CERTAIN ARTICLES CONTAINING SUGAR

Report to the President on Investigation
No. 22-46 Under Section 22
of the Agricultural Adjustment Act

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United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Seeley G. Lodwick

Kenneth R. Mason, Secretary to the Commission

This report was prepared by:

David A. Coombs, Investigator
Lowell C. Grant, Office of Industries
David E. Ludwick, Office of Industries
Clark Workman, Office of Economics
Gracia Berg, Office of the General Counsel
Vera A. Libeau, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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Note.—Information which discloses confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

REPORT TO THE PRESIDENT ON
INVESTIGATION NO. 22-46

CERTAIN ARTICLES CONTAINING SUGAR

UNITED STATES INTERNATIONAL TRADE COMMISSION
December 16, 1983

Findings

With respect to articles covered by Proclamation No. 5071.--On the basis of the information developed during this investigation, the Commission finds that--

(1) blended sirups provided for in Tariff Schedules of the United States (TSUS) item 155.75, containing sugars derived from sugar cane or sugar beets, capable of being further processed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; and

(2) articles containing over 65 percent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported, all the foregoing articles, provided for in TSUS items 155.75 and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS,

are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere 1/ with the price support program for sugar cane and sugar beets of the U.S. Department of Agriculture.

The Commission is equally divided on whether articles provided for in TSUS items 156.45 and 183.01, as described above in (2), are being, or are

1/ Commissioner Stern finds that such imports are practically certain to tend to materially interfere with the price support program for sugar cane and sugar beets of the U.S. Department of Agriculture.

practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for sugar cane and sugar beets of the U.S. Department of Agriculture. Chairman Eckes and Commissioner Lodwick find in the affirmative 1/ and Commissioners Stern and Haggart find in the negative.

With respect to other articles.--The Commission finds that--

(1) articles provided for in TSUS items 183.01 and 183.05, containing not less than 25 percent but not over 65 percent by dry weight of any sugars or blends of sugars provided for in subpart A of part 10 of schedule 1 of the TSUS, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients; and

(2) all other articles, wherever classified in the TSUS, containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients, except articles the subject of the Commission's affirmative determination and except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS,

are not being, and are not practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for sugar cane and sugar beets of the U.S. Department of Agriculture.

1/ More specifically, Chairman Eckes and Commissioner Lodwick find that such articles are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the price support program.

Recommendations

Chairman Eckes and Commissioner Lodwick recommend that the President continue, for such time as is necessary, the zero quotas on the articles the subject of Proclamation 5071.

Commissioners Stern and Haggart recommend that the President modify the quotas set forth in Proclamation 5071 so as (1) to permit the entry of 165,000 short tons (128,000 short tons raw sugar equivalent) per year of the blended sugar sirups (provided for in TSUS item 155.75) and certain other articles containing over 65 percent by dry weight of sugar (provided for in TSUS items 155.75 and 183.05) which are the subject of their affirmative determination; and (2) to exclude from the quotas articles containing over 65 percent by dry weight of sugar provided for in TSUS items 156.45 and 183.01.

Background

On June 29, 1983, the Commission received a letter from the President directing it to make an investigation under section 22(a) of the Agricultural Adjustment Act (7 U.S.C. 624(a)) to determine whether certain articles containing sugar are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program of the Department of Agriculture for sugar cane and sugar beets.

Notice of the Commission's investigation was published in the Federal Register on July 13, 1983 (47 F.R. 32093). A public hearing was held in Washington, D.C. on October 25, 1983. All interested parties were afforded an opportunity to appear and to present information for consideration by the Commission.

This report is being furnished to the President in accordance with section 22(a) of the Agricultural Adjustment Act. The information in the report was obtained from responses to Commission questionnaires, from information presented at the public hearing, from interviews by members of the Commission's staff, from information provided by other Federal agencies, and from the Commission's files, submissions by the interested parties, and other sources.

STATEMENT OF CHAIRMAN ALFRED ECKES AND COMMISSIONER SEELEY G. LODWICK

Introduction

The President has asked the Commission to determine, pursuant to section 22 of the Agricultural Adjustment Act (7 U.S.C. 624), whether certain blended sugar 1/ sirups provided for in TSUS item 155.75, whether certain articles containing not less than 25 percent by dry weight of sugar or sugar blends provided for in TSUS items 183.01 and 183.05, and whether any other articles containing over 65 percent by dry weight of sugar are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for sugarcane and sugar beets. Pending receipt of the Commission's report, the President took emergency action pursuant to section 22(b) and imposed a zero quota on certain of the articles to be covered by the Commission's investigation. 2/ The full text of the President's letter requesting the investigation and his action imposing the emergency quotas (Proclamation 5071 of June 28, 1983) are set forth in Appendix A to this report.

For reasons set forth below, we have determined that blended sugar sirups provided for in TSUS item 155.75 and certain other articles containing over 65

1/ For the purpose of this statement, the term "sugar" refers to sugars derived from sugarcane and sugar beets.

2/ The President imposed emergency quotas only on the blended sugar sirups provided for in TSUS item 155.75 and articles containing over 65 percent by dry weight of sugar provided for in TSUS items 155.75, 156.45, 183.01, and 183.05. He did not impose quotas on other articles containing over 65 percent by dry weight of sugar or those containing between 25 and 65 percent.

percent by dry weight of sugar provided for in TSUS items 155.75, 156.45, 183.01, and 183.05, 3/ are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the USDA price-support program for sugarcane and sugar beets. The articles subject to our affirmative determination are the same as those which are the subject of the President's emergency quota action in Proclamation 5071. We have made a negative determination with respect to the remaining articles covered by this investigation.

We agree with the emergency action taken by the President in Proclamation 5071 and recommend that this action be continued for such time as is necessary to prevent interference with the price-support program.

Sugar, the price-support program, and Presidential actions

Sugar has been an important and controversial product in world trade for centuries. It is a basic agricultural commodity, probably produced and consumed in more countries than any other agricultural commodity. Because of its importance to consumers and growers in many economies, sugar is one of the

3/ More specifically--

Blended sirups provided for in TSUS item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; and,

Articles containing over 65 percent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles, provided for in TSUS items 155.75, 156.45, 183.01 and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States.

most regulated of all agricultural commodities. Most countries regulate production, imports, exports, or prices in some manner. 4/ The International Sugar Organization (ISO), which consists of sugar importing and exporting countries, has sought to stabilize world prices through export quotas and stockpiling mechanisms since its formation in 1931. 5/

World sugar prices vary widely from year to year. Only about 20 percent of world sugar production enters the international market; most sugar is consumed in the country in which it is produced. 6/ The international market acts, in essence, as a clearing house for countries with excess sugar production. Adverse weather conditions, governmental actions, and other factors can significantly affect the amount of sugar which is sold or purchased in the international market. These factors can have a disproportionate effect on world prices because most large sugar producing and consuming nations insulate their own markets, to varying degrees, from changes in world prices. 7/ As an example of price volatility, the present world price, which has been about 9 to 11 cents per pound (f.o.b. Caribbean) in recent months, is substantially higher than the 6 to 7 cents per pound price which prevailed from June 1982 through April 1983, 8/ but is far below the record price of 57 cents per pound reached in November 1974.

The United States is the second largest importer, third largest consumer, and sixth largest producer of sugar in the world. 9/ Imports have accounted

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4/ Report, at A-45.
5/ Report, at A-46. The role of the ISO is discussed further at pages 15-16 of this statement.
6/ Report, at A-14.
7/ Report, at A-45.
8/ Report, at A-50.
9/ Report, at A-15.

for about 35 to 40 percent of U.S. consumption in recent years. To provide growers with the assurance needed to sustain domestic production and to protect U.S. consumers from the wide variations in supply, demand, and price in the world market, the United States has imposed a variety of tariffs and quotas on imports of sugar and has provided price-support and other programs for domestic sugar growers.

The United States has a long history of actions involving sugar and sugar-containing articles and mixtures. Prior to 1934, the United States relied primarily on high tariffs to prevent the entry of sugar. Between 1934 and 1974, the United States relied principally on import quotas on raw and refined sugar authorized by a series of sugar acts, including the Sugar Act of 1948, which, in amended versions, regulated sugar imports through the end of 1974. Congress recognized that imports of sugar-containing articles and mixtures could circumvent the Sugar Act quotas on raw and refined sugar. In 1962, Congress amended the 1948 act to automatically extend the quotas to sugar-containing products and mixtures which did not have a recent history of imports, unless the Secretary of Agriculture specifically found that such imports would not substantially interfere with the objectives of the act. Congress also authorized the Secretary of Agriculture to extend the quotas to sugar-containing products and mixtures which had a history of importation if he found that such imports would substantially interfere with the attainment of the objectives of the act. 10/ Thus, the Sugar Act regulated imports of

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10/ Section 6 of the Sugar Act Amendments of 1962, Pub. Law 87-535, 76 Stat. 156. The section was "aimed at preventing abuses". See the report of the Senate Committee on Finance, S. Rep. No. 1631, 87th Cong., 2d Sess. (1962), as reprinted in 1962 U.S. Code Cong. & Admin. News, at 1923.

sugar-containing articles and mixtures as well as imports of raw and refined sugar.

Since 1974, the President has been required, by the sugar "headnote" set forth in the Tariff Schedules, to maintain duties and quotas at all times on imports of raw and refined sugar (provided for in TSUS items 155.20 and 155.30). This headnote authority was negotiated under the GATT in 1950 and 1951 and is contained in the 1967 Geneva Protocol to the GATT. 11/

Sugar has been the subject of various price-support programs administered by USDA under the authority of the Agricultural Act of 1949. The present program, which was authorized by the Agriculture and Food Act of 1981, provides for price supports and loans by the Commodity Credit Corporation (CCC) through crop-year 1985. However, Congress, in passing the 1981 legislation, made it clear that it expected the President to impose sufficiently high duties and fees and sufficiently restrictive quotas under his headnote and section 22 authority so as to avoid having the CCC acquire any sugar. 12/

Since passage of the 1981 program, the President has acted several times to adjust duties, fees, and quotas so as to insure that the domestic sugar price remains sufficiently above the support price so that the CCC will not be

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11/ The President's authority is set forth in headnote 2, subpart 10(A) of schedule 1 of the TSUS. The headnote requires that a tariff of between 0.625 cents and 2.8115 cents per pound, raw value, and a quota (which need not be restrictive) be in effect at all times.

12/ The Senate Committee on Agriculture, Nutrition and Forestry projected that there would be no costs in operating the program "provided that import fees and duties are able to maintain the market price at a level above the minimum loan or purchase level. In this case, there would be no CCC acquisition of sugar loan stocks." The Congressional Budget Office cost estimates also projected no outlays for the program. See S. Rep. No. 126, 97th Cong., 1st Sess. (1981), at 239, 252.

required to acquire domestic sugar. On December 23, 1981, he issued Proclamation 4888, in which he invoked his authority in the sugar headnote and raised duties to the maximum level permitted, 2.8125 cents per pound, raw value. At the same time, he issued Proclamation 4887, in which he took emergency action under section 22 and imposed a fee on sugar. The Commission commenced investigation No. 22-45 as a result of the President's emergency fee action. While the Commission investigation was pending, falling world sugar prices caused the President to take additional action. On May 5, 1982, the President issued Proclamation 4941 and again invoked his headnote authority and reduced the amount of sugar which could enter under the headnote quota. 13/ At the same time, he issued Proclamation 4940, which superseded Proclamation 4887 and modified the emergency section 22 fees. In June 1982 the Commission completed its section 22 investigation and advised the President that it had made an affirmative determination and recommended that the actions taken in Proclamations 4888, 4940, and 4941 remain in effect. 14/

The present Commission investigation is the result of the President's latest action to protect the price-support program and prevent the CCC from having to purchase sugar. On June 28, 1983, the President issued Proclamation 5071 and imposed a zero quota on certain sugar-containing articles which were not being imported at the time of or prior to his May 1982 action, but which were subsequently imported as a result of the large difference between the

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13/ Proclamation 4888, which raised duties under the headnote, did not modify the quota then in effect.

14/ Sugar: Report to the President on Investigation No. 22-45. . . , USITC Publication 1253, June 1982.

U.S. and world price for sugar. At the same time, the President requested that the Commission commence this investigation to examine the impact of imports of both sugar-containing articles subject to emergency action under Proclamation 5071 and certain other sugar-containing articles.

Imports practically certain to materially interfere with USDA program

We find that, in the absence of the President's action of last June 28 (Proclamation 5071), imports of the sugar-containing articles the subject of that action are practically certain to be imported under such conditions and in such quantities as to materially interfere with the USDA price-support program for sugar. In so finding, we have examined in particular the price-support program and its objectives, import levels, price differences between the domestic and imported products, world stocks of sugar, and the ability of foreign producers to ship significant quantities of the subject articles to the United States. 15/

We have also carefully examined the submissions and testimony of the various parties to this proceeding. We have given considerable weight to the arguments made by USDA, since it is that agency which administers the program and is in the best position to know when the goals of the program are threatened and what action is necessary to remedy the problem. Other parties may, of course, rebut the assertions made by USDA, but unless they can do so

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15/ In section 22 investigations, the Commission's task is limited by statute to determining the impact, present or potential, of imports on the price-support program and, when appropriate, recommending a remedy. Accordingly, we have not looked behind or questioned the program or its administration.

persuasively, we accord great weight to USDA's contentions and supporting information. 16/ In the present investigation, we have found that USDA's assertions with respect to Proclamation 5071 imports were not persuasively rebutted.

USDA program.--The USDA price-support program for sugarcane and sugar beets operates through a system of nonrecourse loans on U.S.-produced raw and refined sugar. Processors and refiners are eligible to receive loans through the CCC. The loans are based on the support price, and sugar is the collateral for the loan. Forfeitures (i.e., CCC acquisitions of sugar) occur only at the end of the fiscal year, September 30. In order to prevent forfeiture, USDA must maintain the market price at a level which exceeds the market stabilization price.

In passing the legislation which provides for the present price-support program, Congress made clear its desire that, for budgetary reasons, the CCC not acquire any sugar. The quotas, duties, and fees imposed by the President are for the purpose of maintaining the domestic price at a level sufficiently above the loan rate to insure that sugar is not forfeited to the U.S. Government. Thus far, USDA has succeeded in maintaining the market price at a level high enough to avoid the forfeiture of any sugar.

Imports.--There are two classes of products which are the subject of our affirmative determination and the President's emergency action--(1) blended sirups provided for in TSUS item 155.75,; and (2) other articles containing over 65 percent by dry weight of sugar, including flavored sugars and sirups

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16/ See, for example, the Statement of Commissioner Catherine Bedell in Certain Tobacco: Report to the President on Investigation No. 22-43. . . , USITC Publication 1174, August 1981, at 27.

(other than blended) provided for in TSUS item 155.75, sweetened cocoa provided for in TSUS item 156.45, pancake flour and other flour mixes and refrigerated doughs provided for in TSUS item 183.01, and certain other edible mixtures not elsewhere provided for (such as certain sugar-cocoa powder mixtures) provided for in TSUS item 183.05. 17/ There is no evidence of imports of any of these emergency quota articles (which are packaged in bulk) prior to the time that the President imposed restrictive quotas on May 5, 1982, in Proclamation 4941.

Imports of blended sirups, the first class of articles, began to enter in May 1982, immediately after Proclamation 4941 took effect. 18/ From that time until June 29, 1983, when imports were halted by Proclamation 5071, imports increased at a rapid rate. By June 1983, imports had increased to an annualized level of 257,000 metric tons, 19/ equivalent to almost 10 percent of 1982-83 U.S. imports of raw and refined sugar. Most such imports contained 90 percent or more sugar and were of Canadian origin. 20/

There is evidence of imports of two of the four types of articles covered in the second class of sugar-containing articles, and a high probability that imports of the third and fourth types will occur if the world price of sugar remains low. Imports of flavored sugars (TSUS item 155.75), all from Canada and Brazil, began in February 1983 and had reached a significant level when they were halted in June. 21/ A sizable quantity of sucrose and dextrose

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17/ A more detailed description of these products can be found in the report at A-16 and A-20-21.
18/ Report, at A-18.
19/ Based on USDA estimates. See report, at A-19.
20/ Report, at A-18.
21/ Report, at A-23.

blends (TSUS item 183.05), estimated by the Canadian Sugar Institute at 13,000 metric tons, entered from Canada between May 1982 and June 1983. 22/ In addition, beginning in January 1983, a significant amount of the blending took place in U.S. foreign trade zones. 23/ There is also an indication of imports of cocoa-sugar blends (65-75 percent sugar) (TSUS item 183.05). 24/

There were no imports of sweetened cocoa containing over 65 percent sugar recorded under TSUS item 156.45, and there should not have been any. 25/ This item covers only cocoa-sugar mixes containing less than 65 percent by weight of sugar. However, USDA believes that imports of such mixes containing over 65 percent sugar may improperly enter under this item and that the item may be used to evade the quota. 26/ The information developed in this investigation confirms USDA's concerns. Similarly, there apparently have been no imports of pancake flour and flour mixes and refrigerated doughs containing over 65 percent sugar (TSUS item 183.01) in recent years. 27/ However, we agree with USDA that significant imports are likely if the world price of sugar remains low.

Prices.--As we briefly stated in the introduction to this statement, the world price for sugar historically has been volatile. Generally, only about 20 percent of world sugar production is available for trading in the world

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22/ Report, at A-24.
23/ Report, at A-45.
24/ Report, at A-23. Item 183.05 is a "basket" category, which means it covers a variety of articles. Customs does not collect separate data on imports of each article in the basket.
25/ Report, at A-21.
26/ Report, at A-21.
27/ Report, at A-25.

market; over 70 percent is consumed in the producing countries at prices generally set by the government, and nearly 10 percent is traded under the terms of preferential agreements. 28/ During periods of crop failures, traditional exporting nations will often restrict exports to meet domestic needs, and in periods of bumper harvests, they will often attempt to sell their surpluses in world markets. 29/ Crop failures and bumper harvests can have a significant and disproportionate impact on world prices, since the effect of such changes in supply falls primarily on the 20 percent of sugar sold in world markets.

