U.S.T.R. reallocates 78,071 tonnes of original T.R.Q. raw sugar quantity

WASHINGTON — The U.S. Trade Representative, at the request of the U.S. Department of Agriculture, said it will reallocate 78,071 tonnes (86,059 short tons) of the original tariff rate quota quantity from countries that stated they do not intend to fill their fiscal year (2019-20) allocated raw sugar quantities to countries that indicated they have excess sugar to export. The announcement was scheduled to appear in the Feb. 7 *Federal Register*.

"The action is expected to add about 70,000 short tons, raw value, of raw sugar imports," the U.S.D.A. said. "The increase is needed to ensure an adequate supply of raw sugar in the U.S. market as poor weather and harvesting conditions in Louisiana have reduced the outlook for cane sugar production in the current fiscal year."

The 2019-20 T.R.Q. for imported raw cane sugar was set at 1,117,195 tonnes, raw value, on June 27, 2019, the minimum required under World Trade Organization agreements. Country allocations were announced July 15.

"Based on consultation with quota holders, U.S.T.R. has determined to reallocate 78,071 tonnes, raw value, of the original T.R.Q. quantity from those countries that state they do not plan to fill their FY 2020 allocated raw cane sugar quantities," the U.S.T.R. said.

While the reallocation doesn't officially increase T.R.Q. sugar imports, it is meant to reduce the shortfall from countries that are allocated quantities but tend not to fill them, thus with the effect of boosting the actual sugar supply. The largest share of the reallocation went to the Dominican Republic (16,397 tonnes), followed by Brazil (13,509 tonnes), Australia (7,733 tonnes) and Guatemala (4,472 tonnes). A total of 27 countries received reallocations.

The U.S.D.A., in its Jan. 10 World Agricultural Supply and Demand Estimates, forecast 2019-20 domestic sugar production (beet and cane) at 8,158,000 short tons, raw value, down 841,000 tons, or 9%, from 2018-19, including beet sugar at 4,444,000 tons, down 10%, and refined cane sugar at 3,713,000 tons, down about 9%. Total sugar supply in the current year was forecast at 13,821,000 tons, down 1.8% from the prior year as a 26% increase in imports offsets most of the shortfall from domestic production.

Two major beet sellers, United Sugars Corp. and Western Sugar Cooperative, in November declared force majeure, with United cutting annual deliveries by 18% and Western by 20% (15% announced in November and another 5% in January).

Under terms of the agreements suspending countervailing and antidumping duties on sugar from Mexico, that country must be given a "right of first refusal" to supply any shortfall in the domestic market over and above tariff rate quota and certain other trade agreement imports. Mexican sugar industry representatives have told the U.S. government that it can fully meet what is called the “U.S. Needs,” thus it will supply all the sugar needed to make up for the loss of U.S. domestic production. U.S. imports from Mexico were set at 1,827,000 short tons, raw value, in the December WASDE, up 83% from 2018-19. Some in the trade doubt whether Mexico can actually ship that much sugar to the United States because of drought in some of its cane growing areas.

The U.S.T.R., at the request of the U.S.D.A., on Nov. 25, 2019, announced an additional 100,000 short tons, raw value, of refined sugar imports from Mexico for 2019-20 in an effort to boost the sugar supply in the United States.

Current bulk refined sugar prices in the United States are at seven-year highs, with mainly only one cane refiner offering supply at around 44c a lb f.o.b. Beet processors are sold out, and most cane refiners currently are out of the market.