation 4940, the differential was set at one cent per pound.

Because a restrictive quota on raw sugar will encourage imports of refined sugar and we do not believe the one-cent differential is sufficient to prevent circumvention when such a quota is in effect, we recommend that a separate restrictive quota be established for refined sugar when a restrictive quota on raw sugar is in effect. Separate quotas for raw and refined sugar were imposed under the Sugar Act of 1948. We recommend that the quota for refined sugar be set at 10,000 short tons per year, an amount somewhat larger than the level of such imports in 1980 or 1981. Such a quota will, in our view, ensure that importers of specialty sugars have access to sufficient supplies.

When fees and duties are the effective constraint on raw sugar imports, the cents-per-pound differential must be high enough that imports of refined sugar will not be encouraged. In each year during the period 1978-81, the average cost to refiners after refining loss exceeded the domestic raw sugar price by more than one cent per pound. 37/ Before fees and duties again become the primary constraint, we recommend that USDA re-examine the one-cent-per-pound differential to assess its adequacy. 38/

37/ Report at A-32-34, table 11.

38/ Chairman Alberger does not believe that a cents-per-pound differential can be found that will adequately address the problem of limiting imports of refined sugar. It is his view that either imports of refined sugar will be encouraged when the differential is inadequate, or that it will be excessive. He recommends a fixed annual quota of 40,000 short tons of refined sugar to be in effect whether fees and duties or quotas are the primary restraint on raw sugar.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

At the request of the President, the United States International Trade Commission, on January 15, 1982, instituted an investigation (No. 22-45) under subsection (a) of section 22 of the Agricultural Adjustment Act (7 U.S.C. 624 (a)), to determine whether sugars, sirups, and molasses, derived from sugar cane or sugar beets, provided for in items 155.20 and 155.30 of the Tariff Schedules of the United States (TSUS), are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program for sugar cane and sugar beets of the U.S. Department of Agriculture.

The text of the President's letter of December 23, 1981, to the Commission follows:

> Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that certain sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of part 10A, schedule 1, of the Tariff Schedules of the United States, are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program implemented by the Department of Agriculture for sugar cane and sugar beets.
>
> The Secretary has also determined and reported to me, pursuant to Section 22(b) of the Agricultural Adjustment Act, as amended, that a condition exists requiring emergency treatment with respect to such sugars, sirups, molasses and has, therefore, recommended that I take prompt action under Section 22(b) to impose import fees on such sugars, sirups, and molasses. I am today issuing a proclamation imposing import fees on certain sugars, sirups, and molasses, such fees to continue in effect pending the report and recommendation of the United States International Trade Commission and action that I may take thereon.
>
> The United States International Trade Commission is directed to make an investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above-described sugars, sirups, and molasses are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective or materially interfere with the price support program of the Department of Agriculture for sugarcane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

On January 20, 1982, notice of the investigation was published in the Federal Register (47 F.R. 2956). A public hearing was held on April 6, 1982, in Washington, D.C. 1/

The Product

Description and uses

Four products constitute the bulk of the sugar, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS: refined sugar, raw sugar, liquid sugar, and invert sugar sirup.

Refined, i.e., pure, sugar is a dry, white organic chemical known as sucrose, which is derived either from the milling and refining of sugar cane or the processing of sugar beets. Sugar beets are annual temperate zone plants, usually grown in rotation with other crops (to avoid disease and pest problems from growing two beet crops successively in the same field.) The United States, Canada, and Europe account for virtually all sugar made from sugar beets. Sugar cane is a perennial subtropical plant. Unlike most sugar beets, which are converted directly to refined sugar in a single operation, sugar cane is first converted into an intermediate product, raw sugar, by one process (milling) before being converted to pure sugar by another (refining). Milling is done close to where the sugar cane is grown; refining is done close to where sugar is consumed. Raw sugar, consisting of large sucrose crystals coated with molasses, is the principal sugar shipped in world trade and accounted for 99.9 percent of imports of sugar into the United States in 1981. Since 1975, most imports of refined sugar have originated in Canada. Refined sugar is usually marketed in granulated or powdered form; however, for some uses, primarily in beverages and baking, it is dissolved in water and sold as liquid (liquid sugar and invert sugar sirup).

Sugar is used primarily as a caloric sweetening agent in food. In the United States, about one-third of the sugar consumed goes to households and institutional users and two-thirds to industrial users, where it is used to sweeten commercially sold products. The consumption of sugar, by types of user, is shown in table 1.

U.S. tariff treatment

The TSUS does not attempt to provide separately for sugars, sirups, and molasses by name for classification purposes. Rather, products in this general group are classified in accordance with their physical and chemical properties, regardless of the name by which a particular product may be called. Under the description "sugars, sirups, and molasses, derived from sugar cane or sugar beets, principally of crystalline structure or in dry amorphous form" (TSUS item 155.20) are classified all the solid sugars of commerce, including raw and refined sugar. Under the description "sugars, sirups, and molasses, derived from sugar cane or sugar beets, not principally

1/ A copy of the Commission's notice of investigation and hearing is shown in app. A.

Table 1.--Refined sugar: U.S. deliveries, by industrial and nonindustrial users and by quarters, January 1976-September 1981

(In millions of pounds)

Period	Industrial users								Nonindustrial users					Unspecified	Total
	Bakery, cereal, and allied products	Confectionery and related products	Ice cream and dairy products	Beverages	Canned, bottled, frozen foods; jams, jellies, etc.	Multiple and all other food uses	Nonfood uses	Total	Hotels, restaurants, and institutions	Wholesale grocers, jobbers, and sugar dealers	Retail grocers, chain-stores, and supermarkets	All other deliveries	Total		
1976:															
Jan.-Mar	648	462	247	961	278	254	50	2,899	26	877	540	48	1,492	249	4,640
Apr.-June	610	429	281	1,186	348	285	54	3,191	36	1,016	613	65	1,729	281	5,202
July-Sept	613	415	286	1,198	480	229	46	3,265	33	1,223	754	69	2,079	267	5,612
Oct.-Dec	587	428	222	931	259	212	46	2,735	32	952	634	78	1,696	202	4,632
Total	2,457	1,733	1,035	4,326	1,364	979	195	12,091	128	4,068	2,540	260	6,996	1,000	20,087
1977:															
Jan.-Mar	685	470	256	1,016	295	254	53	3,029	33	970	577	73	1,653	177	4,859
Apr.-June	687	460	302	1,314	354	237	50	3,403	34	978	587	79	1,677	124	5,205
July-Sept	660	453	292	1,353	494	297	46	3,594	33	1,084	687	66	1,871	252	5,716
Oct.-Dec	633	456	241	1,109	278	258	56	3,031	38	1,034	673	72	1,818	75	4,924
Total	2,664	1,839	1,091	4,792	1,420	1,046	205	13,057	139	4,067	2,524	290	7,019	628	20,705
1978:															
Jan.-Mar	667	453	264	1,122	283	197	68	3,054	46	843	472	55	1,416	68	4,538
Apr.-June	652	447	314	1,435	350	207	72	3,477	51	997	580	68	1,695	73	5,245
July-Sept	643	444	273	1,448	427	195	108	3,539	57	1,141	682	70	1,951	90	5,580
Oct.-Dec	604	445	226	1,111	284	215	68	2,953	54	944	602	54	1,655	83	4,691
Total	2,566	1,789	1,077	5,116	1,344	814	317	13,023	208	3,926	2,336	247	6,717	314	20,054
1979:															
Jan.-Mar	656	458	201	1,135	274	206	57	2,987	47	972	544	65	1,628	112	4,727
Apr.-June	581	401	249	1,242	308	204	57	3,043	60	919	558	84	1,621	224	4,888
July-Sept	599	438	261	1,223	433	254	58	3,266	47	1,035	668	92	1,842	223	5,331
Oct.-Dec	636	464	209	1,106	274	265	75	3,029	50	1,037	658	94	1,840	54	4,923
Total	2,472	1,762	920	4,707	1,289	929	246	12,325	204	3,962	2,428	336	6,930	614	19,869
1980:															
Jan.-Mar	678	491	203	1,015	241	319	76	3,024	48	848	499	95	1,490	129	4,643
Apr.-June	677	423	243	1,135	254	301	66	3,098	45	866	548	98	1,557	246	4,901
July-Sept	627	430	247	1,204	326	249	40	3,122	55	1,041	653	114	1,862	62	5,046
Oct.-Dec	613	468	182	889	212	272	53	2,688	44	929	601	104	1,678	0	4,365
Total	2,596	1,812	874	4,243	1,033	1,140	234	11,931	191	3,685	2,301	410	6,587	436	18,955
1981:															
Jan.-Mar	607	504	191	881	197	242	57	2,680	42	794	471	97	1,404	26	4,110
Apr.-June	663	455	242	1,009	274	302	70	3,013	49	951	586	116	1,701	0	4,714
July-Sept	696	506	253	1,005	295	354	61	3,170	44	1,178	630	53	1,904	0	5,075

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6 percent or less by weight of the total soluble solids" (TSUS item 155.30) are classified liquid sugar and invert sugar sirup.

For nearly five decades, the primary objective of U.S. tariff policy regarding sugar has been to stabilize prices, which, by fluctuating frequently and radically, often threaten the viability of the U.S. sugar industry. Since 1977, the U.S. Government has attempted to stabilize sugar prices through a series of price-support loan programs protected by (1) duties and quotas, which the President is authorized to proclaim under headnote 2 of subpart A, part 10, schedule 1, of the TSUS; and (2) fees, which the President is authorized to impose under section 22 of the Agricultural Adjustment Act. The price-support loan programs establish guaranteed prices, f.o.b. point of shipment, at which the U.S. Government will purchase U.S.-produced raw and refined sugar. Subject to the rules of the particular program in effect, processors and refiners are eligible to receive loans, based on the support price, through the Commodity Credit Corporation (CCC) on sugar used as collateral. When the loan is due, usually at the end of the crop year, the processor or refiner can either redeem the loan or forfeit the sugar. The basis of the decision is the extent to which the market price, f.o.b. point of delivery, is above or below the support price. To date, interest has been charged only if the loan is redeemed. Interest expense and costs associated with delivering sugar, which are normally borne by the producer, discourage redemption when market prices are at or only slightly above the support price. Quotas, duties, and fees are imposed on imports to help maintain minimum market price levels and thus insure that as little amount of sugar as possible is forfeited to the U.S. Government. A review of U.S. price-support programs on sugar and an outline of the history of the protection of these programs through quotas, duties, and fees are presented in appendix B.

Title IX of the Agriculture and Food Act of 1981 established the most recent price-support program for sugar. The key provisions of title IX are as follows:

> (1) Effective with respect to sugar processed from domestically grown sugar beets and sugarcane beginning with the date of enactment of this subsection through March 31, 1982, the Secretary shall, through purchases of the processed products thereof, support the price of sugarcane at such level as the Secretary determines appropriate to approximate a raw sugar price of 16.75 cents per pound, and the price of sugar beets at such level as the Secretary determines to be fair and reasonable in relation to the support level for sugarcane.
>
> (2) Effective October 1, 1982, the Secretary shall support the price of domestically grown sugarcane through nonrecourse loans at such level as the Secretary determines appropriate but not less than 17 cents per pound for raw cane sugar for the 1982 crop, 17.5 cents per pound for the 1983 crop, 17.75 cents per pound for the 1984 crop, and 18 cents per pound for the 1985 crop. Effective October 1, 1982, the Secretary shall support the price of domestically grown

> sugar beets through nonrecourse loans at such level as the Secretary determines to be fair and reasonable in relation to the level of loans for sugar cane. The Secretary shall announce the loan rate to be applicable during any fiscal year as far in advance of the beginning of that fiscal year as practicable consistent with the purposes of the subsection. Loans during any such fiscal year shall be made available not earlier than the beginning of the fiscal year and shall mature before the end of that fiscal year.

Provision (1) above provided for an interim purchase-agreement program to be implemented pending the execution of the loan program provided for in provision (2). In order to protect these price-support programs, the President, on December 23, 1981, issued Proclamations 4887 and 4888, which imposed import fees and modified import tariffs, respectively.

Purchase agreement program

On February 19, 1982, the Secretary of Agriculture issued interim rules for the purchase-agreement program for sugar required by the Agriculture and Food Act of 1981. The rules provided that processors of sugar cane or sugar beets may enter into purchase agreements with the CCC for sugar processed from domestically grown sugar cane or sugar beets between December 22, 1981, and March 31, 1982. Such agreements, in which a maximum amount of sugar that the CCC will purchase from the processor is agreed upon, must be filed by May 31, 1982, and the agreements will mature on November 1, 1982. Within the maximum quantity limitation, processors may transfer any amount of sugar to the CCC, but must give notice of intent to transfer by October 1, 1982. To be eligible to obtain a CCC purchase agreement, a processor must agree to pay producers specified minimum prices for the sugar cane and sugar beets. The minimum prices that processors must pay to growers and the maximum prices the CCC will pay to processors under the purchase-agreement program, by regions, are as follows:

Item and area	Price to processor (cents per pound)	Price to grower
Sugar cane:		
Florida	1/ 16.73	$23.14/short ton
Louisiana	1/ 17.16	21.64/short ton
Texas	1/ 16.85	19.41/short ton 2/
Hawaii 3/	1/ 16.66	24.19/short ton 4/
Puerto Rico 3/	1/ 16.23	Price determined under Puerto Rico Law No. 426
Sugar beets:		
Michigan and Ohio	5/ 20.11	26.71/short ton
Minnesota and North Dakota	5/ 19.01	29.35/short ton

Item and area	Price to processor (cents per pound)	Price to grower--Continued
Nebraska, Kansas, northern Colorado, and eastern Wyoming----------	5/ 18.53	28.60/short ton
Southern Colorado, Texas, and New Mexico----------------------	5/ 19.15	29.58/short ton
Montana and western Wyoming----------------------	5/ 18.71	28.88/short ton
Eastern Idaho and Utah------------------------	5/ 18.59	28.69/short ton
Western Idaho, Oregon, and Washington---------------	5/ 18.59	28.69/short ton
California and Arizona---------------------	5/ 19.81	30.62/short ton

1/ Raw value.
2/ 10.11 cents/lb of sugar recovered per short ton.
3/ 16.75 cents/lb, raw value, if delivered to the U.S. mainland.
4/ 10.99 cents/lb of sugar recovered per short ton.
5/ Refined.

The CCC must assume the costs of delivering the product in the event the sugar is forfeited. The differences shown for the various regions reflect variances in delivery costs from an average delivery cost for all regions and insure that the average net cost to the CCC is 16.75 cents per pound, raw value. (For example, the cost in delivering raw sugar from Hawaii to its normal market is 16.75 minus 16.66 or .08 cent per pound less than average). The domestic industry was allowed to comment on these differentials until March 21, 1982, after which the Department of Agriculture was to issue final rules. Final rules have not yet been issued. As of May 3, 1982, U.S. producers and the CCC had entered into purchase agreements involving about 600,000 short tons of sugar. The U.S. Department of Agriculture expects the quantity of sugar covered by the purchase agreement program to increase to 1 million short tons by May 31.

Price-support loan program

The Department of Agriculture has not indicated when it will issue regulations for the price-support loan program, which is to begin October 1, 1982. Prior to the issuance of final rules, proposed rules will be issued for comment. It is anticipated that the differentials proposed for various marketing territories will be similar to those proposed for the purchase-agreement program. The extent to which interest may be payable, whether or not the collateral is forfeited, has not yet been established. In all previous price-support loan programs interest and principal of loans were nonrecoursable in the event of forfeiture of price-support loan collateral.

Such terms tend to influence the processor to forfeit unless market prices are substantially above the loan rate.

Import duties

On December 23, 1981, the President signed Proclamation 4888, which, pursuant to headnote 2, subpart A, part 10, of schedule 1 of the TSUS, raised the column 1 1/ rate of duty on sugar provided for in TSUS items 155.20 and 155.30 from 0.625 cent per pound, raw value, to 2.8125 cents per pound, raw value. 2/ This action increased the column 1 duty from the lowest rate which the President can proclaim to the highest authorized rate. 3/ The column 2 4/ rate of duty was also raised to 2.8125 cents per pound, raw value, from the statutory rate of 1.875 cents per pound, pursuant to general headnote 4 of the TSUSA. 5/

1/ Column 1 rates of duty are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those communist countries and areas enumerated in general headnote 3(f) of the TSUSA. However, these rates would not apply to products of developing countries where such articles are eligible for preferential tariff treatment provided under the Generalized System of Preferences or under the "LDDC" rate of duty column.

2/ Duties on sugar in item 155.20 are assessed by a rate formula (2.98125 cents per pound less 0.04281875 cent per pound for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625 cents per pound) and duties on sugar in item 155.30 are assessed based on total sugar content at the rate per pound applicable under item 155.20 to sugar testing 100 degrees. Sugar degrees, a measure of purity, are determned by polariscopic test. Application of the rate formula based on degrees of purity is intended to yield the same duty per pound of recoverable sucrose content for raw sugar of varying concentrations as is applied to refined sugar (100 percent recoverable sucrose). Duties are generally quoted based on 96-degree raw value sugar, as such sugar constitutes the bulk of world trade.

3/ Headnote 2 fixes the column 1 rate of duty in effect Jan. 1, 1968, 0.625 cent per pound, raw value, as the floor below which the President cannot reduce the duty. Sec. 201 (a) (2) of the Trade Expansion Act of 1962 establishes the ceiling rate, which is to be no more than 50 percent above the rate existing on July 1, 1934 (1.875 cents per pound, raw value).

4/ The column 2 rates of duty apply to imported products from those communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

5/ These increased rates of duty were effective for articles entered, or withdrawn from warehouse for consumption, after 12:01 a.m. (e.s.t.) on Dec. 24, 1981, except for sugar entered before Jan. 1, 1982, which was imported to fulfill forward contracts that were entered into prior to June 1, 1981, between (a) an exporter and an end user, or (b) an importer, broker, or operator and an end user of such articles. Virtually all sugar imports between Dec. 24, 1981, and Jan. 1, 1982, are believed to have qualified for this exception.

Sugar imported under TSUS item 155.20 is eligible for the General System of Preferences (GSP) 1/ except for those countries excluded under the competitive-need criterion, Argentina, Brazil, Colombia, the Dominican Republic, Guatemala, Panama, the Philippines, Swaziland, and Thailand. All imports under item 155.30 are eligible for GSP. A copy of Proclamation 4888 is provided in appendix C.

Section 22 import fees

Also, on December 23, 1981, the President signed Proclamation 4887 which, pursuant to emergency provisions of section 22 of the Agricultural Adjustment Act, provided a system for the imposition of additional import fees to protect the price-support operations for sugar cane and sugar beets mandated by the Agriculture and Food Act of 1981. 2/ Section 22 of the Agricultural Adjustment Act prevents the President from increasing import fees to more than 50 percent ad valorem. (App. C also includes a copy of Proclamation 4887.)

Under Proclamation 4887, the Secretary of Agriculture was provided authority to establish import fees, on a quarterly basis, which were to be automatically adjusted by 1 cent per pound if sugar prices varied from the market stabilization price by more than 1 cent per pound for 10 consecutive market days. The market stabilization price is the price determined necessary to protect the price-support level established by the purchase-agreement program and the price-support loan program, i.e., the minimum market price required to discourage sale or forfeiture of sugar to the U.S. Government. It was to be calculated by adding to the price-support level (16.75 cents per pound for the current purchase-agreement program) adjusted average transportation costs (weighted average of handling and transporting domestically produced sugar from Florida to Atlantic coast ports north of Cape Hatteras, determined to be 1.2 cents per pound for transport and 0.43 cent per pound for handling), interest costs, if applicable (not applicable for the purchase-agreement program), an amount adequate to compensate for the estimated value of duty reductions to be granted under the GSP on imported raw cane sugar, as determined by the Secretary (0.5 cent per pound), and an incentive factor of 0.2 cent per pound. These additions to the price-support level established a market stabilization price of 19.08 cents per pound, raw value, which was to be in effect until October 1, 1982, when the loan program will take effect and the support price will increase to 17.00 cents per

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1/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

2/ These increased fees were effective for articles entered, or withdrawn from warehouse for consumption, after 12:01 a.m. (e.s.t.) on December 24, 1981, except for sugar entered before Jan. 1, 1982, which was imported to fulfill forward contracts that were entered into prior to June 1, 1981, between (a) an exporter and an end user, or (b) an importer, broker, or operator and an end user of such articles. Virtually all sugar imports between Dec. 24, 1981, and Jan. 1, 1982, are believed to have qualified for this exception.

pound. Thereafter, the market stabilization price would be adjusted on a fiscal year basis, in accordance with the prescribed increases in the price support level.

Two components of the market stabilization price--transportation costs and the GSP factor--provoked controversy. Although an amount adequate to compensate for the estimated value of duty reductions under the GSP had to be taken into account in deriving an appropriate fee, its use as a factor in calculating the market stabilization price erroneously suggested that it was a cost U.S. producers incur in marketing sugar. The actual minimum market price necessary to discourage forfeiture would have been the market stabilization price minus the GSP factor, i.e., 19.08 cents minus 0.50 cent = 18.58 cents per pound "effective" market stabilization price). The transportation costs used under the Proclamation may have been less than adequate in preventing some processors from selling sugar to the CCC. If the market stabilization price is the minimum necessary to prevent all sales or loan forfeitures, then it should reflect the highest cost of U.S. producers in transporting sugar to market. Currently the cost for transporting raw sugar from Hawaii to the U.S. mainland is greater than that for transporting sugar from Florida to North Atlantic ports.

According to Proclamation 4887, the fee for raw sugar (sugar to be further refined or improved in quality) was to be established quarterly and was to be the difference between the market stabilization price and the sum of (1) the average world spot price (Number 11 price) 1/ for the 20 consecutive market days immediately preceding the 20th day of the month preceding the calender quarter; (2) the duty; and (3) the "attributed costs" of importing raw sugar from Caribbean ports to the North Atlantic coast, including freight, stevedoring, financing, weighing, sampling, and International Sugar Agreement fees. (The attributed costs were officially set at 1.5032 cents per pound for January-September 1982, and were to be determined by the Secretary of Agriculture for future periods). During January-March 1982, the President proclaimed an import fee of 2.1418 cents per pound for raw cane sugar.

An alternative to the world spot price, or Number 11 price, in deriving an appropriate fee is the domestic spot price, or Number 12 price, also quoted daily on the New York Coffee & Sugar Exchange. The Number 12 price is the price of raw sugar f.o.b. North Atlantic coast ports. Although the use of this price would alleviate the necessity of monitoring the attributed costs associated with delivering sugar from Greater Caribbean ports, its calculation is based on far fewer transactions than the Number 11 price, and, thus, it may not be as accurate as the Number 11 price in measuring price level changes.

For refined sugar (not to be further refined or improved in quality) the quarterly import fee was to be the fee for raw sugar plus 15 percent of the amount by which the applicable market stabilization price exceeds the 20-day average of the world spot price for raw sugar. In prior years, the import fee for refined sugar was fixed at 0.52 cent per pound above the raw sugar fee,

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1/ The world spot price, or Number 11 price, quoted daily on the New York Coffee & Sugar Exchange, is the price of raw sugar f.o.b. Greater Caribbean ports.

which meant that even when high world prices eliminated the need for import fees, a fee of 0.52 cent per pound was still maintained for refined sugar. The variable fee imposed by Proclamation 4887 corrected this incongruity but introduced another. As the world price nears the market stabilization price, the fee for refined sugar will decline to a point where it will not adequately reflect the cost of converting raw into refined sugar. Under these circumstances the incentive to import refined sugar in lieu of raw sugar increases markely.

The intent of these measures was to insure that the U.S. price would be above the effective market stabilization price of 18.58 cents per pound, which in turn would insure that no sugar would be sold to the CCC under the purchase-agreement program. For the first four months of 1982, however, the U.S. price was less than 18.58 cents per pound. Two factors were the cause of this failure of the increased duties to reach their objective. First, nearly 1 million tons of sugar were imported in December 1981 before the higher duties went into effect, and have tended to overhang the market. Secondly, the allowance made for GSP imports was apparently less than necessary to cover the impact of GSP duty-free imports in January-March 1982, in particular, from Thailand, which shipped large quantities before it became ineligible for duty-free treatment on March 31, 1982. Because of these factors, the spread between the world price and the U.S. price was not as large as the theoretical amount which would be expected by adding delivery costs and applicable duties. During January-April 1982, world prices steadily fell. On April 2, 1982, the Secretary of Agriculture gave notice that the section 22 import fees for the second quarter of 1982 would be 3.0703 cents per pound for raw sugar and 4.1782 cents per pound for refined sugar. The fees were increased an additional 1 cent per pound on April 21, 1982, because sugar prices were below the market stabilization price by more than 1 cent per pound for 10 consecutive market days. Since April 23, 1982, the maximum fees and duties allowed by law have not been sufficient to raise the world price to the effective market stabilization price. On May 5, 1982, the President signed two new proclamations with respect to sugar. Proclamation 4940 modifies the fee system instituted under Proclamation 4887, and Proclamation 4941 establishes a system of import quotas allocated on a country-by-country basis. 1/ (Copies of these Proclamations are presented in app. D.)

The major provisions of Proclamation 4940 that modify Proclamation 4887 are as follows:

1) The fee for refined sugar is now fixed at 1 cent per pound above that for raw sugar;

2) The Number 12 price is now used in lieu of the Number 11 price as a basis for deriving the fee;

3) The GSP factor is no longer a component of the market stabilization price;

1/ On May 10, 1982, the President directed the Commission to continue its investigation, taking into account Proc. 4940, and report to him at the earliest practicable date; the President's letter is presented in app. D.

4) Transportation costs are now the weighted average cost of handling and transporting domestically produced raw cane sugar from Hawaii to gulf and Atlantic coast ports; and

5) The market stabilization price for the remainder of the second and third calendar quarters of 1982 is to be 19.88 cents per pound.

Quotas

Effective May 11, 1982, Proclamation 4941 established a total import quota for TSUS items 155.20 and 155.30 of 220,000 short tons, raw value, for the period May 11, 1982, through June 30, 1982. After June 30, 1982, the Secretary of Agriculture is to establish and adjust the quota on a quarterly basis. All but 5.9 percent of the quota is to be allocated on a country-by-country basis according to certain percentages delineated in the proclamation. The remainder is to be allocated as a whole to 23 other specified countries and areas.

The proclamation sets forth several provisions for the modification of the system. If the Secretary determines that such modifications are appropriate to provide the 23 other specified countries and areas reasonable access to the U.S. sugar market, he may, after appropriate consultation, establish minimum quota amounts for these countires, quota periods other than quarterly periods, and/or the carrying forward of unused quota amounts into subsequent quota periods. If the Secretary determines that such action or actions are necessary to give due consideration to the General Agreement on Tariffs and Trade, he may, after appropriate consultation, suspend the country-by-country allocation provisions of the Proclamation, or may establish quantitative limitations for periods of time other than calendar quarters. The U.S. Trade Representative, moreover, may, after appropriate consultations, modify the country-by-country allocation provisions (including the addition or deletion of any country or area), and may prescribe further rules, limitations or prohibitions on the entry of sugar if he finds that such actions are appropriate to carry out the obligations of the United States under the International Sugar Agreement or any successor agreement thereto.

The proclamation also provides for the review and termination of the quota system by the Secretary of Agriculture. If the system is terminated, the Proclamation provides that the total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered, or withdrawn from warehouse for consumption, in any fiscal (Oct. 1-Sept. 30) year shall not exceed, in the aggregate, 6,900,000 short tons, raw value. 1/ The U.S. Trade Representative may allocate this quantity among supplying countries or areas and may prescribe further rules, regulations, limitations, or prohibitions on the entry of sugar in accordance with the International Sugar agreement, 1977, and Public Law 96-236.

1/ This quota has been in effect since Nov. 30, 1978. An annual global quota of 6.9 million short tons is considerably above historic import levels.

Caribbean Basin Initiative

Imports of sugar under TSUS item 155.20 from all countries of the Caribbean Basin except the Dominican Republic, Guatemala, and Panama are now eligible for duty-free treatment. Imports from all countries of the Basin under item 155.30 are eligible for GSP. The President's Caribbean Basin Initiative, if enacted by Congress, would extend duty-free treatment to imports of sugar under item 155.20 from the above three countries with individual quotas totaling 1.27 million short tons, an amount equivalent to 110 percent of the average of each country's two years of highest exports to the United States in 1979-81. The remaining countries in the Basin would have the option of continuing to import under GSP criteria or having quotas set to limit duty-free imports. An increase of duty-free imports relative to total imports would tend to deflate prices and make the existing fee system less likely to prevent the forfeiture of sugar. The current fee formula contains no proviso for the possible enactment of the Caribbean Basin Initiative.

The Domestic Industry

About 55 percent of the sugar consumed annually in the United States comes from domestic sources (30 percent from sugar beets and 25 percent from sugar cane) and 45 percent from foreign sources (virtually all cane).