It is not uncommon for monthly average world prices to double during the year, or for one year's average to be half (or double) that of the prior year. For example, the world price averaged as low as 5.98 cents (per pound, f.o.b. Caribbean) in January 1983, but averaged 10.80 cents in June 1983 and 9.46 cents in September 1983. The world price in 1982 was as low as an average 5.90 cents in September and as high as an average 13.05 cents in February. The 1982 world price averaged 8.42 cents, which was less than half the average 1981 price of 16.85 cents, which in turn was substantially below the average 1980 price of 29.00 cents. 30/

The International Sugar Organization (ISO) has not been very successful in moderating these swings in world prices. The ISO has facilitated the negotiation of several international sugar agreements during the past 50 years, but participating countries frequently have failed to abide by the

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28/ Report, at A-45.
29/ Id.
30/ Report, at A-50.

terms of such agreements when the agreements conflicted with national goals. The present international agreement allows the world price to fluctuate between 13 and 23 cents, but the present world price (9.67 cents f.o.b. Caribbean in October 1983) is considerably below the lower limit. The United States has long been a nominal member of the ISO, but the European Community, the world's largest exporter of sugar and largest holder of sugar stocks, has never been a member. 31/

The U.S. spot price, which reflects the effects of U.S. import restrictions, has been far more stable. During the period January 1982 through October 1983, it averaged as low as 17.13 cents in March 1982 and as high as 25.59 cents in May 1983. 32/ It has remained above the USDA's market stabilization price for sugar, and thus no sugar has been forfeited to the CCC.

World stocks.--The primary reason for the low world price of sugar is increasing and high (by historical standards) world inventories of sugar. World sugar inventories increased from 24.2 million short tons as of September 1, 1980, to 42.5 million short tons as of September 1, 1983. 33/ Such inventories increased from 27.0 percent of annual world consumption in 1980 to 46.0 percent of annual world consumption in 1983. Stock levels equivalent to 25 percent of world consumption are considered normal by industry analysts and

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31/ Report, at A-46. Reliance on the quotas set by ISO agreements as a basis for predicting future import levels is unsound. The quotas are subject to modification at any time and have been altered significantly in response to changes in the world sugar market. In March 1980, quotas for nonmembers, including the EC, were suspended completely and then subsequently reinstated at adjusted levels. See the Views of Commissioners Eckes, Frank, and Haggart in Sugar from the European Community: Determination of the Commission in Investigation No. 104-TAA-7. . . , USITC Publication 1247, May 1982, at 10-11.

32/ Report, at A-50.

33/ Report, at A-14.

are associated with stable prices. The current stock levels overhang the market and limit price rises. 34/

Most of the inventories are held by exporting nations, primarily the European Community, Brazil, and India, which are also the three largest producers. 35/ Both world production and world consumption have increased in recent years, but production has increased at a faster rate. The increased production is largely the result of favorable weather, government encouragement (e.g., for foreign exchange purposes), and availability of refinery, labor, and other resources. 36/ The slower rate of increase in world consumption is partially attributable to an increase in use of substitute caloric sweeteners such as high fructose corn syrup and non-caloric sweeteners such as saccharin. U.S. sugar consumption declined by 16 percent between crop years 1978/79 and 1982/83 largely as a result of increased use of these substitutes. 37/

Foreign ability to ship.--The ability of foreign producers to supply liquid and dry sugar blends is dependent on two basic factors--transportation considerations and the availability of sugar in the home market. 38/

Dry blends are easier and cheaper to ship and store than liquid blends. High costs for shipping and storing liquid sugar probably limit imports to Canada and Mexico. Transportation costs for dry blends can be minimized by

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34/ Id.
35/ Report, at A-14-15.
36/ Report, at A-14.
37/ Report, at A-12.
38/ Report, at A-61.

importing sugar into U.S. foreign trade zones and performing blending operations there. 39/

Given the high world inventories, foreign nations have ample ability to supply the U.S. market with large amounts of raw, refined, or mixed sugar. The European Community, for example, had 13.5 million metric tons in inventory at the end of 1982, 127 percent of annual consumption. Brazil had 3.6 million metric tons in inventory, 59 percent of annual consumption, and Canada 271,000 metric tons, 29 percent of annual consumption. World inventories were 48.8 million metric tons, 53 percent of annual consumption. 40/

Conclusion.--In view of the above, we believe that imports of the described articles are practically certain to be imported in such quantities and under such conditions as to materially interfere with the USDA price-support program. Imports of most of the covered articles were significant prior to the President's June 28 action, and significant imports in all categories are likely if the quotas are terminated at this time. The low world price of sugar provides a very substantial incentive to ship blended sugar to the U.S. market. World warehouses are bulging with excess sugar. In the absence of a continuation of the President's June 28 quota action, we believe that the CCC would already have acquired sugar and could expect to acquire much more after the crop year ends next September 30.

Negative determination concerning remaining articles

We have made a negative determination with respect to imports of sugar-containing articles outside the scope of the emergency quotas

39/ Report, at A-61.
40/ Report, at A-62.

established by Proclamation 5071. These additional articles cover a wide range of products which can be divided into nine general groups---(1) retail packaged articles of the types covered by the zero quotas on bulk articles established by Proclamation 5071; (2) articles containing 25 to 65 percent sugar provided for in TSUS items 183.01 and 183.05; and the following which contain over 65 percent sugar by dry weight: (3) carbonated soft drinks and other nonalcoholic beverages; (4) candied, crystallized, or glace fruits, nuts, and other vegetable substances; (5) prepared or preserved fruits; (6) jellies, jams, marmalades, and fruit butters; (7) candy and other confectionery; (8) edible preparations of gelatin; and (9) certain miscellaneous products such as confectioner's coatings, sweetened fruit juices, certain baked articles, certain sauces, and mixed feeds for animals. 41/

For each of the groups of products, we find that imports are either insignificant, declining, or relatively unchanged, or that there is relatively little present economic incentive to import despite low world sugar prices. The first category, retail-packaged articles of the types covered by the quotas on bulk articles established by Proclamation 5071, covers liquid sugar sirup blends, whether or not flavored, and dry blends of sugar and other ingredients, all containing over 65 percent sugar. There are numerous domestically produced and imported products falling within this description. The bulk of the information received concerning these products involved sweetened ice tea mixes and certain other beverage bases. Imports of these products were alleged to be increasing, but there is no indication at this time that these imports will adversely affect the price-support program. 42/

41/ These products are described in greater detail in the report at A-25-44.
42/ Report, at A-30.

The second category, certain articles containing 25 to 65 percent sugar, will require continued monitoring. Imports of blended sugar and dextrose falling within this category began shortly after the establishment in June of the zero quota on over-65 percent sugar blends, but it is too soon to conclude whether they may pose a problem for the price support program. 43/ Imports of carbonated soft drinks and other nonalcoholic beverages, which constitute the third category, are small relative to U.S. consumption (less than 1 percent) and have declined in recent months. 44/ Imports of candied, crystallized, or glace fruits, nuts, and other vegetable substances declined between 1979 and 1982, but increased in 1983 and will approximate 1979 levels. Imports appear to constitute less than 10 percent of domestic consumption and appear to be directed, at least in part, towards ethnic markets. 45/

Most imports of prepared or preserved fruits, the fifth group, contain less than 65 percent sugar and thus are outside the scope of this investigation. The trend in such products is towards use of less sugar rather than more, and it is unlikely that there will be a significant, if any, increase in imports of such products containing over 65 percent sugar. 46/ Most imports of jellies, jams, marmalades, and fruit butters, the sixth group, contain over 65 percent sugar (on a dry weight basis). Imports of such articles have increased irregularly in recent years, but there is no indication that they are likely to increase significantly because of low world sugar prices. 47/ Most imports of candy and other confectionery and gelatin,

43/ Report, at A-29, A-45.
44/ Report, at A-31.
45/ Report, at A-33-34
46/ Report, at A-35.
47/ Report, at A-38-39.

the seventh and eighth groups, contain over 65 percent sugar. Imports of candy and other confectionery have increased irregularly but not dramatically in recent years. 48/ Imports of gelatin increased substantially in January-September 1983 over previous periods, but are unlikely to increase much further because the cost of adding manufacturing facilities outweighs any advantages in raw materials costs. 49/ Most articles of the types described in the ninth category, the miscellaneous articles group, contain less than 65 percent sugar and are thus outside the scope of this investigation. Neither the USDA, importers, nor other interested parties discussed any of these articles. 50/

In conclusion, the taking of action on any of the above products at this time would be premature. However, if a surge in imports of these products occurs or if new products are created and imported in significant quantities, the President can take emergency action under section 22 in the same manner as he did with respect to the articles covered in Proclamation 5071.

Remedy recommendation

For reasons set forth below, we recommend that the President continue the zero quota on the sugar-containing articles the subject of Proclamation 5071. However, we agree with USDA that such quotas should be phased out as soon as market conditions permit. 51/

48/ Report, at A-40.
49/ Report, at A-43.
50/ Report, at A-44.
51/ Testimony of Richard A. Smith, Administrator, Foreign Agriculture Service, U.S. Dep't of Agriculture, at ITC hearing Oct. 25, 1983. See transcript, at 11.

Section 22(b) permits the President to impose such import fees (up to 50 percent ad valorem) or quantitative restrictions (up to 50 percent of the imported articles entered or withdrawn from warehouse during a representative period) as are necessary in order that the imported articles will not render or tend to render ineffective, or materially interfere with, the USDA price-support program. The President cannot impose both fees and quotas on the same articles, but he can impose fees on some articles and quotas on others. 52/

In deciding that the President's June 28 action remains appropriate, we took into account much of the same information we found relevant in determining that the USDA program was practically certain to be materially interfered with in the absence of the quotas. In particular, we took into account the goals of the price-support program, including Congress' and USDA's desire that no sugar be acquired by the CCC; the low world price of sugar; the high and rising world sugar inventories; the clearly demonstrated ease with which the various sugar blends can be created either abroad or in U.S. foreign trade zones; and the strong likelihood that low world prices and high world inventories will continue into the foreseeable future.

We concluded that quotas are more appropriate than fees even though, as a general rule, we prefer fees because they tend to distort trade less. In the present case, imposition of the maximum fee of 50 percent ad valorem would still not raise the price of imports to a level approximating USDA's market stabilization price for sugar. Even if the world price suddenly rose to a

52/ United States v. Best Foods, Inc., 47 Cust. & Pat. App. 163 (1960).

level where the maximum fee would be adequate, we question, in view of the recent volatility of world prices, whether a fee would be appropriate in the absence of some assurance that prices would not quickly decline.

We agree that the quotas should remain at zero. Imports the subject of the Proclamation 5071 quotas did not become practical until the President imposed restrictive quotas on raw and refined sugar in May 1982 (Proclamation 4941). Imports entered only after May 1982 and solely for the purpose of circumventing the quotas on raw and refined sugar. We believe that the appropriate "representative period" for the Proclamation 5071 articles is the period prior to May 1982 when such imports were zero. Imposition of zero quotas is also consistent with a 1962 amendment to the 1948 Sugar Act in which Congress, to prevent abuses and circumvention of quotas on raw and refined sugar, extended the quotas to cover sugar-containing products and mixtures as well. 53/

This investigation is quite similar to investigation No. 22-16, which was conducted in 1957 and involved imports of certain articles containing butterfat. 54/ In that case the Commission found that imports of certain butterfat blends, new products imported for the purpose of circumventing quotas on milk and butterfat, were materially interfering with the price-support program for milk and butterfat. The Commission found that such imports were displacing domestic milk and butterfat and recommended the imposition of zero quotas. The President took the recommended action. 55/

53/ See discussion and footnote 10 on page 8, above.

54/ Certain Articles Containing 45 Percent or More of Butterfat or of Butterfat and Other Fat or Oil, Report to the President on Inv. No. 16, July 1957.

55/ See Proclamation 3193 of August 7, 1957.

We believe, for three reasons, that the importation of any quantity of Proclamation 5071 sugar-containing articles will materially interfere with the price-support program. 56/ First, allowing entry of such articles is the equivalent, in our view, of increasing the quotas on raw and refined sugar. The President has maintained those quotas at the least restrictive level necessary to insure the integrity and satisfy the goals of the price-support program. Entry of additional sugar in the form of Proclamation 5071 sugar-containing articles would undercut the President's other actions and may require the President to reduce the quotas on raw and refined sugar by an offsetting amount. 57/ Second, the entry of such articles would tend to favor certain large foreign suppliers like Canada and the European Community, which supplied such articles prior to June 29, over the traditional suppliers of sugar like the Philippines, many of the Caribbean Basin countries, and several South American nations. Canada, the EC, and other countries able to use the new loophole would, in effect, receive an increase in their sugar quotas that would not be shared with other suppliers. Third, such action would serve to

56/ A regression analysis described on pages A-55-58 of the report forecasts the effect that certain increases in sugar imports would have on domestic prices and implies that increases of a certain magnitude would have no adverse effect on the program. Such analyses are based on many assumptions, including the assumption that certain variables in the marketplace will remain constant or change by a given amount. However, the real marketplace is dynamic and everchanging. Weather conditions, dock strikes, governmental actions, currency rate changes, rumors, and many other factors have an impact on market behavior that no regression analysis can foresee or accurately take into account. For these reasons, we would not place undue emphasis on a regression analysis to develop a quota system.

57/ The President has adjusted the quotas on raw and refined sugar when circumstances so warranted. In his most recent action he increased these quotas by 150,000 short tons (about 5 percent) effective October 1, 1983.

reward those who circumvented the earlier actions and encourage others to follow suit. The knowledge that a loophole is likely to be plugged deters many from using it in the first place.

Actions involving protection of the price-support program are prospective in nature. Harm to the program in the form of forfeiture does not occur until the end of the fiscal year (September 30). Actions taken to avoid forfeiture must be taken before that time or they will be too late. The President acted in a timely manner last June 28 when he issued Proclamation 5071. No forfeitures occurred at the end of fiscal 1983. If no forfeitures are to occur at the end of fiscal 1984, the Proclamation 5071 quotas should continue.

STATEMENT OF COMMISSIONERS PAULA STERN AND VERONICA A. HAGGART

I. Introduction

On June 29, 1983, the United States International Trade Commission received a letter from the President directing it to conduct an investigation under section 22 of the Agricultural Adjustment Act 1/ to determine whether certain articles containing sugar are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective or materially interfere with the price support program of the Department of Agriculture for sugarcane and sugar beets. 2/

The letter from the President specified four general groups of articles for the Commission to consider when making its determination in this investigation. The first group includes articles of blended sirups provided for in Tariff Schedules of the United States (TSUS) item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients. The second group covers flavored sirups, flavored sugars, sweetened cocoa, flour mixes, blends of sugar and dextrose, and certain other edible preparations provided for in TSUS items 155.75, 156.45, 183.01, and 183.05, which contain over 65 percent by dry weight of such sugar, whether or not mixed with other ingredients, and capable of being further processed or mixed with other ingredients. 3/ 4/

1/ 7 U.S.C. § 624(a) (1976).

2/ A copy of the President's letter to the Commission is presented in appendix A of the report.

3/ Articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS are excluded from this group.

4/ None of the articles included in the first and second groups are prepared for marketing to the retail consumers in the identical form and package in which imported.

Presidential Proclamation No. 5071 issued simultaneously 5/ with the letter to the Commission amended the TSUS by inserting two new TSUS items (TSUS items 958.10 and 958.15) which provide for the imposition of zero quotas on imports of the above articles. TSUS item 958.10 covers the first group and TSUS item 958.15 covers the second group discussed above. 6/

The third and fourth groups of articles included in the President's letter consist of articles not covered by the emergency quotas. 7/ Basically, the third group is comprised of sweetened cocoa, flour mixes and refrigerated doughs, blends of sugar and dextrose and certain other edible preparations included in TSUS items 183.01 and 183.05 which contain between 25-65 percent by dry weight of sugars. The fourth group covers all other articles, such as jams and jellies, glace fruits and nuts, and carbonated soft drinks, wherever classified in the TSUS, which contain over 65 percent by dry weight of sugar derived from sugarcane or sugar beets. 8/ An important distinction between the first and second groups and the third and fourth groups is that the latter two include articles in both bulk and retail packaging, while the former only include articles in bulk packaging.

II. Summary of Conclusions

After considering the information presented in this investigation, we have made an affirmative determination under section 22 that the blended sirups, flavored sugars, flavored sirups, and certain edible preparations

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5/ 48 Fed. Reg. 30089 (1983).

6/ See Presidential Proclamation No. 5071 in appendix A of the report for exact language.

7/ See report at 25-26 and appendix E for a detailed explanation of how these articles differ from the articles subject to the emergency quotas.

8/ Excluded from this group are articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS. 48 Fed. Reg. 30089 (1983).

covered by the emergency quotas and classified in TSUS items 155.75 and 183.05 are practically certain to be imported under such conditions and in such quantities as to materially interfere 9/ with the price support program of the USDA for sugarcane and sugar beets. These articles are covered by the current emergency quotas. We have not included in our affirmative determination the sweetened cocoa and flour mixtures containing over 65 percent sugar and classified in TSUS item 156.45 or 183.01 which were included under the emergency quotas. We also have made a negative determination with respect to imports of all other articles covered by this investigation which are not subject to the emergency quotas.

The information gathered in this investigation does not support the conclusion that other sugar-containing articles covered by this investigation are practically certain to be imported in such quantities as to materially interfere with the program at this time. We have found that imports of the articles covered by this investigation have neither rendered ineffective nor are currently materially interfering with the price support program for sugarcane and sugar beets. Further, we have determined that the subject imports will not tend to render the price support program ineffective. The testimony of representatives of the U.S. Department of Agriculture (USDA) is entirely consistent with our conclusion that the

9/ Commissioner Stern notes that she has determined that "such imports are practically certain to tend to materially interfere with the price support program . . . ." She believes that the statute requires the consideration of both the present and future impact of the subject imports. This present and future analysis applies to both rendering the program ineffective and materially interfering with the administration of the program. The standard for a future determination in each instance is "practically certain." Although readings of the statutory language have led to minor variations in the language of the determination, in this instance her underlying analysis is in full accord with that of Commissioner Haggart.

levels of imports of the articles covered by this investigation have not had a sufficient impact on the program to satisfy the statutory criteria of "to render or tend to render ineffective" or to "materially interfere" with the program. 10/ Therefore, our analysis will focus only on the issue of whether the imports which are the subject of this investigation are practically certain to materially interfere with the price support program for sugarcane and sugar beets. 11/

III. Background

In December 1981, the President asked the Commission to investigate the impact of imports of sugar, sirups, and molasses (classified under TSUS items 155.20 and 155.30) on the price support program for sugarcane and sugar beets and by Proclamation No. 4887, issued on December 23, 1981 (46 Fed. Reg. 62641), took emergency action under section 22 to impose fees on

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10/ Tr. at 35. USDA stated that its decision to ask the President to use section 22(b) emergency authority was based on the "proliferation and rapid growth in imports of new sugar blend products." The USDA asserted that "the threat to the program was clear and remains so" (emphasis added). Prehearing Brief submitted by USDA, Oct. 18, 1983, at 7-8. Mr. Richard Smith, Administrator of the Foreign Agricultural Service, testified that the USDA made its recommendation because they saw the "freight train" coming and they did not want "to wait for the freight train to be on top of [them]. . .". Tr. at 30.

