

CHALLENGES ON THE WORLD SUGAR MARKET HORIZON

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“The more things change, the more they stay the same.”

Marcel Proust, The Remembrance of Things Past (1909)

(...was he thinking about the sugar market?)

CHALLENGES ON THE WORLD SUGAR MARKET HORIZON

- ❑ WTO Doha Development Round**
- ❑ FTA's: Bilateral and Regional**
- ❑ EU Agriculture Reform**
- ❑ Market Forces**

WTO DOHA ROUND

- ❑ **Seattle, Doha, Cancun, Hong Kong...**
- ❑ **Doha “Development” Round and sugar**
- ❑ **No sector-specific details to date**
- ❑ **Is US Program Amber/Blue/Green Box?**
- ❑ **Must all commodities share the pain?**
- ❑ **“Special & Differential” treatment for LDC’s**
- ❑ **“Sensitive Product” designations for developed importers**
- ❑ **Declaration by April 2006?**

REGIONAL & BILATERAL FREE TRADE AGREEMENTS

- ❑ **NAFTA: 1994**
 - High Tier Duty goes to zero in 2008
 - Refined prices higher in Mexico than in US
 - Balancing Sugar/HFCS/Ethanol complex?
- ❑ **Australia: 2004**
 - Does not include sugar
- ❑ **CAFTA: 2005**
 - Affirmed by the US; implementation pending
 - Adds at least 200,000 tons to TRQ over time
- ❑ **Just Completed: Peru**
- ❑ **In Pipeline: Colombia, Panama**
- ❑ **On Radar Screen: Thailand, FTAA**

FREE TRADE AGREEMENTS

(continued)

- ❑ Bilateral and Regional Agreements distort trade**
- ❑ Including sugar (e.g. CAFTA and Peru) sets a dangerous precedent**
- ❑ Countries listed as possible FTA candidates together export about 23 million tons of sugar vs. total US demand (domestic production plus imports) of 11 million tons**

EU AGRICULTURE REFORM

- ❑ **EU Commission Reform Plan: 11/24/05**
- ❑ **By 2009/10, sugar support prices will be 33.7 US cents/pound (with costly subsidy)**
- ❑ **Compare with US beet loan rate of 22.9 cents/pound (and no budget outlays)**
- ❑ **EU offers option of generous exit payments**
- ❑ **EU's EBA less attractive to exporting LDC's than US GSP, CBI and TRQ**

SUGAR MARKET DYNAMICS

- ❑ **Domestic Demand Turns Lively Again**
- ❑ **World Market Exuberance**
 - Oil, Metals, Collectibles (1974 & 1980 redux)
 - Ethanol/Biodiesel
- ❑ **Refined Imports, a One-Off Event**
 - No developed country (exc. Russia) imports refined sugar in quantity
 - EU to gear up refining capacity as beet production declines
- ❑ **Sugar-Containing Product Imports**
 - Alarming increase to 650,000 tons, 7% of US use
 - Due to wage/benefit/environmental factors, not US sugar prices

US SUGAR PROGRAM IN GLOBAL CONTEXT

- ❑ **US imports about 15% of its sugar needs**
- ❑ **US imports about 35% of its cane sugar usage and is now world's 2nd largest importer**
- ❑ **Consumer prices are stable over time and well below other developed countries' level**
- ❑ **Program has built-in supply flexibility, as recent storms have shown**
- ❑ **US industry delivers a quality product on time to manufacturers and consumers without cost to the government**