

Russia's declining demand for U.S. pork products continued through May. So far this year, U.S. exports to Russia are 62 percent lower than for the same period last year. U.S. pork products continue to have difficulty competing with lower priced pork products from Brazil and China.

For South Korea, 2002 was to have been the year of re-entry into international pork markets—Japan in particular—after foot-and-mouth disease (FMD) infected the Korean herd in the spring of 2000. In anticipation of resuming the lucrative loin trade to Japan, the Korean pork industry accumulated significant stocks of pork this year. U.S. exports to Korea had increased 75 percent over the same period last year. Korean traders imported lower priced U.S. cuts in order to accumulate stocks of Korean products for export to

Japan. But, the reappearance of FMD in May has postponed Korean loin exports to Japan. Large Korean pork stocks will likely slow Korean demand for U.S. pork products for the remainder of 2002.

U.S. Pork Imports Increase

So far through May 2002, the U.S. has imported 17 percent more pork than over the same period last year. About 80 percent of U.S. imports are from Canada, representing the continuing integration of the U.S. and Canadian pork and food service industries. Denmark accounts for about 13 percent of U.S. imports. The American appetite for pork ribs is the primary factor driving Danish exports to the U.S.

Despite concerns about low fourth-quarter 2002 prices, and uncertainty surrounding

requirements for Country of Origin Labeling contained in the 2002 Farm Act, the U.S. continued to import large numbers of live Canadian hogs. In the first 5 months of 2002, imports were 18 percent higher than for the same period last year. So far this year, nearly 64 percent of live Canadian imports have been feeder pigs destined largely for finishing in the Corn Belt States. The U.S. is expected to import 6.2 million hogs from Canada this year, 17 percent more than in 2001. **AO**

*Mildred Haley (202) 694-5176
mhaley@ers.usda.gov*

*Leland W. Southard (202) 694-5817
southard@ers.usda.gov*

For the latest data and analysis, see the Hogs briefing room on the ERS website: www.ers.usda.gov/briefing/hogs/

Specialty Crops

U.S. Sugar Policy Under the 2002 Farm Act

The 2002 Farm Act—the Farm Security and Rural Investment Act of 2002—reauthorized the sugar price support loan program and introduced measures to make the program work more effectively for producers and processors, and to lessen the cost of the program to the U.S. government.

The Sugar Loan Program

The 2002 Farm Act reauthorized the U.S. Department of Agriculture (USDA) to make loans available to processors of domestically grown sugarcane at the rate of 18 cents per pound and to processors of domestically grown sugar beets at 22.9 cents per pound for refined sugar. As before, loans are made for a maximum term of 9 months and must be liquidated along with interest charges by the end of the fiscal year. Processors are required to provide payments to producers in proportion to the amount of the loan value accounted for by the sugar beets and sugarcane the producers deliver. USDA retains the authority to establish minimum producer payment amounts.

Other sugar loan provisions in the 2002 Act include the following:

- Sugar loans must be nonrecourse, meaning that when the loan matures, the USDA must accept sugar pledged as collateral as payment in full in lieu of cash repayment of the loan, at the discretion of the processor.
- A new provision allows processors to obtain loans for “in-process” sugar and syrups at 80 percent of the loan rate. “In-process” sugar and syrups must be converted into raw cane or refined beet sugar at no cost to the Commodity Credit Corporation (CCC) before being eligible for forfeiture.
- The Act eliminates penalties that, under prior legislation, had been charged to processors who forfeited sugar to the CCC.
- The Act eliminates the requirement that sugar processors notify USDA of their intention to forfeit sugar under loan. Also eliminated are government assessments on sugar marketing by processors.

Operation of the program at no cost to the government. A key change in the 2002 Farm Act requires that USDA operate the U.S. sugar loan program at no cost to the Federal government, to the maximum extent possible. Specifically, USDA must avoid forfeiture of sugar to the CCC. To discourage loan forfeiture, the sugar price at the time of loan repayment must be high enough to cover the loan principal *plus* interest and marketing expenses.

The 2002 Farm Act gives USDA authority to accept bids from sugarcane and sugar beet processors to obtain raw cane sugar or refined beet sugar in CCC inventory in exchange for reducing production. This is one way to control expected excess (or “price-depressing”) supplies of sugar. The 2002 Farm Act specifies that this authority is in addition to any authority the CCC may have under other laws.

Marketing allotments. Another way to guarantee that the sugar loan program operates at no cost to the Federal government is the requirement in the 2002 Farm Act that USDA establish flexible marketing allotments for sugar (supply control).