11/ The statutory language raises two issues which must be resolved in the context of interpreting the "practically certain" standard in this investigation. First, there must be a demonstration that there are sufficient incentives and the capability to increase imports. Past levels of imports, recent increases in imports, and other world and domestic market conditions may provide evidence that this will occur. Second, these imports must be expected to reach a level which will materially interfere with the price support program. Material interference has been defined by the Commission to be "more than slight interference but less than major interference." Sugar, Inv. No. 22-45, USITC Pub. No. 1253 at 7 (1982). The "practically certain" standard means the probability of imports reaching a level so as to cause material interference must be highly likely. "Mere speculation as to future imports that will cause harm to a program is not sufficient". Certain Tobacco, Inv. No. 22-43, USITC Pub. No. 1174 at 3 (1981).

imports of sugars derived from sugarcane and sugar beets. Simultaneously, pursuant to his authority under the sugar headnote, 12/ the President by Proclamation No. 4888 raised the duties to the maximum level permitted by statute, to 2.8125 cents per pound, raw value, and left the quota at a nonrestrictive level. On May 5, 1982, while the Commission was conducting its section 22 investigation, the President found it necessary to modify the section 22 emergency fees and issued Proclamation No. 4940 (47 Fed. Reg. 19657). He also issued Proclamation No. 4941 (47 Fed. Reg. 19661) which reduced the amount of sugar which could enter under the headnote to a restrictive level. 13/

After a full section 22 investigation, the Commission on June 8, 1982, recommended that the President not only continue the emergency fees but also institute a system which includes reliance on restrictive quotas when necessary with a shift to fees when such fees would be sufficient to prevent material interference. 14/ The President has not taken action on this recommendation to date.

The price support program for sugarcane and sugar beets under consideration in this investigation is the nonrecourse loan program mandated by the Agriculture and Food Act of 1981. This Act provides for nonrecourse loans for the 1982-1985 crops 15/ at a level which must be at least 17.5 cents per pound in 1983, 17.75 cents per pound in 1984, and 18 cents per pound in

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12/ Headnote 2, subpart 10(A) of schedule 1 of TSUS. The headnote requires both duties and quotas to be in effect.

13/ Prior to this time, the quota in effect under the headnote was not restrictive.

14/ Inv. No. 22-45, supra note 11. The Commission also recommended that a quota be placed on imports of refined sugar.

15/ A purchase program was in effect from the time of enactment of the current price support program through March 3, 1982.

1985, the exact amount to be announced by the Secretary of Agriculture in advance of the fiscal year. 16/ The Secretary normally announces the exact amount in September of each year.

The current price support program is the culmination of a series of price support programs dating from the 1930's. Congress has found it necessary to enact these programs to protect the domestic sugar industry from the extreme volatility of the world sugar market and from the uncertainty in the U.S. market. 17/

The sharp fluctuation in world sugar market price in recent years has been mainly the result of large variations in world output from season to season in the face of a slow, steady growth in world demand. 18/ Inasmuch as only one-fifth of world sugar production is traded on the open market, 19/ large increases or decreases in overall supply become particularly significant. High prices are associated with low ratios of producers' stocks to consumption and low prices are associated with high ratios of stocks to consumption. 20/ In the past two seasons, this ratio has reached record high levels, and therefore, it is expected that the world price will remain low for some time. 21/ The U.S. price of sugar is particularly vulnerable to this price fluctuation since one third of the sugar consumed in the U.S. is bought on the open market.

A second factor affecting the U.S. price of sugar is the increased use of sugar substitutes. The most significant of these substitutes is high fructose

16/ 7 U.S.C. § 1446 (Supp. IV 1980).
17/ S. Rep. No. 126, 97th Cong., 1st Sess. 1 (1981).
18/ Report at A-46.
19/ Id. at A-45.
20/ Id. at A-46.
21/ Id. at A-48.

corn sirup (HFCS). HFCS, until February of 1983, sold for less than one-half the cost of refined sugar on an equivalent basis. 22/ As of February, the price had increased to the point that it was only one-fourth lower than sugar. Because of this price differential, use of sugar has declined 23/ while use of HFCS has dramatically increased. This increase is expected to continue as major soft-drink companies increase their usage of HFCS. 24/

IV. Imported articles practically certain to materially interfere

The past levels of imports of the articles covered by our affirmative determination have not been sufficient to materially interfere with the price support program. 25/ We believe, however, based upon the strong economic incentive to import certain of these articles, the capability of certain foreign producers to produce these articles for export to the United States, and the recent increase in newly created blends containing high levels of sugar, that, absent restraint, these imports will increase to a level that in our judgment would materially interfere with the price support program.

In determining whether there will be material interference, it is necessary to consider the goals of the USDA's price support program for sugarcane and sugar beets. One goal stated in the legislative history is to prevent the budgetary outlays which would be required if the Commodity

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22/ Id. at A-53, Table 20.

23/ Increased usage of HFCS is not the only factor in the decline in sugar usage.

24/ Approximately 15 percent of sugar consumption in 1983 was by the soft drink industry. Coca Cola announced in March 1983 and Pepsi Cola in April 1983 that they will allow local bottlers to blend increasing quantities of HFCS. Id. at A-31.

25/ As indicated previously, the USDA has independently reached the same conclusion. See supra note 10.

Credit Corporation (CCC) had to purchase sugar or redeem sugar forfeited under the loan program. 26/

The Agriculture and Food Act requires that the price support level increase from 17.0 cents (1982) to 17.5 cents (1983) to 17.75 cents (1984) to 18.0 cents per pound (1985). The market stabilization price (MSP) is the sum of the price support level, adjusted average transportation costs, interest costs and an incentive factor. The MSP is virtually certain to increase in tandem with the price support level. Thus, by October 1984, it is estimated the MSP will reach at least 21.67 cents per pound.

If the articles containing sugar which are covered by our affirmative determination were allowed unrestricted entry into the United States, their volume might well double within the next year. Our belief that imports of these articles would at least double is based on the incentive to import increasing amounts of substitutes in light of the existing quotas on raw sugar and the major divergence between the U.S. price for sugar and the world price. According to our staff analysis, if the volume were to double, it would cause a 1/2 cent decline in the U.S. price of raw sugar from 21.94 cents (October 1983) to 21.44 cents per pound (October 1984). Thus, the U.S. market price would fall below the MSP price of 21.67 cents that is expected to be reached by October 1984. The result would be forfeitures of sugar under loan by a significant number of processors and material interference with the program. If the disparity between the MSP and the U.S. price grew, so would the impact. The above analysis is the underlying basis of our determination.

26/ S. Rep. No. 126, 97th Cong., 1st Sess. 252 (1981).

An item by item discussion of the articles covered by our determination follows.

A. TSUS Item 958.10--The first group of articles that are covered by our affirmative determination are blended sirups provided for in TSUS item 155.75 and covered by the emergency quotas (TSUS item 985.10). These blends usually consist of 94 percent sugar and 6 percent HFCS and are used by soft drink, confectionery, and dairy dessert processors. These blends are often mixed with other sweeteners or products to obtain a practical ingredient for use in production. 27/

The blended sirups covered by the emergency quotas are among several types of sugar and sirups provided for in the "basket" TSUS item 155.75. 28/ The Commission, however, was able to segregate the data for the blended quota sirups from other articles in TSUS item 155.75. The data gathered demonstrate that the blended sirups covered by the emergency quotas entered from Canada only after May 11, 1982, the date that the restrictive quotas on sugar were imposed. The Canadian Sugar Institute (CSI) provided data regarding their estimate of the quantity of blended sirups covered by the emergency quota that entered the United States from Canada during the period May 1982 through June 1983. 29/ These imports, according to the CSI, totalled 58,010 tons (38,625 tons raw sugar equivalent) during this period. 30/

27/ Report at A-17.
28/ High fructose corn sirups, table sirups comprised of maple and corn sirups, fruit sirups, chocolate flavored sirups, and other products, many of which do not contain any sugar from sugarcane or sugar beets, and may be packaged in retail containers, are also classified in TSUS item 155.75.
29/ The CSI estimates are the best data available. See report at A-18-20.
30/ Id. at A-19.

B. TSUS Item 958.15--We have also reached an affirmative determination regarding imports of the articles classified in TSUS items 155.75 and 183.05 covered by the emergency quotas (TSUS item 958.15). The products included under TSUS item 155.75 are flavored sugars and flavored sirups. The only known articles classified in TSUS item 183.05 covered by the emergency quotas are sweetened cocoa and mixtures of sugar and dextrose.

Flavored sugars and flavored sirups classified in TSUS item 155.75 and covered by the emergency quotas are essentially sugar in solid or liquid form with added flavorings. Flavored sirups are used in soft drinks, for dessert toppings, and for ice cream fountain products. Flavored sugars are used in dessert powders, dry soft drink bases, dry ice cream mixes and in the manufacture of candy. 31/

Imports of the flavored sugars provided for in TSUS item 155.75 only occurred during the period February-June 1983. 32/ The quantity of flavored sugars and flavored sirups entered from Brazil and Canada is confidential. 33/

The emergency quota covers sweetened cocoa mixtures which contain 65-75 percent sugar and are used principally by producers of confectionery. These mixtures are classified in TSUS item 183.05. Separate data were not available on imports of sweetened cocoa containing over 65 percent sugar. However, there were several allegations made of sales lost to these blends which indicate that those products are available in the U.S. market. 34/

31/ Id. at A-21.
32/ The questionnaire responses indicated that there were no imports of flavored sugar provided for in TSUS item 155.75 in bulk packaging before February 1983. Report at A-23.
33/ Id. at A-23-24, Table 10.
34/ Id. at A-23.

Our affirmative determination also covers mixtures of sugar and dextrose which generally have contained 90 percent sugar and 10 percent dextrose. 35/ They have been used principally in the baking industry and in the production of ice cream. 36/ The Commission received no information which indicates that mixtures of sugar and dextrose covered by the emergency quotas and classified in TSUS item 183.05 were imported prior to the imposition of restrictive quotas on imports of sugar on May 11, 1982. Since that time, however, sizable quantities of blends of sugar and dextrose containing over 65 percent sugar have been imported from Canada. In addition, foreign trade zones have been utilized for blending sugar from Canada and the European Economic Community (EEC) with domestic or imported dextrose. The total level of imports of these sugar blends is estimated to have reached less than 25,000 tons (raw sugar equivalent of less than 21,000 tons) during the period May 1982 through June 1983. 37/

In summary, total imports of the above articles covered by the emergency quotas and which are included in our affirmative determination approximated 87,238 tons during the period May 1982 through June 1983. It is estimated that this quantity of imported blends displaced approximately 66,855 tons of raw sugar during the period. It must be emphasized that the above figures represent a conservative estimate of the actual quantities of the subject imports. 38/

35/ Id. at A-44.
36/ Id. at A-21.
37/ Id. at A-45.
38/ We recognize that imports of some of these articles are understated.

With the current and projected disparity between the world price of sugar and the U.S. price of sugar 39/ the economic incentive to import blended sirups and other sugar blends, containing high levels of sugar as a substitute for liquid or dry sugar, remains strong. The rapid increase in imports of these blends during the first six months of 1983 provides sufficient evidence of the existence of a market demand for these sugar blends. 40/

Further, the available data covering production, capacity, and capacity utilization of the Canadian sugar refiners indicate that the Canadian refiners have sufficient capacity to substantially increase their exports of blended sirups. The United States is a natural market for these blends because of its geographic proximity to the Canadian refiners. 41/

According to the CSI, total refined sugar capacity in Canada is rated at 1,135,000 tons per annum. This estimate is based on operating refineries 24 hours per day, 5 days per week. The data provided by the CSI indicate that the Canadian market accounted for 81 percent of this capacity and exports accounted for 8 percent of this capacity in 1982. Thus, in 1982, there was approximately 120,000 tons of excess capacity in Canada. However, the CSI provided information which indicates that the Canadian market for refined sugar, like the U.S. market, is declining. Further, according to the CSI submission, past levels of exports to Mexico and the Caribbean have "been of

39/ In October 1983, the world price was 9.67 cents and the U.S. price was 21.94 cents. Id. at A-50.

40/ The President of the CSI testified that the demand for certain blends exceeded supply during certain periods in 1983. Tr. at 174.

41/ Because of high transportation costs and technological problems associated with shipping liquid sugar blends, imports of such blended sugars can only be expected to come from nearby suppliers such as Canada or Mexico. Tr. at 51-52. Mexico is not a likely source because there is not that much sugar available for export. Report at A-62.

a 'windfall' nature and [are] unlikely to be repeated in the next several years." 42/ Thus, one can expect that further additional capacity will be available in Canada. In addition, Canadian capacity could be readily increased by 20 percent, approximately 200,000 tons, merely by operating the refineries one additional day per week. 43/ Thus, we have concluded that the past levels of exports of Canadian sugar blends do not represent the full extent of the Canadian refiners practical capacity to produce liquid and dry blends, especially blended sirups, for export to the United States.

Contrary to the situation involving liquid blends, transportation costs and other factors do not constitute a barrier to increased trade in "dry blends" from countries other than Canada. 44/ Sufficient economic incentive exists for increasing the level of high sugar content dry blends as evidenced by the rapid increase in imports and the utilization of foreign trade zones to formulate blends. Further, the existence of excess capacity, especially in the EEC and Canada, indicates that trade in these particular blends, which can be readily substituted for sugar, could increase rapidly. 45/

Based on this analysis, we have concluded that increased imports of blended sirups from Canada and other sugar blends containing over 65 percent sugar from both Canada and other sources would be practically certain to result in material interference.

42/ CSI Posthearing Brief, Exhibit C.

43/ We note that in 1983 it was not unusual for the Canadian refiners to operate on weekend days. CSI Posthearing Brief at 8.

44/ The EEC has been a source of some of the refined sugar which has been blended with dextrose in a foreign trade zone and, subsequently, imported into the U.S.

45/ Report at A-45 and A-61-62.

V. Imports not practically certain to materially interfere

A. Articles covered by the emergency quota--We have made a negative determination regarding imports of sweetened cocoa and mixtures of sugar and dextrose classified under TSUS items 156.45 or 183.01 which are covered by the emergency quotas (TSUS item 958.15). Imports of sweetened cocoa (TSUS item 156.45) are not properly within the scope of the emergency quotas because articles classified in TSUS item 156.45 cannot contain more than 65 percent sugar. Sweetened cocoa containing from 65 to 75 percent sugar, as indicated previously, is classified in TSUS item 183.05. If a mixture of cocoa and sugar contains 75 to 90 percent sugar, it would be classified in TSUS item 155.75 as flavored sugar. Both of these TSUS items are included in our affirmative determination. Imports of cocoa and sugar containing over 90 percent sugar would be classified in TSUS item 155.20 as sugar, which is also covered by existing quotas.

The inclusion of TSUS item 156.45 in the emergency quota was precipitated by the USDA's belief that improper classification of imports of cocoa and sugar mixtures containing over 65 percent sugar could result in imports of this product despite the emergency quotas. 46/ No evidence was presented indicating that mixtures of cocoa and sugar have been misclassified. Thus, we conclude that the emergency quotas covering TSUS items 183.05 and 155.75 have provided a sufficient check on imports of cocoa and sugar mixtures containing over 65 percent sugar. A possibility of improper classification without any factual support is not sufficient to support an affirmative conclusion under the legal standard set forth in section 22.

46/ Report at A-21.

The final items covered by the emergency quotas are pancake flour mixtures, other flour mixes, and refrigerated doughs which contain over 65 percent sugar and are provided for in TSUS item 183.01. There has been no confirmed domestic or international trade in these articles. 47/ Although this may be a product category where imports may increase if the world price of sugar remains low, the mere possibility that new articles of trade might be formulated is not sufficient to meet the statutory standard of practically certain. Absent evidence that new products have been formulated, we have not included imports under TSUS item 183.01, which contain over 65 percent sugar, in our affirmative finding.

B. Articles not covered by the emergency quotas:

1. Articles containing 25-65 percent sugar and classified in TSUS items 183.01 and 183.05--We have further found that none of the other articles which the President has requested that the Commission study, but which were not placed under emergency quotas, are practically certain to be imported so as to materially interfere with the price support program. The first group of articles which are not covered by the emergency quotas but are subject to our investigation includes sweetened cocoa, flour mixtures, and refrigerated doughs as well as blends of sugar and dextrose containing between 25-65 percent sugars in both bulk and retail packaging. The flour mixtures and refrigerated doughs include cake mixes, cookie dough, and brownie mixes. 48/ The sugar and dextrose mixtures are used in the baking and ice cream

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47/ There were no affirmative responses to the Commission's questionnaire regarding these products, and no importers or producers provided any additional information. Id. at A-21.

48/ Id. at A-27. TSUS item 183.01.

industries. 49/ Other items include sugar and maple sugar mixtures, sweetened ice tea mixes, beverage bases, cocktail mixes, whipped cream substitutes, other dessert toppings, coffee whiteners, white chocolate, and marzipans. 50/

The process of determining whether these items are practically certain to materially interfere with the price support program is complicated by the fact that data for these articles are covered by "basket" provisions and these articles are not reported separately. 51/ In many instances, there has been an increase in imports covered by the "basket" TSUS item. Since most of the articles included in the "basket" are outside the scope of this investigation, it is not possible to state that an increase in the "basket" means that there is an increase in the specific product which is the subject of our investigation. The only data developed on these products indicate that imports of ice tea and other beverage mixes from Canada have increased. One firm reported importing fruit drink mixes from Canada, and a U.S. ice tea producer testified as to imports from Canada. Other than this information, the only other evidence is a statement by Customs officials that they have noticed an increase in such imports over the past several years. However, these officials were unable to provide any more specific details. 52/

The Commission did receive information in response to questionnaires indicating that imports of blends of sugar and dextrose containing 64.5 percent sugar first entered after the imposition of the emergency quotas on the 65 percent and above blends. 53/ Although imports of blends containing less than 65 percent have increased, we do not believe that there is

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49/ Id. at A-26-27. TSUS item 183.05.
50/ Report at A-27.
51/ Id. at A-25, 27.
52/ Id. at A-30.
53/ Id. at A-45.

sufficient information at this time to support a conclusion that this level is likely to increase so as to materially interfere with the price support program. The available information indicates that there exists only limited demand for these blends as a substitute for sugar because the end use of blends, which contain significant quantities of non-sugar products, becomes more limited as the sugar content of the blend decreases. 54/

2. Other articles containing over 65 percent sugar--The other articles subject to this investigation include a wide range of products such as those carbonated soft drinks, glace fruits and nuts, jams and jellies, candy and edible gelatin which contain over 65 percent sugar. 55/ Data developed during this investigation reveal that imports of these products have increased in many instances during January-September 1983 from January-September 1982; however, such increases are reported for the respective TSUS items under which these products are classified. With two exceptions, there is no evidence to show that the increase in imports reported under these TSUS items were accounted for by articles containing over 65 percent sugar.