U.S. sugar beet growers and beet sugar processors

Sugar beets are currently produced in 15 States. The number of farms producing sugar beets in 1981/82 most likely decreased from the 10,500 farms producing sugar beets in 1977/78 (the last year for which official statistics are available). For 1981/82, estimated U.S. sugar beet acreage was 1,229,800 acres, up from 1,189,500 acres in 1979/80 (table 2). Sugar beets are grown by farmers under contract to beet sugar processors. The contracts generally call for growers to deliver beets from a given acreage to processors and for processors to reimburse the growers on a basis which includes a percentage of the return processors receive from the sale of the refined sugar. In 1979, there were 44 beet sugar factories, owned by 13 companies or cooperatives, scattered throughout the beet-sugar-producing regions in the United States.

Hawaiian sugar cane growers and millers

Hawaii is noted for having the highest yields of sugar cane per acre in the world. There were more than 300 farms in Hawaii, harvesting 99,000 acres of sugar cane in 1978. About one-half the acreage is irrigated, and it produces two-thirds of the sugar cane harvested. Five large corporations, often called the five factors, 1/ account for more than 95 percent of the acreage and production of Hawaiian sugar cane through their subsidiary producing and/or milling companies.

1/ The five factors are C. Brewer & Co., Ltd.; Castle & Cooke, Inc.; Amfac, Inc.; Alexander & Baldwin, Inc.; and Theodore H. Davies & Co., Inc.

Table 2.--Sugar: U.S. acreage, production, and season average price, by States, 1976/77-1981/82

Crop year	Cane sugar						Beet sugar											
	Florida	Hawaii	Louisiana	Puerto Rico	Texas	Total	California	Minnesota	Idaho	North Dakota	Michigan	Nebraska	Colorado	Wyoming	Montana	Texas	All other	Total
	Acreage (1,000 acres)																	
1976/77	286.0	99.9	291.0	123.9	27.1	827.9	312.0	248.0	139.4	149.8	91.4	84.5	121.0	56.4	46.1	23.3	206.9	1,478.8
1977/78	285.0	96.8	304.0	116.2	33.5	835.5	217.0	260.0	107.4	155.2	85.5	67.7	72.0	48.4	45.0	17.9	140.1	1,216.2
1978/79	300.0	99.4	268.0	101.1	32.4	800.9	194.0	263.0	132.3	155.2	91.5	76.0	84.0	48.8	44.7	23.6	156.1	1,269.2
1979/80	318.2	100.6	240.0	85.6	30.9	775.3	215.0	244.0	125.9	143.1	88.0	72.4	73.0	48.2	43.4	19.5	47.2	1,119.7
1980/81	320.7	97.4	232.0	83.9	33.5	767.5	229.0	243.0	137.9	142.7	97.0	85.0	91.0	45.3	43.3	24.4	50.9	1,189.5
1981/82	334.0	98.6	247.0	74.8	36.7	791.1	260.0	257.0	145.0	144.9	99.0	78.3	77.0	44.9	44.5	25.2	54.0	1,229.8
	Production (1,000 short tons)																	
1976/77	9,324	9,173	7,451	3,630	971	30,549	8,912	3,026	2,879	2,022	1,540	1,690	2,303	1,167	968	503	4,376	29,386
1977/78	8,493	8,994	7,265	3,177	978	28,907	5,664	4,732	2,094	2,769	1,796	1,354	1,404	949	896	309	3,040	25,007
1978/79	9,160	9,263	5,449	2,835	949	27,656	4,745	4,971	2,765	3,054	1,770	1,368	1,538	922	885	414	3,356	25,788
1979/80	9,975	9,632	4,950	2,288	853	27,698	5,719	3,782	2,820	2,304	1,550	1,462	1,358	906	829	332	934	21,996
1980/81	9,985	9,214	5,414	2,236	969	27,818	5,885	3,621	3,296	2,017	1,892	1,777	1,729	1,024	879	386	996	23,502
1981/82	11,356	9,535	6,669	2,038	1,146	30,744	7,020	4,420	3,741	2,652	2,030	1,887	1,733	1,078	926	575	1,209	27,271
	Value of production (1,000,000 dollars)																	
1976/77	140.8	164.7	91.6	48.3	11.3	456.7	199.6	56.6	59.9	39.8	34.5	36.0	48.6	26.3	21.7	9.8	84.1	616.8
1977/78	166.5	144.2	128.6	34.9	15.0	489.1	149.5	97.5	53.4	59.3	36.1	36.6	36.9	27.3	26.1	7.2	74.5	604.4
1978/79	187.8	182.7	103.0	39.8	10.5	523.8	120.8	108.4	76.6	69.9	41.6	38.0	42.4	27.2	26.5	10.1	86.7	648.2
1979/80	302.2	217.7	119.8	35.5	21.5	696.7	177.9	120.3	106.0	78.6	60.3	49.7	46.3	34.4	30.9	11.4	29.5	745.3
1980/81	393.4	385.1	179.7	67.3	26.3	1,051.8	301.3	159.7	152.3	93.4	77.0	83.5	82.1	52.1	45.2	16.5	45.9	1,109.0
1981/82	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/
	Season average price (per short ton)																	
1976/77	$15.10	$18.00	$12.30	$13.31	$11.60	$15.00	$22.40	$18.70	$20.80	$19.70	$22.40	$21.30	$21.10	$22.50	$22.40	$19.40	$19.20	$21.00
1977/78	19.60	16.00	17.70	10.99	15.30	16.90	26.40	20.60	25.50	21.40	20.10	27.00	26.30	28.80	29.10	23.40	20.40	24.20
1978/79	20.50	19.70	18.90	14.06	11.00	18.90	25.80	21.80	27.70	22.90	23.50	27.80	27.60	29.50	29.90	24.50	25.80	25.20
1979/80	30.30	22.60	24.20	15.53	25.20	25.20	31.10	31.80	37.60	34.10	38.90	34.00	34.10	38.00	37.30	34.20	31.60	33.90
1980/81	39.40	41.80	33.20	30.09	27.10	37.80	51.20	44.10	46.20	46.30	40.70	47.00	47.50	50.90	51.40	42.70	46.00	47.20
1981/82	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/
	Production of sugar (1,000 short tons, raw value)																	
1976/77	930	1,050	650	312	94	3,036	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	3,895
1977/78	894	1,034	668	268	88	2,952	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	3,108
1978/79	972	1,029	550	204	61	2,816	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	3,289
1979/80	1,047	1,060	500	193	93	2,893	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	2,879
1980/81	1,121	1,023	491	177	93	2,905	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	3,149
1981/82	1,184	1,037	690	153	101	3,165	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	1/	3,349

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

More than 95 percent of the raw sugar produced in Hawaii is refined on the U.S. mainland by the California and Hawaiian Sugar Co. (C&H), a cooperative agricultural marketing association. The refining company is owned by 16 Hawaiian raw-sugar-producing and/or milling companies, but it also serves as the refiner and marketing agency for independent nonmember sugar cane farmers in Hawaii.

Mainland sugar cane growers and millers

Louisiana, Florida, and Texas are the principal mainland States producing sugar cane. The mainland cane-milling industry takes sugar cane from growers and processes it into raw sugar. Because it rapidly becomes more difficult to recover sucrose from sugar cane once it has been cut, the cane mills are located close to the producing areas. In 1980/81, the 40 mainland cane-milling companies produced about 1.8 million short tons of raw sugar and several byproducts, such as molasses and bagasse.

Louisiana.--Sugar cane in Louisiana is grown on the flood plains of the bayous (mostly streams in the Mississippi River Delta). The acreage that can be devoted to sugar cane in Louisiana is limited, and any expansion of production will probably be accomplished by increasing yields. The number of farms producing cane has probably declined from about 1,100 in 1977/78 (the last year for which official statistics are available). More than one-half of the Louisiana crop is grown by owners of processing mills.

Florida.--In Florida, sugar cane production has been increasing. In 1977/78, there were 153 farms producing sugar cane (the last year for which official statistics are available), but the bulk of production comes from a few large farms. The land devoted to sugar cane in Florida is concentrated in the vicinity of Lake Okeechobee, where the "soil" consists of organic materials deposited over the centuries. As sugar cane is grown on this high-yielding base, the level of organic material drops because of exposure to the air. Eventually, when the organic material runs out, sugar cane production methods will have to be revised. Most of the sugar cane in Florida is produced by owners of cane sugar mills, of which there were eight in 1975/76. One company in Florida that is both a processor and grower, the United States Sugar Corp., is the largest grower of sugar cane in the United States.

Texas.--The Texas sugar cane industry began production in southern Texas in 1973/74 and has since been expanding. In 1977/78, there were 105 farms producing sugar cane (the last year for which official statistics are available). It is likely that the number of farms has increased since then.

Puerto Rico sugar cane growers and millers

In the last decade, there has been a severe decline in the number of farms producing sugar cane and in sugar cane production in Puerto Rico. The number of farms declined from 1,932 in 1973/74 to 1,425 in 1977/78 (the last year for which official statistics are available). The bulk of the sugar cane acreage and most of the sugar-cane-processing mills are owned, leased, or contracted for by the Sugar Corp. of Puerto Rico, a quasi-Governmental corporation. In 1981, only seven mills processed sugar cane, and the number of mills is continuing to decline.

Cane sugar refiners

There are 21 cane sugar refineries in the continental United States, located mainly on the east and gulf coasts. Cane sugar refiners refine domestic raw cane sugar and are also the principal users of imports of raw sugar. The 21 cane sugar refineries are operated by 11 companies and 1 cooperative. Traditionally, cane sugar refiners have provided about 70 percent of the sugar consumed in the mainland U.S. market. In 1981, U.S. cane sugar refiners produced over 6 million short tons, raw value, of sugar.

U.S. Importers and Sugar Operators

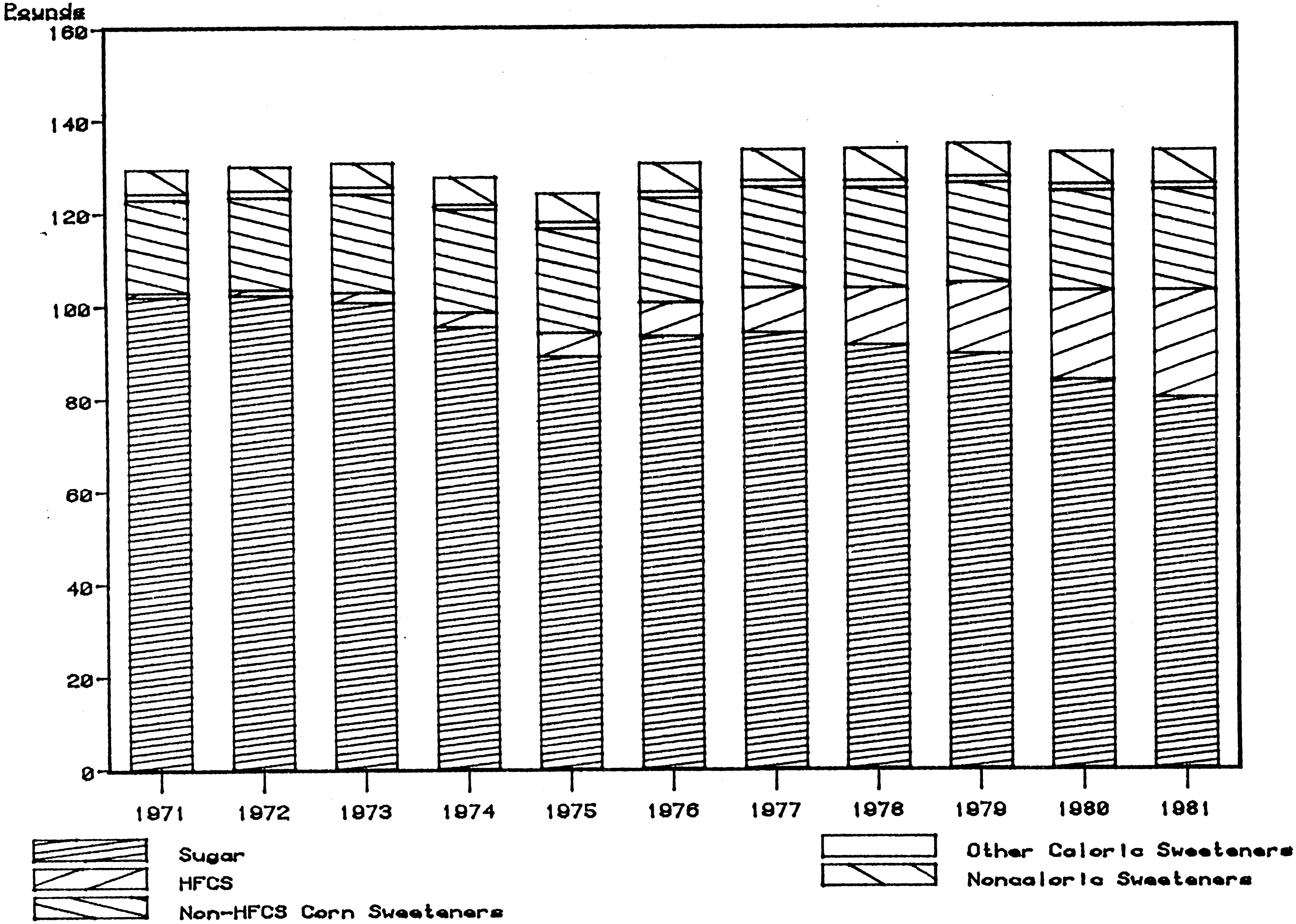
Besides the cane sugar refiners, which contract for the bulk of U.S. sugar imports, other importers and sugar operators are involved in the importation of raw, semirefined, or refined sugar. They import sugar and arrange for the sale and delivery of the commodity to buyers (mostly cane sugar refiners). The need for the importers' and sugar operators' services arises because producers cannot always find refiners willing to buy at the times and locations that producers have sugar to sell and vice versa. The importers' and sugar operators' services consist of financing the transaction, chartering the transportation, arranging for loading, import and export documentation, delivery to the buyers' docks, and taking the risk of price changes while these procedures are being undertaken. The operators also engage in significant trading in sugar futures markets and may operate in the world sugar trade outside the U.S. market. In 1974, there were at least 16 sugar operators dealing in raw sugar and an unknown number of importers dealing in refined sugar for direct consumption sales.

Alternative Sweeteners

The principal alternatives to sugar in sweetener markets are derived from cornstarch. Most cornstarch derivatives, including glucose, glucose sirup, and dextrose, are seldom used as direct substitutes for sugar; however, a recently developed corn-based product, high-fructose corn sirup (HFCS), has grown rapidly in sales and has been increasingly purchased in lieu of sugar for certain applications, especially those for which liquid sugar is used. Figure 1, which shows U.S. per capita consumption of sugar and other sweeteners from 1971 to 1981, shows the extent of this substitution. HFCS could eventually serve as a substitute for most products that do not specifically require dry crystal sweeteners. 1/

1/ Even where liquid sweeteners are possible, HFCS may not always be a feasible alternative. In ice cream, for example, HFCS' molecular structure lowers the product's freezing point, a condition that makes storage and handling more difficult.

Figure 1.--Sugar and other sweeteners: U.S. per capita consumption, 1971-81.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

HFCS was first introduced commercially in the U.S. market in 1967. The first HFCS product was composed of 42 percent fructose and had approximately 90 percent of the sweetness of sugar. Two new HFCS products developed in the last few years have increased the fructose content to 55 percent and 90 percent, making HFCS as sweet or sweeter than sugar. In 1981, HFCS accounted for an estimated 25 to 30 percent of total industrial sweetener usage, although in some important segments of the industrial sweetener market, HFCS has a dominant position. The most notable of these is the beverage sector, where HFCS has attained a 50-percent share of sweetener usage. This growth occurred within the last 10 years and almost completely at sugar's expense. Prospects in dairy products, baked, canned, and processed foods are more modest, but many industry observers think that HFCS might eventually supply half of industrial sweetener needs (about two-thirds of refined sugar presently goes to industrial sweeteners).

In 1980, there were 11 firms in the U.S. corn sweetener industry, together operating 20 plants, most of which are located in the corn-producing States of the Midwest. Corn sweetener sales for 1978-81, as reported by the 10 respondents to the Commission's 1982 questionnaires, are shown in table 3. Aggregate U.S. sales of all corn sweeteners increased steadily during 1978-81. However, sales of HFCS, which more than doubled during the period to 2.7 million short tons, accounted for almost all of the growth. Production of glucose, dextrose, and glucose sirup all increased moderately during the period.

Foreign Producers and the World Sugar Market

Leading world producers of sugar are the European Community (EC), Brazil, the U.S.S.R., India, Cuba, and the United States (table 4). These countries together accounted for over 53 percent of world production in 1981. However, since most world sugar is consumed in the country where it is produced, the only leading producers that were also net exporters were the EC, Brazil, and Cuba. The leading exporting countries are Cuba, the European Community, Australia, Brazil, and the Philippines, which together accounted for 64 percent of world exports in 1981 (table 5).

Leading world consumers of sugar are the U.S.S.R., the EC, the United States, India, Brazil, China, Mexico, Japan, and Indonesia, which together accounted for about 63 percent of world consumption in 1981. Leading importers include the U.S.S.R., the United States, Japan, the EC, Canada, and Iran, which together accounted for about 55 percent of world imports in that year.

Table 3.--Corn sweeteners: Shipments by 10 corn sweetener producers, 1978-81

Type	1978	1979	1980	1981
	Quantity (short tons)			
HFCS	1,208,000	1,674,500	2,179,500	2,672,000
Glucose sirup	2,010,000	2,015,000	2,005,500	2,044,500
Dextrose	552,000	586,000	599,500	579,000
Glucose sirup solids	63,000	64,500	64,500	68,000
	Value (million dollars)			
HFCS	255	404	892	1,120
Glucose sirup	301	346	425	611
Dextrose	156	175	266	294
Glucose sirup solids	21	22	25	29

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Production, Exports, and Imports

Between 1970 and 1981, U.S. production of sugar fluctuated between a high of 7.1 million short tons (raw value) in 1976 and a low of 5.8 million short tons in 1978 (table 6). To some extent the changes in production reflect changes in prices. The decline in U.S. sugar production from the peak in 1976 followed the lower prices received by domestic producers after the high prices of 1974 and early 1975. Because of high prices in late 1980 and early 1981, production in 1981 increased to 6.4 million short tons.

After remaining at less than 3 percent of production since 1970, exports increased to 11 percent of production in 1980 and to more than 18 percent of production in 1981. The increase in exports in 1980 and 1981 was primarily an aberration, due to a drawback provision available to U.S. refiners. 1/

1/ Importers can receive a refund of nearly all of the import duty paid on a particular import when, within 3 years, they esport the same product on an article made from that product. The import duty on raw sugar was 2.8125 cents per pound from Nov. 11. 1977, until Feb. 1, 1980, when it was reduced to 0.625 cent per pound. Thus, after Feb. 1, 1980, importer/refiners would import raw sugar and pay the 0.625 cent per pound duty and export refined sugar and claim the drawback of the duty based on the 2.8125 cents per pound rate.

Table 4.--Sugar: World production by leading producers, and world consumption by leading consumers, crop years 1975/76 through 1980/81

(Thousands of short tons, raw value)

Area	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
	Production					
European Community	11,575	11,998	13,668	13,856	14,394	14,139
Brazil	6,834	8,267	9,770	8,532	7,681	8,929
U.S.S.R	8,488	8,102	9,728	10,251	8,598	7,606
India	6,023	6,661	9,040	7,794	5,699	7,203
Cuba	6,834	6,724	7,937	8,267	7,165	7,055
United States	7,204	6,872	5,992	6,126	5,718	6,005
Australia	3,294	3,753	3,662	3,283	3,271	3,734
China	2,547	2,373	2,701	2,949	2,763	3,364
Mexico	2,974	2,972	3,339	3,371	3,048	2,776
Philippines	3,169	3,035	2,642	2,587	2,563	2,616
Argentina	1,487	1,755	1,835	1,529	1,538	1,890
Republic of South Africa	1,986	2,388	2,437	2,435	2,432	1,884
Thailand	1,809	2,438	1,746	2,040	1,198	1,807
Indonesia	1,135	1,177	1,240	1,527	1,447	1,510
Colombia	1,064	972	1,009	1,123	1,315	1,323
Poland	2,050	1,985	2,005	1,943	1,744	1,243
Dominican Republic	1,377	1,347	1,283	1,326	1,117	1,150
Spain	1,030	1,517	1,305	1,219	791	1,082
Turkey	1,070	1,393	1,174	1,189	1,160	1,025
All other	18,085	19,406	19,500	19,170	19,214	19,375
Total, world	90,036	95,135	102,012	100,519	92,855	95,716
	Consumption					
U.S.S.R	12,401	12,765	13,140	13,558	13,779	13,558
European Community	11,561	11,342	11,484	11,412	11,655	11,428
United States	10,803	11,044	10,882	10,749	10,493	10,050
India	4,911	5,460	6,860	8,190	7,276	7,038
Brazil	5,622	5,732	5,965	6,008	6,063	6,283
China	3,016	3,332	3,665	4,032	4,079	3,968
Mexico	2,921	3,042	3,197	3,395	3,445	3,583
Japan	3,290	3,208	3,408	3,486	3,506	2,995
Indonesia	1,285	1,432	1,630	1,954	2,114	2,058
Egypt	871	967	1,084	1,155	1,236	1,480
Poland	1,752	1,699	1,763	1,864	1,799	1,432
Republic of South Africa	1,160	1,348	1,232	1,315	1,276	1,362
Spain	1,120	1,243	1,179	1,202	1,243	1,342
Iran	1,268	1,411	1,444	1,543	1,433	1,323
Canada	1,127	1,154	1,268	1,171	1,187	1,202
Philippines	926	972	1,167	1,219	1,269	1,182
Argentina	1,121	1,069	1,008	1,146	1,134	1,146
Turkey	1,136	1,227	1,287	1,326	1,269	1,142
Colombia	888	924	987	937	965	992
All other	20,076	20,919	22,336	23,157	23,458	23,853
Total, world	87,255	90,290	94,986	98,819	98,679	97,417

Source: Compiled from official statistics of the Foreign Agricultural Service of the U.S. Department of Agriculture.

Table 5.--Sugar: Imports by leading importers and exports by leading exporters, crop years 1975/76 through 1980/81

(Thousands of short tons, raw value)

Area	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
	Imports					
U.S.S.R	4,144	5,265	4,403	4,497	5,491	6,129
United States	4,661	5,832	4,692	4,890	4,190	5,121
Japan	2,770	3,074	2,544	2,961	2,573	2,167
European Community	2,291	1,910	1,825	1,626	1,577	1,323
Canada	1,037	1,233	1,194	1,172	1,000	992
Iran	284	546	791	822	865	772
Mexico	0	0	0	0	839	672
China	691	1,849	1,585	1,086	1,043	661
All other	8,298	10,538	10,388	10,554	11,691	11,925
World total	24,176	29,797	27,422	27,608	29,269	29,762
	Exports					
European Community	2,060	2,975	3,931	3,943	4,767	5,512
Cuba	6,354	6,876	7,971	8,013	6,825	6,834
Brazil	1,380	2,741	2,122	2,141	2,934	2,425
Australia	2,889	3,268	2,207	2,208	2,658	2,976
Philippines	1,670	2,838	1,259	1,276	1,976	1,653
United States	76	22	22	15	647	1,046
Thailand	1,273	1,846	1,134	1,335	507	1,102
Dominican Republic	1,101	1,231	1,033	1,141	874	926
All other	8,282	9,533	7,919	8,518	8,272	7,839
World total	25,085	31,330	27,598	28,590	29,460	30,313

Source: Compiled from official statistics of the U.S. Department of Agriculture, Foreign Agricultural Service and the International Sugar Organization.

Table 6.--Sugar: U.S. production, imports, exports, ending stocks, and consumption, calendar years 1960-81

(In short tons, raw value)

Year	Production	Imports	Exports	Ending stocks	Consumption
1960	5,038,633	4,884,560	45,762	2,476,637	9,489,819
1961	5,397,880	4,406,543	55,386	2,350,261	9,862,698
1962	5,419,839	4,682,470	66,137	2,396,567	9,987,666
1963	5,878,621	4,593,667	30,346	2,658,876	10,193,038
1964	6,595,417	3,633,327	20,794	2,945,437	9,909,889
1965	6,273,736	4,027,061	89,406	2,873,852	10,274,144
1966	6,177,087	4,494,636	65,351	2,854,934	10,604,773
1967	6,122,034	4,803,966	71,837	2,984,193	10,679,399
1968	6,281,698	5,130,168	79,255	3,077,167	11,226,880
1969	5,973,247	4,886,167	81,582	2,918,105	10,939,231
1970	6,339,001	5,296,015	66,141	2,848,605	11,613,649
1971	6,138,957	5,587,079	89,370	2,886,837	11,589,300
1972	6,318,411	5,458,812	50,378	2,864,783	11,699,670
1973	6,324,049	5,329,293	25,536	2,685,268	11,765,311
1974	5,963,296	5,769,976	27,640	2,879,310	11,472,252
1975	6,610,673	3,882,580	147,287	2,902,874	10,176,189
1976	7,129,842	4,658,039	67,566	3,512,563	11,100,636
1977	6,372,573	6,138,048	28,880	4,554,450	11,419,058
1978	5,804,731	4,682,900	20,258	3,895,790	11,089,385
1979	6,004,237	5,026,746	30,359	3,909,107	10,989,772
1980	5,936,912	4,494,688	661,282	3,264,509	10,386,572
1981 1/	6,358,406	5,013,704	1,165,526	3,536,351	9,927,575

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of the Agriculture, Statistical Research Service.

U.S. imports of sugar on a crop year basis (beginning Oct. 1) rose to a peak in 1977/78 and generally declined thereafter (table 7). Crop year data on imports tend to eliminate the distortions in import patterns which have occurred because of import duty changes late in the calendar year for several recent years. U.S. imports on a calendar year basis have shown a fluctuating trend because of these distorting effects (table 8).

The United States has been the largest open market for sugar imports since 1974, when Sugar Act quotas expired. Leading sources of U.S. imports in 1980/81 were Brazil, the Dominican Republic, Australia, Argentina, the Philippines, Guatemala, Colombia, Thailand, Swaziland, and Panama, which together accounted for 81 percent of U.S. imports. Most U.S. imports are raw sugar. Only 5,062 short tons of the 5 million short tons of sugar imports in 1981 were refined sugar (table 9).

