# Should All Sugar Importers Report to USDA?

**Issue:** Should importers be required to report all sugar imports and subsequent deliveries, stocks and other information to the U.S. Department of Agriculture in the same way that beet and cane sugar processors and cane refiners are presently required to do?

**Current Status:** The law establishing the sugar program (7 USC 7272(g)) requires that sugar beet and sugarcane processors as well as cane refiners report "the quantity of purchases of sugarcane, sugar beets, and sugar, and production, importation, distribution, and stock levels of sugar." USDA uses this information extensively in sugar program decisions, e.g., whether increases in the tariff rate quota are needed, the establishment of marketing allotments and actions to avoid loan forfeitures. The information also contributes to each month's *World Agricultural Supply and Demand Estimates.*

Importers other than the above categories are also required to report, in a manner prescribed by the Secretary, but there are two differences:

1. Only the quantity of imports (and its sugar equivalent) must be reported; and
2. Imports of TRQ sugar are exempt.

In a normal year, nearly all imports are, in fact, either under a TRQ or from Mexico (quantities of shipments to the United States are reported under the U.S.-Mexico suspension agreements). Thus, although the law is on the books and could theoretically be enforced with respect to high-tier sugar as well as imports from Mexico, only recently has the department begun surveying some importers.

**Calculation of Non-Reporter Imports:** In its Sweetener Market Data, USDA reports deliveries and other data by both reporters (processors and refiners) and non-reporters. However, the non-reporter number is a residual obtained by comparing reporter data with Customs and Border Protection data on imports. The monthly data for non-reporters vary widely from month to month and are frequently negative. This anomaly is likely an artifact of differences in reporting, which may involve lag times between the arrival of a shipment and when it clears Customs, delays in data availability or other factors.

The table below shows that since 2008/09, non-reporter imports have routinely been 800,000 short tons, raw value, or higher. Of course, in most years virtually all of this quantity would represent the portion of TRQ or Mexico imports not imported by reporting cane refiners. However, in 2019/20 high-tier imports hit 275,000 STRV, with sizeable amounts comprising sugar intended to enter under the expanded refined sugar TRQ but arriving too late to fill the tranches.

By convention, USDA counts these imports as deliveries. Ultimately, they will be, but USDA officials have said that some imports may be held as stocks rather than being delivered immediately. (That might particularly have been the case for the would-be refined quota sugar noted above.)

**Implications:** Since USDA uses an ending stocks-to-use ratio to guide its program decisions, and in fact such a ratio is officially built into the calculations for Mexico's market access, it does matter whether non-reporter imports are immediately consumed or held. The assumption of immediate consumption, if incorrect, will mean that total deliveries are overestimated, while ending stocks are underestimated. By contrast, if USDA were to change its current practice of assuming immediate consumption, and instead make program decisions with the assumption of a certain stockholding behavior on the part of non-reporters, but they actually hold fewer stocks, then deliveries will be underestimated and USDA will forecast higher ending stocks than are actually present.

In the first scenario, USDA statistics would show demand stronger than it actually was, and would result in higher access for Mexican sugar that could result in a surplus in the U.S. By contrast, in the second scenario, which is contrary to current practice but not inconceivable in the future, USDA would think the market has more stocks than it actually does, and might forego a TRQ increase when one was actually needed.

**Recent Experience:** The 2019/20 marketing year was a good example of the uncertainty created by non-reporter imports. For several months, year-to-date deliveries by reporters were behind a year earlier, but total deliveries were up because an increase in (residually calculated) non-reporter deliveries exceeded the decrease in deliveries by reporters. Some USDA officials mistrusted the aggregate number, believing that the negative impact of the COVID-19 pandemic was substantial. Whether related or not, a second TRQ increase was delayed until relatively late in the marketing year. In fact, as the year approached its end, USDA did increase its estimate of deliveries more than once, and the October 9, 2020, WASDE projects that deliveries for the full year slightly exceeded the year before.

**Mandatory Reporting by Importers:** To include all importers as reporters, two changes to current law would be needed:

1. End the exemption for reporting TRQ imports; and
2. Require information similar to that presently required of other reporters (mainly deliveries and stocks) to be reported to USDA.

This would put non-reporters on the same basis as current reporters, and would give USDA a more extensive picture of supply and demand to guide program decisions.

**Pros:**

- Would increase transparency in sugar program operation.
- Would avoid any future risk of underestimating consumption of non-reporter imports in making program decisions

**Cons:**

- Non-reporters might oppose the requirement as unduly burdensome and intrusive.
- If USDA currently overestimates consumption, additional information could make TRQ increases less likely and reduce "U.S. Needs" from Mexico.

| Sugar Marketing Year | Non-Reporter Imports (STRV) |
|---|---|
| 2008/09 | 801,019 |
| 2009/10 | 814,491 |
| 2010/11 | 983,618 |
| 2011/12 | 987,613 |
| 2012/13 | 928,086 |
| 2013/14 | 1,007,108 |
| 2014/15 | 949,677 |
| 2015/16 | 839,077 |
| 2016/17 | 709,833 |
| 2017/18 | 664,380 |
| 2018/19 | 759,550 |
| 2019/20 (October-August) | 1,062,320 |