One exception to this is jams and jellies, which by definition contain over 65 percent sugar on a dry-weight basis. These imports, which are traditional items of trade and are generally in retail packages, have increased to 8.3 million pounds in January-September 1983 from 6.2 million

54/ In reaching this conclusion, we acknowledge the difficulty in attempting to determine whether imports of blends containing, for example, 64.5 percent sugar are likely to increase. Testimony presented by representatives of the USDA indicated that they were primarily concerned with products that could be substituted for sugar on a pound for pound basis. Tr. at 47-48. These blends would not seem to fall in this category.

55/ Report at A-30-44.

pounds in January-September 1982. 56/ However, there was no testimony at the hearing, and no questionnaire responses, which would indicate that such an increase is in circumvention of the quotas on sugar. 57/

Secondly, data developed during the investigation indicate that gelatin imports have increased due to the world price of sugar. However, these imports are relatively small and there seems to be a limit on the amount of increase. 58/

These are traditional items of trade and the information gathered during the course of this investigation does not support a conclusion that these articles, like the articles covered by our affirmative determination, are being imported as a "pound for pound" substitute for sugar. 59/ Since it does not appear likely that these products would ever be imported as a substitute for sugar, they are less likely to materially interfere with the program. Therefore, we have reached a negative determination with respect to these articles. If the situation changes and the USDA determines in the future that imports of any of these articles are practically certain to be imported so as to materially interfere with the program, it can ask the President to issue an emergency proclamation and request the Commission to conduct another section 22 investigation.

Remedy Recommendations

Once we have determined that specified articles are practically certain to be imported under such conditions and in such quantities as to materially

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56/ Id. at A-39, Table 17.

57/ At the hearing, the USDA stressed that it did not want to interfere with traditional items of trade. Tr. at 74-75.

58/ Report at A-43.

59/ See supra note 54.

interfere with the price support program, we must determine the level of import restrictions necessary to prevent this material interference. The statute limits the amount of fees or the level of quotas imposed to that level which is shown by the investigation to be necessary. 60/ The U.S. Customs Court in interpreting section 22 specifically stated that the amount of any fee or quota imposed "should be such (and only such) as is necessary . . .". 61/

We have determined that imports of the sugar blends can enter the United States at the level which they entered during 1983, approximately 96,500 tons product weight (approximately 72,410 tons of raw sugar) 62/ without materially interfering with the price support program. 63/ Accordingly, we believe that it is not necessary to place a quantitative restriction which would curtail imports below a level which has been found not to have resulted in material interference.

60/ "[The President] shall by proclamation impose such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article . . . as he finds and declares shown by such investigation to be necessary in order that . . . such articles . . . will not . . . materially interfere . . .Provided, that no proclamation . . . reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity . . .entered during a representative period . . ." 7 U.S.C. § 624(b) (1976).

61/ (Emphasis in the original). Best Foods, Inc. v. United States, 218 F.Supp. 576, 582-583 (1963).

62/ Both these tonnage figures are higher than the figures referred to previously (see discussion supra at 37) for all articles covered by the emergency quotas entered during the period May 1982-June 1983 because the above figures include imports under quota and known imports not covered by the quota entered during June-November 1983. The major proportion of this sugar, about 87,238 tons product weight (66,885 tons raw sugar equivalent) was contained in articles which were covered by the emergency quotas and our affirmative determination.

63/ As indicated previously, this conclusion is consistent with the position taken by the USDA in this investigation. See discussion supra note 10.

Determining the level of imports which would achieve the goal of preventing budgetary outlays by the CCC while not overly restricting trade or unnecessarily increasing consumer costs 64/ requires projections relating to such factors as the future world price of sugar and U.S. production of sugar. These two factors directly affect the U.S. price of sugar. As recognized in our recommendation in the most recent sugar investigation "uncertainty in this market makes accurate predictions difficult. . .". 65/ Nevertheless, the Commission must provide a remedy recommendation that comports with the statutory mandate. With this in mind, and balancing all of the relevant factors, we are recommending that a global quota of 165,000 tons product weight be imposed on the articles covered by our affirmative finding. 66/ The estimated raw sugar equivalent of this amount is 128,000 tons.

As previously indicated, approximately 96,560 tons product weight (72,410 tons raw sugar equivalent) of blended sirups, flavored sugars, and blended sugars entered the United States during January through mid-November 1983. It is our projection, based on certain assumptions concerning the world price of sugar and U.S. production, that the amount of blends and sugar displaced by such blends would have to approximately double, i.e.,

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64/ Congress intends the Commission to take into account the "overall" picture and not just the price support program. 96 Cong. Rec. 9172 (1950). The Commission has taken these interests into consideration in prior section 22 investigations. See Inv. No. 22-45, supra note 11.

65/ Id. at 16.

66/ Because of the current disparity between the U.S. price and the world price and because of the 50 percent ad valorem limitation on fees, fees would not be effective at this time.

Commissioner Stern further recommends that restrictive quotas be replaced by a more flexible system of reliance on fees should future market conditions make it possible for fees to prevent material interference.

reach approximately 189,000 tons (145,000 tons raw sugar equivalent), to bring about a 1/2 cent reduction in the U.S. price of sugar. 67/ 68/ Thus, our quota recommendation is based on our projection that if blended sirups, flavored sugars, and blended sugars covered by our affirmative finding were allowed to double, the U.S. price of sugar would fall below the market stabilization price and interference would begin. 69/ Therefore, we have recommended a quota that is somewhat more restrictive. In making this more restrictive recommendation, we have also taken into account the fact that articles not covered by the quotas may cause increased displacement of U.S. sugar and adversely impact the U.S. price of raw sugar. These factors are the "conditions" under which the Commission must attempt to make an informed recommendation as to the level of the quotas. It is our belief that a quota at the recommended level will not result in an undue restriction on trade and should not adversely affect the consumer of the subject articles.

We also recommend that the quota be administered on a quarterly basis in order to give the USDA maximum flexibility in light of the fact that the most critical period for the USDA purchase program is the end of September

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67/ Report at A-57.

68/ USDA increased the sugar quota for 1984 by 150,000 tons. This action was taken, in part, because of the significant drawdown in U.S. sugar stocks. USDA testimony, Tr. at 54. Therefore, it is reasonable to presume that the increased imports allowed under the quota at least in part would be used to replenish the stocks. Our projections have taken this into account. Report at A-57.

69/ *See* discussion *supra* at 33-34. If sugar containing articles were allowed to enter in 1984 in the same proportions as they entered during 1983, the approximate quantities of each product allowed under the 1984 quota would be as follows:

Blended sirups --- 104,500 tons (94 percent sugar) of product (70,000 tons of sugar (raw equiv.))

Flavored sugars --- 18,000 tons (99 percent sugar) of product (19,000 tons of sugar (raw equiv.))

Blended sugars --- 42,500 tons (90 percent sugar) of product (39,000 tons of sugar (raw equiv.))

when the CCC might be required to purchase sugar. A quarterly quota will permit a certain amount of flexibility if imports during the first half of the year are other than anticipated. Because of the many factors affecting this market and the inherent uncertainties in each, the President may wish to grant the Secretary of Agriculture the authority to adjust the third and fourth quarter quotas as necessary to compensate for any unforeseen developments. 70/

We acknowledge that the imported products which are covered by our quota recommendation have been imported in order to avoid the restrictive quota on sugar which has been in effect since May of 1982. However, we cannot concur with our colleagues in concluding that this is a sufficient legal or factual basis for recommending an embargo. In prior investigations, the Commission has noted that products were imported in circumvention of existing quotas. In Certain Articles Containing Butterfat (hereinafter referred to as EXYLONE), for example, the Commission stated that "ingenious importers and foreign exporters will always seek ways of avoiding restrictions. . .". Nevertheless, the Commission found that "[i]f not tainted with fraud or misrepresentation, such ingenious manipulations are not legally or even morally wrong." 71/

Our colleagues are apparently relying on the precedent of this investigation in recommending an embargo on certain articles. Reliance upon the precedent of EXYLONE to support the imposition of an embargo on articles found to pose only a threat to the program is clearly misplaced. In

70/ A similar recommendation was made by the Commission in the most recent sugar investigation. Inv. No. 22-45, supra note 11, at 16.
71/ Certain Articles Containing 45 Percent or More of Butterfat or of Butterfat and Other Fat or Oils, Inv. No. 22-16, at 11 (1957).

EXYLONE, the Commission made its recommendation of an embargo on imports only after making a factual finding that "any imports of high butterfat content articles described in [their] finding [would] constitute material interference with the program. . ." (emphasis added). This factual finding is fundamentally different than the factual premise of our affirmative finding. Given the fact that only increased levels of imports will result in material interference in this case, the precedent established in the EXYLONE investigation is not applicable. 72/

72/ Commissioner Haggart notes that, if the President does not want to "reward" importers of products which are created to circumvent the quotas on sugar, a zero quota on these products may be imposed. This decision, however, is a policy decision. The Commission's statutory mandate is to determine what level of imports will materially interfere with the price support program and recommend a remedy that is necessary to prevent such interference. The above remedy recommendation is in accordance with this statutory mandate.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On June 29, 1983, the United States International Trade Commission received a letter from the President directing it to make an investigation under section 22(a) of the Agricultural Adjustment Act (7 U.S.C. 624(a)) to determine whether certain articles containing sugar are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the Department of Agriculture for sugarcane and sugar beets. 1/ Effective the same date, the President imposed emergency quotas on imports of some of these articles, as set forth in Presidential Proclamation No. 5071 (48 F.R. 30089, June 30, 1983). 2/

In response to the President's request, the Commission instituted the present investigation, No. 22-46, on July 7, 1983. A public hearing was held in the Commission's Hearing Room in Washington, D.C., on October 25, 1983. 3/ Notice of the institution of the investigation and of the public hearing was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on July 13, 1983 (48 F.R. 32093). 4/ The Commission voted on this investigation on December 7, 1983; its deadline for reporting to the President was December 16, 1983.

The letter from the President specified three general groups of articles for the Commission to consider when making its determination in this investigation. The first group includes articles covered by the emergency quotas which were specified in Presidential Proclamation 5071. 5/ Among these articles are (1) blended sirups provided for in Tariff Schedules of the United States (TSUS) item 155.75 which contain sugar derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and (2) articles provided for in TSUS items 155.75, 156.45, 183.01, and 183.05 6/ which contain over 65 percent by dry weight of such sugar, whether or not mixed with other ingredients, and capable of being further processed or mixed with other ingredients. None of the articles included in this first group are prepared for marketing to the retail consumers in the identical form and package in which imported.

The second and third groups include non quota articles which contain varying amounts and types of sugar. The second group is composed of articles included in TSUS items 183.01 and 183.05 which contain not less than 25 percent by dry weight of any sugars or blends of sugars provided for in

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1/ A copy of the President's letter to the Commission is presented in app. A.
2/ A copy of Presidential Proclamation No. 5071 is presented in app. A.
3/ A list of witnesses appearing at the hearing is presented in app. B.
4/ A copy of the Commission's notice of institution is presented in app. C.
5/ The quotas, effective June 29, 1983, limited imports of these articles to zero pounds.
6/ Articles within the scope of other import restrictions provided for in pt. 3 of the appendix to the TSUS are excluded.

subpart A, part 10, schedule 1, of the TSUS, 1/ whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients. This group includes pancake flour, pastry mixes, and refrigerated doughs, as well as sugar-containing articles not specifically provided for elsewhere in the TSUS, such as blends of sugar and other substances, ice tea mixes, frosting mixes, and a number of other products containing sugar.

The third group contains all other articles, wherever classified in the TSUS, which contain over 65 percent by dry weight of sugar derived from sugarcane or sugar beets, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients. 2/ This group includes articles ranging from gelatin preparations and certain carbonated soft drinks to jellies and jams. 3/

Due to the broad coverage of the investigation, this report has been divided along the lines of the three general groups mentioned above (various products in the third group are discussed separately). Additionally, a brief background section on the domestic and world sugar situations precedes the discussion of the articles covered by the investigation. 4/

If the Commission's determination is affirmative with respect to some or all of the articles within the scope of this investigation, it will be necessary to consider a remedy, which may take the form of either fees or quotas, and which may be applied on an article-by-article basis. The issue of a remedy is discussed in the final section of this report.

The information contained in this report was obtained from field work, questionnaires sent to importers, the Commission's files, other Government agencies, information received at the hearing, briefs filed by the interested parties, and other sources.

Background

Description and uses

The majority of the articles covered by this investigation contain sugar derived from sugarcane or sugar beets. In commercial usage, this type of sugar is commonly known as sucrose, although technically, the term "sucrose" applies to sugars derived from a variety of other plants as well. Also, in

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1/ These sugars are sucrose, dextrose, and maple sugar.
2/ Excluded from this group are articles within the scope of other import restrictions provided for in pt. 3 of the appendix to the TSUS.
3/ The articles discussed in this report are those that the Commission staff has been able to identify and may not include all articles covered by this definition.
4/ A more detailed discussion of the domestic and world sugar situations is presented in a recent Commission report, Sugar:. . . Report to the President on Investigation No. 22-45 under Section 22 of the Agricultural Adjustment Act USITC Publication 1253, June 1982.

commercial usage, the term "sucrose" is used interchangeably with the word "sugar." 1/

Sucrose is produced in several forms. The type most commonly recognized by household consumers is granulated sugar, which is produced in a number of varieties, such as confectioner's, fine or standard, baker's special, and brown.

A second form of sucrose, liquid sugar, is a mixture of sugar and water. This sugar may be mixed by either dissolving granulated sugar in water or by removing the product directly from the refining process. Liquid sugar is used in products such as ice cream and candy.

A third form of sucrose is invert sugar. This sugar is produced by splitting the sucrose molecule into its two component parts, fructose and dextrose. Invert sugar (invert), which is produced only in liquid form, has a higher density than liquid sugar and therefore is less susceptible to yeast and mold. Invert is used for baking, glacé fruits, canning (where the lack of crystallization makes the canned fruit appear more plump), and many other applications.

Two other types of sugars are covered by this investigation if contained in articles provided for in TSUS items 183.01 and 183.05. The first type is maple sugar, which is derived from the sap of maple trees. The second type is dextrose, which is derived from corn. 2/ Dextrose is used as a substitute for sucrose in many applications and is also commonly blended with sucrose in others.

Sugar is used primarily as a caloric sweetener in food. In the United States, about two-thirds of sugar consumption is by industrial users, and one-third is by households. The largest single use for sugar has been as a beverage sweetener, although such use has declined both in total quantity and as a share of total sugar consumption (table 1).

The price-support programs for sugarcane and sugar beets

For almost 50 years the U.S. Government has attempted to stabilize the price of sugar, which, by fluctuating frequently and radically, often threatens the viability of the domestic sugar industry. Since 1977, the United States has attempted this stabilization through a series of price-support programs protected by both duties and quotas (which the President is authorized to proclaim under headnote 2, subpart A, part 10, schedule 1, of

1/ The words "sugar" and "sucrose" in this report are defined as sugar derived from sugarcane or sugar beets, unless otherwise noted.

2/ High-fructose corn sirup (HFCS), which is also derived from corn and is used as a substitute for sugar in many applications, is discussed in greater detail later in this report.

Table 1.--Refined sugar: U.S. deliveries, by industrial and nonindustrial users and by quarters, January 1979-September 1982

(In millions of pounds)

Period	Industrial users								Nonindustrial users					Unspecified	Total
	Bakery, cereal, and allied products	Confectionery and related products	Ice cream and dairy products	Beverages	Canned, bottled, and frozen foods; jams, jellies, etc.	Multiple and all other food uses	Nonfood uses	Total	Hotels, restaurants, and institutions	Wholesale grocers, jobbers, and sugar dealers	Retail grocers, chain-stores, and supermarkets	All other	Total		
1979:															
Jan.-Mar	656	458	201	1,135	274	206	57	2,987	47	972	544	65	1,628	112	4,727
Apr.-June	581	401	249	1,242	308	204	57	3,043	60	919	558	84	1,621	224	4,888
July-Sept	599	438	261	1,223	433	254	58	3,266	47	1,035	668	92	1,842	223	5,331
Oct.-Dec	636	464	209	1,106	274	265	75	3,029	50	1,037	658	94	1,840	54	4,923
Total	2,472	1,762	920	4,707	1,289	929	246	12,325	204	3,962	2,428	336	6,930	614	19,869
1980:															
Jan.-Mar	678	491	203	1,015	241	319	76	3,024	48	848	499	95	1,490	129	4,643
Apr.-June	677	423	243	1,135	254	301	66	3,098	45	866	548	98	1,557	246	4,901
July-Sept	627	430	247	1,204	326	249	40	3,122	55	1,041	653	114	1,862	62	5,046
Oct.-Dec	613	468	182	889	212	272	53	2,688	44	929	601	104	1,678	-	4,365
Total	2,596	1,812	874	4,243	1,033	1,140	234	11,931	191	3,685	2,301	410	6,587	436	18,955
1981:															
Jan.-Mar	607	504	191	881	197	242	57	2,680	42	794	471	97	1,404	26	4,110
Apr.-June	663	455	242	1,009	274	302	70	3,013	49	951	586	116	1,701	-	4,714
July-Sept	696	506	253	1,005	295	354	61	3,170	44	1,178	630	53	1,904	-	5,075
Oct.-Dec	592	462	215	765	182	244	63	2,523	44	1,037	618	68	1,768	-	4,291
Total	2,558	1,927	901	3,660	948	1,142	251	11,386	179	3,960	2,305	334	6,777	26	18,190
1982 1/															
Jan.-Mar	655	443	174	747	198	272	58	2,547	40	800	445	45	1,331	-	3,878
Apr.-June	628	492	216	859	234	263	63	2,755	44	1,112	534	56	1,746	-	4,501
July-Sept	724	536	240	898	293	358	47	3,096	46	1,077	564	51	1,737	-	4,833

1/ The U.S. Department of Agriculture stopped reporting U.S. deliveries in September 1982 and has not reported these data since that time.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

the TSUS 1/) and fees or quotas (which the President is authorized to impose under section 22 of the Agricultural Adjustment Act 2/).