Table 7.--Sugar: U.S. imports, by sources, crop years (beginning Oct. 1) 1974/75-1980/81

(Quantity in short tons, raw value)

Source	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 1/	1980/81 1/
Brazil	566,756	0	183,287	756,087	1,233,503	860,861	877,911
Dominican Republic	737,007	707,683	1,137,583	869,724	768,894	621,288	716,348
Australia	433,919	333,563	468,014	400,859	111,244	283,737	662,670
Argentina	138,038	129,343	122,792	300,776	292,719	127,127	457,695
Philippines	570,469	733,290	1,127,117	1,105,438	562,116	439,896	317,950
Guatemala	60,606	240,096	376,534	153,469	156,833	239,074	219,260
Colombia	130,604	125,923	28,185	100,129	13,281	151,371	207,786
Thailand	45,525	148,046	0	15,900	58,297	66,180	193,328
Swaziland	61,333	17,002	46,461	94,436	87,123	171,735	156,638
Panama	91,421	103,754	124,213	111,148	127,648	172,481	137,932
Honduras	9,740	0	28,117	17,781	59,829	88,908	100,227
Costa Rica	54,017	59,953	103,532	78,318	49,109	82,441	98,630
Malawi	36,859	0	29,202	40,548	41,719	63,534	90,015
Guyana	2/	2/	2/	24,287	46,936	61,350	85,262
Nicaragua	70,358	153,328	126,597	107,543	121,640	69,234	80,089
Zimbabwe	0	0	0	0	0	13,586	77,666
Mozambique	15,090	11,979	103,462	26,630	54,068	102,756	69,488
Belize	60,096	14,349	32,222	75,388	55,077	72,034	61,007
Ecuador	51,730	63,680	48,441	11,774	97,969	49,872	50,299
Fiji	34,560	0	0	30,307	97,476	97,658	47,438
El Salvador	108,029	133,972	135,852	149,740	136,350	90,899	39,058
Barbados	2/	2/	2/	18,246	36,473	80,388	28,019
St. Kitts	2/	2/	2/	21,568	23,995	20,726	22,772
Paraguay	10,792	10,070	1,159	0	0	3,588	21,288
Malagasy Republic	13,088	26,422	12,052	14,180	9,724	20,435	12,312
Ivory Coast	0	0	0	0	0	23,082	12,236
Jamaica	2/	2/	2/	21,538	50,657	66,558	10,724
Bolivia	5,714	48,836	25,343	86,466	64,899	104,564	8,091
Cameroon	0	0	0	0	0	0	5,775
Canada	25,927	50,786	87,068	131,484	110,996	8,906	1,477
Mexico	94,100	411	370	186	113,052	188	175
Netherlands	22	1,501	37	0	7	2	132
China	0	0	0	0	0	34	117
Hong Kong	0	0	1	3	0	9	55
India	74,894	317,204	32	57	15	18	42
Belgium	1	717	947	25,890	0	0	22
United Kingdom	21	44	92	43	0	36	14
Peru	257,303	370,856	266,667	269,406	212,904	78,641	4
West Germany	2	904	0	36,445	0	2	4
France	0	11,095	16,871	56,374	1	0	3
Sweden	2	1	3	3	2	2	2
Republic of South Africa	106,200	134,602	237,539	55,543	66,671	228,467	0
Mauritius	48,882	0	70,622	82,151	87,807	129,830	0
Haiti	23,307	6,218	0	5,757	11,287	10,044	0
Congo	0	0	0	0	0	7,544	0
Chile	0	0	0	0	0	7,152	0
Japan	0	0	0	1	0	110	0
Taiwan	116,287	138,467	86,047	56,594	28,200	0	0
Trinidad	2/	2/	2/	49,050	23,791	0	0
Romania	0	0	0	0	13,209	0	0
Republic of Korea	30	11,362	451	1,036	354	0	0
Ireland	0	0	0	0	2	0	0
Uruguay	0	5,229	0	8,220	0	0	0
West Indies	208,867	252,825	182,317	3/ 6,293	3/	3/	3/
Denmark	2	0	963	2,136	0	0	0
Switzerland	0	745	0	0	0	0	0
Netherlands Antilles	1,279	17	0	0	0	0	0
Austria	10	16	0	0	0	0	0
Venezuela	24	0	0	0	0	0	0
Total	4,262,911	4,364,289	5,210,192	5,418,952	5,025,877	4,716,348	4,869,961

1/ Preliminary.
2/ Not separately reported before 1978.
3/ See imports of Guyana, Barbados, St. Kitts, Jamaica, and Trinidad.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 8.--Sugar: U.S. imports, by sources, 1975-81

(Short tons, raw value)

Source	1975	1976	1977	1978	1979	1980	1981 1/
Brazil	197,131	0	660,633	600,684	1,262,358	845,948	1,099,351
Dominican Republic	775,147	971,084	974,788	733,530	816,967	615,362	761,007
Australia	479,163	469,534	494,275	165,493	107,715	350,881	715,126
Argentina	112,318	86,729	266,968	271,019	234,820	197,172	443,950
Thailand	123,512	70,059	0	64,761	9,436	66,203	262,059
Philippines	413,034	913,781	1,442,991	833,341	413,191	408,998	239,043
Guatemala	60,606	330,578	300,938	156,033	170,869	218,568	224,213
Swaziland	35,795	45,923	61,855	82,456	102,072	141,935	191,869
Colombia	159,065	84,289	14,249	113,410	26,103	214,374	166,321
Panama	98,250	95,031	131,162	123,003	157,287	156,351	103,958
Honduras	6,073	7,483	20,634	17,781	65,303	89,133	94,528
Zimbabwe	0	0	0	0	0	13,620	92,119
Malawi	26,585	17,659	38,358	37,028	35,727	60,118	87,627
Costa Rica	56,240	65,076	95,365	78,318	80,405	68,262	81,513
Nicaragua	57,962	165,710	119,529	108,204	122,307	62,592	80,089
Guyana	2/	2/	2/	49,158	54,560	60,997	74,737
Belize	46,155	14,350	35,549	87,261	57,967	71,539	56,290
Ecuador	46,770	28,441	55,380	37,294	82,227	72,949	54,673
El Salvador	107,466	143,154	166,028	130,365	161,077	51,821	46,497
Mozambique	15,090	31,847	97,311	12,913	98,139	87,960	40,066
Fiji	1	0	18,407	50,722	130,211	49,717	23,822
St. Kitts	2/	2/	2/	21,568	27,187	21,669	18,637
Paraguay	3,328	10,187	0	0	0	11,041	16,160
Malagasy	13,022	13,400	12,052	14,295	9,610	20,472	12,274
Barbados	2/	2/	2/	20,760	57,526	73,925	10,918
Bolivia	3,507	52,990	49,473	62,441	89,189	72,508	8,090
Cameroon	0	0	0	0	0	0	5,775
Canada	39,990	49,457	138,027	98,144	89,521	638	2,597
China	0	0	0	0	0	64	152
Mexico	41,130	543	274	52,998	60,259	221	107
Hong Kong	0	0	1	3	0	22	58
India	187,624	188,545	32	58	14	18	42
Belgium	0	717	1,690	25,147	0	0	23
United Kingdom	29	84	44	43	0	44	6
France	0	14,275	27,215	42,851	0	0	3
Japan	0	0	0	1	0	110	2
Sweden	3	2	2	3	2	3	2
Republic of South Africa	134,082	98,472	274,227	60,100	88,779	164,025	0
Jamaica	2/	2/	2/	43,856	47,846	57,775	0
Mauritius	26,741	29,811	57,363	112,212	115,808	55,216	0
Peru	215,679	312,726	314,186	225,241	188,630	52,241	0
Ivory Coast	0	0	0	0	0	35,318	0
Haiti	11,622	6,218	0	5,757	11,287	10,044	0
Congo	0	0	0	0	0	7,544	0
Chile	0	0	0	0	0	7,152	0
Netherlands	22	1,538	0	7	0	134	0
West Germany	1	904	19,906	16,539	2	4	0
Taiwan	139,963	86,534	86,055	56,585	28,200	0	0
Trinidad	2/	2/	2/	49,050	23,791	0	0
Republic of Korea	10,615	940	288	1,036	354	0	0
Romania	0	0	0	13,209	0	0	0
Uruguay	0	5,229	0	8,220	0	0	0
Ireland	0	0	0	2	0	0	0
West Indies	237,537	243,978	159,744	3/	3/	3/	3/
Denmark	2	0	3,099	0	0	0	0
Switzerland	0	745	0	0	0	0	0
Austria	0	16	0	0	0	0	0
Netherlands Antilles	1,296	0	0	0	0	0	0
Venezuela	24	0	0	0	0	0	0
Total	3,882,580	4,658,039	6,138,048	4,682,900	5,026,746	4,494,688	5,013,704

1/ Preliminary. 2/ Included under West Indies.
3/ See Barbados, Guyana, Jamaica, St. Kitts, and Trinidad.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 9.--Refined sugar: U.S. imports, by sources, 1972-1980

(Short tons, raw value)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Canada	3	0	1	39,990	49,457	138,027	98,144	89,521	638	2,597
Australia	0	0	0	0	0	0	0	331	1,323	993
Guatemala	0	10	0	0	0	0	154	0	455	506
Colombia	10	0	0	4,285	33	0	0	0	17	343
Brazil	0	0	2	0	0	93,771	0	0	4,781	152
China	0	0	0	0	0	0	0	0	64	152
Mexico	10	1	23	5,846	543	274	176	142	221	107
Dominican Republic	0	0	0	0	33	0	0	0	0	75
Hong Kong	27	1	0	0	0	1	3	0	22	58
India	12	8	1	0	8,644	32	58	14	18	42
Belgium	0	0	2	0	717	1,690	1	0	0	23
United Kingdom	15,745	5,247	0	29	84	44	43	0	44	6
France	0	0	0	0	14,275	27,215	0	0	0	3
Japan	0	0	1	0	0	0	1	0	110	2
Sweden	10	9	4	3	2	2	3	2	3	2
Malawi	0	0	0	0	0	0	0	0	0	1
Netherlands	0	0	0	22	1,538	0	7	0	134	0
Ecuador	20	10	0	0	0	0	0	0	25	0
West Germany	0	2	5	1	904	7,481	0	2	4	0
Philippines	13,009	12,919	30	0	0	0	2	2	1	0
Korea	0	0	0	10,615	940	288	1,036	354	0	0
West Indies	7	2	1	1,732	0	0	2	3	0	0
Taiwan	1	0	4	0	5	20	16	0	0	0
Ireland	5,357	1,107	0	0	0	0	2	0	0	0
Costa Rica	0	10	0	0	51	0	1	0	0	0
Denmark	10	0	0	2	0	3,099	0	0	0	0
Switzerland	0	0	0	0	745	0	0	0	0	0
Nicaragua	0	0	0	2	64	0	0	0	0	0
El Salvador	0	0	0	0	40	0	0	0	0	0
Austria	0	0	10	0	16	0	0	0	0	0
South Africa	0	0	3	0	1	0	0	0	0	0
Panama	856	9	169	5,325	0	0	0	0	0	0
Bolivia	0	0	10	3,507	0	0	0	0	0	0
Netherlands Antilles	0	0	0	1,296	0	0	0	0	0	0
Venezuela	0	0	0	24	0	0	0	0	0	0
Fiji	0	0	0	1	0	0	0	0	0	0
Total	35,077	19,335	266	72,680	78,092	271,944	99,649	90,371	7,860	5,062

Source: Compiled from official statistics of the U.S. Department of Agriculture.

U.S. capacity and capacity utilization

Because capacity to produce sugar is dependent upon crop size, crop quality, and other widely fluctuating variables, estimates of capacity and capacity utilization incorporate a relatively large number of assumptions and may thus indicate little more than an index. Notwithstanding these limitations to capacity considerations, several firms, accounting for over 75 percent of U.S. refined sugar production, estimated annual capacity on the basis of utilizing all straight-time week days for the production of sugar from a normal crop under constant levels of employment. More revealing than the actual yearly estimates are the trends. Despite several plant closings from 1978 to 1981, the capacity to process sugar beets remained constant, and the capacity to refine sugar cane increased by about 5 percent. The ability of U.S. producers to maintain production reflects increased productivity. On the basis of U.S. producers' estimated capacity and actual production, capacity utilization for sugar cane refiners increased from 89 percent in 1979 to 92 percent in 1981, while the capacity utilization for sugar-beet processors increased from 86 to 96 percent in the same period.

U.S. Producers' Inventories

U.S. stocks of sugar, by types of producers and by months, for January 1977- December 1981 are shown in table 10. The table shows high levels of inventories for processors and refiners through early 1979 and declining inventory levels thereafter. The high inventory level reflects large sugar holdings as collateral for price-support loans and record levels of imports in the last two months of 1977 to avoid paying higher duties effective January 1, 1978. After the early 1979 peak, inventories held by U.S. producers fell rapidly to much lower levels. Higher sugar prices and interest rates during most of 1980 and 1981 made holding large sugar stocks more expensive.

The Cost of Producing and Processing Sugar Cane and Sugar Beets in the United States

In April 1981, the U.S. Department of Agriculture released a preliminary comprehensive report on the cost of producing and processing sugar cane and sugar beets in the United States. The study shows that for 1980/81, net costs, excluding land, were 21.4 cents per pound for sugar cane refiners and 23.5 cents per pound for sugar beet processors. For 1981/82, the study projects that these costs will increase to 24.0 and 25.3 cents per pound, respectively. Land allocations for both sugar beets and sugar cane cannot be determined in a reliable and consistent manner to reflect agricultural value, but it is estimated that land allocation would add 2 to 6 cents per pound to the projected costs of production and processing. A complete copy of this study is shown in appendix E.

Table 10.—Sugar: Month end stocks held by cane sugar refiners, beet sugar processors, mainland cane mills, Commodity Credit Corporation, and total continental U.S. stocks, 1977-81

(1,000 short tons)

Year	January	February	March	April	May	June	July	August	September	October	November	December
	Cane sugar refiners' stocks											
1977	983	1,064	907	971	1,052	985	1,022	1,032	1,169	1,211	1,369	2,012
1978	1,700	1,395	1,241	1,065	1,191	1,216	1,174	1,120	1,142	1,144	1,289	1,249
1979	1,211	1,187	896	989	1,002	941	913	580	530	579	710	798
1980	699	826	940	886	934	913	1,030	982	986	938	1,025	1,005
1981	1,018	1,081	963	866	1,017	845	852	826	934	835	956	1,105
	Beet sugar processors' stocks											
1977	2,014	2,009	1,845	1,734	1,647	1,433	1,166	859	704	949	1,342	1,691
1978	1,812	1,753	1,614	1,490	1,413	1,248	1,025	712	501	773	1,190	1,560
1979	1,773	1,770	1,614	1,569	1,515	1,376	1,154	819	688	888	1,178	1,205
1980	1,337	1,269	1,063	946	871	781	627	451	339	592	927	1,286
1981	1,522	1,543	1,350	1,211	1,159	1,016	776	572	353	614	960	1,277
	Mainland cane millers' stocks											
1977	627	685	680	596	493	364	236	129	79	99	298	556
1978	755	877	924	834	672	556	500	415	403	403	610	641
1979	756	885	955	890	845	766	680	619	556	628	869	1,068
1980	1,153	1,192	1,152	1,010	887	698	496	383	172	102	368	658
1981	769	827	862	710	560	405	231	184	110	110	481	910
	Commodity Credit Corporation stocks 1/											
1977	0	0	0	0	0	0	0	0	0	0	0	0
1978	0	0	0	0	0	0	0	0	0	0	0	171
1979	187	192	197	197	197	197	202	202	203	202	206	432
1980	432	288	222	217	133	99	30	30	30	30	25	20
1981	20	20	20	20	20	20	20	20	20	20	20	20
	Total continental U.S. stocks											
1977	3,624	3,758	3,430	3,302	3,191	2,782	2,424	2,019	1,951	2,259	3,009	4,349
1978	4,352	4,104	3,850	3,451	3,326	3,059	2,729	2,264	2,054	2,324	3,084	3,621
1979	3,927	4,034	3,662	3,644	3,559	3,280	2,950	2,220	1,977	2,296	2,962	3,503
1980	3,621	3,575	3,377	3,059	2,825	2,490	2,183	1,845	1,528	1,663	2,337	2,970
1981	3,330	3,472	3,195	2,807	2,755	2,285	1,928	1,602	1,416	1,579	2,416	3,311

1/ Totals include stocks of importers of direct consumption sugar.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Prices

World sugar prices are characterized by short periods, about 1 year, of high prices followed by long periods, 5 to 10 years, of low prices. 1/ The purpose of this section is to explain the background conditions of these price changes and describe in detail what has happened to international and domestic sugar prices, consumption, and production since 1974.

Background

Sugar is among the most widely cultivated crops in the world, resulting from the fact that an identical final product--refined sugar--is obtained commercially from two very different crops, one tropical (sugar cane) and the other temperate (sugar beet). Hence, the countries (over 100) growing sugar include almost every country within 35 degrees north and south of the equator as well as many countries in the temperate zones of the world.

Sugar is also among the most widely regulated commodities. In countries where it is produced, governmental direction affects production levels, prices, and wages. In countries where it is imported, governments frequently control imports to maintain the structure of the domestic competing industry, to derive revenue, and to keep consumption at a given level.

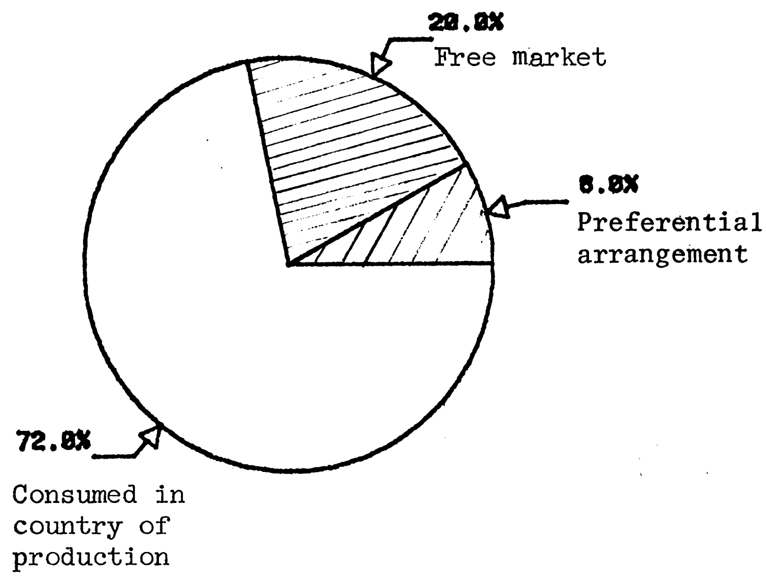
Another characteristic of the world sugar market is that relatively little sugar is traded internationally on the so-called free market. Approximately 72 percent of world sugar production is consumed in its country of origin, usually at prices and in quantities established by the Government. About 8 percent is sold in preferential markets. Hence, only about 20 percent of the sugar produced is traded on the free market (fig. 2).

Because of its relatively small size, the free market bears a disproportionate share of sugar shortages and surpluses. Unstable prices reflect this condition. For example, when crop failures are widespread and world demand exceeds supply, producing countries withold their production to meet domestic needs first, preferential arrangements second, and the world market demand last. The world price often soars as a consequence. Similarly, when there are widespread bumper harvests and world supply exceeds demand, the world market becomes a distress market and the price plummets.

The sugar price cycle.--Sudden price swings in the world market have been cyclical. This pattern consists of the price increasing dramatically every 5 to 10 years for a short period (e.g., 1950 and 1951, 1956 and 1957, 1962-64, 1974 and 1975, and 1980 and 1981) followed by a long period of low prices. Figure 3 shows the trend in prices over a 34 year period, during which four complete cycles can be easily identified.

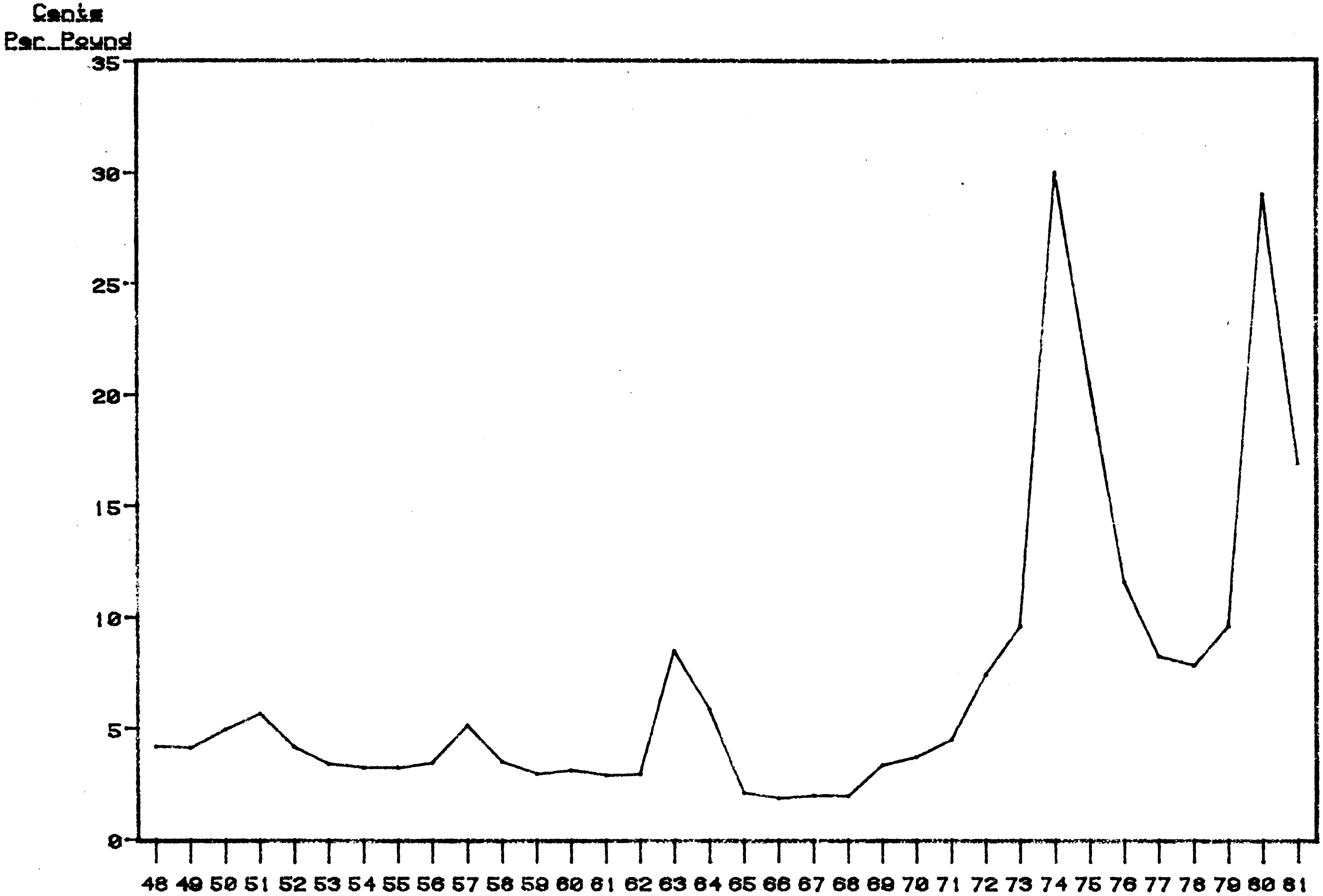
1/ The source for much of the price data in this section is the New York Coffee & Sugar Exchange. From November 1977 to August 1979, the New York Coffee & Sugar Exchange was not reporting spot prices, and so the world price for this period was taken from the London Daily Price series and comparably adjusted.

Figure 2.--Distribution of world sugar production, 1978-80.



Source: International Sugar Organization.

Figure 3.---World price of raw sugar, 1948--81.



Source: U.S. Department of Agriculture.

This cyclical price behavior has been attributed to a characteristic of sugar planting and harvesting. When sugar prices are high, only beet producers are capable of responding in a timely fashion, because the delay between planting and harvesting lasts only about 8 months. However, it can take up to 2 years from planting before newly planted sugar cane achieves full production. Furthermore, being a perennial crop, newly planted cane will produce for a number of years before replanting is required. Hence, even though world prices may have fallen by the time increased supplies of cane sugar begin reaching the market, higher levels of sugar cane production will continue for some years and prices will fall as production exceeds demand. This period of excess supply continues until world demand expands or crop failure is widespread, at which time the price increases, production is stimulated, and the cycle begins anew.

The International Sugar Agreement, 1977.--Attempts to reduce these price fluctuations have led to several international sugar agreements, the latest of which is the International Sugar Agreement, 1977 (ISA). The United States became a signatory to the ISA when it began in 1977, and in 1979 Congress ratified the treaty. In mid-1980, enabling legislation was enacted permitting the United States to participate fully as a sugar-importing country until the initial agreement expires at the end of 1982. The agreement has been extended for 2 years, which will require the Congress to extend the enabling legislation if United States participation is to continue beyond the end of 1982.

The ISA establishes country-by-country export quotas and a system of reserve stocks to try to hold prices within a range currently set at 13 to 23 cents per pound. When the world price approaches the lower end of the objective price range, exporters are required to reduce the amount of sugar they export. When prices increase, exporters are allowed to exceed their export quotas and, above 21 cents per pound, they can release sugar from their reserve stocks.

The export quotas, based upon Basic Export Tonnages (BET's), resulted from complex negotiations and are based roughly on each exporting member country's productive capacity, export performance history, and dependency of total export earnings on sugar. The size of a country's BET also determines the size of its buffer stock. The whole program involving BET's and buffer stocks is administered by the International Sugar Council, the highest authority of the ISA. The council also administers a stock financing fund to provide members interest-free loans to finance stocks held under the provision. The fund's resources come from a tax collected on all free-market raw sugar trade of ISA members.

Sugar-importing countries that join the ISA, such as the United States, agree to limit their sugar imports from nonmember countries. These limitations, however, do not apply when the world price rises above 23 cents per pound.

World prices 1974-81

Since 1974, when the world price of sugar achieved a record high level, sugar prices (as shown in table 11 and in fig. 4) have gone through the cyclical pattern described above. The top of the cycle was reached in November 1974, when the world price of raw sugar (i.e., the price of raw sugar stowed at Greater Caribbean ports (as traded on the New York Coffee & Sugar Exchange) averaged 57.17 cents per pound. Through 1975 and 1976 the price declined, reaching 7.54 cents per pound in December 1976. In 1977, 1978, and 1979 the world price of sugar remained at an average of 8.5 cents per pound. The new upturn of this cycle began at the end of 1979, when the world price of sugar increased to almost 15 cents per pound in December. The price continued to rise through 1980 reaching its peak in October at 41.09 cents per pound and then, as quickly as it rose, the price fell, averaging 12.35 cents per pound for the last quarter of 1981.

World production.--The cyclical changes in world sugar production reflect the cyclical fluctuations in world prices (fig. 5 and table 12). During most of the years when sugar production grew and exceeded sugar consumption, the price was low. The growth of production from 1974 to 1978, from about 86.5 million tons, to over 100 million tons, can largely be attributed to the increased acreage of sugar in the European Community, Cuba, Brazil, and India. During this period of excess sugar production, stocks expanded, reaching approximately 32 percent of world sugar consumption in 1978.

In the past, when the amount of sugar produced has declined while the amount consumed remained about the same, the price of sugar has risen, as in late 1979 and 1980. Consequently, world stocks were reduced, and the price increased. This happened again in 1980. The dip in sugar production which occurred in 1979 and 1980 was caused by a coincidence of bad weather, crop disease, and deliberate attempts to reduce sugar acreage. In 1979, poor weather affected the sugar crops of the U.S.S.R., India, and Thailand. Cane rust, a disease of the cane crop, affected about 40 percent of the Cuban crop, and after years of low sugar prices, Brazil decided to reduce the size of its crop and to divert sugar cane to energy-producing uses. Also, the ISA arrangements to reduce sugar supplies in the Philipines, the Republic of South Africa, Australia, and Argentina led to smaller crops in those countries.

In the next phase of the cycle (1981), sugar production exceeded sugar consumption, and stocks were built up. If the cycle continues to operate as it has in the past, a long period of production surpluses and low prices can be expected in coming years.

World consumption.--In contrast to the fluctuations in sugar production, changes in sugar consumption have consisted of increases, almost without interruption, since 1974 (fig. 6). This reflects the positive relationship between sugar consumption and rises in per capita income in most developing countries, their growing populations, and the relatively low price of the commodity during most of the period under discussion.

Increases in income are associated with greater-than-proportional increases in consumption of sugar at low levels of income. Not surprisingly, consumption of sugar is growing fastest in developing countries and less

Table 11.--Refined sugar: Component parts of U.S. wholesale price, by months, January 1975-December 1981

(In cents per pound)

Period	World price f.o.b. Caribbean 1/	Premium or discount 2/	Foreign suppliers' price 3/	Cost of freight and insurance 4/	ISA fee	Duty 5/	Sect. 22 import fee 6/	U.S. price, duty paid, New York 7/	Cost to refiner after refining loss 8/	Spread for refining 9/	Wholesale price, Northeast 10/
1975:											
Jan	38.33	-1.47	36.86	0.85	-	0.6250	-	38.33	41.40	11.55	52.95
Feb	33.69	.88	34.57	.87	-	.6250	-	36.07	38.96	10.01	48.96
Mar	26.50	.53	27.03	.87	-	.6250	-	28.53	30.81	9.69	40.50
Apr	24.15	.42	24.58	.87	-	.6250	-	26.07	28.16	8.85	37.01
May	17.38	.46	17.84	.80	-	.6250	-	19.27	20.81	11.42	32.23
Jun	13.83	.72	14.54	.79	-	.6250	-	15.96	17.24	8.33	25.57
Jul	17.07	1.41	18.47	.79	-	.6250	-	19.89	21.48	5.41	26.89
Aug	18.73	1.02	19.74	.74	-	.6250	-	21.11	22.80	4.25	27.05
Sep	15.45	.55	16.00	.77	-	.6250	-	17.39	18.79	4.51	23.30
Oct	14.09	- .04	14.05	.78	-	.6250	-	15.45	16.69	4.47	21.15
Nov	13.40	.01	13.41	.78	-	.6250	-	14.82	16.00	4.84	20.84
Dec	13.29	- .06	13.23	.78	-	.6250	-	14.64	15.81	4.72	20.53
Ave	20.50	.36	20.87	.81	-	.6250	-	22.29	24.08	7.35	31.43
1976:											
Jan	14.04	-	14.04	.76	-	.6250	-	15.42	16.66	4.65	21.31
Feb	13.52	.14	13.66	.76	-	.6250	-	15.04	16.25	4.62	20.86
Mar	14.92	- .10	14.82	.82	-	.6250	-	16.27	17.57	4.63	22.20
Apr	14.06	.07	14.13	.82	-	.6250	-	15.58	16.82	4.59	21.41
May	14.58	- .06	14.52	.82	-	.6250	-	15.97	17.24	4.63	21.87
Jun	12.99	- .01	12.97	.80	-	.6250	-	14.40	15.55	4.67	20.22
Jul	13.21	- .05	13.17	.80	-	.6250	-	14.59	15.76	4.70	20.46
Aug	9.99	- .10	9.90	.79	-	.6250	-	11.31	12.22	4.82	17.04
Sep	8.16	- .24	7.91	.79	-	1.1012	-	9.80	10.58	5.27	15.85
Oct	8.03	- .10	7.93	.84	-	1.8750	-	10.65	11.50	5.40	16.90
Nov	7.91	- .12	7.79	.80	-	1.8750	-	10.46	11.29	4.99	16.28
Dec	7.54	.01	7.55	.80	-	1.8750	-	10.22	11.04	4.93	15.97
Ave	11.60	- .05	11.55	.80	-	.9677	-	13.32	14.39	4.82	19.21
1977:											
Jan	8.37	- .08	8.29	.79	-	1.8750	-	10.95	11.83	4.87	16.70
Feb	8.56	- .17	8.39	.79	-	1.8750	-	11.06	11.94	5.00	16.94
Mar	8.91	.04	8.96	.83	-	1.8750	-	11.66	12.60	4.85	17.45
Apr	10.10	- .18	9.92	.78	-	1.8750	-	12.57	13.57	4.95	18.52
May	8.94	- .24	8.70	.76	-	1.8750	-	11.34	12.25	5.27	17.52
Jun	7.82	- .19	7.64	.76	-	1.8750	-	10.28	11.10	5.30	16.40
Jul	7.38	.18	7.55	.73	-	1.8750	-	10.15	10.97	5.16	16.13
Aug	7.61	.99	8.60	.73	-	1.8750	-	11.21	12.10	5.28	17.38
Sep	7.30	.51	7.81	.73	-	1.8750	-	10.41	11.25	5.32	16.57
Oct	7.08	.51	7.59	.78	-	1.8750	-	10.24	11.06	5.29	16.35
Nov	7.07	.15	7.22	.86	-	2.4716	1.58	12.13	13.10	5.40	18.50
Dec	8.09	-	8.09	.86	-	2.8125	1.74	13.50	14.58	4.30	18.88
Ave	8.10	.13	8.23	.78	-	2.0020	.28	11.30	12.20	5.09	17.29

Note.--See footnotes at end of table.

