Question and Answers

Q1: Won't this amount of sugar imports lower U.S. prices?

A: The U.S. sugar market has been extremely tight, particularly for refined sugar, due in part to a closed cane refinery in New Orleans, which is unlikely to be back on-line for at least several weeks. We expect the market to easily absorb this additional amount, especially the resulting additional refined sugar.

Q2: Does this level of extra imports mean that domestic allotments will not be in effect in FY06?

A: No. The Farm Bill provides that when domestic supplies are insufficient to meet market needs, we look first to any stocks that the CCC may be holding, and then to imports, for more sugar. The trigger level does not come into play for extra imports needed due to a domestic shortfall, as in this case.

Q3: How did you arrive at the size of the Mexican quota?

A: The USDA calculated Mexico's net surplus according the terms of the NAFTA. We are complying with the NAFTA for all sweeteners, not just sugar, and expect Mexico to do the same.

Q4: Does giving Mexico this quota mean the NAFTA sweetener dispute is over?

A: We still have unresolved issues. Mexico has not yet eliminated the beverage tax and better high-fructose corn syrup (HFCS) access is needed. But we are optimistic that progress on these matters can be achieved.

Q5: Do you expect any reciprocal actions from Mexico such as "ton-for-ton" HFCS access?

A: We expect Mexico to abide by the recent World Trade Organization (WTO) ruling and end its beverage tax and provide access for U.S. HFCS. The illegal beverage tax has been and continues to be harmful to U.S. corn farmers and corn processors, who should experience improved prices when the tax is lifted. Mexico needs to come into compliance with its trade obligations.

Q6: What do you expect will happen when the NAFTA tariff on sugar declines to zero in 2008?

A: We have the tools to administer the sugar program through the life of the current Farm Bill. The challenges to be faced over time are not only from an open sweeteners market with Mexico in 2008, but also in re-writing the Farm Bill and in negotiating an ambitious Doha WTO round which will broadly benefit U.S. agriculture. In successfully facing these challenges, we can improve upon the current sugar program.

Q: Was your action today negotiated with the Government of Mexico?

A: Today's action results from USDA's ongoing review of market needs in the United States for sugar.