The price-support programs have taken two forms, purchase programs and loan programs. The programs in effect most recently, nonrecourse loans, establish guaranteed prices f.o.b. point of shipment at which the U.S. Government will purchase U.S.-produced raw and refined sugar. Subject to the rules of the particular program in effect, processors and refiners are eligible to receive loans through the Commodity Credit Corporation (CCC). These loans are based on the support price, and sugar is used as the collateral. When the loan is due, usually at the end of the crop year, the processor or refiner can either redeem the loan or forfeit the sugar. 3/ This decision is based on the extent to which the market price, f.o.b. point of delivery, is above or below the support price. To date, interest has been charged only if the loan is redeemed. Both the possibility of interest expense and the costs associated with delivering sugar (which are normally borne by the producer) discourage redemption when market prices are at, or only slightly above, the support price. Quotas, duties, and fees are imposed on imports in conjunction with the price-support programs to help maintain the market price at a level above the loan rate 4/ and thus insure that as small an amount of sugar as possible is forfeited to the U.S. Government. 5/

1/ This headnote authorizes the President to proclaim such rates of duty and quotas on imports of sugars, sirups, and molasses provided for in TSUS items 155.20 and 155.30, which will give due consideration to the interests of domestic producers in the U.S. sugar market.

2/ Sec. 22 allows for the imposition of either fees or quotas. The fees are cumulative, and apply in addition to any duties imposed on the articles. Sec. 22 import restrictions currently in effect are listed in pt. 3 of the appendix to the TSUS.

3/ Because the loans are nonrecourse, the Government may take no action against the processor or refiner upon forfeiture other than to accept the collateral (the sugar).

4/ If the market price were equal to the loan rate, processors would probably choose to forfeit on their loans. Therefore, the U.S. Department of Agriculture (USDA) attempts to maintain the market price at a level which exceeds the loan rate. This level, called the market stabilization price (MSP), is the floor price at which point the USDA feels processors find it more attractive to sell sugar in the marketplace rather than to the USDA. In effect, the MSP provides a cushion between a market price at which no forfeitures will occur and the loan rate at which point forfeitures will most likely occur. The MSP is determined by adding the price-support level, adjusted average transportation costs, interest costs (if applicable), and an incentive factor. For the 1983 crop, the market stabilization price has been set at 21.17 cents per pound for raw sugar, and the average loan rate is 17.5 cents per pound for raw cane sugar and 20.9 cents per pound for refined beet sugar. A more detailed discussion of the MSP is included in Sugar: Report to the President on Investigation No. 22-45 . . ., USITC Publication 1253, June 1982.

5/ Actions taken by the Government since April 1982 in connection with the price-support program are detailed in the table in app. D.

The most recent price-support program for sugarcane and sugar beets was mandated by section 201 of the Agricultural Act of 1949, as amended by the Agriculture and Food Act of 1981. The 1981 amendments require that 1982-crop sugar processed from domestically grown sugarcane and sugar beets between December 22, 1981, and March 31, 1982, be eligible for purchase under a price-support purchase program, the purpose of which was to provide price support to producers of sugarcane and sugar beets. Additionally, the 1981 amendments provide that effective October 1, 1982, the remaining 1982-crop sugar and 1983 through 1985-crop sugar (full crop years) will be eligible for price support through a price-support loan program.

Purchase program.--This program covered that portion of the 1982-crop sugar which was processed between December 22, 1981, and March 31, 1982. Under the act, the Secretary of Agriculture was required to support the price of sugarcane at a level approximating a raw sugar price of 16.75 cents per pound and the price of sugar beets at such level as he determined to be fair and reasonable in relation to the support level of sugarcane. The purchase program gave processors the option to sell their sugar to the CCC at the purchase price, provided that the processor paid the grower the support-level price. The purchase rates determined by the CCC were designed to allow processors, on the average, to pay growers the specified level of support.

The Secretary set the national average purchase price for raw cane sugar at 16.75 cents per pound 1/ and the national average price for refined beet sugar at 19.70 cents per pound (47 F.R. 23420, May 28, 1982). Processors were given until June 14, 1982, to apply for the program; 13 cane processors and 9 beet processors, accounting for 318,599 tons (raw basis) and 777,627 tons (raw basis) of cane and beet sugar, respectively, did so. None of these processors sold any sugar to the CCC under this program.

Nonrecourse loan program.--The price-support program which was in effect from October 1, 1982, through September 30, 1983, covered sugar processed from domestically grown sugarcane and sugar beets between April 1, 1982, and June 30, 1983, and took the form of nonrecourse loans to processors that agreed to pay all eligible producers at least the minimum level of support specified by the CCC for that region.

For this period, the act specified that the level of support could not be less than 17 cents per pound for raw cane sugar and that the level of loans for sugar beets should be at such level as the Secretary determined to be fair and reasonable in relation to the level of loans for sugarcane.

The Secretary determined that the applicable loan rate would be 17.0 cents per pound for raw cane sugar and 20.1 cents per pound for refined beet sugar (47 F.R. 33238, July 30, 1982). Additionally, the Secretary determined that loan recipients would not be required to pay interest upon forfeiture of the loan collateral, the sugar. According to the USDA, 1.08 billion pounds of 1982-crop cane sugar and 2.73 billion pounds of beet sugar were put under loan

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1/ The support level approximated a raw cane sugar price of 16.75 cents per pound.

and all were redeemed; as of October 31, 1983, 24.9 million pounds of 1983-crop cane sugar and 1.5 million pounds of beet sugar were under loan.

The Secretary of Agriculture issued interim regulations for the price-support program for the 1983 crop on October 5, 1983 (48 F.R. 45374). This program will be in effect from October 1, 1983, through September 30, 1984, and applies to sugar processed from July 1, 1983, through June 30, 1984. The interim regulations set the national average loan rate to processors for raw cane sugar at 17.5 cents per pound 1/ and the national average loan rate for refined beet sugar at 20.86 cents per pound. With respect to forfeitures, the USDA has stated that its policy is to assure that producers receive their returns from sales in the marketplace rather than from defaulted Government loans and that it does not intend to allow the CCC to acquire any sugar. 2/

Import duties on sugar

On December 23, 1981, following congressional passage of the price-support program, the President issued Presidential Proclamation No. 4888, in which he invoked his authority set forth in headnote 2, subpart A, part 10, schedule 1, of the TSUS, and raised the column 1 3/ rate of duty on sugar provided for in TSUS items 155.20 and 155.30 from 0.625 cent per pound, raw value, to 2.8125 cents per pound, raw value. 4/ This action increased the column 1 duty from the lowest rate which he could proclaim under the headnote

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1/ This is the minimum level set by the act. The minimum level increases to 17.75 cents for the 1984 crop and 18 cents per pound for the 1985 crop.

2/ Transcript of the hearing, p. 10.

3/ Col. 1 rates of duty are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, these rates would not apply to products of developing countries where such articles are eligible for preferential tariff treatment provided under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

4/ Duties on sugar classified in item 155.20 are assessed by a rate formula (2.98125 cents per pound less 0.04281875 cent per pound for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625 cents per pound), and duties on sugar in item 155.30 are assessed based on total sugar content at the rate per pound applicable under item 155.20 to sugar testing 100 degrees. Sugar degrees, a measure of purity, are determined by polariscopic test. Application of the rate formula on the basis of degrees of purity is intended to yield the same duty per pound of recoverable sucrose content for raw sugar of varying concentrations as is applied to refined sugar (100 percent recoverable sucrose). Duties are generally quoted on the basis of 96-degree raw value sugar, as such sugar constitutes the bulk of world trade.

to the highest authorized rate. 1/ The column 2 2/ rate of duty was also raised to 2.8125 cents per pound, raw value, from the statutory rate of 1.875 cents per pound, pursuant to general headnote 4 of the TSUS. 3/

Sugar imported from beneficiary developing countries under TSUS item 155.20 is eligible for duty-free treatment under the GSP 4/ except when entered from those countries currently excluded under the competitive-need criteria (Brazil, the Dominican Republic, and Thailand). Imports under TSUS item 155.30 from all beneficiary countries are currently eligible for GSP treatment.

Section 22 import fees

In conjunction with the increased duties proclaimed under Proclamation 4888, the President issued Presidential Proclamation No. 4887, in which he took emergency action under section 22(b) and established a procedure to impose fees on sugar provided for in TSUS items 155.20 and 155.30. These fees, which were modified by Proclamation 4940, issued on May 5, 1982, 5/ are in addition to duties imposed under the headnote. The section 22 fees are set forth in headnote 4, part 3, of the appendix to the TSUS. They are adjusted quarterly and are imposed on imports of both raw and refined sugar. The quarterly adjusted fee is the amount by which the average of the adjusted daily spot-price quotations for raw sugar for the 20 consecutive market days immediately preceding the 20th day of the month preceding the calendar quarter during which the fee shall be applicable is less than the MSP. The fee currently in effect is 0.00 cent per pound under TSUS item 956.15, and 1.00 cent per pound under TSUS items 956.05 and 957.15 (47 F.R. 44239, Sept. 28, 1983). If the average of the daily spot-price quotations for 10 consecutive

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1/ Headnote 2 fixes the col. 1 rate of duty in effect Jan. 1, 1968 (0.625 cent per pound, raw value) as the floor below which the President cannot reduce the duty. Sec. 201(a)(2) of the Trade Expansion Act of 1962 establishes the ceiling rate, which is to be no more than 50 percent above the rate existing on July 1, 1934 (1.875 cents per pound, raw value).

2/ The col. 2 rates of duty apply to imported products from those communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ These increased rates of duty were effective for articles entered, or withdrawn from warehouse for consumption, after 12:01 a.m. (e.s.t.) on Dec. 24, 1981, except for sugar entered before Jan. 1, 1982, which was imported to fulfill forward contracts that were entered into prior to June 1, 1981, between (a) an exporter and an end user or (b) an importer, broker, or operator and an end user of such articles. Virtually all sugar imports between Dec. 24, 1981, and Jan. 1, 1982, are believed to have qualified for this exception.

4/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. The GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

5/ Proclamation No. 4887, Dec. 23, 1981 (46 F.R. 62641, Dec. 28, 1981); and Presidential Proclamation No. 4940, May 5, 1982 (47 F.R. 19657, May 7, 1982).

market days within any quarter exceeds the MSP by more than 1 cent, the fee in effect will be reduced by 1 cent. Conversely, if the average for the period is less than the MSP by more than 1 cent, the fee in effect will be increased by 1 cent. The maximum fee which may be imposed is limited to 50 percent ad valorem.

Investigation No. 22-45 and Presidential action

At the same time he took emergency action under section 22 (and as required by sec. 22), the President directed the Commission to determine whether sugars, sirups, and molasses provided for in TSUS items 155.20 and 155.30 were being, or were practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for sugarcane and sugar beets. Accordingly, the Commission instituted investigation No. 22-45 on January 15, 1982.

While the Commission's investigation was pending, the President on May 5, 1982, issued Presidential Proclamation No. 4941, in which he further invoked his authority, set forth in headnote 2, subpart A, part 10, schedule 1, of the TSUS, and modified the quota on imports of sugar provided for in TSUS items 155.20 and 155.30. (The headnote required that a quota be maintained on such sugar at all times. Proclamation No. 4888, which had raised duties to the maximum level permitted by the headnote, did not modify the then-existing quota.) The new quota limited entries of sugars, sirups, and molasses to 220,000 tons between May 11, 1982, and June 30, 1982, and authorized the Secretary of Agriculture to set quarterly limits subsequent to that period. Additionally, the proclamation allocated the amount of imports allowed under the quota to the different supplying countries. The most recent quota, scheduled to be effective from September 26, 1983, through September 30, 1984, is 2,952,000 tons. 1/ An additional 132,000 tons will be allowed to enter under a small-supplier provision. 2/

As a result of its investigation, the Commission made an affirmative determination--that is, it determined that the sugars, sirups, and molasses, derived from sugarcane or sugar beets, provided for in TSUS items 155.20 and 155.30, were being, or were practically certain to be, imported into the United States under such conditions and in such quantities as to render to tend to render ineffective, or materially interfere with, the USDA price-support program (47 F.R. 26049, June 16, 1982).

1/ This amount represents a 5.4-percent increase from the quota of 2,802,000 tons in effect from Oct. 1, 1982, through Sept. 26, 1983. USDA officials have stated that a primary reason for the increase was the big reduction in stocks, which were drawn down in the previous year. Transcript of the hearing, p. 54.

2/ This provision allows eight small countries to ship 16,500 tons apiece to the United States. Without this provision, these countries would be allocated amounts which would be economically unfeasible to ship, therefore excluding them from the market. Ibid., pp. 27 and 28.

The Commission recommended that the President: (1) maintain the current fee system set forth in Proclamation 4940; (2) maintain the duties set forth in Proclamation 4888; (3) maintain the quota system set forth in Proclamation No. 4941 until such time as duties and fees (which the Commission preferred over a restrictive quota) were once again adequate to protect the price-support program; and (4) establish guidelines for the orderly transition between reliance on a quota and reliance on duties and fees.

As of December 7, 1983, the President had not acted on the Commission's recommendation.

U.S. sugar production, imports, and consumption

U.S. production of sugar increased irregularly, from 6.0 million tons 1/ in 1979 to 6.2 million tons in 1981 (table 2). High prices received by growers in 1980 led to the expansion of production in 1981; lower prices in 1981 contributed to the decline to 5.9 million tons in 1982. Production most likely would have been even lower in 1982, reflecting a 15-percent reduction in sugar beet acreage, had not sugar yield from beets been higher than that in the year earlier. With generally higher prices throughout 1982, growers planted slightly more acreage in sugar beets and harvested slightly more acres of sugarcane. Preliminary indications of less favorable growing conditions in 1983 indicate that yields may be reduced from 1982 levels, offsetting increased acreage. Production in 1983 is projected to be 5.8 million tons, slightly below earlier levels.

Table 2.--Sugar: U.S. production, imports, exports, ending stocks, and consumption, 1979-83

(In short tons, raw value)

Year	Production	Imports	Exports	Ending stocks	Consumption
1979	6,004,237	5,026,746	30,359	3,909,107	10,989,772
1980	5,936,912	4,494,688	661,282	3,264,509	10,386,572
1981	6,225,562	5,025,283	1,190,526	3,343,609	9,981,219
1982	5,935,654	2,964,358	137,064	2,740,739	9,365,818
1983	2/ 5,780,000	2/ 3,154,000	2/ 454,000	3/ 1,353,000	2/ 9,025,000

1/ Consumption data are statistically adjusted by the USDA to reflect refining losses and changes in stocks held by wholesalers, retailers, and end users.
2/ Preliminary estimate.
3/ Actual as of September 1983.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

1/ All references to tons in this report refer to short tons.

U.S. imports of sugar decreased from 5.0 million tons in 1979 to 4.5 million tons in 1980, before returning to 5.0 million tons in 1981. The increase in 1981 probably reflects anticipation of higher duties and fees in 1982. Imports then fell sharply in 1982 to 3.0 million tons, the result of the higher duties and fees and the imposition of quotas. Imports are projected by the USDA to increase by 6 percent in 1983 to 3.2 million tons.

The United States has not normally been a major exporter of sugar. U.S. exports increased from 30,359 tons in 1979 to 661,282 tons in 1980 and 1.2 million tons in 1981, before declining to 137,064 tons in 1982. U.S. exports are estimated to total 454,000 tons in 1983. The rise in exports in 1980 and 1981 reflected the use of the drawback provision available to U.S. refiners. The subsequent decline in 1982 and 1983 reflects the fact that during the period May 11, 1982, through June 28, 1983, imports of sugar were restricted under the quotas imposed pursuant to Proclamation No. 4941 to specific quantities and did not allow additional amounts for reexport. As of June 29, 1983, regulations became effective allowing additional quantities of sugar to be imported outside the quota system for reexport.

The drawback provision is set forth in section 313(a) of the Tariff Act of 1930 (19 U.S.C. 1313(a)). Under that provision, a manufacturer which imports merchandise and then exports products produced from the imported merchandise is eligible to receive a refund on the duties and fees paid on the imports, less 1 percent. 1/ Additionally, if both imported and domestic materials of the same kind and quality are used within a specified period to produce a product, some of which is exported, a drawback equal to 99 percent of the duties and fees paid on the imported material is payable on the exports. Under this section, called the substitution provision, it does not matter whether the actual imported material or similar domestic material was used to produce the exported article (19 U.S.C. 1313(b)). 2/

The use of drawback is particularly advantageous when current duties and fees are lower than those during a recent time period. The present conditions regarding raw sugar are an example of this. Domestic refiners may have paid duties and fees totaling as much as 6.8808 cents per pound on imported raw sugar in late 1981 and early 1982. These refiners could import raw sugar, pay the present duties and fees (as low as duty free if from GSP suppliers), refine and export the sugar, and claim drawback based on the previous duties and fees of as much as 6.8808 cents per pound.

The leading suppliers of U.S. imports of sugar in recent years have been the Dominican Republic, Thailand, Brazil, Australia, the Philippines, and Argentina. These six countries together accounted for 60 percent of U.S. imports in 1982. The great bulk of the imports have consisted of raw sugar

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1/ This refund also applies to any dumping, countervailing, or marking duties paid on imports (Customs Regulations, 19 CFR 22.41).

2/ To claim drawback, exports must be made within 5 years of the date of importation, and the product to be exported must be produced during the first 3 of those years. Also, claims for drawback must be filed within 3 years of the date of exportation.

for refining in the United States. In 1982, about 41 percent of the imports benefited from GSP treatment. More countries with export quotas became eligible for GSP treatment in April 1983; thus, it is expected that this percentage will rise.

Consumption of sugar declined steadily from 11.0 million tons in 1979 to 9.4 million tons in 1982, or by 15 percent. This trend is expected to continue in 1983, with consumption declining to 9.0 million tons. The continuous decline is attributable to several factors, including the increasing usage of corn sweeteners--primarily HFCS--in place of sugar and the substitution of noncaloric sweeteners such as saccharin. The portions of per capita caloric sweetener consumption accounted for by sugar since 1979 are presented in the following tabulation, compiled from USDA data (in percent):

Year	Sugar	Corn sweeteners 1/	All other 2/	Total
1979	70.3	28.6	1.1	100.0
1980	66.8	32.2	1.0	100.0
1981	63.4	35.6	1.0	100.0
1982 3/	59.9	39.1	1.0	100.0
1983 3/	57.5	41.2	1.3	100.0

1/ HFCS, glucose, and dextrose.
2/ Honey and edible sirups.
3/ Estimated.

The USDA has estimated that HFCS consumption could complete its displacement of sugar in 1985 or 1986. 1/ 2/ At that time, HFCS consumption will reach approximately 4.3 million tons, representing per capita consumption of 36 pounds. 3/ By comparison, HFCS consumption in 1982 totaled 3.55 million tons, or 26.7 pounds per capita. The use of HFCS could be decreased in future years by the demand for low-calorie foods and the attractiveness of aspartame; however, any decline in HFCS consumption caused by these factors will probably not lead to an increase in sugar consumption, according to the USDA.

U.S. stocks of sugar

Total continental U.S. stocks of sugar were greater in January-June 1982 than in the corresponding months of the previous year but then declined in December 1982 and March 1983 from those held in December 1981 and March 1982, respectively (table 3). This decrease may be attributed, at least in part, to the sugar quotas imposed by the President in May 1982.