Table 11.--Refined sugar: Component parts of U.S. wholesale price, by months, January 1975-December 1981--Continued

(In cents per pound)

Period	World price f.o.b. Carib-bean 1/	Premium or dis-count 2/	Foreign sup-pliers' price 3/	Cost of freight and insur-ance 4/	ISA fee	Duty 5/	Sect. 22 import fee 6/	U.S. price, duty paid, New York 7/	Cost to refiner after refining loss 8/	Spread for refin-ing 9/	Whole-sale price, North-east 10/
1978:											
Jan--	8.77	-	8.77	0.77	-	2.8125	1.80	14.15	15.28	4.57	19.85
Feb--	8.48	-	8.48	.81	-	2.8125	2.70	14.81	15.99	4.55	20.54
Mar--	7.74	-	7.74	.81	-	2.8125	2.70	14.07	15.19	4.84	20.03
Apr--	7.59	-	7.59	.81	-	2.8125	2.70	13.91	15.02	5.16	20.18
May--	7.33	-	7.33	.79	-	2.8125	2.70	13.63	14.72	5.59	20.31
Jun--	7.23	-	7.23	.81	-	2.8125	2.70	13.56	14.64	5.49	20.13
Jul--	6.43	-	6.43	.79	-	2.8125	2.70	12.74	13.76	6.14	19.90
Aug--	7.08	-	7.08	.78	-	2.8125	2.70	13.38	14.45	6.25	20.70
Sep--	8.17	-	8.17	.79	-	2.8125	2.70	14.48	15.64	6.19	21.83
Oct--	8.96	-	8.96	.86	-	2.8125	2.70	15.33	16.55	6.10	22.65
Nov--	8.01	-	8.01	.88	-	2.8125	2.70	14.40	15.56	6.49	22.05
Dec--	8.00	-	8.00	.88	-	2.8125	2.70	14.39	15.54	6.73	22.27
Ave----	7.81	-	7.81	.82	-	2.8125	2.62	14.07	15.19	5.68	20.87
1979:											
Jan--	7.57	-	7.57	.84	-	2.8125	3.35	14.58	15.74	6.53	22.27
Feb--	8.23	-	8.23	.83	-	2.8125	3.35	15.22	16.44	6.00	22.44
Mar--	8.46	-	8.46	.98	-	2.8125	3.35	15.60	16.85	5.69	22.54
Apr--	7.82	-	7.82	1.02	-	2.8125	2.76	14.42	15.57	6.78	22.35
May--	7.85	-	7.85	1.16	-	2.8125	2.76	14.58	15.75	6.78	22.53
Jun--	8.14	-	8.14	1.16	-	2.8125	2.76	14.87	16.06	6.65	22.71
Jul--	8.52	-	8.52	1.13	-	2.8125	3.36	15.82	17.09	5.87	22.96
Aug--	8.84	- .21	8.63	1.05	-	2.8125	3.36	15.85	17.11	6.68	23.79
Sep--	9.80	- .30	9.50	1.05	-	2.8125	2.36	15.72	16.98	6.52	23.50
Oct--	11.93	-1.22	10.71	1.23	-	2.8125	1.17	15.93	17.20	6.14	23.34
Nov--	13.69	-1.49	12.21	1.26	-	2.8125	-	16.29	17.59	5.89	23.48
Dec--	14.86	- .65	14.21	1.28	-	2.8125	-	18.30	19.76	6.71	26.47
Ave----	9.59	- .33	9.27	1.08	-	2.8125	2.41	15.58	16.82	6.38	23.20
1980:											
Jan--	17.23	-1.76	15.47	1.37	-	2.8125	-	19.66	21.23	6.28	27.51
Feb--	23.03	- .41	22.62	1.44	-	.6250	-	24.69	26.66	8.34	35.00
Mar--	20.12	-1.04	19.08	1.48	-	.6250	-	21.28	22.88	6.60	29.48
Apr--	21.61	-1.23	20.38	1.67	-	.6250	-	22.67	24.48	7.07	31.55
May--	31.33	-1.82	29.51	1.76	-	.6250	-	31.89	34.45	7.51	41.96
Jun--	31.61	-1.87	29.75	1.73	-	.6250	-	32.10	34.67	8.86	43.53
Jul--	28.12	-1.59	26.52	1.58	0.0227	.6250	-	28.75	31.05	8.87	39.92
Aug--	31.97	-1.10	30.88	1.61	.0227	.6250	-	33.14	35.79	8.36	44.15
Sep--	35.12	-1.28	33.84	1.54	.0227	.6250	-	36.03	38.91	9.14	48.05
Oct--	41.09	-1.79	39.30	1.75	.0227	.6250	-	41.70	45.03	10.03	55.06
Nov--	37.95	-1.03	36.93	1.70	.0227	.6250	-	39.28	42.42	10.42	52.84
Dec--	28.98	-1.00	27.97	1.67	.0227	.6250	-	30.29	32.71	10.15	42.86
Ave----	29.00	-1.35	27.65	1.61	.0227	.8183	-	30.09	32.50	8.49	40.99

Note.--See footnotes at end of table.

Table 11.--Refined sugar: Component parts of U.S. wholesale price, by months, January 1975-December 1981--Continued

(In cents per pound)

Period	World price f.o.b. Caribbean 1/	Premium or discount 2/	Foreign suppliers' price 3/	Cost of freight and insurance 4/	ISA fee	Duty 5/	Sect. 22 import fee 6/	U.S. price, duty paid, New York 7/	Cost to refiner after refining loss 8/	Spread for refining 9/	Wholesale price, Northeast 10/
1981:											
Jan--	28.01	-0.73	27.28	1.64	0.0227	0.6250	-	29.57	31.94	9.86	41.80
Feb--	24.27	- .38	23.88	1.54	.0227	.6250	-	26.07	28.16	9.31	37.47
Mar--	21.77	- .14	21.63	1.54	.0227	.6250	-	23.81	25.72	9.79	35.51
Apr--	17.90	- .13	17.77	1.50	.0227	.6250	-	19.91	21.51	9.91	31.42
May--	15.08	.22	15.31	1.48	.0227	.6250	-	17.43	18.82	9.08	22.90
Jun--	16.35	.46	16.80	1.50	.0227	.6250	-	18.95	20.47	9.27	29.74
Jul--	16.32	.63	16.95	1.45	.0748	.6250	-	19.10	20.62	9.34	29.96
Aug--	14.76	.60	15.36	1.36	.0748	.6250	-	17.42	18.81	9.98	28.79
Sep--	11.66	1.16	12.82	1.30	.0748	.6250	.67	15.49	16.73	8.35	25.08
Oct--	12.13	- .13	12.01	1.43	.0748	.6250	1.53	15.66	16.91	9.08	25.99
Nov--	11.96	.84	12.80	1.25	.0748	.6250	1.53	16.28	17.58	9.52	27.10
Dec--	12.96	.00	12.96	1.34	.0748	1.0417	1.65	17.07	18.43	8.97	27.40
Ave----	16.85	.21	17.06	1.44	.0491	.6599	.45	19.66	21.23	8.97	30.20

1/ Data are spot prices, Contract No. 11, New York Coffee, Sugar, & Cocoa Exchange, except from Nov. 3, 1977, to Aug. 17, 1979, when data are daily world prices as determined by the International Sugar Organization.

2/ Premium or discount assumed to be zero from Nov. 3, 1977, to Aug. 17, 1979.

3/ Foreign suppliers' price is U.S. price less duties, fees, and cost of insurance and freight, except from Nov. 3, 1977, to Aug. 17, 1979.

4/ Cost of freight, stevedoring, and insurance for transport of sugar from Greater Caribbean ports to U.S. ports north of Cape Hatteras.

5/ Duty for 96-degree raw sugar increased Sept. 21, 1976, Nov. 11, 1977, and Dec. 24, 1981, and lowered on Feb. 1, 1980.

6/ Sect. 22 import fee assumed to be the difference between world price (plus cost of insurance and freight and duties) and the price objective of 13.5 cents per pound from Nov. 11, 1977, to Jan. 20, 1978.

7/ Data are spot prices, Contract No. 12, New York Coffee, Sugar, & Cocoa Exchange, except from Nov. 3, 1977, to Aug. 17, 1979, when data are daily world prices as determined by the International Sugar Organization plus cost of insurance and freight and duties.

8/ Refining loss calculated from U.S. price, assuming that 108 pounds of 96-degree sugar are required to produce 100 pounds of refined sugar.

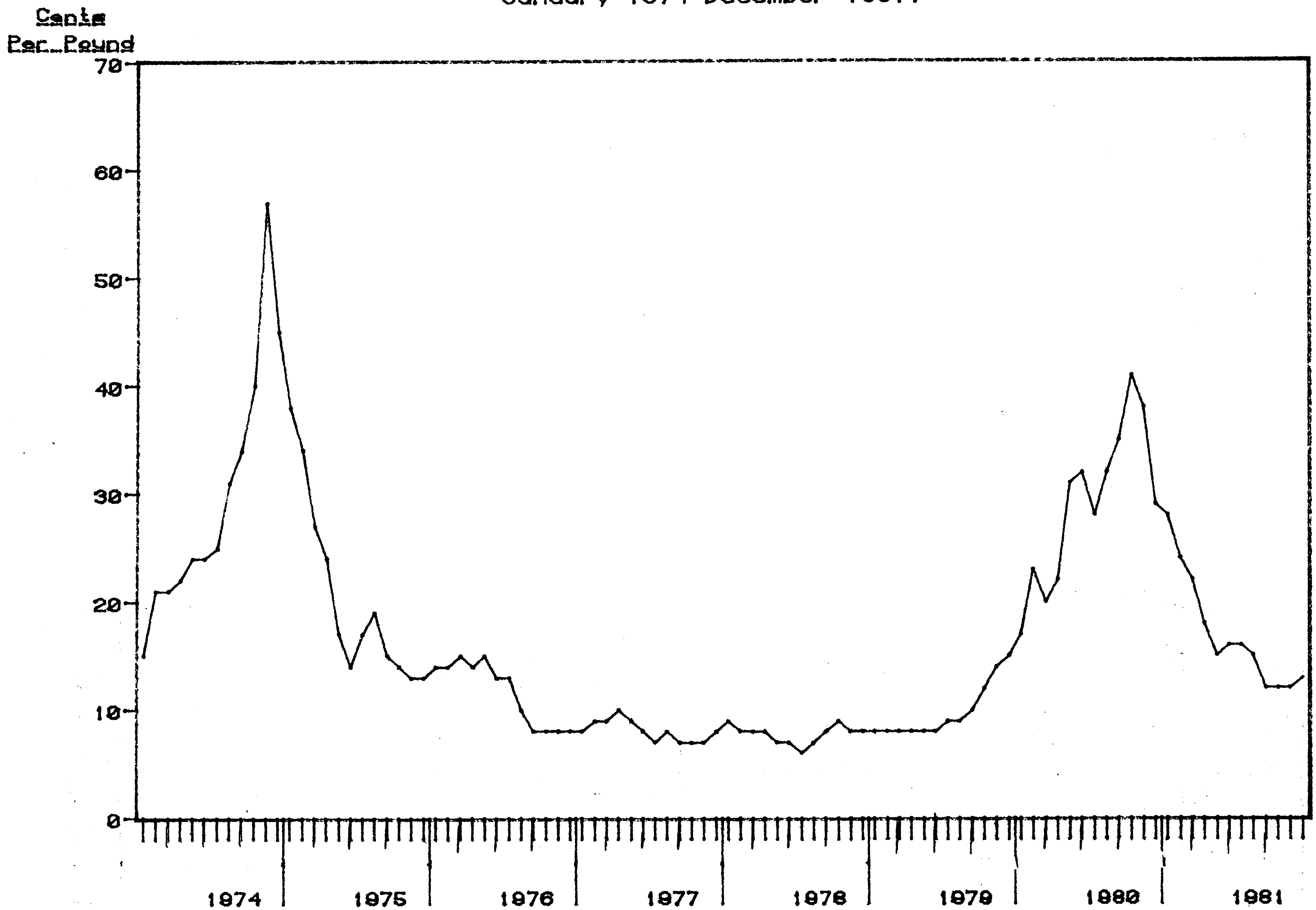
9/ Spread for refining includes refining costs and profits, if any, for cane sugar refiners. From Jan. 1, 1975, to June 30, 1975, includes excise tax of 0.53 cent per pound.

10/ Data are wholesale list prices for refined sugar in 100-pound bags, Northeastern United States.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

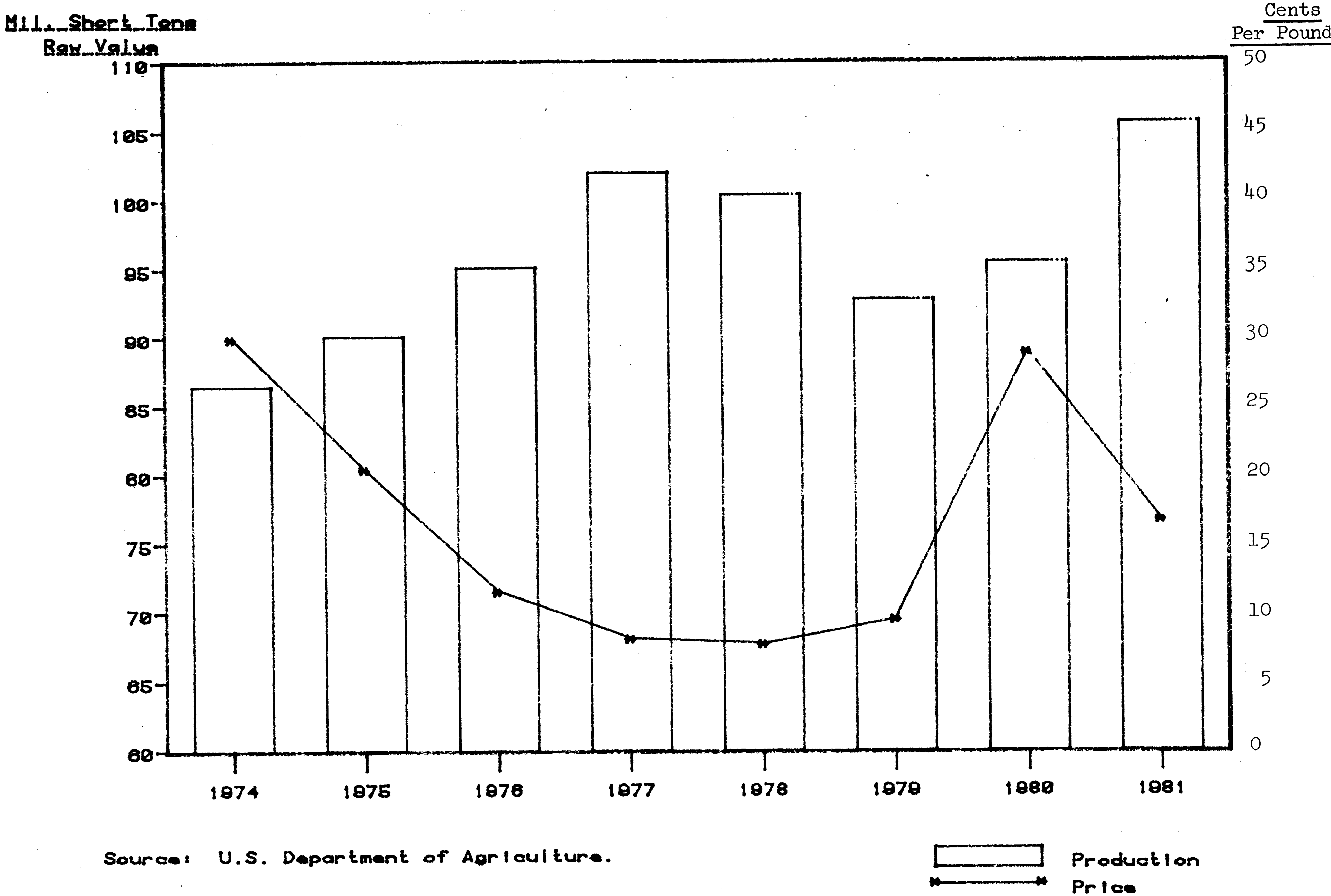
Note.--Because of rounding, figures may not add to the totals shown.

Figure 4.--World raw sugar prices, by months, January 1974-December 1981.



Source: U.S. Department of Agriculture.

Figure 5.--World sugar: Price and Production, 1974-81.



Source: U.S. Department of Agriculture.

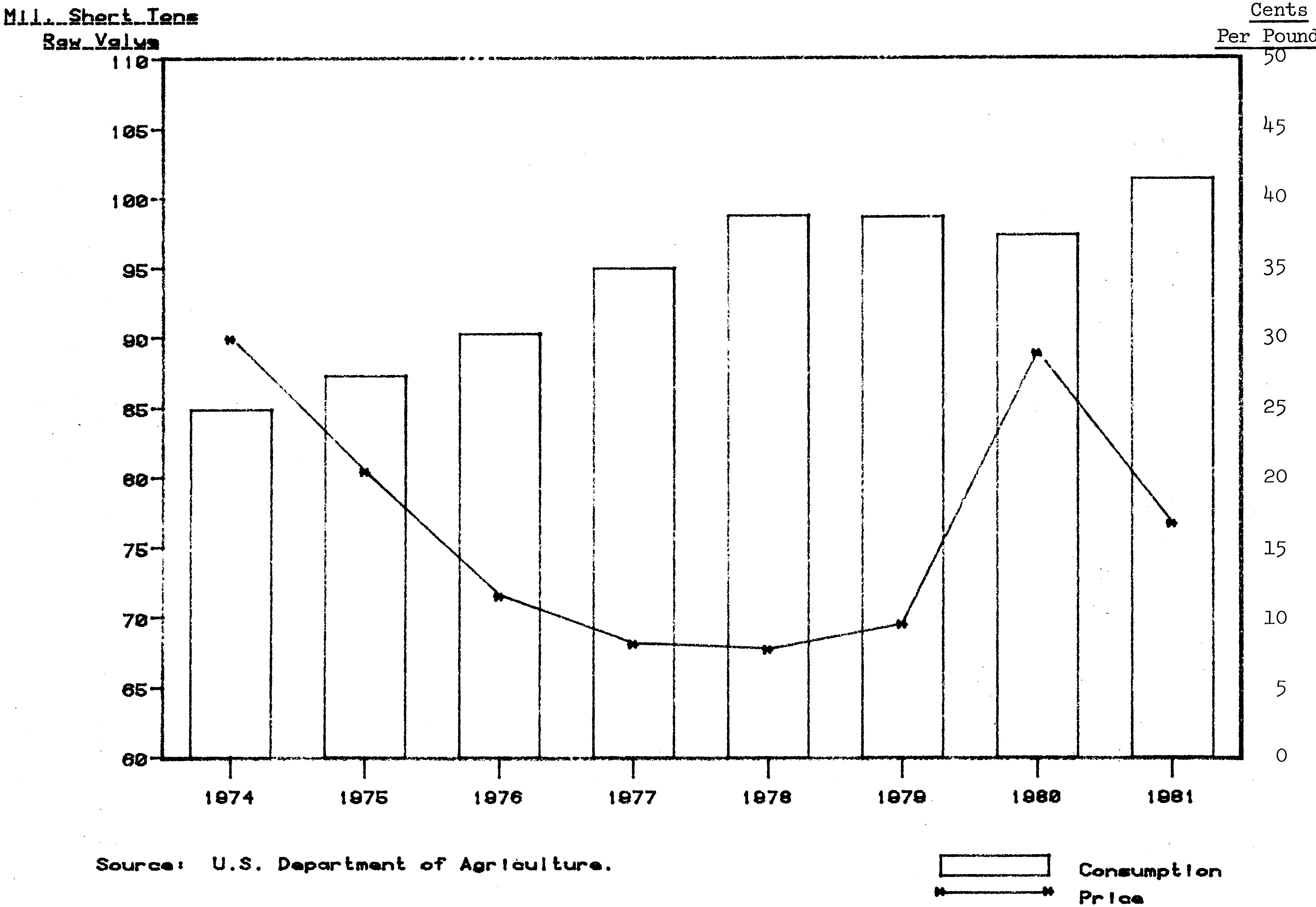
Table 12.--Sugar: World production, consumption, and stocks, raw value, 1974/75-1981/82

Crop year 1/	Production				Consumption		Foreign trade balance	Ending stocks		Ending stocks as a share of consumption
	Cane	Beet	Total 2/	Change from previous year	Total	Change from previous year		Total	Change from previous year	
	Million short tons									Percent
1974/75	55.1	31.4	86.5	-1.7	84.9	-3.3	-0.2	21.1	1.8	24.85
1975/76	55.0	34.9	90.1	3.6	87.3	2.4	.5	23.4	2.3	26.80
1976/77	59.0	36.2	95.1	5.0	90.3	3.0	.6	27.6	4.2	30.56
1977/78	63.4	38.6	102.0	6.9	95.0	4.7	1.8	32.8	5.2	34.53
1978/79	62.3	38.1	100.4	-1.6	98.8	3.8	.7	33.7	.9	34.11
1979/80	56.2	36.6	92.8	-7.6	98.7	-.1	1.8	26.0	-7.7	26.34
1980/81	60.0	35.5	95.5	2.7	97.4	-1.3	.6	23.5	-2.5	24.13
1981/82 4/	65.7	39.8	105.6	10.1	101.4	4.0	0	27.7	4.2	27.32

1/ Crop year generally runs from Sept. 1 to Aug. 31; however, the outturn of sugar harvests of several Southern Hemisphere countries begin prior to September.
2/ Because of rounding, figures may not add to the totals shown.
3/ Minus sign (-) indicates imports were larger than exports.
4/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Figure 6.---World sugar: Price and Consumption, 1974-81.



Source: U.S. Department of Agriculture.

rapidly, if at all, in industrialized countries, where income levels are high and the population is growing slowly.

Another characteristic of sugar consumption is that a change in price results in only small changes in quantity demanded (i.e., the demand for sugar is price inelastic). Figure 6 contrasts the slight reduction in worldwide consumption in 1979 and 1980 with the high prices of this period and reflects this demand characteristic.

Although the demand for sugar worldwide is price inelastic, this condition may be less true in the United States because another factor affecting consumption is the price and availability of substitute products. Substitution of nonsugar sweeteners for sugar, to be discussed more fully below, is primarily a phenomenon of the United States and other industrialized countries.

U.S. raw sugar prices.--After the quotas of the Sugar Act lapsed on December 31, 1974, the world sugar price and the U.S. sugar price became closely related, because only the costs of insurance, freight, and import fees separated the two formerly unrelated prices. The U.S. price, however, has not been left completely free to fluctuate like the world price. Rather, various support programs, described earlier, have established a minimum price for domestically grown sugar. When the world price of sugar falls below the domestic support price and world sugar threatens to inundate the U.S. market, import fees are raised to bring the world price up to the U.S. support level. For example, in December 1977 when the world price averaged 8.09 cents per pound, the President raised the duty to its maximum of 2.8125 cents per pound 1/ and imposed section 22 fees as well. On the other hand, when, as in most of 1980, the world price was high, the duty was reduced to its minimum of 0.625 cent per pound, and the section 22 fees were curtailed. Hence, when the world price is low, import fees are increased to raise the U.S. price. When the world price is high, however, the two prices are essentailly the same. Figure 7 shows this relationship during 1977-81.

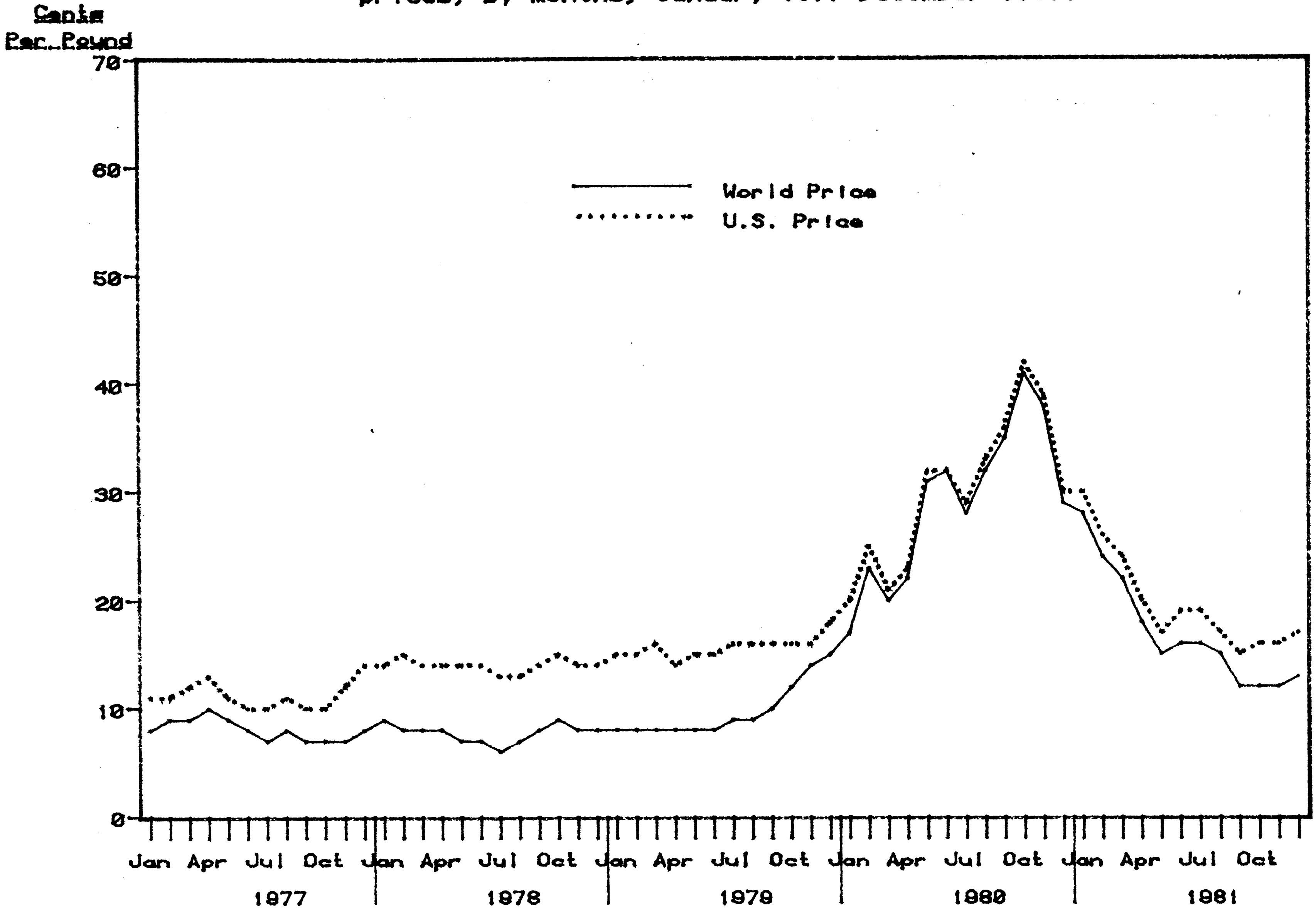
Table 11 shows the world price for sugar since 1974 and adjusts it for the costs of insurance, freight, and import fees, which raise the imported sugar price to the price for domestic sugar. In addition to these adjustments, the table also provides data on costs and margins of refining sugar in the United States. Since most imported and domestic sugar must be refined, this cost is not affected by whether the product comes from overseas or from the United States.

U.S. consumption of sugar.--As figure 1 shows, per capita consumption of sweeteners in the United States has remained approximately the same since 1971. However the amount of sugar in U.S. sweetener consumption has decreased in almost every year.

Declining sugar use is reflected in the gradual contraction of the domestic sugar industry in the years since 1974. The Department of Agri-

1/ Under the Generalized System of Preferences, whereby imports from designated countries enter the United States duty free, approximately 40 percent of imports in 1980 and 26 percent in 1981 entered duty free.