Briefs

The overall quantity of sugar to be allotted for a crop year is determined by subtracting the sum of 1.532 million short tons raw value (STRV), plus carry-in stocks of sugar (including CCC inventory), from USDA's estimate of sugar consumption and reasonable carryover stocks at the end of the crop year. USDA must adjust allotment quantities to avoid forfeiture of sugar to the CCC.

The overall allotment quantity is divided between refined beet sugar (at 54.35 percent of overall quantity) and raw cane sugar (at 45.65 percent). For cane sugar, Hawaii and Puerto Rico are jointly allotted 325,000 STRV. For the mainland cane sugar producing states (Florida, Louisiana, and Texas), allocations are assigned based on past marketings of sugar, the ability to market sugar in the current year, and past processing levels. Beet sugar processors are assigned allotments based on their sugar production for the 1998-2000 crop years. The 2002 Farm Act provides for a number of contingencies that could require reassignment of allotments during the crop year.

USDA's authority to operate sugar marketing allotments is suspended if import levels of sugar for human consumption, not including Re-Export Program quantities, are estimated to exceed 1.532 million STRV (such that the overall allotment quantity would have to be reduced). The

marketing allotments would remain suspended, until imports have been restricted, eliminated, or otherwise reduced to or below the 1.532 million STRV level.

Flexible marketing allotments are likely to provide more effective price support throughout the marketing year. When allotments are on, processors who have expanded marketings in excess of the rate of growth in domestic sugar demand will have to postpone the sale of some sugar, and either store it at their own expense or sell it for uses other than domestic food use. The cost of storing excess production is thus shifted from the Government to the industry. (However, the 2002 Farm Act requires that the CCC establish a sugar storage facility loan program to assist processors who want to construct or upgrade storage and handling facilities.)

Trade Measures

In addition to the sugar loan program, U.S. sugar policy is implemented through a tariff-rate quota (TRQ) system, which is continued under the 2002 Farm Act. The TRQ is a two-tiered tariff for which the tariff rate charged depends on the volume of imports. A lower (in-quota) tariff is charged on imports within the quota volume, and a higher (over-quota) tariff is charged on imports in excess of the quota volume. Each year, the Secretary of Agriculture announces the quantity of sugar

that may be imported at the in-quota rate. Any quantity above that level would be imported at a higher tariff rate. The raw cane sugar TRQ is allocated to 40 countries. The 2002 Farm Act specifies that on June 1 of each year, the U.S. Trade Representative, along with USDA, shall determine the used and unused portions of the TRQ for each quota-holding country, and may reallocate unused quota to qualified quota holders.

The U.S. also operates the Refined Sugar and Sugar-Containing Products Re-Export Programs to allow U.S. refiners to compete in global refined and sugar-containing product markets. The programs establish a license against which a company can import sugar at world prices for refining and sale to replace sugar that has been exported either as refined sugar or in sugar-containing products. The 2002 Farm Act specifies that all refined sugars derived from either sugar beets or sugarcane are substitutable under these programs. **AO**

*Stephen Haley (202) 694-5247
shaley@ers.usda.gov*

*Nydia Suarez (202) 694-5259
nrsuarez@ers.usda.gov*

**See the Sugar and sweeteners briefing room on the ERS website at:
www.ers.usda.gov/briefing/sugar/**

Specialty Crops

Demand Strong for Tree Nuts

Strong demand, especially from export markets, has been driving up tree nut shipments this season. Supply is also strong this season because of large crops and large beginning stocks. The net effect is lower grower prices. Overall revenue is expected to be high, despite expected lower prices, because of the large volume of tree nut crops being moved.

High almond shipments provide almond growers with good returns.

Almonds dominate nut production in the U.S. The near-record crop in 2001/02 has provided ample supply for marketing.

While lower than the previous season, beginning stocks were still very large, pushing total available supplies above the record crop in 1999/2000.

Domestic demand has been very strong so far this year (August through May), about 15 percent over last season, which could help drive domestic consumption to its highest level yet. Americans consume more almonds than any other tree nut, including those used in candy and baked goods, yet the average person consumes less than a pound a year. Fortunately for the industry, other regions of the world

have a stronger preference for almonds. Europeans, the major customers U.S. almonds, use much of their nut imports to make paste.

Strong demand for almonds in Europe has helped fuel a rapidly expanding U.S. almond industry. Virtually the entire U.S. almond crop comes from California, which has an ideal environment for the trees. Foreign nut demand has driven this expansion, and bearing acres reached 525,000 in 2001. Acreage is likely to increase slightly for the 2002/03 crop, although the rate of growth is slowing