1/ Posthearing submission of the USDA.
2/ This displacement will be limited by the fact that it is not technically feasible to substitute HFCS for sugar in some applications, and by the capacity to produce HFCS.
3/ This quantity could represent approximately 46 percent of per capita caloric sweetener consumption.

Table 3.--Sugar: End-of-period stocks held by cane sugar refiners, beet sugar processors, mainland cane mills, the Commodity Credit Corporation, and the total continental United States, January 1979-March 1983

(In thousands of short tons, raw value)

Year	January	February	March	April	May	June	July	August	September	October	November	December
						Cane sugar refiners						
1979	1,211	1,187	896	989	1,002	941	913	580	530	579	710	798
1980	699	826	940	886	934	913	1,030	982	986	938	1,025	1,005
1981	1,108	1,081	963	866	1,017	845	852	826	934	835	956	1,116
1982	1,154	2/	1,092	2/	2/	873	2/	2/	2/	2/	2/	779
1983	2/	2/	780	2/	2/	2/	2/	2/	2/	2/	2/	2/
						Beet sugar processors						
1979	1,773	1,770	1,614	1,569	1,515	1,376	1,154	819	688	888	1,178	1,205
1980	1,337	1,269	1,063	946	871	781	627	451	339	592	927	1,286
1981	1,522	1,543	1,350	1,211	1,159	1,016	776	572	353	614	960	1,277
1982	1,517	1,573	1,488	1,353	1,295	1,128	2/	2/	641	2/	2/	1,417
1983	2/	2/	1,354	2/		2/	2/	2/	2/	2/	2/	2/
						Mainland cane millers						
1979	756	885	955	890	845	766	680	619	556	628	869	1,068
1980	1,153	1,192	1,152	1,010	887	698	496	383	172	102	368	658
1981	769	827	862	710	560	405	281	184	110	110	481	931
1982	2,206	2,052	2,143	1,959	1,485	664	2/	2/	41	2/	2/	701
1983	2/	2/	906	2/	2/	2/	2/	2/	2/	2/	2/	2/
						Commodity Credit Corporation						
1979	187	192	197	197	197	197	202	202	203	202	206	432
1980	432	288	222	217	133	99	30	30	30	30	25	20
1981	20	20	20	20	20	20	20	20	20	20	20	20
1982	20	20	20	20	10	0	2/	2/	0	2/	2/	0
1983	2/	2/	0	2/	2/	2/	2/	2/	2/	2/	2/	2/
						Total continental United States						
1979	3,927	4,034	3,662	3,644	3,559	3,280	2,950	2,220	1,977	2,296	2,962	3,503
1980	3,621	3,575	3,377	3,059	2,825	2,490	2,183	1,845	1,528	1,663	2,337	2,970
1981	3,330	3,472	3,195	2,807	2,755	2,285	1,928	1,602	1,416	1,579	2,416	3,311
1982	3,836	3,685	3,690	3,348	3,188	2,665	2/	2/	2/	2/	2/	2,897
1983	2/	2/	3,040	2/	2/	2/	2/	2/	2/	2/	2/	2/

1/ Totals include stocks of importers of direct consumption sugar.
2/ Not available. The U.S. Department of Agriculture ceased collecting data in this form in 1982.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

World production and trade

Total world sugar production has exceeded consumption in recent years, resulting in increases in world inventories in every year since 1980, as shown in the following tabulation:

Year	Inventories as of Sept. 1 (million short tons)	Percent of total consumption
1979----------	31.0	34.6
1980----------	24.2	27.0
1981----------	25.0	28.2
1982----------	36.2	40.4
1983----------	42.5	46.0

Most of the inventories are held by exporting nations, primarily Brazil, the European Community (EC), and India. Stock levels equivalent to 25 percent of world consumption are considered normal by industry analysts and are associated with stable prices. The current stock levels overhang the market and limit price rises.

World production of sugar declined from 101 million tons in the 1978/79 crop year 1/ to 93 million tons in 1979/80, before increasing irregularly to a projected 109 million tons in 1982/83 (table 4). The USDA estimates that world production in 1983/84 will decline by 6 percent from the 1982/83 level. 2/ The leading producers have been the EC, Brazil, India, Cuba, the U.S.S.R., and the United States. Many large producers are also large consumers, with 75 to 80 percent of world sugar production typically consumed in countries where it is also grown. However, some of the largest producers/consumers, including the EC, Brazil, and India, are also exporters. Other large producers, including Cuba, Australia, Thailand, and the Dominican Republic, are small consumers.

Apparent overproduction of sugar is the result of a number of factors, including available resources such as refineries, trained labor, favorable soils and climate, and favorable weather in recent years. Also, governmental policies encourage sugar production for a number of reasons, such as the desire to obtain a degree of self-sufficiency, the need to increase employment, and the necessity to earn foreign exchange.

World consumption of sugar increased irregularly from 99 million tons in 1978/79 to a projected 102 million tons in 1982/83. The leading consumers have been the U.S.S.R., the EC, the United States, India, Brazil, and China. Only a few large consumers, including Japan, Egypt, Iran, and Canada, are not large producers.

1/ A crop year begins on Sept. 1 and ends Aug. 31 of the following calendar year.
2/ 1984 USDA Agricultural Outlook Conference, sess. 13, Nov. 1, 1983.

Table 4.--Sugar: World production, by leading producers, and world consumption, by leading consumers, crop years 1978/79 through 1982/83

(In thousands of short tons, raw value)

Area	1978/79	1979/80	1980/81	1981/82	1982/83
			Production		
European Community	13,856	14,394	14,139	17,219	15,923
Brazil	8,532	7,681	8,929	9,243	10,251
India	7,794	5,699	7,203	10,719	9,934
Cuba	8,267	7,165	7,055	9,047	7,937
U.S.S.R	10,251	8,598	7,606	7,069	7,496
United States	6,126	5,718	6,005	6,169	5,756
Australia	3,283	3,271	3,734	4,471	4,518
China	2,949	2,763	3,364	3,748	4,085
Mexico	3,371	3,048	2,776	3,133	2,866
Philippines	2,587	2,563	2,616	2,759	2,844
Republic of South Africa	2,435	2,432	1,884	2,404	2,486
Thailand	2,040	1,198	1,807	3,073	2,282
Poland	1,943	1,744	1,243	2,065	2,217
Argentina	1,529	1,538	1,890	1,783	1,782
Indonesia	1,527	1,447	1,510	1,920	1,653
Turkey	1,189	1,160	1,025	1,543	1,653
Colombia	1,123	1,315	1,323	1,402	1,422
Spain	1,219	791	1,082	1,229	1,366
Dominican Republic	1,326	1,117	1,150	1,416	1,323
All other	19,170	19,214	19,375	20,585	20,937
Total world	100,519	92,855	95,716	110,997	108,731
			Consumption		
U.S.S.R	13,558	13,779	13,558	13,558	13,779
European Community	11,412	11,655	11,428	11,251	11,520
United States	10,749	10,493	10,050	9,402	9,050
India	8,190	7,276	7,038	7,510	8,094
Brazil	6,008	6,063	6,283	6,408	6,834
China	4,032	4,079	3,968	4,740	5,126
Mexico	3,395	3,445	3,583	3,748	3,913
Japan	3,486	3,506	2,995	3,020	3,015
Indonesia	1,954	2,114	2,058	2,048	2,393
Poland	1,864	1,799	1,432	1,448	1,802
Egypt	1,155	1,236	1,480	1,585	1,593
Republic of South Africa	1,315	1,276	1,362	1,367	1,389
Turkey	1,326	1,269	1,142	1,212	1,323
Philippines	1,219	1,269	1,182	1,188	1,268
Spain	1,202	1,243	1,342	1,270	1,198
Iran	1,543	1,433	1,323	1,102	1,157
Colombia	937	965	992	1,124	1,141
Canada	1,171	1,187	1,202	1,108	1,077
Argentina	1,146	1,134	1,146	1,050	1,047
All other	23,157	23,458	23,853	24,561	25,067
Total world	98,819	98,679	97,417	98,700	101,786

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Source: Compiled from official statistics of the U.S. Department of Agriculture.

World imports of sugar increased steadily from 27.6 million tons during 1978/79 to 32.8 million tons during 1981/82, before declining to 29.4 million tons in 1982/83 (table 5). The leading importers have been the U.S.S.R., the United States, the EC, and Japan. The leading exporters have been the EC, Cuba, Australia, Brazil, and the Philippines.

Table 5.--Sugar: World imports, by major markets, crop years 1978/79 through 1982/83

(In thousands of short tons, raw value)

Market	1978/79	1979/80	1980/81	1981/82	1982/83
U.S.S.R	4,497	5,491	6,129	7,826	6,283
United States	4,890	4,190	5,121	3,815	2,800
European Community	1,626	1,577	1,323	2,663	2,509
Japan	2,961	2,573	2,167	2,435	2,094
Mexico	0	839	672	600	1,166
China	1,086	1,043	661	1,323	1,102
Canada	1,172	1,000	992	1,108	1,038
Iran	822	865	772	832	882
All other	10,554	11,691	11,925	12,213	11,541
Total	27,608	29,269	29,762	32,815	29,415

Source: Compiled from official statistics of the U.S. Department of Agriculture and the International Sugar Organization.

Articles Containing Sugar Covered By the Emergency Quotas

TSUS item 958.10

Description and uses.--Proclamation No. 5071 of June 28, 1983, amended the TSUS by inserting two new item numbers. The first, TSUS item 958.10, covers "blended sirups provided for in TSUS item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported." For purposes of TSUS classification, the term "blended sirups" includes all blends of sirups (two or more sweeteners), whether or not flavored. 1/ The language "capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported" is identical to the language in the article description for TSUS item 950.19 (certain dried milk mixtures), which has been interpreted by Customs, in general, as requiring satisfactory evidence of actual packaging for retail trade above and beyond the mere size and labeling of the package.

1/ By comparison, "flavored sirups," also classified in TSUS item 155.75, are defined as flavored sirups derived from a single sweetener base.

Blended sirups, which are simply mixtures of two or more sweetener sirups, are used in a variety of formulations as ingredients in various food-processing operations. Blends are required for certain applications owing to the physical properties of the particular blend. For other uses, blends are formulated to make the least costly blend that will adequately perform in the particular application. The imported blends covered by the quota usually consisted of 94 percent sugar (sucrose) and 6 percent HFCS; however, other formulations were also imported, in bulk tank trucks, and they were used principally by soft drink, confectionery, and dairy-dessert producers. In many instances, the users mixed other sweeteners or products with the blend to achieve a practical ingredient for production.

U.S. tariff treatment.--The U.S. rates of duty applicable to imports of blended sirups classifiable in TSUS item 155.75 are as shown in table 6.

Table 6.--Blended sirups: U.S. rates of duty, by TSUS items

(Percent ad valorem)

TSUS item No. 1/	Description 2/	Pre MTN col. 1 rate of duty 3/	Staged col. 1 rate of duty effective with respect to articles entered on or after Jan. 1-- 1982	1983	1984
155.75A	Blended sirups---	15%	11.6%	10.5%	9.4%

TSUS item No. 1/	Description 2/	Staged col. 1 rate of duty effective with respect to articles entered on or after Jan. 1--Continued 1985	1986	1987	Col. 2 rate of duty
155.75A	Blended sirups---	8.3%	7.1%	6%	20%

1/ The designation "A" indicates that the item is currently designated as an eligible article for duty-free treatment under the GSP and that all beneficiary developing countries are eligible for the GSP.
2/ For the statutory description, see the Tariff Schedules of the United States Annotated (1983) (TSUSA), pertinent parts of which are reproduced in app. E.
3/ Rate in effect prior to Jan. 1, 1980.

On June 29, 1983, the President imposed an emergency quota of zero on imports of these sirups (Proclamation No. 5071).

U.S. production and consumption.--Data on U.S. production and consumption of blended sirups are not available. However, blending is frequently done by industrial users when the product is needed simply by drawing sirups from different tanks in the desired proportions. Flavorings are often added to the blended sirups.

U.S. imports.—The blended sirups covered by the quota are among several types of sirups and sugars provided for in TSUS item 155.75. In addition to those blended sirups containing sucrose and packaged in bulk, the "basket" also contains HFCS, table sirups composed of maple and corn sirups, fruit-flavored sirups (such as Grenadine), chocolate-flavored sirups, flavored sugars, and other products. Many of these sirups and sugars do not contain any sugar from sugarcane or sugar beets and may be packaged in retail containers.

In order to segregate the imported quota sirups from other articles in item 155.75, questionnaires were sent to all U.S. importers of products classified in item 155.75 from Canada and a sample of importers from other countries. The questionnaire responses confirmed the beliefs of the U.S. Department of Agriculture and the U.S. Customs Service that these blended sirups entered only from Canada, and only after the imposition of the sugar quotas on May 11, 1982. Additionally, there were no imports of these sirups in retail packaging.

Although the data presented in table 7 include imports by U.S. importers, they do not include exports by Canadian producers which were imported into the United States on their own accounts. Therefore, the data do not represent total imports of the blended sirups. Such imports are greater, as evidenced by the Canadian Sugar Institute data presented on page A-19. However, the actual quantities cannot be segregated from official U.S. import statistics reported for item 155.75.

Table 7.—Certain blended sirups: U.S. imports, by types and by months, May 1982-July 1983

* * * * * * *

The first imports of these blended sirups were entered in May 1982, the month the sugar quotas were imposed. Imports of blended sirups containing 90 percent or more sugars derived from sugarcane or sugar beets (sucrose) accounted for virtually all the imports in this category. These imports totaled * * * million pounds from May to December 1982 and then nearly doubled their rate of entry in 1983, when * * * million pounds entered during January-June. The value of these imports totaled * * * million in 1982 and * * * million in 1983, but the average unit values during those periods declined from * * * to * * * cents per pound. Imports of sirups containing less than 90 percent sucrose rose from * * * pounds in 1982 to * * * pounds in 1983, and were valued at * * * and * * *, respectively. As stated earlier, the emergency quotas on blended sirups became effective June 29, 1983.

Both the USDA and the Canadian Sugar Institute (CSI) provided data regarding their respective estimates of the quantity of liquid sugar blends which entered the United States from Canada during May 1982-June 1983. The CSI data were developed from a survey of five member companies and cross-checked with dry-blend data against Statistics Canada export statistics. 1/ The USDA data were derived from monthly Department of Commerce import statistics (IM 146) for item 155.75 and converted to metric tons. As shown in the following tabulation, these estimates varied considerably (in metric tons):

Period	USDA estimate 1/	CSI estimate 2/
1982:		
May	0	3/
June	500	3/
July	743	3/
August	991	3/
September	1,378	233
October	1,065	2,782
November	2,686	1,024
December	4,030	2,525
Total	11,393	6,564
1983:		
January	6,562	5,928
February	9,354	8,126
March	14,649	11,421
April	16,237	9,146
May	17,581	5,989
June	21,434	5,452
Total	85,817	46,062

1/ Prehearing brief submitted by the USDA, pp. 3-6.
2/ CSI submission dated Nov. 1, 1983, exhibit 2.
3/ Believed to be negligible.

The official import statistics for basket TSUS item 155.75 show that imports from Canada rose irregularly, from 1.3 million pounds in 1979 to 25.1 million pounds in 1982, after reaching a low of 17,000 pounds in 1980 (table 8). These imports then increased sharply, from 8.0 million pounds in January-September 1982 to 256.7 million pounds in January-September 1983.

1/ Letter from the CSI dated Nov. 1, 1983.

Table 8.--U.S. imports of articles provided for in TSUS item 155.75, by sources, 1979-82, January-September 1982, and January-September 1983

Source	1979	1980	1981	1982	January-September-- 1982	January-September-- 1983
	Quantity (1,000 pounds)					
Canada	1,309	17	69	25,132	7,979	256,691
Hong Kong	741	835	812	487	396	692
Jamaica	328	504	375	213	159	420
Yugoslavia	62	71	192	335	219	183
All other	1,922	3,408	5,811	2,767	2,438	1,259
Total	4,362	4,835	7,259	28,934	11,191	259,245
	Value (1,000 dollars)					
Canada	732	11	116	3,866	1,243	29,736
Hong Kong	225	336	309	188	153	272
Jamaica	135	150	187	147	107	226
Yugoslavia	30	43	84	146	96	79
All other	883	1,279	1,280	1,177	965	797
Total	2,005	1,819	1,976	5,524	2,564	31,110
	Unit value (per pound)					
Canada	$0.56	$0.68	$1.68	$0.15	$0.16	$0.12
Hong Kong	.30	.40	.38	.39	.39	.39
Jamaica	.41	.30	.50	.69	.67	.54
Yugoslavia	.48	.61	.44	.44	.44	.43
All other	.46	.38	.22	.43	.40	.63
Average	.46	.38	.27	.19	.23	.12

Source: Compiled from official statistics of the U.S. Department of Commerce.

TSUS item 958.15

Description and uses.--The second tariff item created by Proclamation No. 5071, item 958.15, includes "articles containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles provided for in TSUS item Nos. 155.75, 156.45, 183.01, and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States." In short, this item includes products not within the scope of existing section 22 import restrictions, containing over 65 percent sugar (sucrose), packaged in bulk, and classified in TSUS items 155.75, 156.45, 183.01, and 183.05.

The articles in item 155.75 covered by this quota are flavored sugars and flavored sirups other than blended sirups (which are covered in item 958.10, as previously described). These articles are essentially sugar (in solid or liquid form) with added flavorings, which may be either natural or artificial. Flavored sirups are used by soft drink bottlers, for dessert toppings, for ice cream fountain use, and for the production of home beverages. The flavored sugars (including powders and pastes) are used in dessert powders, dry soft drink bases, dry ice cream mixes, and in the manufacture of candy.

TSUS item 156.45 provides for imports of sweetened cocoa. The U.S. Customs Service classifies mixtures of cocoa powder and sugar in TSUS item 156.45 only if they contain less than 65 percent by weight of sugar. Such mixtures containing from 65 to 75 percent sugar are classified in TSUS item 183.05 (as an edible preparation, not specially provided for), those containing from 75 to 90 percent sugar are classified in TSUS item 155.75 (as flavored sugar), and those containing more than 90 percent sugar are classified in TSUS item 155.20 (as sugar). 1/ Thus, there are no articles properly classified in TSUS item 156.45 that are included in the scope of item 958.15, and therefore in this investigation. The inclusion of item 156.45 in the description for item 958.15 results from USDA's belief that improper classification under item 156.45 could be used to evade the import quota for item 958.15.