Figure 7.--Raw sugar prices: Comparison of U.S. and world prices, by months, January 1977-December 1981.



Source: U.S. Department of Agriculture.

culture reports, for example, that 11 beet processing plants and 17 cane sugar mills (not counting those in Puerto Rico) have closed since 1975/76. The decline is also manifested in the diversification of four of the largest processing companies into the manufacture of sugar substitutes.

Nonsugar sweeteners

In addition to the world sugar price and programs to support the U.S. price, another major influence on sugar prices is the availability of substitute products. From 1971 to 1981, per capita consumption of all sweeteners remained essentially the same in each year. However, per capita consumption of sugar fell in almost every year. Most of this displacement is due to sales of HFCS.

Figure 8 and table 13 present monthly price data comparing refined sugar with HFCS from 1977 through 1981. The data indicate that the primary impetus for substituting HFCS for sugar is its lower price compared with that of refined sugar. The figure also demonstrates the strong correlation between refined sugar prices and HFCS prices; HFCS prices are usually greater than 30 percent below prices for sugar.

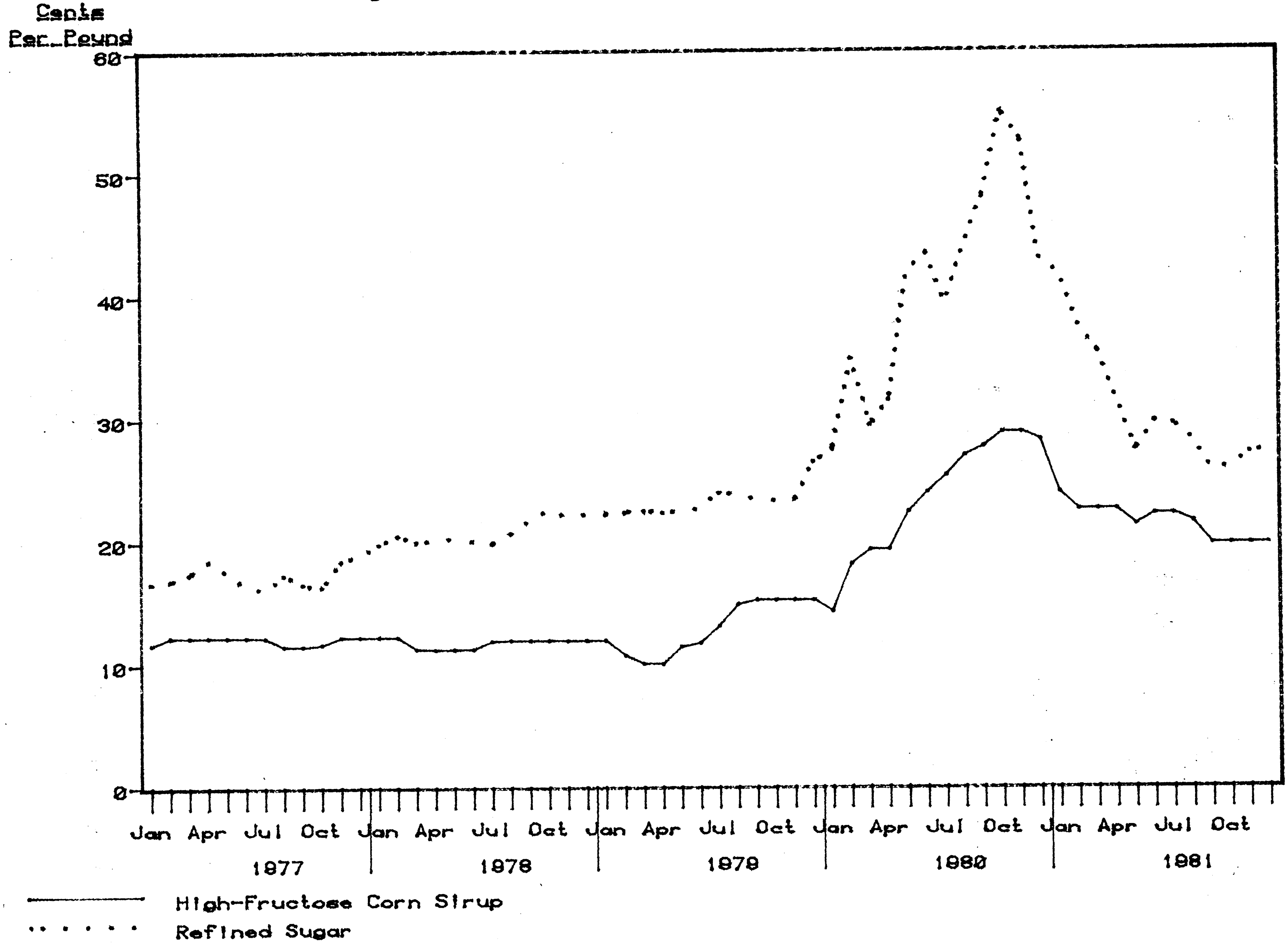
HFCS's fluctuating prices reflect problems with planning capacity expansions. Because HFCS-producing plants operate in large productive units, the industry has been plagued with shifts from undercapacity to overcapacity during the last decade. This condition has been aggravated by the unstable price of sugar. When, for example, sugar's price increases, the demand to substitute HFCS for sugar also increases. The price of HFCS will probably become more stable as the productive capacity of HFCS continues to increase and the technology matures. Present and estimated future HFCS capacity, compiled from data submitted to the Commission, are presented in the following tabulation:

Year	Capacity (million short tons, dry basis)
1981	3.2
1982	3.7
1983	4.0
1984	4.0
1985	4.0

Issues Raised During the Investigation

All parties at the hearing recognized that, because of the low world price of sugar, import restraints were necessary to prevent the CCC from acquiring large quantities of sugar at the current support price of 16.75 cents per pound. Most of the testimony focused on whether fees or quotas would be the most effective means of raising the price of imports sufficiently to prevent interference with the price-support program. There was also testimony concerning the calculation of the market stabilization price (MSP), and the derivation of the fee.

Figure 8.--Comparison of wholesale prices for refined sugar and high-fructose corn sirup, by months, 1977-1981.



Source: U.S. Department of Agriculture.

Table 13.--Wholesale prices of high-fructose corn sirup, corn sirup, and refined sugar, by months, January 1975-December 1981

(In cents per pound)

Month	1975			1976			1977		
	High-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/
January	32.20	17.81	52.95	15.14	16.33	21.31	11.69	11.49	16.70
February	32.20	17.83	48.96	15.14	15.18	20.86	12.32	11.49	16.94
March	29.45	17.78	40.50	15.14	15.18	22.20	12.32	11.59	17.45
April	25.58	17.80	37.01	15.14	15.18	21.41	12.32	11.59	18.52
May	22.93	17.93	32.23	15.18	15.18	21.87	21.32	11.59	17.52
June	18.68	17.93	25.57	14.85	18.74	20.22	21.32	11.59	16.40
July	17.95	17.78	26.89	14.79	14.73	20.46	12.24	11.54	16.13
August	20.82	18.04	27.05	14.34	14.50	17.04	11.55	11.07	17.38
September	19.97	19.17	28.30	11.89	12.56	15.85	11.55	11.07	16.57
October	17.06	19.20	21.15	11.75	12.00	16.90	11.68	10.73	16.35
November	15.95	18.11	20.84	11.30	12.12	16.28	12.30	9.49	18.50
December	15.27	17.01	20.53	11.48	11.61	15.97	12.32	9.49	18.88

See footnotes at end of table.

Table 13.--Wholesale prices of high-fructose corn sirup, corn sirup, and refined sugar, by months, January 1975-December 1981--Continued

(In cents per pound)

Month	1978			1979			1980			1981		
	High-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/	Hith-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose corn sirup 1/	Corn sirup 2/	Refined sugar 3/
January	12.32	9.59	19.85	11.97	11.91	22.27	14.27	9.83	27.51	23.94	16.63	41.80
February	12.32	9.61	20.54	10.76	11.91	22.44	18.16	10.06	35.00	22.53	16.63	37.47
March	11.28	9.61	20.03	10.06	11.91	22.54	19.37	10.96	29.48	22.53	15.95	35.51
April	11.24	10.17	20.18	10.06	11.91	22.35	19.37	13.19	31.55	22.54	15.38	31.42
May	11.27	10.36	20.31	11.46	11.91	22.53	22.41	13.19	41.96	21.28	15.38	27.40
June	11.27	10.36	20.13	11.79	11.91	22.71	24.01	14.32	22.18	22.18	16.10	29.74
July	11.94	11.28	19.90	13.10	11.91	23.96	25.35	15.50	39.42	22.18	17.09	29.46
August	11.97	11.90	20.70	14.86	11.91	23.79	27.03	17.25	44.15	21.56	17.79	28.19
September	11.97	11.90	21.83	15.21	11.46	23.46	27.70	17.25	48.05	19.72	16.49	25.68
October	11.97	11.74	22.65	15.21	11.46	23.34	28.87	17.25	55.06	19.72	15.49	25.99
November	11.97	11.90	22.05	15.21	11.46	23.48	28.87	17.25	52.84	19.72	15.12	27.10
December	11.97	11.91	22.27	15.21	11.46	26.47	28.23	16.83	42.86	19.72	14.74	27.40

1/ High-fructose corn sirup, in bulk, dry basis, Decatur, Ill.
2/ Corn sirup, in bulk, dry basis, New York.
3/ Refined sugar, in 100-pound bags, Northeast.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Under section 22, the President may impose fees or quotas to protect the price-support program. In addition to using fees or quotas under section 22, the President has independent authority, set forth in headnote 2, subpart A, part 10, schedule 1, of the TSUS to establish tariffs and quotas on imports of sugar. Although the President may not use section 22 to establish both fees and quotas simultaneously, the headnote requires the imposition of both tariffs and quotas on sugar. Hence, use of both the headnote authority and section 22 authority provides the President with the option of choosing an optimal combination of fees, tariffs, and quotas.

Fees and tariffs

A system of fees and tariffs is one means of preventing the sale or forfeiture of sugar to the U.S. Government by raising the import price to the level of the market stabilization price--the minimum price at which U.S. processors will sell sugar on the open market rather than forfeit it to the CCC. Such a system offers certain advantages. Because the fees and tariffs can be adjusted periodically, there is an advantage in reducing the price distortions that a more rigid system would cause. When the world price is low, the fees are increased to keep the U.S. market price at the MSP level. When the world price increases, the fees are reduced. The fee system, in contrast to a quota system, permits shifts in the source of sugar imports, if new, possibly lower cost, producers become active in the market. To some extent, fees and tariffs may also offset the cost of purchases which might be necessary under the price-support program.

Several features of the fee system may prevent it from accomplishing its objective. Perhaps the greatest disadvantage is that the maximum fee that can be imposed under section 22 authority is 50 percent ad valorem, and the headnote permits the levying of a tariff of an additional 2.8125 cents per pound. If world prices are at sufficiently low levels, this aggregate limitation may prevent the fee and tariff combination from raising the price of imports to the MSP level. Under the new fee system established by Presidential Proclamation 4941, fees and tariffs will not be sufficient to raise the price of imports to the MSP if the world price is below 10.32 cents per pound. The world price has been below 10.32 cents per pound since April 6, 1982 (appendix F). Under the previous system, when the MSP was 18.58 cents per pound, fees and tariffs could not raise the price of imports to the MSP if the world price was below 9.51 cents per pound. The world price has been less than 9.51 cents per pound since April 23, 1982. Number 11 and number 12 spot prices from April 1, 1982, through May 18, 1982, are shown in appendix F.

Another feature of the fee system that limits its effectiveness is that, although it is the intent of the system that fees respond to world prices, the converse is often the case. Changing fees and tariffs can create incentives for importers to take possession of foreign sugar more quickly than otherwise, especially when importers expect the fees and tariffs be increased. Anticipating the market in this way further depresses the price and complicates establishing a stable price at the MSP level. The establishment of a stable price is further complicated when the tariffs are forgiven on a portion of the imports, e.g., through GSP. GSP country exporters can share some of their tariff benefits with importers to encourage sales, which may further depress the price and make it difficult to attain the price objective.

Quotas

Experience from 1948 to 1974 shows that quotas can keep the U.S. price at or above the objective price level. However, finding an optimal level for a quota is complicated by changing levels of domestic production and, to a lesser extent, changing domestic consumption. The remedy for this difficulty is to keep the quota level flexible.

The quota system established during the last years of the Sugar Act, 1972-74, shows how flexibility can be built into the quota system. At that time, the Secretary of Agriculture estimated the annual quantity of sugar that could be consumed in the United States at a prescribed price objective. The act specified mandatory changes in quotas when raw sugar prices varied from the price objective by more than a few percentage points. Frequent quota adjustments were necessary.

The domestic consumption requirement was allocated by statutory formula among domestic and foreign suppliers of sugar. The statutory formula under the 1971 amendment allocated about 62 percent of the initial basic quota of 11.2 million short tons, raw value, to domestic areas, about 10 percent to the Philippines, and the remaining 28 percent to Cuba and 32 other countries. The quota for Cuba was prorated to other countries in the Western Hemisphere and the Philipines. Any increase in the domestic consumption requirement over the initial basic quota was allocated on the basis of 65 percent to domestic areas other than Hawaii and Puerto Rico and 35 percent to foreign countries. Hawaii and Puerto Rico had separate quotas for sugar, which were adjusted automatically according to production levels.

The quota under the Sugar Act included domestic production restrictions along with country-by-country limitations on imports. It is difficult to know whether the recently established quota system will also require concurrent domestic growing restrictions. In this regard, representatives from the Department of Agriculture testified that--

> with estimated net production and processing costs, excluding land cost, of 21.5 cents a pound for the 1981/82 crop of raw cane sugar, and 22.6 cents a pound for refined beet sugar, the loan rates, which are established under the current program are not likely to stimulate any expansion of domestic sugar production. 1/

Nonetheless, because of the most recent increase in the MSP to 19.88 cents per pound, some low-cost producers of sugar may find it profitable to increase production.

1/ Transcript of hearing, p. 41.

Like the previous quota system, any new quota system would require constant monitoring and adjusting to fit the changing circumstances of the market regarding domestic supply and consumption. For example, in 1982 the Department of Agriculture estimates that between 5.5 million and 6.0 million short tons of raw sugar (or its equivalent) will be grown domestically. Consumption of sugar, expected to decline from last year's 9.8 million short tons because of the increasing capacity of HFCS, is estimated to be about 9.6 million short tons. Hence to meet domestic demand, between 4.1 million and 3.6 million short tons of sugar will be withdrawn from domestic stocks and imported.

Because imports were unusually high prior to the end of 1981, domestic stocks are presently larger than normal. 1/ As a consequence, the amount of sugar imported under a quota would initially have to be smaller than usual in 1982 to maintain the price at the MSP level.

Because the short-run demand for sugar is usually considered inelastic, small reductions in the quantities imported should exert the necessary pressure to bring the price up to the price objective. 2/ However, with domestic production and consumption levels uncertain, frequent adjustments will have to be made to achieve the price objective.

In addition to setting the overall level of quotas, another important issue is how the quotas are distributed. As noted above, in the pre-1974 period, quotas were allocated on a country-by-country basis. Country-by-country quotas are usually distributed to traditional market share holders on the basis of their market share over a representative period of time. The current quota imposed pursuant to the headnote authority is allocated country-by-country, based on trade in 1975-81, excluding the high and low years for each country.

Another way of distributing quotas is on a first-come, first-served basis. This forces foreign suppliers to compete with one another until the quota is filled. This system is often criticized for leading to a situation where prices are below the price objective early in a quota period, when suppliers rush to fill the quota for that time period, and above the price objective late in the period, after the quota has been filled.

1/ The Department of Agriculture estimates that stocks at the end of April 1982 were 3.1 million short tons, raw value. In April 1981, they were 1.6 million short tons, raw value.

2/ In a previous Commission report, Sugar: Report to the President on Investigation No. 22-41 under Section 22 of the Argicultural Adjustment Act, as Amended, USITC Publication 881, April 1978 the price elasticity of demand was estimated at -.22. This means that an increase of 1 percent in the price will result in a decrease of 0.22 percent in the quantity of sugar demanded. While such a low price elasticity of demand may be the case at low prices in the short run, demand is probably more elastic in the medium to long term and also when the price is high. For example, when prices reached their highs in 1974 and 1980 of 66 and 45 cents per pound, respectively, sugar lost considerable market share to HFCS.

Under both country-by-country and first-come, first-served quota distributions, the revenue effect of the import restraint accrues to the exporter and importer. However, if the quota system is imposed in addition to the maximum fee system, much of this revenue can be collected by the government.

The market stabilization price

The MSP is the sum of the support price (16.75 cents per pound) and additional fees to cover costs such as transportation. The MSP is currently calculated by adding a transportation factor (2.93 cents per pound) and an incentive factor (0.2 cent per pound) to the support price. Prior to Presidential Proclamation 4940 of May 5, 1982, the MSP also included a GSP factor (0.5 cent per pound), and the transportation factor was lower (1.63 cents per pound).

Transportation cost factor.--The largest MSP factor is the cost of transportation. The practice has been to use the highest delivery cost experienced in marketing any domestic sugar in determining the MSP for all domestic sugar marketed in the United States. Prior to the recent Proclamation, the estimated transportation cost was 1.63 cents per pound. This represented the cost of shipping sugar from Florida to New York. During the hearings, the representatives from the Department of Agriculture noted that some Hawaiian sugar (about 160,000 short tons, raw value, or 15 percent of the Hawaiian crop) was shipped from Hawaii to Gulf of Mexico and east coast ports, and that this transportation cost was considerably higher than the cost from Florida to New York. 1/ Proclamation 4940 included the higher shipping factor, and the allowance for transportation was increased from 1.63 cents per pound to 2.93 cents per pound. As a result, the MSP for all sugar increased from 18.58 to 19.88 cents per pound.

Although this adjustment upward in the MSP is targeted for a small proportion of the U.S. crop, the MSP increase effectively raises the price for all domestic and imported sugar. In the absence of the increase of 1.3 cents the potential cost to the CCC will be potential purchases, such as of 160,000 tons of Hawaiian sugar, at an estimated cost of $64 million. This potential Government expenditure based on a transportation factor will be prevented by the increase in the MSP, but at an estimated additional expense of $151 million to the final purchasers of sugar in the United States during June to December, 1982. 2/ A direct subsidy could deal with this historical 160,000 pounds of Hawaiian sugar at a cost of about $5 million, but there is no provision for subsidies in the program.

GSP cost factor.--The GSP cost factor was an attempt to compensate domestic producers for revenue losses because of tariff reductions through GSP treatment of some imports of sugar. In effect, the GSP factor raised the price on non-GSP sugar to offset allowing some imports to enter without tariffs. Because the GSP factor, unlike the incentive and transportation

1/ Transcript of hearing, pp. 202-203.
2/ If this increase in the MSP of 1.3 cents per pound results in increased domestic sugar production, potential CCC purchases could be higher.

factors in the MSP, does not represent a cost incurred in marketing sugar, the Department of Agriculture requested the Commission's advice on whether, in lieu of adding this factor to the support price to obtain the MSP, it might be subtracted from the world price.

Proclamation 4940 of May 5, 1982, addressed this problem by changing to a system tied to the domestic spot price instead of the world price quoted at greater Caribbean ports.

Derivation of the fee

Number 12 spot price.--A question was raised at the hearing regarding the use of the Number 12 spot price, the delivered price to north Atlantic ports, instead of the Number 11 spot price, the price at Greater Caribbean ports. As mentioned above, the President chose the Number 12 price under the new system. The advantage of the Number 12 price is that it will no longer be necessary to monitor the attributed costs associated with transporting sugar from greater Caribbean ports. A disadvantage concerns the accuracy of the Number 12 price, because on some days it may be based on a small number of transactions.

Because quotas separate the domestic price from the world price, changing to the Number 12 price to monitor the effect of quotas was a necessary concomitant to the quota system established under Presidential Proclamation 4941 of May 5, 1982.

Refined sugar.--Several parties at the hearing asked that the Commission review the system for deriving the fee for refined sugar. The fee for refined sugar varies with the fee for raw sugar by a fixed formula. As the world price nears the MSP, the incentive to import refined sugar instead of raw sugar increases, since the cost of converting raw sugar into refined sugar has allegedly not be adequately taken into account. The import fee for refined sugar is now fixed at 1 cent per pound above the raw sugar fee, or less than the estimated costs of refining sugar. Therefore, even when high world prices eliminate the need for import fees, a fee of 1 cent per pound will be maintained for refined sugar. It has been suggested that a fixed fee which adequately reflects refining costs be incorporated into the system and that the system provide for the elimination of this fee when market prices reach the level at which a fee is unnecessary.

APPENDIX A

COMMISSION'S NOTICE OF INVESTIGATION AND HEARING

United Kingdom, and West Germany of hot-rolled carbon steel sheet and strip, provided for in items 607.6610, 607.6700, 607.8320, 607.8342, 607.9400, 608.1920, 608.2120, and 608.2320 of the Tariff Schedules, which are alleged to be sold in the United States at less than fair value.

EFFECTIVE DATE: January 11, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Daniel Leahy, Office of Investigations, U.S. International Trade Commission; telephone 202-523-1369.

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to petitions filed January 11, 1982, on behalf of United States Steel Corp., Bethlehem Steel Corp., Republic Steel Corp., Inland Steel Corp., Jones & Laughlin Steel, Inc., National Steel Corp., and Cyclops Steel Corp. The Commission must make its determinations in these investigations within 45 days after the date of the filing of the petitions or by February 25, 1982 (19 CFR 207.17). The investigations will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207, 44 FR 76457), and particularly Subpart B thereof.

Written submissions.—Any person may submit to the Commission on or before February 9, 1982, a written statement of information pertinent to the subject matter of the investigations. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m., e.s.t., on February 3, 1982, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for the investigations, Mr. Lynn Featherstone, telephone 202-523-0242, not later than January 27, 1982, to arrange for their appearance. The conference in these investigations will be held concurrently with that for countervailing duty investigations Nos. 701-TA-86 through 93 and 102 through 144 (Preliminary) and antidumping investigations Nos. 731-TA-53 through 60 and 68 through 86 (Preliminary).

Record.—The record of Commission investigation No. 701-TA-85 (Preliminary), Hot-Rolled Carbon Steel Sheet from France will be incorporated in the records of investigations Nos. 701-TA-94 through 101 (Preliminary) and investigations Nos. 731-TA-61 through 67 (Preliminary).

For further information concerning the conduct of the investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201). Further information concerning the conduct of the conference will be provided by Mr. Featherstone.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and procedure (19 CFR 207.12).

Issued: January 15, 1982.
By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-1401 Filed 1-19-82; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 22-45]

Sugar; Investigation

AGENCY: International Trade Commission.

ACTION: Institution of an investigation under section 22(a) of the Agricultural Adjustment Act (7 U.S.C. 624(a)) to determine whether sugars, sirups, and molasses, derived from sugar cane or sugar beets, provided for in items 155.20 and 155.30 of the Tariff Schedules of the United States (TSUS), are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program for sugar cane and sugar beets of the U.S. Department of Agriculture.

EFFECTIVE DATE: January 15, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. T. Vernon Greer, 202-724-0074.

SUPPLEMENTARY INFORMATION:

Background: The investigation (No. 22-45) was instituted following receipt of a letter dated December 23, 1981, from the President directing the Commission to conduct it. The letter stated that the President agreed with advice from the Secretary of Agriculture that there is reason to believe that sugars, sirups, and molasses, provided for in TSUS items 155.20 and 155.30, are being imported or are practically certain to be imported under such conditions and in such quantities as to materially interfere with the price-support program for sugar cane and sugar beets undertaken by the Department of Agriculture.

The President's letter also stated that he was that day taking emergency action under section 22(b) of the Agricultural Adjustment Act and issuing a proclamation imposing import fees on the above-mentioned sugars, sirups, and molasses, with such fees to continue in effect pending the report and recommendation of the Commission and action that he may take thereon.

Public hearing: The Commission will hold a public hearing in connection with this investigation beginning at 10:00 a.m., on Tuesday, April 6, 1982, in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on March 18, 1982. For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 204 (19 CFR Part 204) and Part 201 (19 CFR Part 201).

Prehearing procedures: A prehearing conference will be held on Monday, March 22, 1982, at 10:00 a.m., in Room 117 of the U.S. International Trade Commission Building.

To facilitate the hearing process, it is requested that persons wishing to appear at the hearing submit prehearing briefs enumerating and discussing the issues which they wish to raise at the hearing. Nineteen copies of such prehearing briefs should be submitted to the Secretary to the Commission no later than the close of business on March 31, 1982. Copies of any prehearing briefs submitted will be available for public inspection in the Office of the Secretary. While submission of prehearing briefs does not prohibit submission of prepared statements in accordance with § 201.12(d) of the Commission's Rules of Practice and Procedure (19 CFR 201.12(d)), statements are unnecessary if briefs are submitted. Oral presentation should, to the extent possible, be limited to issues raised in the prehearing briefs.

Persons not represented by counsel or public officials who have relevant matters to present may give testimony without regard to the suggested prehearing procedures outlined in this notice.

Written submissions: In addition to or in lieu of an appearance at the hearing, interested persons may submit to the Commission a written statement of information pertinent to the subject matter of this investigation. Written statements should be addressed to the Secretary to the Commission, 701 E Street, NW., Washington, D.C. 20436, and must be received not later than April 14, 1982. All written submissions, except for confidential business data, will be available for public inspection.

Any business information which a submitter desires the Commission to treat as confidential must be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Issued: January 15, 1982.
By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-1403 Filed 1-19-82; 8:45 am]
BILLING CODE 7020-02-M

[Investigation No. 337-TA-95]

Certain Surface Grinding Machines and Literature for Promotion Thereof; Termination of Respondents

AGENCY: International Trade Commission.

ACTION: Termination of investigation as to respondents Jones and Henry Tool Co., Cactus State Machinery, Kabaco Tools, Inc. dba KBC Machinery, Equipment Importers Inc. dba Jet Equipment and Tool and Select Machine Tool and Supply Co.

SUMMARY: The Commission has terminated the above-captioned investigation as to respondents Kabaco Tools, Inc. dba KBC Machinery, and Equipment Importers Inc. dba Jet Equipment and Tool based on consent order agreements, and as to respondents Jones and Henry Tool Co. and Cactus State Machinery based on settlement agreements, and as to Select Machine Tool & Supply Co. because the continued presence of that respondent is unnecessary for purposes of obtaining an appropriate resolution to the investigation.

Termination of these five respondents terminates this investigation as they are the only respondents remaining.

SUPPLEMENTARY INFORMATION: This investigation is being conducted under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) and concerns alleged unfair trade practices in the importation into and sale in the United States of certain surface grinding machines and literature for the promotion thereof. The complainant, Brown and Sharpe Mfg. Co., and respondents Kabaco Tools, Inc. dba KBC Machinery, and Equipment Importers Inc. dba Jet Equipment and Tool jointly moved to terminate the investigation as to aforementioned respondents on the basis of consent order agreements. The complainant and respondents Jones and Henry Tool Co. and Cactus State Machinery jointly moved to terminate the investigation as to the aforementioned respondents on the basis of written settlement agreements. Select Machine Tool & Supply Co. is being terminated from this investigation because its continued presence as a respondent is unnecessary to an appropriate resolution of the investigation.

Copies of the Commission's Action and Order and all other nonconfidential documents filed in connection with the investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secrertary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436, telephone 202-523-0161.

FOR FURTHER INFORMATION CONTACT: Clarease E. Mitchell, Esq., Office of the General Counsel, telephone 202-523-0148.

Issued: January 15, 1982.
By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-1404 Filed 1-19-82; 8:45 am]
BILLING CODE 7020-02-M

[Investigation No. TA-406-7]

Unrefined Montan Wax From East Germany; Report to the President

January 13, 1982.

Determination

On the basis of information developed in the course of investigation No. TA-406-7, the Commission (Commissioner Frank dissenting) has determined, with respect to imports of unrefined montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States, that market disruption does not exist with respect to an article produced by a domestic industry.

Background

This report is being furnished pursuant to section 406(a)(3) of the Trade Act of 1974 (19 U.S.C. 2436(a)(3)) and is based on an investigation conducted under section 406(a)(1) of the Trade Act. The Commission instituted the investigation on October 28, 1981, following receipt of a petition filed on October 13, 1981, by the American Lignite Products Co. (ALPCO), Ione, California.

A public hearing in this proceeding was held in the Hearing Room of the U.S. International Trade Commission Building in Washington, D.C., on December 2, 1981. All interested parties were given an opportunity to be present, to present evidence, and to be heard.

Notice of institution of the investigation and of the public hearing was given by posting copies of the notice in the Office of the Secretary to the Commission in Washington, D.C., and by publishing the notice in Federal Register of November 3, 1981 (46 FR 54659).

The information in this report was obtained from field work, questionnaires sent to the domestic producer and importer, the Commission's files, other Government agencies, testimony presented at the hearing, briefs filed by interested parties, and other sources.