TSUS item 183.01 provides for pancake flour and other flour mixes and refrigerated doughs. These flour mixes and doughs are used to make a wide range of baked articles. There has been no confirmed domestic or international trade in these articles that contain over 65 percent sugar. According to the USDA, item 183.01 was included in item 958.15 to prevent the importation of newly formulated articles containing large proportions of sugar in circumvention of the import quotas on sugar. 2/

TSUS item 183.05 provides for edible preparations not specifically provided for, including a wide range of articles containing significant proportions of sugar. However, the only known articles classified in item 183.05 which are included in item 958.15 and which have been articles of trade in recent years are mixtures of sugar and cocoa powder and mixtures of sugar and dextrose. The sugar-cocoa powder mixtures contain 65 to 75 percent sugar and are used principally by producers of confectionery. The sugar-dextrose mixtures generally have contained 90 percent sugar and 10 percent dextrose. They have been used principally in the baking industry and in the production of ice cream.

U.S. tariff treatment.--The U.S. rates of duty applicable to imports of articles within the scope of TSUS item 958.15 are as shown in table 9.

1/ Customs Service letter of July 24, 1980.
2/ Transcript of the hearing, p. 46.

Table 9.--Selected products containing sugar: U.S. rates of duty, by TSUS items

TSUS item No. 1/	Description 2/	Pre MTN col. 1 rate of duty 3/	Staged col. 1 rate of duty effective with respect to articles entered on or after Jan. 1--		
			1982	1983	1984
155.75A	Flavored sugars and sirups	15%	11.6%	10.5%	9.4%
156.45	Sweetened cocoa	5%	Free	Free	Free
183.01	Flour mixes and refrigerated doughs	10%	4/	4/	4/
183.05	Edible preparations, n.s.p.f., containing over 65 percent sugar	10%	4/	4/	4/

TSUS item No. 1/	Description 2/	Staged col. 1 rate of duty effective with respect to articles entered on or after Jan. 1--Continued			Col. 2 rate of duty
		1985	1986	1987	
155.75A	Flavored sugars and sirups	8.3%	7.1%	6%	20%.
156.45	Sweetened cocoa	Free	Free	Free	40%.
183.01	Flour mixes and refrigerated doughs	4/	4/	4/	20%.
183.05	Edible preparations, n.s.p.f., containing over 65 percent sugar	4/	4/	4/	20%.

1/ The designation "A" indicates that an item is currently designated as an eligible article for duty-free treatment under the GSP and that all beneficiary developing countries are eligible for the GSP.

2/ For the statutory description, see the pertinent parts of the TSUSA, which are reproduced in app. E.

3/ Rate in effect prior to Jan. 1, 1980.

4/ No concession was granted on this item in the Tokyo round of the Multilateral Trade Negotiations, conducted under the General Agreement on Tariffs and Trade (GATT) in 1973-79.

Pursuant to Presidential Proclamation No. 5071, the emergency quota for these imports is zero.

U.S. production and consumption.—According to data reported in the 1977 Census of Manufactures, U.S. production and consumption of flavored sugars and flavored sirups are both large and growing; however, separate annual data are not available. In 1977, the latest year for which data are available, shipments of flavored sugars and flavored sirups totaled an estimated 8.9 million pounds. According to industry sources, production of these flavored sugars and flavored sirups has since increased, and most of the products are believed to contain more than 65 percent sugar on a dry-weight basis.

U.S. imports.—Import data on the articles covered by item 958.15 are not reported separately from the TSUS provisions in which they are classified. To gather such data, the Commission's staff sent questionnaires to a sample of importers of articles in each TSUS item. The responses to the questionnaires showed some imports of these articles under TSUS items 155.75 and 183.05 and no imports under TSUS items 156.45 and 183.01. 1/

The questionnaire responses indicated that there were no imports of flavored sugars provided for in item 155.75 in bulk packaging before February 1983 (table 10). During February-July 1983, imports totaling * * * million pounds entered from Brazil and Canada, and were valued at * * * million.

The only known articles classified in TSUS item 183.05 which fall within the scope of item 958.15 and which have been imported in recent years are a blend of crystalline sucrose and dextrose powder and a blend of cocoa and sugar. There is no indication that the sucrose-dextrose blend was imported prior to the imposition of import quotas on sugar on May 11, 1982. Since that time, and until the emergency quota was imposed on June 29, 1983, sizable quantities of this blend were imported from Canada. Additionally, sucrose and dextrose blends were manipulated in foreign trade zones by blending sugar from a foreign source with domestic or imported dextrose (see section of this report on foreign trade zones).

No data are available on imports of the cocoa and sugar blends (65 to 75 percent sugar). 2/ However, several allegations of sales lost to these blends were provided to the Commission, indicating that such products are available in limited quantities in the U.S. market.

1/ Although the questionnaire responses confirmed that there were no imports under items 156.45 and 183.01, the responses for items 155.75 and 183.05 are believed to be understated, according to conversations with Customs officials at various ports.

2/ There were no affirmative responses to the Commission's questionnaire regarding these products, and no importers or producers provided any additional information regarding the quantity of these imports.

Table 10.---Certain flavored sugars: 1/ U.S. imports, by sources, January-July 1982 and January-July 1983

Source	January-July-- 1982	January-July-- 1983
	Quantity (1,000 pounds)	
Brazil	0	2/ ***
Canada	0	3/ ***
Total	0	***
	Value (1,000 dollars)	
Brazil	-	***
Canada	-	***
Total	-	***
	Unit value (per pound)	
Brazil	-	***
Canada	-	***
Average	-	***

1/ Flavored sugars, whether or not blended, provided for in item 155.75 of the TSUS, containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to retail consumers in the identical form and package in which imported.
2/ The first imports occurred in * * * 1983.
3/ The first imports occurred in * * * 1983.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The USDA and the CSI each provided estimates of the volume of dry sucrose and dextrose blends which entered the United States from Canada during January-June 1983. The USDA stated that a Customs official estimated that 30 to 40 percent of the items in TSUS item 183.05 which entered through his port consisted of sucrose and dextrose blends. 1/ On the basis of a survey of its member firms, the CSI estimated that 13,000 metric tons of sucrose and dextrose blends entered the United States during that period. 2/

1/ Transcript of the hearing, pp. 41 and 42. The USDA did not provide any more specific information regarding this estimate.
2/ CSI submission of Nov. 1, 1983, exhibit 3.

As mentioned, imports of sweetened cocoa (TSUS item 156.45) are not within the scope of item 958.15, since articles correctly classified in item 156.45 cannot contain more than 65 percent sugar. Additionally, Customs import specialists believe that there have been no imports of flour mixes or refrigerated doughs under TSUS item 183.01 that contained over 65 percent sugar in recent years, although this may be a product category where imports may increase if the price of sugar remains low.

Articles Containing Sugar Not Covered by the Emergency Quotas

The President's letter directing the Commission to conduct this investigation also directed the Commission to make a determination with respect to two classes of articles that are outside the scope of the emergency quotas, as follows:

> Articles provided for in TSUS item Nos. 183.01 and 183.05, containing not less than 25 percent by dry weight of any sugars or blends of sugars provided for in Subpart A of part 10 of Schedule 1 of the TSUS, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients; and
>
> All other articles, wherever classified in the TSUS, containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS.

These categories differ from those subject to the emergency quotas under items 958.10 and 958.15 in three aspects. First, although TSUS items 183.01 and 183.05 are specifically mentioned in the emergency quota for items 958.15, the percentage of sugar specified in items 958.15 is "over 65 percent by dry weight of sugars derived from sugarcane or sugar beets." The sugar content specified in the letter for products entered under items 183.01 and 183.05, but which are outside the scope of the emergency quotas, is "not less than 25 percent by dry weight of any sugars or blends of sugars provided for in subpart A of part 10 of schedule 1 of the TSUS." 1/ Second, the emergency restrictions apply to articles "capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the

1/ As previously mentioned, these are sucrose, dextrose, and maple sugar.

retail consumers in the identical form and package in which imported," and the covered products outside the emergency quotas are required to be "capable of being further processed or mixed with similar or other ingredients." Lastly, the emergency import restrictions apply to articles in specified TSUS items (155.75, 156.45, 183.01, and 183.05), and the coverage of articles outside the scope of the emergency restrictions is "all other articles, wherever classified in the TSUS."

The identification of specific products falling within the parameters of the study, as prescribed by the language of the President's directive, is particularly difficult and imprecise, since sugar content on a dry-weight basis is not generally known on a product-by-product basis either by importers, food processors, or Government agencies. Furthermore, the language "capable of being further processed or mixed with similar or other ingredients" has not previously been used by itself in the TSUS, and there is no usual and customary practice in the interpretation and administration of such language by the U.S. Customs Service. Thus, the following section of the report, which discusses the articles known to be within the scope of the President's directive, may not be all inclusive. 1/

Articles provided for in TSUS items 183.01 and 183.05

Description and uses.--The President's letter directs the Commission to study:

> Articles provided for in TSUS item Nos. 183.01 and 183.05, containing not less than 25 percent by dry weight of any sugars or blends of sugars provided for in Subpart A of part 10 of Schedule 1 of the TSUS, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients.

Those articles which are included within the scope of the emergency quotas provided for in item 958.15 were discussed previously and are not included here. Besides sucrose, sugars covered by the preceding definition include maple sugar and dextrose. These are the only articles in the investigation which include sugar other than sucrose.

1/ In an attempt to determine exactly which articles the USDA feels are of concern, the Commission asked the USDA to provide a list of such articles. Transcript of the hearing, p. 75. To date, no response has been received.

TSUS items 183.01 and 183.05 provide for edible preparations, not specifically provided for (i.e., these are basket provisions--residual categories--that include a wide range of edible preparations that are not more specifically provided for elsewhere in the TSUS). TSUS item 183.01 provides for flour mixes and refrigerated doughs, which include prepared cake mixes, cookie mixes, brownie mixes, other pastry mixes, and refrigerated cookie doughs, which often contain not less than 25 percent sugar or other sweetener; they are usually packaged in small containers for retail sale.

TSUS item 183.01 was included in the emergency quota provision (item 958.15) to prevent the importation of bulk mixtures of flour and sugar (sucrose) that contain over 65 percent sucrose. There have been no known imports of such articles. Likewise, though it is possible to blend flour and sucrose in proportions so that the final blend contains 25 percent or more but less than 65 percent sugar, such articles are not usual articles of domestic or foreign trade. Additionally, the end uses of a blend become more limited as the sugar content is decreased.

Blends of sugar and other sweeteners (e.g., dextrose) are among the many articles classified under TSUS item 183.05. The formulation of articles containing 90 percent sucrose and 10 percent dextrose apparently was a major reason for the inclusion of articles containing over 65 percent sucrose and classifiable in item 183.05 in the emergency quota provided for in item 958.15. According to Customs, blends containing less than 65 percent but more than 25 percent sucrose were formulated following the announcement of the emergency quota on item 950.15 on June 27, 1983. 1/ Such mixtures have been used in the baking and ice cream industries as a direct replacement for sucrose. Retail packaged blends of sucrose and dextrose are also included in item 183.05 and are outside the scope of the emergency quota on item 958.15, even if containing over 65 percent sugar. Traditionally, such blends were not usual articles of international commerce; one firm reports having sold such products domestically for more than 10 years. 2/

Other articles in TSUS item 183.05 which often contain not less than 25 percent sweeteners include sweetened ice tea mixes, beverage bases (often fruit flavored), cocktail mixes, whipped cream substitutes, other dessert toppings, coffee whiteners, canned pie fillings (fruit/sweetener/starch), white chocolate, marzipans (nut pastes/sugar), unbaked frozen pastries, frosting mixes, and various bakery additives.

U.S. tariff treatment.--The rates of duty applicable to imports classifiable under TSUS items 183.01 and 183.05 are shown in the section of this report relating to articles covered by the emergency quotas under item No. 958.15.

U.S. production and consumption.--Annual data on U.S. production and consumption of the articles considered here are not available.

1/ This information was obtained through discussions with Customs import specialists and officials at the Customs lab in San Francisco, Calif.
2/ Transcript of the hearing, p. 210.

U.S. imports.--Data are not reported separately on the articles described in this section. Total imports of the articles classified in TSUS items 183.01 and 183.05 consist mostly of articles outside the scope of this investigation, and responses to the Commission's questionnaire were limited. 1/ Imports classified under basket item 183.05 increased from 50 million pounds in 1980 to 91 million pounds in 1982, or by 83 percent (table 11). These

Table 11.--U.S. imports of articles provided for in TSUS item 183.05, by sources, 1980-82, January-September 1982, and January-September 1983

Source	1980	1981	1982	January-September-- 1982	January-September-- 1983
	Quantity (1,000 pounds)				
Canada	9,150	11,472	10,839	6,578	46,609
Japan	7,376	10,920	15,280	12,076	16,032
Dominican Republic	11,385	22,280	21,166	15,556	12,404
Belgium and Luxembourg	297	157	150	74	9,194
Brazil	14	7	168	168	9,109
All other	21,569	39,556	43,270	31,328	48,156
Total	49,791	84,392	90,873	65,780	141,504
	Value (1,000 dollars)				
Canada	4,452	9,466	6,731	4,397	20,364
Japan	8,175	14,168	20,567	16,331	21,611
Dominican Republic	3,445	7,245	7,797	5,543	4,846
Belgium and Luxembourg	234	111	80	50	1,248
Brazil	7	5	132	132	1,460
All other	19,410	35,406	35,611	25,553	32,977
Total	35,723	66,401	70,918	52,006	82,506
	Unit value (per pound)				
Canada	$0.49	$0.83	$0.62	$0.67	$0.44
Japan	1.11	1.30	1.35	1.35	1.35
Dominican Republic	.30	.33	.21	.36	.39
Belgium and Luxembourg	.79	.70	.53	.68	.14
Brazil	.50	.71	.79	.79	.16
All other	.90	.90	.82	.82	.68
Average	.72	.79	.78	.79	.58

Source: Compiled from official statistics of the U.S. Department of Commerce.

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1/ The Commission staff believes that the major reason for this may be the lack of knowledge among many importers of the dry-weight sugar content of their imports.

imports then rose from 66 million pounds in January-September 1982 to 142 million pounds in January-September 1983, or by 115 percent. Imports entered under basket TSUS item 183.01 declined by 37 percent from 1980 to 1982, from 14 million pounds to 9 million pounds (table 12). Between January-September 1982 and January-September 1983, imports increased from 6 million pounds to 11 million pounds, or by 74 percent. Imports of blended sucrose (less than 65 percent, by dry weight, of the total blend) and dextrose reportedly began immediately following the imposition of the emergency quotas on blends containing over 65 percent sucrose on June 29, 1983. Imports of such modified blends reportedly totaled at least * * * tons (total product weight) 1/ during July-November 1983.

Table 12.--Imports of articles provided for in TSUS item 183.01, by sources, 1980-82, January-September 1982, and January-September 1983

Source	1980	1981	1982	January-September--	
				1982	1983
	Quantity (1,000 pounds)				
Canada	13,251	10,406	6,317	4,660	8,342
Japan	89	562	747	584	836
Costa Rica	0	0	427	272	816
Philippines	295	957	727	517	559
All other	214	179	444	297	462
Total	13,849	12,104	8,662	6,330	11,015
	Value (1,000 dollars)				
Canada	3,092	2,187	1,540	1,037	3,003
Japan	62	379	464	368	485
Costa Rica	-	-	91	58	126
Philippines	185	565	465	334	363
All other	190	150	348	255	288
Total	3,529	3,281	2,908	2,052	4,265
	Unit value (per pound)				
Canada	$0.25	$0.21	$0.24	$0.22	$0.36
Japan	.70	.14	.62	.63	.58
Costa Rica	-	-	.21	.21	.15
Philippines	.63	.59	.64	.65	.65
All other	.89	.84	.78	.86	.62
Average	.25	.27	.34	.33	.39

Source: Compiled from official statistics of the U.S. Department of Commerce.

1/ Data obtained from officials at U.S. foreign trade zones in Buffalo, N.Y.; Toledo, Ohio; and Miami, Fla. These data may be understated due to a problem with data on imports from the * * * foreign trade zone.

At the hearing and in written submissions, a domestic producer of ice tea mixes and other beverage mixes complained of competition from imports of such products from Canada. The imported products reportedly are in retail-size containers and contain more than 65 percent sugar. Questionnaire responses did not reveal any imports of such products, although Customs officials have stated that they have noticed an increase in such imports over the past several years. 1/

Carbonated soft drinks and certain other nonalcoholic beverages

Description and uses.—Certain carbonated soft drinks and other nonalcoholic beverages contain large proportions of sucrose on a dry-weight basis. These products are provided for in TSUS items 166.20 and 166.40. 2/ For tariff purposes, nonalcoholic beverages must contain less than 0.5 percent alcohol by volume (headnote 1, subpart B, schedule 1, of the TSUS).

Ginger ale, ginger beer, lemonade, and soda water are provided for in TSUS item 166.20. Ginger ale is a sweetened carbonated beverage flavored with ginger essence. Ginger beer may be either a dealcoholized fermented drink brewed from an infusion of ginger and other substances such as licorice extract, hops, cloves, capsicum extract, and gentian, or an artificially carbonated beverage made with brewed ginger beer concentrate. Lemonade is primarily a water solution of lemon juice and sweetener. Soda water, which consists of flavored water charged with carbon dioxide, and club soda, which is pure water charged with carbon dioxide and used primarily as a mixer with alcoholic beverages, are also classified in TSUS item 166.20 but are not included in this investigation because of their low sugar content.

Carbonated soft drinks are the major import items classified under TSUS item 166.40. Included are such specialty items as sugar-free and caffeine-free soft drinks. Also included under item 166.40 are dealcoholized beer and wine, flavored or unflavored coconut milk, and fruit juice drinks composed of a mixture of water, fruit juice, sweetener, and citric acid. Most of the articles contain a high proportion of sugar on a dry-weight basis, but increasingly, many of the products are artificially sweetened or sweetened with HFCS.

U.S. tariff treatment.—The current U.S. rates of duty applicable to imports of these products are shown in table 13.

1/ These officials were unable to estimate the volume of these imports. * * *.

2/ For the statutory description, see excerpt from the TSUSA in app. E.

Table 13.--Carbonated soft drinks and certain other nonalcoholic beverages: U.S. rates of duty, by TSUS items

(Cents per gallon)

TSUS item No. 1/	Description	Col. 1 rate of duty 2/	Col. 2 rate of duty
166.20A	Ginger ale, ginger beer, lemonade, and soda water.	1¢	15¢.
166.40A	Beverages, not specially provided for.	1¢	15¢.

1/ The designation "A" indicates that the item is currently designated as an eligible article for duty-free treatment under the GSP and that all beneficiary developing countries are eligible for the GSP.
2/ Rate not modified in the Tokyo round of the Multilateral Trade Negotiations.