Views of Chairman Bill Alberger, Vice Chairman Michael J. Calhoun and Commissioners Paula Stern and Alfred E. Eckes

On the basis of the information developed during the course of this investigation, we determine that market disruption as defined in section 406 of the Trade Act of 1974 (Trade Act) does not exist with respect to imports of unrefined montan wax. Our determination in this case rests on an assessment of the recent and historical levels of imports of unrefined montan wax from East Germany in the U.S. market. The recent role of imports is not abnormal in the historical context. Thus, the threshold requirement for a finding of market disruption—a showing of rapidly increasing imports—has not been met in this investigation.

Section 406(a)(1) of the Trade Act directs that upon the filing of a petition the Commission "shall promptly make an investigation to determine with respect to imports of an article which is the product of a Communist country, whether market disruption exists with respect to an article produced by a domestic industry." Section 406(e)(2) defines market disruption as follows:

APPENDIX B

A REVIEW OF U.S. SUGAR PROGRAMS AND LEGISLATIVE AUTHORITIES AND AN OUTLINE OF QUOTAS, DUTIES, AND FEES ON SUGAR

A Review of U.S. Sugar Programs and Legislative Authorities

by

Robert D. Barry, Economics and Statistics Service
Laurence E. Ackland, Agricultural Stabilization and Conservation Service
T. Vernon Greer, International Trade Commission

ABSTRACT: Comprehensive regulation of domestic sugar production, imports, and prices ceased when the U.S. Sugar Act expired on December 31, 1974. Low sugar prices and rising costs prompted inclusion of a domestic price support program in the Food and Agricultural Act of 1977, for the 1977/78 and 1978/79 sugar crops. A similar price support program for 1979/80 was implemented by the Administration under its discretionary authority in the Agricultural Act of 1949. Other legislative authorities available to support the sugar industry relate to tariffs and quotas: Headnote 2, subpart 10(A), Section 1, Tariff Schedules of the United States; Section 201 (a)(2) of the Trade Expansion Act of 1962; Section 22 of the Agricultural Adjustment Act of 1933; Title II of the Trade Act of 1974; and the International Sugar Agreement, 1977.

KEY WORDS: Sugar, sugar program, legislation, tariffs, quotas, International Sugar Agreement.

INTRODUCTION

On June 6, 1974, at a time of world sugar shortages and record-high prices, the House of Representatives voted not to extend the Sugar Act of 1948. The act expired on December 31, 1974, ending 40 years of comprehensive Government regulation of domestic sugar production, imports, and prices. Price objectives, and quotas for domestic and foreign suppliers, had been in effect since the Jones-Costigan Act of 1934. Following 1974, as world sugar stocks rose, prices for raw sugar dropped sharply from the record average of 57 cents a pound in November 1974 to 8.1 cents in 1977 and 7.8 cents in 1978. In the face of drastically lower prices, rapidly rising production costs, and declining employment, the Government initiated price-support programs to help ensure survival of the domestic sugar industry. This article outlines those programs and the legislative authorities presently available to support the industry.

SUGAR PROGRAMS

Payment Program-1977 Crop

In May 1977, under authority of the Agricultural Act of 1949, the President instructed the Secretary of Agriculture to institute an interim price support payment program, pending a new international sugar agreement to stabilize prices at a reasonable level.

The payment program began September 15, for 1977-crop sugar. Processors received the difference between the price objective of 13.5 cents a pound, raw sugar basis, and the average market price (the price deemed necessary to support the efficient producers). In return, processors were required to pay producers of sugarbeet and sugarcane, at least $22.84 and $17.48 (U.S. average) per ton of average-quality sugarbeets and sugarcane, respectively. The implementation of a loan program under the authority of the Food and Agriculture Act of 1977, which mandated a loan or purchase program for the 1977 and 1978 crops, ended the payment program on November 7, 1977.

Payment program eligibility continued, however, for 1977-crop sugar committed by processors before November 8, 1977, for future delivery. Such sugar could not receive full loan program price support benefits because it was not available for forfeiture under a loan program. Payments of 90 percent of the amount due under the payment program totaled $111.8 million during calendar year 1977 and $100.4 million during calendar year 1978 (10 percent was held back because in many cases the final weight and polarization of the sugar delivered were not yet known). Late in 1977, the National Corn Growers Association filed a lawsuit challenging the legality of the payment program. The lawsuit delayed final payments until calendar year 1980, when the the case was settled out of court. Final payments of $25.3 million were then made. Processors received total payments of $237.5 million for 3.9 million tons of sugar.

Loan Program-1977, 1978, And 1979 Crops

The Food and Agricultural Act of 1977 amended the Agricultural Act of 1949 through a sugar section introduced by Congressman E. (Kika) De La Garza (D-Texas) (the so-called "De La Garza amendment"). Sugarbeets and sugarcane were listed under title II as "designated nonbasic agricultural commodities," and under section 201 were to be supported through loans or purchases at 52.5 to 65 percent of the parity price, but in no event less than 13.5 cents a pound raw sugar equivalent. The 1977 crop price support loan program began November 8, 1977. Loan rates for 1977- and 1978-crop sugar were established at 13.50 cents and 14.73 cents a pound raw value respectively (table 1). Participating processors agreed to pay producers at least the support prices specified by the program (for average-quality sugarbeets and sugarcane), so long as the producers met USDA minimum wages for sugar fieldworkers.

Loan interest was charged only if the loan was redeemed. The processor who took out the loan used sugar as collateral. If the market price was not high enough, the processor could default on the loan and forfeit the sugar to the Commodity Credit Corporation (CCC). The government sought to protect the loan program and minimize risk of forfeiture by maintaining a minimum market price level ("market price objective") through duties and section 22 fees on imported sugar (see the discussion of legislative authorities).

The 1979 through 1981 sugar crops were not designated in 1977 farm legislation to receive price support. Price support authority reverted to title III, section 301 of the Agricultural Act of 1949, which provided that a sugar program was at the discretion of the Secretary of Agriculture. The Secretary was authorized but not mandated to make available through loans, purchases, or other operations, sugar price support at up to 90 percent of parity.

The International Sugar Agreement (ISA) came into force provisionally on January 1, 1978 but the world sugar price continued to be below the ISA target range of 11 to 21 cents a pound raw sugar. On May 9, 1979, the Secretary of Agriculture proposed for the 1979 sugarbeet and sugarcane crops a price-support loan program similar to the 1977 and 1978 programs. The program was adopted August 3, 1979. The basic loan rate of 13.0 cents a pound raw sugar was lower than the 1977 and 1978 loan rates but consistent with legislation then being considered in Congress. A 13.0-cent loan rate was believed low enough to allow loan redemption as long as the market price did not fall below 15 cents. Price support rates for the 1977 and 1978 crops had proved too high relative to prevailing market prices to avoid substantial forfeitures to CCC. Loan principal plus interest and other sales costs, such as transportation, had discouraged redemption even when market prices were at or slightly above the market price objective.

CCC Sugar Sales Program

Since September 1979, the CCC has sold sugar under CCC policy constraints that sales should not disrupt the market or sell for less than 105 percent of the latest loan rate plus reasonable carrying costs. Only about 18,400 tons of refined beet sugar remain unsold. CCC's net gain on sugar inventory operations, with all costs and receipts not yet recorded, is about $67 million.[1]

Activity for 1980 and 1981 Crops

On August 15, 1980, the Secretary gave notice in the *Federal Register* that he was considering three options for the 1980 crop: (1) purchase agreements (USDA's preferred option), (2) loans similar to those for the 1979 crop, or (3) no program. The level of support proposed under options (1) and (2) was intended to guarantee 43 percent of parity to producers—the same level provided for the 1979 crop.

After considering the proposal and public comments, the Secretary determined that a price support program was not necessary for the 1980 crop. The proposed rule was withdrawn on December 15, 1980. No program has been proposed for the 1981 crop, and the Department has not proposed legislation for sugar as part of the 1981 farm bill.

[1] The Commodity Credit Corporation is a Government-owned and operated corporation created in 1933 in part to stabilize, support, and protect farm income and prices through borrowing authority from the U.S. Treasury. The CCC has no operating personnel but carries out its functions—including price support for sugar beets, sugarcane, and other commodities—through the personnel and facilities of the Agricultural Stabilization and Conservation Service (ASCS). Losses on an individual commodity program do not curtail required programs for that commodity; similarly, profits from operations for a commodity do not accure to that commodity's specific program.

Table 1—Basic support, loan, and parity rates for 1977-79 sugar crops

Crop year	Sugarcane support (dollars/ton)	Sugarbeet support (dollars/ton)	Support as percent of parity	Raw sugar loan rate (cents/lb.)	Refined beets sugar loan rate (cents/lb.)	Raw sugar market price support level (cents/lb.)
1977/78	17.48	22.84	52.5	13.50	15.57[1]	13.50
1978/79	18.85	24.73	52.5	14.73	16.99	15.00
1979/80	17.00	22.46	43.0	13.00	15.15	15.00

[1]Initially set at 14.24 cents a pound.

Table 2—Summary of price support activity for 1977-79 sugar crops

Crop year	Sugar placed under loan (short tons raw value)	Loan value (in million dollars)	Sugar redeemed (short tons, raw value)	Sugar forfeited to CCC (short tons, raw value)
1977/78	1,325,025	374.1	1,122,911	202,114[1]
1978/79	2,567,064	789.4	2,108,909	458,155[2]
1979/80	1,831,788	506.3	1,744,903[3]	-0-
Totals	5,723,877	1,699.8	5,063,608	660,269

[1]All raw cane sugar.
[2]Breakdown is 227,990 tons raw cane sugar and 230,165 tons refined beet sugar.
[3]Approximately 86,885 tons of 1979-crop refined beet sugar still under loan as of April 30, 1981.

LEGISLATIVE AUTHORITIES

Without sugar legislation the Secretary of Agriculture would retain his discretionary authority under section 301 of the Agricultural Act of 1949, as amended, to provide price support at up to 90 percent of parity. Other legislative authorities presently available to support the sugar industry relate to tariffs and quotas:

- Headnote 2, subpart 10(A), schedule 1, Tariff Schedules of the United States
- Section 201 (a)(2), Trade Expansion Act of 1962
- Section 22, Agricultural Adjustment Act of 1933
- Title II, Trade Act of 1974
- International Sugar Agreement, 1977 (ISA).

Headnote 2 and the ISA relate specifically to sugar; the others are general authorities.

Headnote 2, subpart 10(A), schedule 1, Tariff Schedules of the United States

The President is authorized to proclaim duties and quotas under headnote 2 of subpart A, part 10, schedule 1 of the Tariff Schedules of the United States (TSUS).

Headnote 2 fixes the column 1 rate of duty [2] in effect January 1, 1968, as the floor below which the President cannot reduce the duty. That rate of duty was 0.625 cents a pound raw value (i.e. for sugar testing 96 degrees on the polariscope). According to the headnote, the rate of duty will snap back to the statutory (July 1, 1934) rate of 1.875 cents a pound whenever sugar quota legislation is not in effect in the United States, unless the President acts to impose particular rates of duty and quotas. The snapback provision was originally negotiated under the General Agreement on Tariffs and Trade (GATT) at Annecy, France (May 19, 1950), and the power of the President to modify rates of duty was added at Torquay, England (June 6, 1951). These provisions were subsequently contained as a note in the 1967 Geneva Protocol to the GATT (which embodied the results of the "Kennedy round" of international trade negotiations) with the footnote: "This note is not in the Tariff Schedules of the United States on June 30, 1967." Thereafter, the note was added to the TSUS by Presidential Proclamation 3822 (December 16, 1967), which implemented the Kennedy round concessions, effective January 1, 1968.

Quotas, previously established by the U.S. Sugar Act of 1948, as amended, were slated to end with the expiration of the U.S. Sugar Act, on December 31, 1974. Proclamation 4334, issued by the President on November 16, 1974, on the basis of headnote 2(i), established rates of duty and quota limitations to become effective January 1, 1975. If there had been no such proclamation by March 31, 1975, the continuing power of the President to make any modification under headnote 2 would have lapsed, and the reversion of the rate of duty to the higher statutory rate would have remained in effect until changed under other authority.

Any rate of duty proclaimed under headnote 2(i) must be accompanied by the proclamation of quotas. If the snapback had occurred, there would have been no requirement that quota limitations be proclaimed. Any duty rates and quota proclaimed under headnote 2(i) must consider the interests of domestic producers and materially-affected contracting parties to the GATT. Pursuant to headnote 2(ii), the President may subsequently modify any action taken under headnote 2(i) if he finds that, owing to changed circumstances, a modification in the duty rate or quota is required or appropri-

[2] Column 1 rates of duty are provided for countries to which the United States has granted most-favored-nation (MFN) treatment. Column 2 rates are for non-MFN countries, essentially Communist countries (mainly USSR, North Korea, Cuba, Communist Indochina, Albania, Bulgaria, Czechoslovakia, and East Germany). Some Communist countries, however, have trade treaties with the United States and been given MFN and column 1 status: Poland, Hungary, Romania, and Yugoslavia. Column 2 countries are listed in general headnote 3(f) to the TSUS.

ate to protect the interests of domestic producers and affected GATT contracting parties.

There is no expiration date for the President's authority to act under headnote 2(ii) once he has acted under the authority of headnote 2(i) unless Congress enacts specific legislation substantially equivalent to title II of the Sugar Act of 1948, in which case the original concession rates would be restored.

The imposition of quotas under the terms of headnote 2 cannot be deemed a violation of article XI of the GATT, which limits imposition of quantitative import restrictions by contracting parties. The contracting parties accepted the headnote, thereby acknowledging the right of the United States to change rates of duty and impose quotas during any lapse in U.S. sugar legislation, despite any provisions of the GATT generally prohibiting quantitative restrictions.

Proclamation 4334 limited sugar imports to a maximum of 7 million short tons raw value. However, the quota was designed to be nonrestrictive. (The U.S. Sugar Act quota in 1974 amounted to about 6.7 million short tons raw value, but only about 6 million were imported.) The new global quota was added to the TSUS as headnote 3 to subpart A, part 10, schedule 1.[3] By establishing a sugar quota to be effective January 1, 1975, the proclamation avoided a snapback of the tariff from the existing 0.625 cents a pound to the 1.875 cents a pound existing on July 1, 1934.

There is no limitation to the President's quota authority under headnote 2. In fact, the authority was broadly drafted so that the President could maintain a quota regime similar to that which prevailed under the Sugar Act of 1948, as amended, in the event of a temporary lapse of the 1948 Act. Quotas may be either global or country-specific. The quota authority presently is being used to allocate quotas for member and nonmember countries of the International Sugar Agreement, 1977, as required by that agreement. The authority was so used also when the United States was provisional member of the agreement, prior to its ratification by the United States Senate.

Section 201 (a)(2), Trade Expansion Act of 1962

Section 201 (a)(2) of the Trade Expansion Act of 1962 authorizes the President to "proclaim such modification or continuance of any existing duty-free or excise treatment, or such additional import restriction, as he determines to be required or appropriate to carry out any such trade agreement" [19 U.S.C. 1821 (a)(2].

Headnote 2 of the TSUS supersedes most of the authority, except the ceiling for raising the duty, which is not expressly established by the headnote. The upper limit is derived from the President's authority to raise rates of duty to enforce concessions of the Kennedy round, contained in section 201 (b) of the Trade Expansion Act of 1962. That limit is a duty of no more than 50 percent above the rate existing on July 1, 1934 (1.875 cents a pound raw value). Thus, the maximum statutory rate is 2.8125 cents a pound, raw value. Raising rates of duty in TSUS column 1 to above the rates of duty in column 2 requires that the column 2 rates be raised also, in accordance with general headnote 4(b) of the TSUS.

Presidential Proclamations Under Headnote 2

On September 21, 1976, the President signed Proclamation 4463 which, pursuant to headnote 2, increased the duty to the rate provided in column 2. This was an increase from 0.625 cents a pound raw value to 1.875 cents. The effective date of this increase was September 21, but Proclamation 4466 amended the effective date to include sugar exported before September 21 and entered before November 8, 1977. The proclamation made no change in the quota of 7 million short tons and did not affect the duty-free treatment of sugar from designated beneficiary countries under the Generalized System of Preferences (GSP).[4]

Proclamation 4539, issued November 1, 1977, further raised the tariff on imported sugar to the legal maximum of 2.8125 cents a pound raw value. On November 30, 1978, Proclamation 4610 lowered the annual U.S. sugar quota to 6.9 million short tons raw value and designated specific-country quotas, according to U.S. obligations under the ISA. On May 24, 1979, Proclamation 4663 retained the 6.9 million ton limit but provided greater flexibility by giving the Secretary of State (or his designee) authority to allocate U.S. imports according to ISA provisions.

Proclamation 4720, issued February 1, 1980, reduced the tariff on sugar to the legal minimum of 0.625 cents a pound raw value.

Proclamation 4770, on July 1, 1980, transferred to the U.S. Trade Representative (or his designee), the Secretary of State's authority to allocate the 6.9 million ton U.S. sugar quota among supplying countries or areas, and to "prescribe further rules, regulations, limitations, or prohibitions on the entry of sugar, in accordance with the 1977 ISA and Public Law 96-236. The U.S. Trade Representative or his designee shall inform the Commissioner of Customs of any such action regarding the importation of sugar, and shall publish notice thereof in the Federal Register." Such a notice was issued April 28, 1981, restricting imports from nonmember countries.

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[3] Despite the language of headnote 2, "rate, limited by a particular quota," the headnote contemplates absolute quotas, whether country-by-country or global quotas, but could include so-called "tariff-rate quotas," which provide a higher tariff rate once a specified quota level is reached.

[4] The GSP was enacted by Title V of the Trade Act of 1974 to provide duty-free treatment for specified TSUS items for designated beneficiary developing countries. Congress excluded developed countries, Communist countries receiving column 2 rates of duty, and members of OPEC. (Some OPEC counties were made eligible in 1980 under revised GSP rules.) A "competitive criterion" based on the U.S. import value of sugar from a country could also exclude an otherwise eligible beneficiary from GSP status. From 1976-79, GSP sugar imports never accounted for more than 15 percent of U.S. sugar imports. GSP imports rose to 40 percent in 1980 but are expected to drop to 25 percent of the total in 1981. The GSP authority is scheduled to expire on January 3, 1985.

Section 22, Agricultural Adjustment Act of 1933

Section 22, was added to the Agricultural Adjustment Act of 1933 on August 24, 1935 (49 U.S.C. 773). This amendment empowers the President, on the basis of an investigation and report by the International Trade Commission (ITC), to regulate commodity imports whenever he finds that such imports tend to render ineffective or materially interfere with commodity price support or stabilization programs of the U.S. Department of Agriculture. Section 22 permits the imposition of fees not in excess of 50 percent ad valorem or quotas not in excess of 50 percent of the quantity imported during a representative period determined by the President. Under an emergency clause, the President may act without awaiting the recommendations of the ITC, such action to continue in effect, pending the ITC recommendations and action thereon by the President. The fees may not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States; i.e., fees shall apply to all countries.

Section 22 provides authority to impose fees or quotas but not both simultaneously. However, if quotas are invoked under other authorities (such as headnote 2), then section 22 may be used to impose fees while such quotas are in effect.

The limitations on import fees and rates of duty tend to fail if prices go low enough. For example, to achieve a price of 25 cents a pound, assuming transportation costs of 2 cents a pound, the President can impose a maximum rate of duty of 2.81 cents a pound under headnote 2 authority; but under section 22, at world prices below 13.46 cents a pound, the President cannot achieve the price objective, because of the 50 percent ad valorem limitation on fee authority as shown below:

World sugar price f.o.b. Caribbean	13.46 ¢/lb.
Cost of insurance and freight	2.00 ¢/lb.
Headnote 2 rate of duty	2.81 ¢/lb.
Section 22 import fee	6.73 ¢/lb.
Price objective	25.00 ¢/lb.

Thus, even with both authorities in place, the price objective would not be achieved. In this situation, though, the President could convert the quota established under headnote 2 authority to a restrictive quota, which would tend to raise U.S. prices to the objective.

Presidential Proclamations Pursuant to Section 22

On November 11, 1977, when the President raised the tariff to 2.8125 cents a pound, he issued Proclamation 4538, imposing a variable fee of up to 3.3 cents a pound on imported sugar, pursuant to section 22. As the price of sugar rose in the world market, the variable fee would decline and reach zero at a world price of 10 cents a pound. The import fees and duty increase on November 11 was effective immediately except for sugar exported or contracted prior to November 11, 1977, and imported before January 1, 1978. However, the import fees did not differentiate between raw and refined sugar. Thus, the fees would have provided a substantial advantage to refined sugar imports at a time when the European Community had a surplus of over 3 million tons of refined sugar.

On January 20, 1978, under the emergency authority of section 22, the President issued Proclamation 4547 which revised the import fees, setting a fixed import fee of 2.70 cents a pound on sugar not to be further refined or improved in quality (raw sugar) and 3.22 cents per pound on refined sugar, pending recommendations of the ITC, and the President's actions on them. Under the exception, over 1.8 million short tons were imported between November 11, 1977, and January 1, 1978, and there were no imports during January 1-20, 1978.

As of January 20, 1978, fees and duties of 5.5125 cents a pound were imposed on 96-degree raw sugar. The cost of insurance and freight in 1978 averaged 0.815 cents per pound; hence, the price objective of 13.5 cents a pound would be achieved whenever the world price of sugar was above 7.1725 cents a pound, as shown below:

World price, f.o.b. Caribbean	7.1725 ¢/lb.
Cost of insurance and freight	0.8150 ¢/lb.
Headnote 2 rate of duty	2.8125 ¢/lb.
Section 22 import fee	2.7000 ¢/lb.
U.S. duty-paid price	13.5000 ¢/lb.

Presidential Proclamation 4631, issued December 28, 1978, established a variable import fee system effective January 1979. This provided for automatic, mandatory adjustment of fees keyed to fluctuations in world sugar prices, to achieve a U.S. price of 15 cents a pound, with the fees not exceeding 50 percent ad valorem. The import fee on refined sugar continued to be 0.52 cents above the fee for raw sugar. Fees of up to 3.36 cents a pound raw sugar were imposed under this system, but with increases in world sugar prices beginning in August, fees were reduced under the variable formula, and fell to zero for raw sugar and 0.52 cents a pound for refined sugar, effective October 25, 1979. Presidential Proclamation 4631 remains in effect. In the absence of any price support program, the authority for the automatic fee-setting mechanism will expire after 1979-crop loans are closed out and remaining CCC stocks of 18,400 tons are depleted; however, a proclamation formally revoking the fee system will still be necessary. If the fee mechanism is revoked, reinstituting the protection will require a price-support program as well as a new proclamation.

Title II, Trade Act of 1974

Title II of the Trade Act of 1974 (P.L. 93-618, 19 U.S.C. 2251-2253) authorizes the President to provide import relief from injury caused to a domestic industry by imports. If the U.S. International Trade Commission (ITC) finds injury to the domestic sugar industry as a result of increased imports, for example, the President must act unless he finds action not in the national interest. If action of the President differs from that recommended by the ITC, and if the President's action is disapproved by both Houses of Congress, the ITC recommendations prevail. Import relief imposed by the President can take the form of a duty of up to 50 percent ad valorem, above the duty (if any) at the time of the proclamation; imposition of a tariff-rate quota; modification of current quantity restrictions; or negotiation of orderly marketing agreements with countries exporting to the United States. None of these actions is now in effect. Although title II section 203 (d) technically would permit a duty on sugar above the statutory limit of 2.8125 cents a pound raw value, the actual use of this provision would entail long procedural delay because of the requirement for a prior investigation by the ITC to determine whether increased imports are a cause or threat of serious injury to domestic producers.

International Sugar Agreement, 1977

On April 22, 1980, the President signed into law the International Sugar Agreement Act (P.L. 96-236), implementing U.S. participation in the 1977 ISA. The agreement provides for ISA export quota reductions and world special (buffer) stock accumulation when prices are low, with suspension of export quotas and release of special stocks when prices are high. The price range was adjusted in April 1980, and then again in November 1980 to its current rate of 13 to 23 cents a pound raw value. The ISA, which is set to expire at the end of 1982, is up for renegotiation or extension in 1982. When released in February 1980, ISA special stocks, which had then reached about 80 percent of the planned total of 2.5 million metric tons, only temporarily slowed the upward price movement. No ISA special stocks now exist.

The ISA imposes no minimum import requirement on its member countries. However, import restrictions by an importing ISA member could be construed as interfering with ISA objectives.

U.S. IMPORT DUTIES, IMPORT FEES, AND

QUOTAS FOR SUGAR,

January 1, 1975-April 21, 1982

SOURCE: Compiled by U.S. International Trade Commission Staff.

Sugar (TSUS items 155.20 and 155.30).--U.S. import duties, import fees, and quotas, January 1, 1975, to May 11, 1982

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Section 22 fees 1/: Raw sugar 2/	Section 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977 (ISA)
			--Cents per pound--						
In effect before Jan. 1, 1975			0.625	0.6625	1.875	1.9875	None	None	Quotas under title II of the Sugar Act of 1948, as amended and extended (expired Dec. 31, 1974)
Jan. 1, 1975	Presidential Proclamation 4334 (Nov. 16, 1974)	Headnote 2, pt. 10(A), schedule 1, TSUS	0.625	0.6625					Annual global quota of 7 million short tons, raw value.
Sept. 21, 1976 4/	Presidential Proclamation 4463	Headnote 2	1.875	1.9875					
Nov. 11, 1977 5/	Presidential Proclamation 4538	Section 22, Agricultural Adjustment Act					3.32 less the amount by which value exceeds 6.67		
Nov. 11, 1977 5/	Presidential Proclamation 4539	Headnote 2 and TSUS General Headnote 4(b)	2.8125	2.98125	2.8125	2.98125			
Dec. 24, 1977	Notice of Provisional Application								United States becomes provisional member of ISA
Jan. 20, 1978 6/	Presidential Proclamation 4547	Section 22					2.70	3.22	
Nov. 30, 1978	Presidential Proclamation 4610	Headnote 2							Annual global quota reduced to 6.9 million short tons, raw value, Taiwan allocated quota of 210,987 short tons and other nonmembers of ISA allocated quota of 150,544 short tons for period Jan. 1, 1978 to Dec. 31, 1979
Jan. 1, 1979	Presidential Proclamation 4631 (Dec. 28, 1978)	Section 22					Provided authority for Secretary of Agriculture to adjust Section 22 fees		

Note.--See footnotes at end of table.

Sugar (TSUS items 155.20 and 155.30).--U.S. import duties, import fees, and quotas, January 1, 1975, to May 11, 1982 (continued)

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Section 22 fees 1/: Raw sugar 2/	Section 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977 (ISA)
			Cents per pound						
Jan. 1, 1979	44 F.R. 1202 (Jan. 4, 1979)	Presidential Proclamation 4631					3.35	3.87	
Apr. 1, 1979	44 F.R. 18540 (Mar. 28, 1979)	Presidential Proclamation 4631					2.76	3.28	
May 24, 1979	Presidential Proclamation 4663	Headnote 2							Secretary of State provided authority to allocate quotas in conformity with requirements of the ISA
June 22, 1979	44 F.R. 36579	Presidential Proclamation 4663							Allocation of quota for nonmembers of ISA reduced to 144,090 short tons, raw value, for the period Jan. 1, 1978, to Dec. 31, 1979
July 1, 1979	44 F.R. 37644 (June 22, 1979)	Presidential Proclamation 4631					3.36	3.88	
Sept. 1, 1979	44 F.R. 52014 (Sept. 6, 1979)	Presidential Proclamation 4631					2.36	2.88	
Oct. 1, 1979	44 F.R. 55915 (Sept. 28, 1979)	Presidential Proclamation 4631					1.76	2.28	
Oct. 19, 1979	44 F.R. 61076 (Oct. 23, 1979)	Presidential Proclamation 4631					0.76	1.28	
Oct. 24, 1979	44 F.R. 61402 (Oct. 25, 1979)	Presidential Proclamation 4631					0.00	0.52	
Nov. 30, 1979	125 CONG. REC. S17,551 (daily ed. Nov. 30, 1979)								ISA ratified by United States Senate

Note.--See footnotes at end of table.

Sugar (TSUS items 155.20 and 155.30).--U.S. import duties, import fees, and quotas, January 1, 1975, to May 11, 1982 (continued)

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Section 22 fees 1/: Raw sugar 2/	Section 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977 (ISA)
			Cents per pound						
Jan. 1, 1980	44 F.R. 69064 (Nov. 30, 1979)	Presidential Proclamation 4663							Quotas of 105,522 short tons, raw value, for Taiwan, and 93,816 short tons, raw value for other nonmembers of the ISA for the period Jan. 1, 1980, to Dec. 31, 1980
Jan. 1, 1980	44 F.R. 77226 (Dec. 31, 1979)	Presidential Proclamation 4631					0.00	0.52	
Feb. 1, 1980	Presidential Proclamation 4720	Headnote 2	0.625	0.6625	1.875	1.9875			
Mar. 6, 1980	45 F.R. 14356 (Mar. 5, 1980)	Presidential Proclamation 4663							Quotas for nonmembers of ISA suspended
Apr. 1, 1980	45 F.R. 21665 (Apr. 2, 1980)	Presidential Proclamation 4631					0.00	0.52	
Apr. 22, 1980	P.L. 96-236 International Sugar Agreement 1977, Implementation								Authority for President to apply fully all requirements of ISA membership
July 1, 1980	Presidential Proclamation 4770								Presidential delegation of authority to apply ISA provisions to the United States Trade Representative
July 1, 1980	45 F.R. 44974 (July 2, 1980)	Presidential Proclamation 4631					0.00	0.52	
July 1, 1980	45 F.R. 45448 (July 3, 1980)	Presidential Proclamation 4770							All imports in excess of one ton required to be accompanied by stamps assuring that ISA stock financing fund fee has been paid (50¢ per metric ton)

Note.--See footnotes at end of table.

Sugar (TSUS items 155.20 and 155.30).--U.S. import duties, import fees, and quotas, January 1, 1975, to May 11, 1982 (continued)

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Section 22 fees 1/: Raw sugar 2/	Section 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977 (ISA)
			Cents per pound						
Oct. 1, 1980	45 F.R. 64608 (Sept. 30, 1980)	Presidential Proclamation 4631					0.00	0.52	
Jan. 1, 1981	46 F.R. 980 (Jan. 5, 1981)	Presidential Proclamation 4631					0.00	0.52	
Apr. 1, 1981	46 F.R. 20244 (Apr. 3, 1981	Presidential Proclamation 4631					0.00	0.52	
Apr. 21, 1981	46 F.R. 23186 (Apr. 23, 1981)	Presidential Proclamation 4770							Quota for nonmembers of ISA reinstated at 74,384 short tons, raw value, for Jan. 1, 1981 to Dec. 31, 1981
May 12, 1981	46 F.R. 26418	Presidential Proclamation 4770							Quota for nonmembers of ISA corrected to 5,987 metric tons
June 26, 1981	46 F.R. 33163	Presidential Proclamation 4770							Quota for Taiwan, 95,729 metric tons, and quota for other nonmembers of the ISA, 6,967 metric tons, for the period April 21, 1981, to Dec. 31, 1981
July 1, 1981	46 F.R. 54846								ISA stock financing fund fee revised ($1.65 per metric ton)
July 1, 1981	46 F.R. 34825 (July 6, 1981)	Presidential Proclamation 4631					0.00	0.52	
Sept. 11, 1981	46 F.R. 45788 (Sept. 15, 1981)	Presidential Proclamation 4631					1.00	1.52	
Oct. 1, 1981	46 F.R. 48274	Presidential Proclamation 4631					1.531	2.051	

Note.--See footnotes at end of table.

Sugar (TSUS items 155.20 and 155.30).--U.S. import duties, import fees, and quotas, January 1, 1975, to May 11, 1982 (continued)

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Section 22 fees 1/: Raw sugar 2/	Section 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977 (ISA)
			Cents per pound						
Oct. 9, 1981	46 F.R. 50179	Presidential Proclamation 4770							Quota for Taiwan, 95,729 metric tons, and quota for other non-members, 5,109 metric tons, for 1981
Dec. 24, 1981 7/	Presidential Proclamation 4887	Section 22					2.1418 provided authority for Secretary of Agriculture to adjust Section 22 fees	3.1104	
Dec. 23, 1981 7/	Presidential Proclamation 4888	Headnote 2	2.8125	2.98125	2.8125	2.98125			
April 1, 1982	47 F.R. 14200 (Apr. 2, 1982)	Presidential Proclamation 4887					3.0703	4.1782	
April 21, 1982	47 F.R. 17600 (Apr. 23, 1982)	Presidential Proclamation 4887					4.0703	5.1782	
May 6, 1982	Presidential Proclamation 4940	Section 22					4.0703 Modified procedure for Secretary of Agriculture to establish and adjust fees	5.0703	
May 11, 1982	Presidential Proclamation 4941	Headnote 2							Establishes country-by-country shares of quota to be established quarterly by Sec. of Agriculture. Quota for May 11-June 30, 1982, 220,000 short tons.

1/ Section 22 fees may not exceed 50 per cent ad valorem.
2/ Sugar to be further refined or improved in quality.
3/ Sugar not to be further refined or improved in quality.
4/ By Presidential Proclamation 4466 (Oct. 4, 1976) the effective date was revised to Sept. 21, 1976, except for sugar exported before that date, and entered before Nov. 8, 1976.
5/ Except for sugar exported or contracted for before Nov. 11, 1977, and entered before Jan. 1, 1978 (but see footnote 6).
6/ Except for sugar of Malawian origin contracted for before Nov. 11, 1977, and entered before Feb. 15, 1978. In addition, articles exported or contracted for before Nov. 11, 1977, but not entered before Jan. 1, 1978, as a result of delay in transportation because of windstorm, fog, or similar stress of weather, were exempted from duties and fees of Presidential Proclamations 4538 and 4539.
7/ Except for sugar entered before Jan. 1, 1982, to fulfull contracts entered into before June 1, 1981, between exporters and end users, or between importers, brokers, or operators, and end users.

Source: Compiled by the staff of the United States International Trade Commission.

APPENDIX C

PRESIDENTIAL PROCLAMATIONS 4887 AND 4888

Presidential Documents

Proclamation 4888 of December 23, 1981

Modification of Tariffs on Certain Sugars, Sirups and Molasses

By the President of the United States of America

A Proclamation

1. Headnote 2 of Subpart A of Part 10 of Schedule 1 of the Tariff Schedules of the United States, hereinafter referred to as the "TSUS", provides, in relevant part, as follows:

"(i) . . . if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, . . ."

"(ii) . . . any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; . . ."

2. Headnote 2 was added to the TSUS by Proclamation No. 3822 of December 16, 1967 (82 Stat. 1455) to carry out a provision in the Geneva (1967) Protocol of the General Agreement on Tariffs and Trade (Note 1 of Unit A, Chapter 10, Part I of Schedule XX; 19 U.S.T., Part II, 1282). The Geneva Protocol is a trade agreement that was entered into and proclaimed pursuant to section 201(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)). Section 201(a) of the Trade Expansion Act authorizes the President to proclaim the modification or continuance of any existing duty or other import restriction or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act.

3. I find that the modifications hereinafter proclaimed of the rates of duty applicable to items 155.20 and 155.30 of the TSUS are appropriate to carry out a trade agreement and give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, by the authority vested in me by the Constitution and statutes, including section 201 of the Trade Expansion Act of 1962, and pursuant to General Headnote 4 and Headnote 2 of Subpart A of Part 10 of Schedule 1 of the TSUS, do hereby proclaim until otherwise superseded by law:

A. The rates of duty in rate columns 1 and 2 for items 155.20 and 155.30 of Subpart A of Part 10 of Schedule 1 of the TSUS are modified and the following rates are established:

155.20	2.98125¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb.
155.30	dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees.

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B. Those parts of Proclamation 4334 of November 16, 1974, Proclamation 4463 of September 21, 1976, Proclamation 4466 of October 4, 1976, Proclamation 4539 of November 11, 1977, and Proclamation 4720 of February 1, 1980, which are inconsistent with the provisions of paragraph (A) above are hereby terminated.

C. The provisions of this Proclamation shall apply to articles entered, or withdrawn from warehouse, for consumption after 12:01 a.m. (Eastern Standard Time) on the day following the date of this Proclamation. However, the provisions of this proclamation shall not apply to articles entered, or withdrawn from warehouse, for consumption prior to January 1, 1982 which are imported to fulfill forward contracts that were entered into prior to June 1, 1981 between: (a) an exporter and an end user of such articles; or (b) an importer, broker, or operator and an end user of such articles.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-third day of December, in the year of our Lord nineteen hundred and eighty-one and of the Independence of the United States of America the two hundred and sixth.

Ronald Reagan

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62641

Federal Register
Vol. 46, No. 248
Monday, December 28, 1981

Presidential Documents

Title 3—

The President

Proclamation 4887 of December 23, 1981

Import Fees on Certain Sugars, Sirups and Molasses

By the President of the United States of America

A Proclamation

1. The Secretary of Agriculture has advised me that he has reason to believe that certain sugars, sirups and molasses derived from sugarcane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with the price support operations being conducted by the Department of Agriculture for sugarcane and sugar beets.

2. I agree that there is reason for such belief by the Secretary of Agriculture, and, therefore, I am requesting the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

3. The Secretary of Agriculture has also determined and reported to me with regard to such sugars, sirups and molasses that a condition exists which requires emergency treatment and that the import fees hereinafter proclaimed should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

4. I find and declare that the imposition of import fees hereinafter proclaimed, without awaiting the recommendations of the United States International Trade Commission with respect to such action, is necessary in order that the entry, or withdrawal from warehouse, for consumption of certain sugars, sirups and molasses described below by value, use and physical description and classified under TSUS items 155.20 and 155.30 will not render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugarcane or sugar beets.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, by the authority vested in me by section 22 of the Agricultural Adjustment Act, as amended, and the Statutes of the United States including Section 301 of Title 3 of the United States Code, do hereby proclaim that Part 3 of the Appendix to the Tariff Schedules of the United States is amended as follows:

1. Headnote 4 is continued in effect and amended, effective 12:01 a.m. (Eastern Standard Time) December 24, 1981, by changing paragraph (c) to read as follows:

(c)(i) The quarterly adjusted fee provided for in items 956.05 and 957.15 shall be the amount of the fee for item 956.15 plus .15 times the amount by which the applicable market stabilization price exceeds the 20 day average of the daily spot (world) price quotations for raw sugar as calculated in paragraph (ii) hereof.

(ii) The quarterly adjusted fee provided for in item 956.15 shall be the amount by which the average of the daily spot (world) price quotations for raw sugar for the 20 consecutive market days immediately preceding the 20th day of the month preceding the calendar quarter during which the fee shall be applicable (as reported by the New York Coffee, Sugar and Cocoa Exchange or, if such quotations are not being reported, by the International Sugar Organization), expressed in United States cents per pound, Caribbean ports, in bulk, adjusted to a United States delivered basis by adding applicable duty and attributed costs, is less than the applicable market stabilization price: *Provided,* That whenever the average of such daily spot price quotations for 10 consecutive market days within any calendar quarter, adjusted to a United States delivered basis as provided herein, plus the fee then in effect (1) exceeds the market stabilization price by more than one cent, the fee then in effect shall be decreased by one cent, or (2) is less than the market stabilization price by more than one cent, the fee then in effect shall be increased by one cent: *Provided further,* That the fee may not be greater than 50 per centum of the average of such daily spot price quotations for raw sugar.

(iii) The market stabilization price for the first, second, and third calendar quarters of 1982 shall be 19.0800 cents per pound. The market stabilization price that shall be applicable to each subsequent fiscal year shall be determined and announced by the Secretary of Agriculture (hereafter the "Secretary") in accordance with this headnote no later than 30 days prior to the beginning of the fiscal year for which such market stabilization price shall be applicable. The market stabilization price shall be equal to the sum of: (1) the price support level for the applicable fiscal year, expressed in cents per pound of raw cane sugar; (2) adjusted average transportation costs; (3) interest costs, if applicable; (4) an amount adequate to compensate for the estimated value of duty reductions to be granted under the Generalized System of Preferences on imported raw cane sugar, as determined by the Secretary and (5) 0.2 cents. The adjusted average transportation costs shall be the weighted average cost of handling and transporting domestically produced raw cane sugar from Florida to Atlantic Coast ports north of Cape Hatteras, as determined by the Secretary. Interest costs shall be the amount of interest that would be required to be paid by a recipient of a price support loan for raw cane sugar upon repayment of the loan at full maturity. Interest costs shall only be applicable if a price support loan recipient is not required to pay interest upon forfeiture of the loan collateral.

(iv) Attributed costs for the first, second, and third calendar quarters of 1982 shall be 1.5032 cents per pound of imported raw cane sugar. The attributed costs that shall be applicable to each subsequent fiscal year shall be determined and announced by the Secretary in accordance with this headnote no later than 30 days prior to the beginning of the fiscal year for which such attributed costs shall be applicable. Attributed costs shall be equal to the sum of the costs, as estimated by the Secretary, of freight, insurance, stevedoring, financing, weighing, sampling, and International Sugar Agreement fees which are attributable to the importation of raw cane sugar from Caribbean ports.

(v) The Secretary shall determine the amount of the quarterly fees in accordance with this headnote and shall announce such fees not later than the 25th day of the month preceding the calendar quarter during which the fees shall be applicable. The Secretary shall certify the amount of such fees to the Secretary of the Treasury and file notice thereof with the **Federal Register** prior to the beginning of the calendar quarter during which the fees shall be applicable. The Secretary shall determine and announce any adjustment in the fees made within a calendar quarter in accordance with the first proviso of paragraph (ii) hereof, shall certify such adjusted fees to the Secretary of the Treasury, and shall file notice thereof with the **Federal Register** within 3 market days of the fulfillment of that proviso.

(vi) If an adjustment is made in the fee in accordance with the first proviso of paragraph (ii) hereof, any subsequent adjustment made within that quarter shall only be made on the basis of the average adjusted spot price for any 10 consecutive market day period following the effective date of the immediately preceding fee adjustment. No adjustment shall be made in any fee in accordance with the first proviso of paragraph (ii) hereof during the last fifteen market days of a calendar quarter.

(vii) Any adjustment made in a fee during a quarter in accordance with the first proviso of paragraph (ii) hereof shall be effective only with respect to sugar entered or withdrawn from warehouse for consumption after 12:01 a.m. (local time at point of entry) on the day following the filing of notice thereof with the **Federal Register**: *Provided,* That such adjusted fee shall not apply to sugar exported (as defined in section 152.1 of the Customs Regulations) on a through bill of lading to the United States from the country of origin before such time.

2. Items 956.05, 956.15 and 957.15 are continued in effect and amended to read as follows:

Item	Articles	Rates of Duty (Section 22 Fees)
	Sugars, sirups and molasses derived from sugarcane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):	
	Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:	
956.05	Not to be further refined or improved in quality........	3.1104 per lb. adjusted quarterly beginning January 1, 1982, in accordance with headnote 4(c), but not in excess of 50% ad val.
956.15	To be further refined or improved in quality........	2.1418 per lb., adjusted quarterly beginning January 1, 1982, in accordance with headnote 4(c), but not in excess of 50% ad val.
957.15	Not principally of crystalline structure and not in dry amorphous form, containing soluble nonsugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1........	3.1104 per lb. of total sugars, adjusted quarterly beginning January 1, 1982, in accordance with headnote 4(c), but not in excess of 50% ad val.

3. The provisions of this proclamation shall terminate upon the filing of a notice in the **Federal Register** by the Secretary of Agriculture that the Department of Agriculture is no longer conducting a price support program for sugar beets and sugarcane.

4. The provisions of paragraph (c)(v) of Headnote 4 of Part 3 of the Appendix to the TSUS, as added herein, requiring the determination and announcement by the Secretary of Agriculture not later than the 25th day of the month preceding the calendar quarter during which the fees shall be applicable, shall not apply to the fees to become effective January 1, 1982.

5. The provisions of Proclamation 4631 of December 28, 1978 are hereby terminated, except with respect to those articles which are exempted from the provisions of this proclamation under paragraph 6 below.

6. This proclamation shall be effective as of 12:01 a.m. (Eastern Standard Time) on the day following its signing. However, the provisions of this proclamation shall not apply to articles entered, or withdrawn from warehouse, for consumption prior to January 1, 1982, which are imported to fulfill forward contracts that were entered into prior to June 1, 1981 between (a) an exporter and an end user of such articles; or (b) an importer, broker, or operator and an end user of such articles.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-third day of December, in the year of our Lord nineteen hundred and eighty-one, and of the Independence of the United States of America the two hundred and sixth.

Ronald Reagan

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Filed 12-23-81; 5:01 pm]
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APPENDIX D

PRESIDENTIAL PROCLAMATIONS 4940 AND 4941

AND PRESIDENT'S LETTER OF MAY 10, 1982

IMPORT FEES ON CERTAIN SUGARS, SIRUPS AND MOLASSES

4940

BY THE PRESIDENT OF THE UNITED STATES

A PROCLAMATION

1. The Secretary of Agriculture has advised me that he has reason to believe that certain sugars, sirups and molasses derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets. The Secretary of Agriculture has also advised me that he has reason to believe that the import fees imposed by Proclamation 4887 of December 23, 1981, should be modified in order to prevent the importation of the items described above from rendering or tending to render ineffective, or materially interfering with the price support operations being conducted by the Department of Agriculture for sugar beets and sugar cane.

2. I agree that there is reason for such beliefs by the Secretary of Agriculture. By Proclamation 4887 I requested the United States International Trade Commission to make an immediate investigation with respect to such matters pursuant to section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible. The United States International Trade Commission is presently conducting such an investigation, and has not yet submitted its report to me. I am therefore requesting that the United States International Trade Commission continue its investigation with respect to such matters and to report its findings and recommendations to me as soon as possible.

3. The Secretary of Agriculture has also determined and reported to me with regard to such sugars, sirups and molasses that a condition exists which requires emergency treatment and that the import fees hereinafter proclaimed should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

4. · I find and declare that the imposition of the import fees hereinafter proclaimed, without awaiting the recommendations of the United States International Trade Commission with respect to such action, is necessary in order that the entry, or withdrawal from warehouse for consumption, of certain sugars, sirups and molasses described below by value, use and physical description and classified under TSUS items 155.20 and 155.30 will not render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets.

NOW THEREFORE, I, RONALD REAGAN, President of the United States of America, by the authority vested in me by section 22 of the Agricultural Adjustment Act of 1933, as amended, and the Statutes of the United States, including Section 301 of Title 3 of the United States Code, do hereby proclaim until otherwise superseded by law:

A. Headnote 4 of part 3 of the Appendix to the TSUS is continued in effect and amended, effective 12:01 a.m. (Eastern Daylight Time) of the day following the date of the signing of this Proclamation, by changing paragraph (c) to read as follows:

> (c)(i) The quarterly adjusted fee provided for in items 956.05 and 957.15 shall be the amount of the fee for item 956.15 plus one cent per pound.
>
> (ii) The quarterly adjusted fee provided for in item 956.15 shall be the amount by which the average of the adjusted daily spot (domestic) price quotations for raw sugar for the 20 consecutive market days immediately preceding the 20th day of the month preceding the calendar quarter during which the fee shall be applicable (as reported by the New York Coffee, Sugar and Cocoa Exchange) expressed in United States cents per pound, in bulk, is less than the applicable market stabilization price: Provided, That whenever the average of the daily spot (domestic) price quotations for 10 consecutive market days within any calendar quarter (1) exceeds the market stabilization price by more than one cent, the fee then in effect shall be decreased by one cent per pound, or (2) is less than the market stabilization price by more than one cent, the fee then in effect shall be increased by one cent per pound. The adjusted daily spot (domestic) price quotation for any market day shall be the daily spot (domestic) price quotation for such market day less the amount of the fee for item 956.15 that is in effect on that day.
>
> (iii) The market stabilization price for the remainder of the second, and the third calendar quarters of 1982 shall be 19.8800 cents per pound. The market stabilization price that shall be applicable to each subsequent fiscal year shall be determined and announced by the Secretary of Agriculture (hereafter the "Secretary") in accordance with this headnote no later than 30 days prior to the

beginning of the fiscal year for which such market stabilization price shall be applicable. The market stabilization price shall be equal to the sum of: (1) the price support level for the applicable fiscal year, expressed in cents per pound of raw cane sugar; (2) adjusted average transportation costs; (3) interest costs, if applicable; and (4) 0.2 cent. The adjusted average transportation costs shall be the weighted average cost of handling and transporting domestically produced raw cane sugar from Hawaii to Gulf and Atlantic Coast ports, as determined by the Secretary. Interest costs shall be the amount of interest, as determined or estimated by the Secretary, that would be required to be paid by a recipient of a price support loan for raw cane sugar upon repayment of the loan at full maturity. Interest costs shall only be applicable if a price support loan recipient is not required to pay interest upon forfeiture of the loan collateral.

(iv) The Secretary shall determine the amount of the quarterly fees in accordance with this headnote and shall announce such fees not later than the 25th day of the month preceding the calendar quarter during which the fees shall be applicable. The Secretary shall certify the amount of such fees to the Secretary of the Treasury and file notice thereof with the Federal Register prior to the beginning of the calendar quarter during which the fees shall be applicable. The Secretary shall determine and announce any adjustment in the fees made within a calendar quarter in accordance with the proviso of paragraph (ii) hereof, shall certify such adjusted fees to the Secretary of the Treasury, and shall file notice thereof with the Federal Register within 3 market days of the fulfillment of that proviso.

(v) If an adjustment is made in the fee in accordance with the proviso of paragraph (ii) hereof, any subsequent adjustment made within that quarter shall only be made on the basis of the average spot price for any 10 consecutive market day period following the effective date of the immediately preceding fee adjustment. No adjustment shall be made in any fee in accordance with the proviso of paragraph (ii) hereof during the last fifteen market days of a calendar quarter.

(vi) Any adjustment made in a fee during a quarter in accordance with the proviso of paragraph (ii) hereof shall be effective only with respect to sugar entered or withdrawn from warehouse for consumption after 12:01 a.m. (local time at point of entry) on the day following the filing of notice thereof with the Federal Register: Provided, That such adjustment in the fee shall not apply to sugar exported (as defined in section 152.1 of the Customs Regulations) on a through bill of lading to the United States from the country of origin before such time. The exemption contained in the preceding proviso shall apply regardless of whether the adjustment in the fee is upward or downward.

B. Items 956.05, 956.15 and 957.15 of part 3 of the Appendix to the TSUS are continued in effect and amended to read as follows:

Item	Articles	Rates of Duty (Section 22 Fees)
	Sugars, sirups and molasses derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):	

	. Principally of crystalline structure or in dry amorphous form, provided for in item 155.20 part 10A, schedule 1:	
956.05	Not to be further refined or improved in quality	5.0703 cents per lb. adjusted quarterly in accordance with headnote 4(c), but not in excess of 50% ad val.
956.15	To be further refined or improved in quality	4.0703 cents per lb. adjusted quarterly in accordance with headnote 4(c), but not in excess of 50% ad val.
957.15	Not principally of crystalline structure and not in dry amorphous form, containing soluble nonsugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1	5.0703 cents per lb. of total sugars, adjusted quarterly in accordance with headnote 4(c), but not in excess of 50% ad val.

C. The provisions of this proclamation shall terminate upon the filing of a notice in the Federal Register by the Secretary of Agriculture that the Department of Agriculture is no longer conducting a price support program for sugar beets and sugar cane.

D. The fees established in paragraph B of this proclamation shall be adjusted on a quarterly basis beginning July 1, 1982. Such fees shall be adjusted on an intra-quarterly basis as provided by the proviso of paragraph (c)(ii) of Headnote 4 of part 3 of the Appendix to the TSUS, as added herein, beginning with any 10 consecutive market day period following the day this proclamation is signed.

E. The provisions of Proclamation 4887 of December 23, 1981 are hereby terminated, except with respect to those articles which are exempted from the provisions of this proclamation under paragraph F below.

F. This proclamation shall be effective as of 12:01 a.m. (Eastern Daylight Time) on the day following its signing. However, the provisions of this proclamation shall not apply to articles entered, or withdrawn from warehouse for consumption, prior to July 1, 1982, and which had been exported (as defined in section 152.1 of the Customs Regulation) on a through bill of lading to the United States from the country of origin prior to April 23, 1982.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of May, in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

Ronald Reagan

3193-07-14

MODIFICATION OF QUOTAS ON CERTAIN SUGARS, SIRUPS AND MOLASSES

4941

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. Headnote 2 of subpart A of part 10 of schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202), hereinafter referred to as the "TSUS", provides, in relevant part, as follows:

"(i) . . . if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, . . ."

"(ii) . . . any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; . . ."

2. Headnote 2 was added to the TSUS by Proclamation No. 3822 of December 16, 1967 (82 Stat. 1455) to carry out a provision in the Geneva (1967) Protocol of the General Agreement on Tariffs and Trade (Note 1 of Unit A, Chapter 10, Part 1 of Schedule XX; 19 U.S.T., Part II, 1282). The Geneva Protocol is a trade agreement that was entered into and proclaimed pursuant to section 201(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)). Section 201(a) of the Trade Expansion Act authorizes the President to proclaim the modification or continuance of any existing duty or other import restriction or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act.

3. I find that the quantitative limitations hereinafter proclaimed are appropriate to carry out the trade agreement described in paragraph 2 of this proclamation and the International Sugar Agreement, 1977 (31 U.S.T. 5135), and give due consideration to the interests in the United States sugar market of

domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, by the authority vested in me by the Constitution and statutes, including section 201 of the Trade Expansion Act of 1962, section 301 of Title 3 of the United States Code, and the International Sugar Agreement, 1977, Implementation Act (P.L. 96-236, 94 Stat. 336), and in conformity with Headnote 2 of subpart A of part 10 of schedule 1 of the TSUS, do hereby proclaim until otherwise superseded by law:

A. Headnote 3 of subpart A, part 10, schedule 1 of the TSUS is modified to provide as follows:

3. (a) The total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered, or withdrawn from warehouse for consumption, between May 11, 1982 and June 30, 1982, inclusive, shall not exceed, in the aggregate, 220,000 short tons, raw value.

(b) Beginning with the third calendar quarter of 1982, the Secretary of Agriculture (hereafter the Secretary) shall establish for each calendar quarter the total amount (expressed in terms of raw value) of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, which may be entered, or withdrawn from warehouse for consumption, during such calendar quarter. The Secretary shall determine such amount, inform the Secretary of the Treasury of his determination, and file notice thereof with the Federal Register no later than the 15th day of the month immediately preceding the calendar quarter during which such determination shall be in effect. In determining such amounts the Secretary shall give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade.

(c) The total amounts of sugars, sirups, and molasses permitted to be imported under paragraphs (a) and (b) of this headnote shall be allocated to the following supplying countries or areas in the following percentages:

	Country	Percentage		Country	Percentage
1.	Canada	1.1	14.	Peru	4.1
2.	Guatemala	4.8	15.	Brazil	14.5
3.	Belize	1.1	16.	Argentina	4.3
4.	El Salvador	2.6	17.	Thailand	1.4
5.	Honduras	1.0	18.	Philippines	13.5
6.	Nicaragua	2.1	19.	Taiwan	1.2
7.	Costa Rica	1.5	20.	Australia	8.3
8.	Panama	2.9	21.	Mauritius	1.1
9.	Jamaica	1.1	22.	Mozambique	1.3
10.	Dominican Republic	17.6	23.	Rep. S. Africa	2.3
11.	Colombia	2.4	24.	Swaziland	1.6
12.	Guyana	1.2	25.	Other specified countries and areas	5.9
13.	Ecuador	1.1			100.0

The category "Other specified countries and areas" shall consist of the following: Mexico, Haiti, Barbados, Trinidad-Tobago, Bolivia, Paraguay, France, India, Anguilla, Antigua, Dominica, Grenada, Saint Lucia, Saint Vincent and the Grenadines, Montserrat, Saint Christopher-Nevis, British Virgin Islands, Fiji, Tonga, Nauru, Malagasy Republic, Zimbabwe and Malawi.

Notwithstanding the allocation provisions set forth above, the Secretary may, after consultation with the U.S. Trade Representative, the Department of State, and the Department of the Treasury, issue regulations modifying the allocation provisions governing "Other specified countries and areas" if the Secretary determines that such modifications are appropriate to provide such countries and areas reasonable access to the United States sugar market. Such regulations may, among other things, provide for the establishment of minimum quota amounts, the establishment of quota periods other than quarterly periods, and the carrying forward of unused quota amounts into subsequent quota periods.

(d) The Secretary, after consultation with the U.S. Trade Representative and the Department of State, may suspend the allocation provisions of paragraph (c), or may establish quantitative limitations for periods of time other than calendar quarters as provided in paragraph (b), if the Secretary determines that such action or actions are appropriate to give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade. The Secretary may reinstate the allocation provisions of paragraph (c), or may amend any quantitative limitations (including the time period for which such-limitations are applicable) which have previously been established under this paragraph or paragraph (b), if the Secretary determines that the considerations set forth in the previous sentence so warrant. The Secretary shall inform the Secretary of the Treasury of any determination made under this paragraph. Notice of such determinations shall be filed with the Federal Register, and such determinations shall not become effective until the day following the date of filing of such notice or such later date as may be specified by the Secretary.

(e) The U.S. Trade Representative or his designee, after consultation with the Department of Agriculture and the Department of State, may modify the allocation provisions of paragraph (c) (including the deletion or addition of any country or area), and may prescribe further rules, limitations or prohibitions on the entry of sugar if he finds that such actions are appropriate to carry out the obligations of the United States under the International Sugar Agreement, 1977, or any successor agreement thereto, and that such actions give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade. If the U.S. Trade Representative takes any such action, he shall so inform the Secretary of the Treasury and the Secretary of Agriculture and shall publish notice thereof in the Federal Register. Such action shall not become effective until the day following the date of filing of such notice or such later date as may be specified by the U.S. Trade Representative.

(f) The Secretary shall, in consultation with the U.S. Trade Representative, the Department of State, and other concerned agencies, review the operation of this headnote prior to September 1 of each year. In making such review, the Secretary shall determine whether the continued operation of paragraphs (b), (c), (d), and (e) of this headnote gives due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General

Agreement on Tariffs and Trade, and whether the operation of paragraph (g) of this headnote would give due consideration to such interests. The Secretary shall file a notice of such determinations in the Federal Register no later than September 1 of each year. If the Secretary determines that the continued operation of paragraphs (b), (c), (d), and (e) of this headnote would not give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, and that the provisions of paragraph (g) of this headnote would give due consideration to such interests, paragraphs (b), (c), (d), and (e) of this headnote shall terminate as of the first day of October following such determinations.

(g) If paragraphs (b), (c), (d), and (e) of this headnote are terminated under the provisions of paragraph (f) of this headnote, the total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered, or withdrawn from warehouse for consumption, in any fiscal (October 1-September 30) year shall not exceed, in the aggregate, 6,900,000 short tons, raw value. The U.S. Trade Representative or his designee may allocate this quantity among supplying countries or areas, and may prescribe further rules, regulations, limitations or prohibitions on the entry of sugar in accordance with the International Sugar Agreement, 1977, and Public Law 96-236. The U.S. Trade Representative or his designee shall inform the Commissioner of Customs of any such action regarding the importation of sugar, and shall publish notice thereof in the Federal Register.

(h) For the purposes of this headnote, the term "raw value" means the equivalent of such articles in terms of ordinary commercial raw sugar testing 96 degrees by the polariscope as determined in accordance with regulations issued by the Secretary of the Treasury. Such regulations may, among other things, provide: (1) for the entry of such articles pending a final determination of polarity; and (2) that positive or negative adjustments for differences in preliminary and final raw values be made in the same or succeeding quota periods. The principal grades and types of sugar shall be translated into terms of raw value in the following manner:

(i) For articles described in item 155.20, by multiplying the number of pounds thereof by the greater of 0.93, or 1.07 less 0.0175 for each degree of polarization under 100 degrees (and fractions of a degree in proportion).

(ii) For articles described in item 155.30, by multiplying the number of pounds of the total sugars thereof (the sum of the sucrose and reducing or invert sugars) by 1.07.

(iii) The Secretary of the Treasury shall establish methods for translating sugar into terms of raw value for any special grade or type of sugar for which he determines that the raw value cannot be measured adequately under the above provisions.

B. Those parts of Proclamation 4334 of November 16, 1974, Proclamation 4610 of November 30, 1978, Proclamation 4663 of May 24, 1979, and Proclamation 4770 of July 1, 1980, which are inconsistent with the provisions of paragraph (A) above, are hereby terminated.

C. The provisions of this Proclamation shall be effective as of May 11, 1982. However, the quantitative limitations imposed by paragraphs (a) and (c) of Headnote 3 of subpart A, part 10, schedule 1 of the TSUS, as modified herein, shall not apply to articles entered, or withdrawn from warehouse for consumption, prior to July 1, 1982, which were exported (as defined in section 152.1 of the Customs Regulations) on a through bill of lading to the United States from the country of origin prior to April 23, 1982.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of May, in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

Ronald Reagan

THE WHITE HOUSE

WASHINGTON

May 11, 1982

Dear Mr. Chairman

On December 23, 1981, I directed the Commission to make an investigation under Section 22 of the Agricultural Adjustment Act of 1933, as amended, to determine whether sugars, sirups and molasses are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective or materially interfere with the price support program administered by the Department of Agriculture for sugarcane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

I have been further advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that certain sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of Subpart A, Part 10, schedule 1, of the Tariff Schedules of the United States, are being or are practically certain to be imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program implemented by the Department of Agriculture for sugarcane and sugar beets.

The Secretary has also determined and reported to me, pursuant to Section 22(b) of the Agricultural Adjustment Act, as amended, that a condition exists requiring emergency treatment with respect to such sugars, sirups, and molasses and has, therefore, recommended that I take prompt action under Section 22(b) to modify the system of import fees applicable to such sugars, sirups, and molasses. I have issued Proclamation No. 4940 modifying the system of import fees applicable to certain sugars, sirups and molasses. The United States International Trade Commission is, therefore, directed to continue its investigation, taking into account the measures described above, and to report its findings and recommendations to me at the earliest practicable date.

Sincerely,

Ronald Reagan

The Honorable William Alberger
Chairman
United States International
Trade Commission
Washington, D.C. 20436

APPENDIX E

PRELIMINARY REPORT ON COST OF PRODUCING AND PROCESSING SUGARCANE AND SUGARBEETS

Preliminary Report on Cost of Producing and Processing Sugarcane and Sugarbeets

by

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National Economics Division, Economics and Statistics Service

ABSTRACT: Net production and processing costs, excluding land, are estimated at 24.0 cents per pound of raw cane sugar and $50.05 per ton of sugarcane in 1981/82. Nonland sugarcane production costs per acre are projected at $1,029 in 1981/82. For sugarbeets, 1981/82 net production and processing costs, excluding land, are estimated at 25.3 cents a pound of refined beet sugar and $59.98 a ton of sugarbeets. Producton costs for sugarbeets, excluding land, are projected at $535 an acre in 1981/82 or $27.52 a ton with a trend yield of 19.4 tons an acre. Processing costs for both sugarbeets and sugarcane are projected to increase 8 percent in 1981/82.

KEY WORKS: Sugar, sweeteners, cost of production, sugarcane, sugarbeets.

INTRODUCTION

On April 22, 1981, the Economics and Statistics Service (ESS) released a preliminary report on the cost of producing and processing sugarbeets and sugarcane. The report, the first on sugarcane and sugarbeets, provides estimates of costs for the 1980/81 season and projections for the 1981/82 crop. This article summarizes the results.[2]

The average costs presented are based on methods that provide total cost estimates for sugarcane and sugarbeet production and processing on a per-acre, per-ton (cane and beets), and per-pound (raw cane and refined beet sugar) basis. Some inputs for producing or processing are used up each year—labor and fuel for example. Some inputs such as machinery, last more than 1 year, but become obsolete and wear out. Others—stock inputs such as management and land—provide a flow of services and output when combined with other inputs. The sugar production and processing cost estimates include the cost of all inputs used up, an allowance sufficient to replace the portion of depreciable inputs used, and a return to remaining stock inputs sufficient to keep them employed in their present use.

The cost estimates presented are averages, thus masking the range around the average. Costs vary significantly over time from producer to producer among States and regions. This variability among producers and processors is attributable to several factors—climate, soil type, availability and cost of inputs, and varying management skills. The size of units is also an important factor, as some firms achieve efficiencies through purchasing large quantities of inputs at a discount, using resources—especially machinery and plant—more efficiently, and securing more advantageous marketing arrangements. The cost estimates are derived from a total accounting for all inputs. Annual receipts and cash expenditures, often of most concern to producers and corporate officials, are not specifically treated. Consistent with fulfilment of the Section 808 mandate of the Agriculture and Consumer Protection Act of 1973, emphasis is placed on the longer run allocation of resources and maintaining the capacity to produce.

Data for the cost of producing and processing sugarcane and sugarbeets came from a variety of sources. The primary sources were the surveys conducted by ESS. The estimates presented here are derived from six cost of production surveys that were conducted in 1980/81. Estimates for sugarbeets are based on 1980/81 data for 774 sugarbeet producers in 15 States, utilizing budgeting methods. Budgeting procedures utilize technical information on cultural practices and the use of inputs from survey firms. This information is supplemented by data on input costs to estimate the average cost of production.

Costs of producing sugarcane in Louisiana and Texas are similarly based on 1980/81 information from 65 and 29 producers, respectively, utilizing budgeting procedures. Sugarcane production costs in other areas are based on 1978/79 and 1979/80 data for 22 Florida producers, and information from 1979 and 1980 for the 13 major companies in Hawaii. For both States, cost-accounting procedures were employed. Cost accounting uses statistical and financial records of survey firms to estimate the average cost of production and processing.

[1] Hosein Shapouri is working under contract 53-3J23-1-0027 with ESS.

[2] Copies of the report "Cost of Producing and Processing Sugarcane and Sugarbeets in the United States including Projections for the 1981/82 Crop" may be obtained from Mrs. Loften (202-447-8666) or by writing to the National Economics Division, ESS, USDA, 500 12th St. S.W., Washington, D.C. 20250.

Beet sugar processing costs are based on 1978/79 and 1979/80 cost accounting data for all processors—11 companies with 44 factories. Sugarcane processing costs are similarly based on cost-accounting procedures, with 41 of the 44 mills in Florida, Louisiana, Texas, and Hawaii participating. Data for mainland cane processors were for the 1978/79 and 1979/80 crops, and for Hawaii, the 1979 and 1980 crops.

Cost of Producing and Processing Sugarcane

Sugarcane production costs per acre for the 1980/81 and 1981/82 crops are shown in table 1. United States weighted average production costs per acre, excluding land, are projected as $1,029 in 1981/82. Total estimated nonland production costs for 1981/82 are lowest in Louisiana at $505 and highest in Hawaii at $3,162.

The estimated nonland costs of producing and processing sugarcane in 1980/81 and projected cost for 1981/82 are presented in tables 2 and 3. For 1981/82 U.S. weighted average production costs, excluding land, are projected to increase to $28.80 per ton, 19 percent over 1980/81. Cost of production per pound of raw sugar is projected at 13.8 cents. In 1981/82, U.S. processing costs are expected to increase 8 percent to an average of 12.2 cents per pound of raw cane sugar.

Net production and processing costs per ton of cane, after allowance for byproducts, were estimated at $44.32 for 1980/81, and are projected to increase to $50.05 for 1981/82, equal to 24.0 cents per pound for raw cane sugar.

Cost of Producing and Processing Sugarbeets

Regional sugarbeet production costs per planted acre and per ton of beets in 1980/81 are presented in table 4. Production costs per acre, excluding land, were highest in California at $719 and lowest in Minnesota-North Dakota at $326.

The estimated 1980/81 and projected 1981/82 costs of producing and processing sugarbeets are shown in table 5. Nonland production cost per acre for 1981/82 is projected at $535, an increase of 13 percent over 1980/81. In both years, land allocation on a share rent basis was well above interest and taxes on owned land at current market value; cash rent represented the lowest cost.

Nonland production costs per pound of beet sugar are forecast to increase 11.6 cents or 9 percent for 1981/82. For 1981/82, processing cost before credit for byproducts is expected to increase to 17.8 cents or 7 percent over 1980/81.

Dried beet pulp and molasses are the major byproducts of refined sugar production. Estimated credit from byproducts in 1980/81 was 3.8 cents per pound; it is projected to increase to 4.1 cents in 1981/82. Net production and processing costs, excluding land, per ton of beets were estimated $54.91 for 1980/81 and are expected to increase to $59.98 for 1981/82 equal, to 25.3 cents per pound.

Table 1--Sugarcane: Preliminary and projected production costs per acre, by cost item, crop year

Cost item	Florida		Hawaii		Louisiana		Texas		United States	
	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82
	Dollars									
Variable	602.54	678.86	2,247.74	2,531.70	263.81	301.92	544.45	612.43	702.63	793.09
Seed	1.58	1.73	--	--	--	--	--	--	.74	.81
Fertilizer	42.79	48.66	280.03	318.47	38.30	43.56	53.01	60.28	73.48	83.56
Chemicals	34.12	38.25	95.25	106.77	40.71	45.63	51.26	57.46	45.44	50.93
Custom operations	17.04	18.76	86.25	94.95	14.21	15.64	74.28	81.78	28.22	31.07
Labor	302.87	335.95	1,015.20	1,126.09	55.21	61.24	125.77	139.51	303.63	336.78
Fuel and lubrication	41.56	51.46	96.61	119.62	48.05	59.49	33.37	41.32	50.75	62.83
Repairs	105.90	119.88	394.47	446.53	40.37	45.70	116.23	131.57	122.39	138.54
Purchased irrigation water	--	--	--	--	--	--	39.93	43.96	2.03	2.23
Purchased electricity	1.53	1.89	50.37	62.36	--	--	--	--	7.45	9.23
Miscellaneous	4.90	6.07	--	--	--	--	--	--	2.30	2.87
Interest	50.25	56.21	229.56	256.91	26.96	30.66	50.60	56.55	66.20	74.24
Machinery ownership	76.62	87.30	234.45	266.66	124.52	141.46	35.96	41.32	112.20	127.64
Replacement	36.27	40.64	107.93	120.94	63.02	70.62	17.71	19.85	54.15	60.67
Interest	27.22	31.24	107.37	123.22	51.36	58.94	13.16	15.10	45.56	52.28
Taxes and insurance	13.13	15.42	19.15	22.50	10.14	11.90	5.09	6.37	12.49	14.69
General farm overhead	--	--	--	--	14.80	16.03	8.60	9.32	5.55	6.01
Management	--	--	--	--	40.31	45.94	35.76	40.40	15.73	17.91
General and administration	67.43	76.01	328.11	363.70	--	--	1.71	3.04	75.67	84.53
Total excluding land	746.59	842.17	2,810.30	3,162.06	443.44	505.35	626.48	706.51	911.78	1,029.18
Land allocation										
Share rent	--	--	378.62	361.32	151.76	171.79	--	--	237.29	243.24
Cash rent	167.64	188.34	--	--	48.03	54.37	77.46	88.27	136.14	153.16
Current market value	376.26	399.90	--	--	203.02	229.82	139.55	159.03	325.61	349.54
Composite	334.54	357.59	378.62	361.32	159.36	180.62	122.16	139.21	269.18	285.91
Yield per acre (tons)	32.90	31.60	94.97	92.90	23.00	21.20	27.58	26.30	37.51	35.73

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Table 2—Sugarcane: Preliminary production and processing costs per ton of cane and per pound of raw sugar, by cost item, specified areas, 1980/81 crop year

Cost item	Florida		Hawaii		Louisiana		Texas		United States	
	Ton	Pound	Ton	Pound	Ton	Pound	Ton	Pound	Ton	Pound
	Dollars	Cents	Dollars	Cents	Dollars	Cents	Dollars	Cents	Dollars	Cents
PRODUCTION										
Variable	18.31	8.715	23.67	10.643	11.47	6.510	19.74	11.115	18.73	9.098
Seed	.05	.024	—	—	—	—	—	—	.02	.010
Fertilizer	1.30	.619	2.95	1.326	1.67	.948	1.92	1.081	1.96	.952
Chemicals	1.03	.490	1.00	.450	1.77	1.005	1.86	1.047	1.21	.587
Custom operations	.52	.248	.91	.409	.62	.352	2.69	1.515	.75	.367
Labor	9.20	4.379	10.69	4.807	2.40	1.362	4.56	2.568	8.09	3.931
Fuel and lubrication	1.26	.600	1.02	.459	2.08	1.180	1.21	.681	1.35	.656
Repairs	3.22	1.533	4.15	1.866	1.76	.999	4.22	2.376	3.26	1.585
Purchased irrigation water	—	—	—	—	—	—	1.45	.817	.05	.026
Purchased electricity	.05	.024	.53	.238	—	—	—	—	.20	.097
Miscellaneous	.15	.071	—	—	—	—	—	—	.07	.030
Interest	1.53	.727	2.42	1.088	1.17	.664	1.83	1.030	1.77	.857
Machinery ownership	2.33	1.109	2.47	1.111	5.42	3.076	1.30	.732	2.99	1.454
Replacement	1.10	.524	1.14	.513	2.74	1.555	.64	.361	1.44	.701
Interest	.83	.395	1.13	.508	2.23	1.266	.48	.270	1.22	.590
Taxes and insurance	.40	.190	.20	.090	.45	.255	.18	.101	.33	.163
General farm overhead	—	—	—	—	.64	.363	.31	.175	.15	.072
Management	—	—	—	—	1.75	.993	1.30	.732	.42	.203
General and administration	2.05	.976	3.45	1.551	—	—	.06	.034	2.01	.979
Total excluding land	22.69	10.800	29.59	13.305	19.28	10.942	22.71	12.788	24.30	11.806
PROCESSING										
Variable	10.09	4.803	15.57	6.998	12.35	7.011	12.61	7.100	12.68	6.098
Cane transportation	2.22	1.056	2.42	1.086	1.71	.972	3.09	1.741	2.23	1.075
Processing										
Labor	1.70	.811	2.43	1.097	1.70	.965	1.10	.619	1.95	.940
Fuel	.46	.221	.96	.430	1.52	.860	.91	.512	.88	.421
Supplies and materials	.72	.343	1.23	.553	1.23	.701	1.25	.702	1.03	.497
Repair and maintenance	1.88	.895	3.70	1.659	4.22	2.395	3.57	2.013	3.09	1.484
Labor benefits	.55	.260	1.49	.670	.72	.407	.30	.169	.91	.439
Marketing	2.02	.960	2.42	1.086	.49	.278	1.63	.918	1.85	.888
Interest	.54	.257	.92	.417	.76	.433	.76	.426	.74	.354
Ownership	7.65	3.639	7.48	3.356	16.52	9.375	11.71	6.595	9.62	4.628
Depreciation	.89	.422	1.39	.622	1.77	1.003	2.31	1.300	1.30	.628
Interest	6.43	3.058	5.93	2.662	14.33	8.135	8.64	4.866	8.01	3.852
Taxes and insurance	.33	.159	.16	.072	.42	.237	.76	.429	.31	.148
General and administration	.81	.389	2.00	.896	.86	.489	1.61	.903	1.28	.616
Labor	.32	.154	.37	.167	.40	.228	.71	.396	.37	.180
Non-labor	.49	.235	1.63	.729	.46	.261	.90	.507	.91	.436
Total processing cost	18.55	8.831	25.05	11.250	29.73	16.875	25.93	14.598	23.58	11.34[illegible]
TOTAL PRODUCTION AND PROCESSING, EXCLUDING LAND	41.24	19.631	54.64	24.555	49.01	27.817	48.64	27.386	47.88	23.149
CREDITS	3.40	1.622	3.63	1.269	3.55	2.015	4.03	2.266	3.56	1.[illegible]14
Molasses	3.33	1.590	2.73	1.226	3.50	1.987	4.03	2.266	3.21	1.542
Bagasse	.01	.004	—	—	.05	.028	—	—	.01	.007
Other	.06	.028	.90	.043	—	—	—	—	.34	.165
NET PRODUCTION AND PROCESSING, EXCLUDING LAND	37.84	18.009	51.01	23.286	45.46	25.802	44.61	25.120	44.32	21.435
Land allocation										
Share rent	—	—	3.99	1.794	6.60	3.746	—	—	4.74	2.264
Cash rent	5.10	2.427	—	—	2.09	1.186	2.81	1.582	4.46	2.208
Current market value	11.44	5.445	—	—	8.83	5.011	5.06	2.849	10.69	5.245
Composite	10.17	4.840	3.99	1.794	6.93	3.933	4.43	2.494	7.18	3.486
Yield per acre (tons)	32.90	—	94.97	—	23.00	—	27.58	—		
Recovery per ton (pounds)	—	210.1	—	222.7	—	176.2	—	177.6		

— = Not applicable.

Table 3—Sugarcane: Projected production and processing costs per ton of cane and per pound of raw sugar, by cost item, specified areas, 1981/82 crop year

Cost item	Florida		Hawaii		Louisiana		Texas		United States	
	Ton	Pound	Ton	Pound	Ton	Pound	Ton	Pound	Ton	Pound
	Dollars	Cents	Dollars	Cents	Dollars	Cents	Dollars	Cents	Dollars	Cents
PRODUCTION										
Variable	21.48	10.327	27.25	12.220	14.24	7.495	23.29	12.658	22.22	10.629
Seed	.05	.024	—	—	—	—	—	—	.02	.010
Fertilizer	1.54	.740	3.43	1.538	2.05	1.079	2.29	1.245	2.36	1.128
Chemicals	1.21	.582	1.15	.516	2.15	1.132	2.18	1.185	1.41	.674
Custom operations	.59	.284	1.02	.457	.74	.389	3.12	1.696	.87	.415
Labor	10.63	5.111	12.12	5.435	2.89	1.521	5.30	2.880	9.45	4.521
Fuel and lubrication	1.63	.784	1.29	.578	2.81	1.479	1.57	.853	1.74	.831
Repairs	3.79	1.822	4.80	2.152	2.16	1.137	5.01	2.723	3.88	1.856
Purchased irrigation water	—	—	—	—	—	—	1.67	.908	.06	.029
Purchased electricty	.06	.029	.67	.300	—	—	—	—	.27	.128
Miscellaneous	.19	.091	—	—	—	—	—	—	.08	.036
Interest	1.79	.860	2.77	1.244	1.44	.758	2.15	1.168	2.08	1.001
Machinery ownership	2.76	1.327	2.87	1.287	6.67	3.511	1.57	.853	3.53	1.689
Replacement	1.29	.620	1.30	.583	3.33	1.753	.76	.413	1.68	.803
Interest	.99	.476	1.33	.596	2.78	1.463	.57	.310	1.45	.695
Taxes and insurance	.48	.231	.24	.108	.56	.295	.24	.130	.40	.191
General farm overhead	—	—	—	—	.76	.400	.35	.191	.16	.078
Management	—	—	—	—	2.17	1.141	1.53	.831	.49	.231
General and administration	2.41	1.159	3.92	1.758	—	—	.12	.065	2.40	1.149
Total excluding land	26.65	12.813	34.04	15.265	23.84	12.547	26.86	14.598	28.80	13.776
PROCESSING										
Variable	11.33	5.449	17.32	7.766	14.38	7.569	14.53	7.895	14.31	6.809
Cane transportation	2.48	1.193	2.78	1.246	1.88	.992	3.52	1.915	2.52	1.200
Processing										
Labor	1.89	.908	2.71	1.216	1.88	.992	1.22	.662	2.19	1.035
Fuel	.58	.277	1.19	.531	1.88	.987	1.13	.612	1.07	.514
Supplies and materials	.79	.382	1.36	.608	1.36	.716	1.37	.746	1.13	.541
Repair and maintenance	2.16	1.040	4.06	1.821	5.15	2.713	4.24	2.303	3.50	1.685
Labor benefits	.59	.283	1.65	.741	.83	.436	.34	.187	1.04	.486
Marketing	2.31	1.111	2.65	1.189	.58	.303	1.93	1.047	2.12	.994
Interest	.53	.255	.92	.414	.82	.430	.78	.423	.74	.354
Ownership	7.72	3.710	7.59	3.406	17.91	9.428	12.52	6.804	9.65	4.717
Depreciation	1.02	.489	1.52	.684	2.07	1.092	2.73	1.483	1.46	[illegible]
Interest	6.32	3.037	5.89	2.643	15.35	8.078	8.89	4.832	7.86	3.846
Taxes and insurance	.38	.184	.18	.079	.49	.258	.90	.489	.33	.166
General and administration	.90	.432	2.18	.977	1.02	.537	1.75	.951	1.45	.680
Labor	.34	.163	.41	.184	.49	.256	.81	.439	.41	.197
Non-labor	.56	.269	1.77	.793	.53	.281	.94	.512	1.04	.483
Total processing cost	19.95	9.591	27.09	12.149	33.31	17.534	28.80	15.650	25.41	12.206
TOTAL PRODUCTION AND PROCESSING, EXCLUDING LAND	46.60	22.404	61.13	27.414	57.15	30.081	55.66	30.248	54.21	25.982
CREDITS	4.01	1.932	4.06	1.920	4.27	2.247	4.17	2.266	4.16	1.995
Molasses	3.94	1.897	2.99	1.440	4.21	2.217	4.17	2.266	3.74	1.788
Bagasse	.01	.004	—	—	.06	.030	—	—	.02	.007
Other	.06	.031	1.07	.480	—	—	—	—	.40	.200
NET PRODUCTION AND PROCESSING, EXCLUDING LAND	42.59	20.472	57.07	25.494	52.88	27.834	51.49	27.982	50.05	23.987
Land allocation										
Share rent	—	—	3.89	1.745	8.10	4.263	—	—	5.04	2.357
Cash rent	5.96	2.865	—	—	2.56	1.347	3.36	1.826	5.26	2.586
Current market value	12.66	6.087	—	—	13.20	6.947	6.05	3.288	12.31	6.038
Composite	11.32	5.442	3.89	1.745	8.52	4.485	5.29	2.875	7.84	3.750
Yield per acre (tons)	31.60	—	92.90	—	21.20	—	26.30	—		
Recovery per ton (pounds)	—	208.0	—	223.0	—	190.0	—	184.0		

Table 4--Sugarbeets: Preliminary and projected production costs per planted acre, per ton of sugarbeets and per pound of refined sugar, by cost item, crop year, United States

Cost item	1980/81			1981/82[1]		
	Acre	Ton	Pound	Acre	Ton	Pound
	Dollars		Cents	Dollars		Cents
PRODUCTION						
Variable	331.42	17.54	7.499	375.88	19.35	8.165
Seed	16.06	.85	.364	17.65	.91	.384
Fertilizer	55.11	2.92	1.248	62.67	3.23	1.363
Chemicals	45.37	2.40	1.026	50.86	2.62	1.105
Custom operations	34.64	1.83	.783	38.14	1.96	.827
Labor	81.17	4.29	1.834	90.04	4.63	1.954
Fuel and lubrication	42.66	2.26	.966	52.82	2.72	1.148
Repairs	25.46	1.35	.577	28.82	1.48	.624
Purchased irrigation water	10.03	.53	.226	11.04	.57	.241
Miscellaneous	2.47	.13	.056	3.05	.16	.068
Interest	18.45	.98	.419	20.79	1.07	.451
Machinery ownership	87.11	4.61	1.971	98.96	5.09	2.148
Replacement	44.11	2.33	.996	49.43	2.54	1.072
Interest	36.14	1.91	.817	41.48	2.14	.903
Taxes and insurance	6.86	.37	.158	8.05	.41	.173
General farm overhead	10.19	.54	.231	11.24	.58	.244
Management	42.87	2.26	.966	48.60	2.50	1.055
Total excluding land	471.59	24.95	10.667	534.68	27.52	11.612
PROCESSING						
Variable		22.70	9.707		25.40	10.719
Beet acquistion		3.52	1.507		3.89	1.640
Processing						
Labor		3.17	1.356		3.52	1.484
Fuel		4.18	1.785		5.17	2.181
Supplies and materials		3.57	1.527		3.93	1.659
Repair and maintenance		2.96	1.266		3.07	1.299
Labor benefits		1.20	.512		1.25	.527
Marketing		2.77	1.186		3.10	1.306
Interest		1.33	.568		1.47	.623
Ownership		10.29	4.399		10.59	4.470
Depreciation		1.60	.684		1.66	.699
Interest		8.11	3.467		8.33	3.518
Taxes and insurance		.58	.248		.60	.253
General and administration		1.86	.794		1.93	.813
Labor		.77	.327		.80	.337
Non labor		1.09	.467		1.13	.476
Dried pulp		4.10	1.753		4.27	1.798
Total processing costs		38.95	16.653		42.19	17.800
TOTAL PRODUCTION AND PROCESSING, EXCLUDING LAND		63.90	27.320		69.71	29.412
CREDITS		8.99	3.844		9.73	4.104
Dried pulp		5.74	2.453		6.20	2.615
Molasses		2.80	1.198		3.04	1.281
Other		.45	.193		.49	.208
NET PRODUCTION AND PROCESSING, EXCLUDING LAND		54.91	23.476		59.98	25.308
Land allocation						
Share rent	258.96	13.70	5.857	289.84	14.92	6.295
Cash rent	87.29	4.62	1.975	97.70	5.03	2.122
Current market value	146.68	7.76	3.318	164.18	8.45	3.565
Composite	161.31	8.53	3.647	180.55	9.29	3.920
Value of beet tops	3.77	.20	.086	4.27	.22	.093
Yield per acre (tons)	18.90	--	--	19.43	--	--
Recovery per ton (pounds)	--	233.9	--	--	237.0	--

[1] Projected

APPENDIX F

SUGAR SPOT PRICES, APRIL 1-MAY 18, 1982

Sugar: Number 11 and Number 12 spot prices, April 1-May 18, 1982

(Cents per pound)

Date	Number 11 spot prices 1/	Number 12 spot prices 2/
April 1	10.74	17.56
2	10.58	17.51
5	10.37	17.09
6	10.26	17.53
7	10.17	17.43
8	10.15	17.35
9	3/	3/
12	10.37	17.09
13	10.26	17.53
14	10.17	17.45
15	10.15	17.35
16	9.94	17.69
19	9.11	17.63
20	8.72	17.60
21	8.92	17.73
22	8.48	18.40
23	8.58	18.54
26	8.72	18.63
27	9.69	18.61
28	8.97	18.88
29	9.00	18.47
30	8.82	18.26
May 3	8.69	18.20
4	8.30	18.54
5	8.43	18.80
6	8.47	19.55
7	8.68	19.48
10	8.44	19.45
11	8.48	19.53
12	8.21	19.49
13	7.86	19.64
14	7.92	19.51
17	7.98	19.56
18	7.85	19.59

1/ Price at Greater Caribbean ports.
2/ Price of sugar delivered to North Atlantic ports.
3/ Market closed for Good Friday.

Source: New York Coffee, Sugar, & Cocoa Exchange, Inc.