U.S. production and consumption.--During 1979-82, U.S. consumption of carbonated soft drinks rose from 8.2 billion gallons to 9.5 billion gallons (table 14). Consumption was supplied almost entirely by U.S. producers, whose domestic output increased from 8.2 billion to 9.1 billion gallons; the value of production in 1982 was $21.2 billion. Transportation costs dictate that production of the finished beverages be located in the immediate area of consumption, thereby limiting the share of the market supplied by imports to less than 1 percent.

Cola, the most popular soft drink flavor, accounts for approximately two-thirds of the market, followed by lemon-lime drinks, with 12 percent; pepper types and fruit-flavored drinks account for the remainder. Diet drinks represent about 15 percent of the total market. The changing age mix of the U.S. population coupled with the widening concern with health has contributed to the growing importance of diet drinks.

Approximately 15 percent of U.S. sugar consumption in 1983 is estimated to be accounted for by the soft drink industry. This portion may decrease in future years, as the industry continues its movement towards allowing local bottlers to blend increasing quantities of HFCS with sugar in their formulations.

U.S. imports.--U.S. imports of the carbonated soft drinks and certain other nonalcoholic beverages discussed in this section have been negligible compared with U.S. production and consumption. During 1979-82, imports of these items increased from 2.1 million gallons to 14.6 million gallons. In spite of the marked increase in imports in 1982, imports were still equivalent to less than 0.5 percent of consumption. Imports then decreased from 13.0 million gallons in January-September 1982 to 8.1 million gallons in January-September 1983, or by 37 percent.

Table 14.--Carbonated soft drinks and certain other nonalcoholic beverages: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-82, January-September 1982, and January-September 1983

Period	Production 1/	Exports 2/	Imports	Apparent consumption
	Quantity (1,000 gallons)			
1979	8,245,125	53,328	2,108	8,193,905
1980	8,587,294	74,752	2,529	8,515,071
1981	8,909,318	3/ 93,061	6,947	8,823,204
1982	4/ 9,148,084	21,296	14,564	4/ 9,526,200
January-September--				
1982	5/	16,907	12,979	5/
1983	5/	13,850	8,122	5/
	Value (1,000 dollars)			
1979	14,972,628	88,391	4,268	14,888,505
1980	17,676,648	83,958	5,895	17,598,585
1981	20,015,269	40,010	13,399	19,988,658
1982	4/ 21,156,140	41,019	21,680	4/ 21,136,801
January-September--				
1982	-	33,141	18,839	-
1983	-	27,357	14,654	-
	Unit value (per gallon)			
1979	$1.82	$1.66	$2.02	$1.82
1980	2.06	1.12	2.33	2.07
1981	2.25	.43	1.93	2.27
1982	2.31	1.93	1.49	2.22
January-September--				
1982	-	1.96	1.45	-
1983	-	1.98	1.80	-

1/ Carbonated beverage production; production of the other nonalcoholic beverages is negligible.
2/ Includes mineral water.
3/ Believed to be overstated due to statistical errors.
4/ Estimated by the staff of the U.S. International Trade Commission.
5/ Not available.

Source: Compiled from data of the National Soft Drink Association and official statistics of the U.S. Department of Commerce.

Most of the imports consist of noncarbonated fruit-flavored drinks, supplied principally by Brazil and Canada, which are unlike the carbonated soft drinks, which constitute the great bulk of domestic output. The sharp rise in imports in 1982 reflects, in part, increased imports of noncarbonated drinks from Brazil.

No data or comments were received from importers, domestic producers, or the USDA regarding this product category.

Candied, crystallized, or glacé fruits, nuts, and other vegetable substances

Description and uses.--Candied, crystallized, or glacé fruits, nuts, fruit peel, and other vegetable substances are provided for in TSUS items 154.05-.90. 1/ The term "candied" refers to a product which has been manufactured through the slow-impregnation or candying process and which has a sufficient sugar concentration to prevent spoilage, usually 70 percent or more of the weight of the product. "Crystallized" means that sugar crystals have formed on the surface of the product, resulting in a rough, crystalline appearance. "Glacé" refers to a surface coating of the product with sugar sirup which results in a smooth, shiny appearance. The products in this group are sometimes collectively referred to as "candied," whether they are candied, crystallized, or glacé; however, crystallized or glacé products do not need to be candied for classification under these provisions.

The principal uses for candied fruits and other candied products are as ingredients in bakery goods, in confectionery manufacture, and as food garnishes. Domestic manufacturers sometimes mix various candied fruits and fruit peels together in combinations using the following: citron, orange, lemon, grapefruit peel, cherries, and pineapple. Some candied, crystallized, or glacé products are used primarily for eating out of hand, while others are used as decorative specialities, such as dried apricots and peaches, or other dried fruit, nuts, pineapple slices, ginger root, and crystallized flowers. These products are usually sold through retail outlets.

U.S. consumption.--During 1979-82, U.S. consumption of candied, crystallized, or glacé fruits, nuts, and vegetable substances is estimated by industry sources to have been approximately 85 million pounds annually.

U.S. imports.--U.S. imports of candied, crystallized, or glacé fruits, nuts, or vegetable substances declined irregularly from 10.2 million pounds in 1979 to 8.0 million pounds in 1982, or by 22 percent (table 15). In 1981 and 1982, Taiwan, Thailand, and Australia were the principal suppliers of imported candied, crystallized, and glacé products. The downward trend during 1979-81 in the quantity of these imports is the result of imports of pineapples and cherries decreasing by a greater amount than the increase in imports of candied fruit other than pineapples and cherries. Imports increased from 6.4 million pounds in January-September 1982 to 8.1 million pounds in January-September 1983, or by 27 percent.

The Commission received data from three importers of products under these TSUS items. The first began importing small quantities * * * of candied figs

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1/ For the statutory description, see excerpt from the TSUSA in app. E.

and peaches from Brazil in 1983 to sell to the Latin market. The second firm reported imports of approximately * * * pounds of dried mangoes in 1982 and 1983 for sale to Asian customers. The final importer reported minimal imports of redberry coating, crystallized violets, and sugar-coated almonds from France for sale in gourmet-type stores.

Table 15.--Candied, crystallized, or glace fruits, nuts, and vegetable substances: U.S. imports for consumption, by sources, 1979-82, January-September 1982, and January-September 1983

Source	1979	1980	1981	1982	January-September-- 1982	January-September-- 1983
	Quantity (1,000 pounds)					
Taiwan	5,110	5,047	6,848	4,884	3,920	2,675
Thailand	113	323	1,133	1,415	1,238	1,729
Mauritius	0	0	0	0	0	1,901
Australia	537	692	780	811	534	621
All other	4,398	806	1,182	934	723	1,196
Total	10,158	6,868	9,943	8,044	6,415	8,122
	Value (1,000 dollars)					
Taiwan	3,625	3,595	6,289	4,536	3,690	2,309
Thailand	78	199	885	1,150	1,004	1,389
Mauritius	-	-	-	-	-	380
Australia	638	835	1,206	1,131	873	900
All other	2,374	671	998	828	526	1,000
Total	6,715	5,300	9,378	7,645	6,093	5,978
	Unit value (per pound)					
Taiwan	$0.71	$0.71	$0.92	$0.93	$0.94	$0.86
Thailand	.68	.62	.78	.81	.81	.80
Mauritius	-	-	-	-	-	.20
Australia	1.19	1.21	1.55	1.39	1.63	1.45
All other	.54	.83	.84	.89	.73	.84
Average	.66	.77	.94	.95	.95	.74

Source: Compiled from official statistics of the U.S. Department of Commerce.

Prepared or preserved fruits

Description and uses.--Prepared or preserved fruits are provided for in part 9B, schedule 1, of the TSUS. 1/ The provisions for prepared or preserved

1/ For the statutory description, see excerpts from the TSUSA in app. E.

fruits cover several types of products which are included in the scope of the investigation (i.e., those containing over 65 percent sugar on a dry-weight basis); however, the major portion of the products classified under these item numbers are not included in this investigation. Among the products which are included are preserves, canned fruits in heavy sirup, and frozen fruits packed with sugar.

The U.S. Food and Drug Administration (FDA) has established standards of identity for fruit preserves and jams. These products consist of 45 percent fruit (by product weight) and 55 percent sugar. Although the FDA and the trade do not distinguish between a jam and a preserve, for tariff classification purposes, a fruit processed and packed in a manner which retains the shape of the fruit is classified as "prepared or preserved fruit" rather than as jam. 1/

Industry sources state that few canned fruits actually contain over 65 percent sugar on a dry-weight basis. This is primarily due to the trend towards packing fruits in lighter sirups and in sirups which contain corn sweeteners or blends rather than straight sugar (sucrose).

Many frozen fruits (in both retail and institutional or industrial packaging) are packed with sugar, but most do not contain sufficient sugar to be included in the scope of this investigation. However, certain types of fruit and styles of packaging may contain over 65 percent sugar on a dry-weight basis. For example, frozen berries for use in the manufacture of jellies and jams generally are packed with significant amounts of sugar, which may exceed 65 percent of the total dry weight of the articles.

U.S. production and consumption.--Data on U.S. production and consumption of prepared or preserved fruits which contain over 65 percent of sugar are not available. However, industry sources believe that both production and consumption of these articles in the United States (other than preserves) 2/ are negligible.

U.S. imports.--Most imports of prepared or preserved fruits do not contain sufficient quantities of sugar to be covered by this investigation. However, several categories of these products, including prepared or preserved berries (other than frozen) and strawberries, may, in fact, be covered. However, no response to the Commission's questionnaire indicated that this was the case.

Imports of prepared or preserved berries increased from 1.4 million pounds in 1980 to 1.9 million pounds in 1981, before falling back to 1.4 million pounds in 1982. Imports then increased from 1.2 million pounds in January-September 1982 to 1.4 million pounds in January-September 1983, or by 20 percent (table 16).

1/ Jams are discussed in the section of this report on jellies, jams, marmalades, and fruit butters.

2/ Data on preserves are presented in the section of this report on jellies, jams, marmalades, and fruit butters.

Table 16.--Prepared or preserved berries and frozen strawberries: U.S. imports for consumption, 1980-82, January-September 1982, and January-September 1983

Period	Prepared or preserved berries 1/	Frozen strawberries in bulk or institutional packaging 2/	Frozen strawberries in retail packaging 3/
	Quantity (1,000 pounds)		
1980	1,398	75,330	8,141
1981	1,861	56,697	3,425
1982	1,430	34,224	633
January-September--			
1982	1,156	32,485	533
1983	1,382	37,440	1,337
	Value (1,000 dollars)		
1980	1,023	24,110	2,702
1981	1,102	23,753	1,472
1982	1,373	17,239	269
January-September--			
1982	1,032	16,344	228
1983	1,175	14,859	470
	Unit value (cents per pound)		
1980	73	32	33
1981	59	42	43
1982	96	50	43
January-September--			
1982	89	50	43
1983	85	40	35

1/ Otherwise prepared or preserved berries, not frozen, provided for in TSUS items 146.79-.86.

2/ Frozen strawberries, in immediate containers each holding more than 40 ounces, provided for in TSUSA item 146.7630.

3/ Frozen strawberries, in immediate containers each holding not more than 40 ounces, provided for in TSUSA item 146.7625.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of frozen strawberries in bulk or institutional packaging declined steadily from 75 million pounds in 1980 to 34 million pounds in 1982, or by 55 percent. These imports then increased from 32 million pounds in January-September 1982 to 37 million pounds in January-September 1983, or by 16 percent.

Imports of frozen strawberries in retail packaging exhibited similar trends as those in bulk packaging, declining by 92 percent from 1980 to 1982, and then more than doubling from January-September 1982 to January-September 1983.

No additional information was provided on these products by importers, producers, or the USDA.

Jellies, jams, marmalades, and fruit butters

Description and uses.--Jellies, jams, marmalades, and fruit butters are provided for in subpart 9C, schedule 1, of the TSUS. 1/ The types of products classifiable here are governed by various Customs rulings and court decisions, which are not necessarily the same in scope as the Federal standards of product identity for jellies and jams, although such standards have been used as guides by the courts.

The FDA has established standards of identity for fruit jellies, preserves, jams, and butters. According to these standards, jams and preserves consist of 45 percent fruit (by product weight) and 55 percent sugar; jellies, 45 percent fruit juices and 55 percent sugar; and fruit butters, five parts fruit to two parts sugar. No distinction is made between a jam and a preserve by the FDA or by the trade, but for tariff purposes, a fruit processed and packed in a manner which substantially retains the shape of the fruit is classified as "prepared or preserved fruit" and not included under the tariff provision for jam. 2/ A jam is defined for tariff purposes as a product made by boiling fruit and sugar to a thick consistency without preserving the shape of the fruit. The above descriptions determine tariff classification regardless of the label describing the product as a jam or preserve. The FDA also has established standards of identity for "artificially sweetened fruit preserves and jams." The FDA's standards spell out the allowed ingredients, specifications, and labeling requirements for the finished product, including the named fruits which may be used. About one-half of the fruits specified in the TSUS for duty purposes are named in the FDA's lists of about 30 fruits for which standards have been set. 3/ A product which fails to meet U.S. standards of identity for a jelly or jam may not be labeled as such, but may be traded as "imitation jelly" or "imitation jam." 4/ Customs has held that a jam is a product preserved against spoilage

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1/ For the statutory description, see excerpt from the TSUSA in app. E.
2/ U.S. Customs Court decision (55 Cust. Ct. 120, C.D. 2560 (1965)).
3/ Tomatoes also may be used for preserves and jams in FDA standards. There are no U.S. standards of identity for many products which do not constitute large items of commerce.
4/ Result of a decision of the Supreme Court of the United States, 340 U.S. 593 (1951).

by heat treatment and that a product not so treated is "likely" dutiable as a "prepared or preserved" fruit. In most cases, the rates of duty for jellies, jams, marmalades, and fruit butters are lower than those for prepared or preserved fruit or for fruit pastes and pulps.

There are no U.S. standards of identity for marmalades, which are spreads which contain suspended pieces of fruit or fruit peel and typically consist of 50 percent or more sugar on a product-weight basis. Fruit butters are similar to fruit pulps (macerated fruit), except that fruit butters are sweetened and seasoned with spices. Jellies, jams, marmalades, and fruit butters are used primarily as spreads on bread, as fillings in baked goods, and as side dishes with meals.

U.S. producers.--Producers of jellies, jams (including preserves), marmalades, and fruit butters are located primarily near metropolitan areas. The most important producing States are California and New York, accounting for nearly one-third of the output in 1977 (the latest year for which data are available). There are probably more than 100 producers of these products in the United States. Some firms are affiliates of large food-processing organizations, and other parent firms of producers are primarily in the business of food retailing. Most producers take delivery of their raw materials (chiefly frozen fruits and sugar) year round and manufacture fruit spreads as needed for distribution.

U.S. consumption and production.--During 1979-82, apparent U.S. consumption of jellies, jams, marmalades, and fruit butters is estimated by industry sources to have averaged 1.0 billion pounds annually, and U.S. production is believed to have accounted for 99 percent of the apparent consumption. The principal products consumed include grape jelly, apple jelly, and strawberry jam, which together probably accounted for 40 percent of the total.

U.S. imports.--During 1979-82, imports of jellies, jams, marmalades, and fruit butters increased, from 7.8 million pounds in 1979 to 9.0 million pounds in 1982, or by 15 percent (table 17). Imports then increased from 6.2 million pounds in January-September 1982 to 8.3 million pounds in January-September 1983, or by 34 percent.

Candy and other confectionery

Description and uses.--Candy and other confectionery provided for in TSUS item 157.10 (i.e., candy and other confectionery not elsewhere provided for) are discussed in this section. The term "confectionery" is defined in headnote 2, part 10C, schedule 1, of the TSUS as covering confections or sweetmeats ready for consumption. Thus, products used as ingredients in other prepared foods (e.g., cake decorations) are classified elsewhere. Also not included here is sweetened chocolate, which is specifically provided for in item 156.25 if in bars or blocks weighing 10 pounds or more each, or in item 156.30 if in any other form.

Table 17.--Jellies, jams, marmalades, and fruit butters: U.S. imports for consumption, 1979-82, January-September 1982, and January-September 1983

Source	1979	1980	1981	1982	January-September-- 1982	January-September-- 1983
	Quantity (1,000 pounds)					
United Kingdom	2,917	2,272	2,425	2,241	1,655	1,903
Canada	2,384	1,939	2,086	2,060	1,482	1,181
Dominican Republic	574	1,080	731	1,086	714	714
France	200	339	671	978	565	1,059
All other	1,717	2,543	1,793	2,602	1,789	3,432
Total	7,792	8,173	7,706	8,967	6,205	8,289
	Value (1,000 dollars)					
United Kingdom	2,586	2,198	2,466	2,170	1,630	1,781
Canada	1,544	1,463	1,816	1,471	1,034	853
Dominican Republic	99	213	141	251	167	144
France	217	363	706	941	575	929
All other	977	1,281	1,120	1,667	1,170	2,191
Total	5,423	5,518	6,249	6,500	4,576	5,898
	Unit value (per pound)					
United Kingdom	$0.87	$0.97	$1.02	$0.97	$0.98	$0.94
Canada	.65	.75	.87	.71	.70	.72
France	1.09	1.07	1.05	.96	1.02	.88
Dominican Republic	.17	.20	.19	.23	.23	.20
All other	.57	.50	.62	.64	.65	.64
Average	.70	.66	.81	.72	.74	.71

Source: Compiled from official statistics of the U.S. Department of Commerce.

Generally, chocolate containing recognizable nuts, fruits, or centers is classified as confectionery under item 157.10. If nuts or other flavoring materials are added to sweetened chocolate with the nuts or other flavoring materials ground sufficiently fine so that they are not observable in the chocolate, the product is generally classified as sweetened chocolate in item 156.30. According to industry sources, the typical sweetened chocolate (both milk chocolate and dark chocolate) contains 50 to 53 percent sugar. A very small share contains up to 60 percent sugar; none is believed to contain more than 65 percent sugar. In addition, the U.S. Customs Service has a uniform and established practice of classifying chocolate that contains more than 60 percent sugar as an edible preparation (item 183.05) rather than as sweetened chocolate (items 156.25 and 156.30). Thus, since sweetened chocolate classified in items 156.25 and 156.30 does not contain over 65 percent sugar, such chocolate is not included within the scope of the investigation.

The provision for candy and other confectionery not specially provided for (item 157.10) includes most other confectionery products, but does not include glacè or candied products (items 154.05-.60), baked products (item 182.20), or chewing gum (item 182.32). Some of the major types of candy included under item 157.10 are hard candies, fondants and creams, fudge, caramels and toffees, marshmallows and nougats, sweetened chocolate containing nuts or fruits, and various specialty candies.

U.S. tariff treatment.--The current rates of duty applicable to imported candy and other confectionery provided for in item 157.10 are 7 percent ad valorem in column 1 and 40 percent ad valorem in column 2. Imports from all beneficiary developing countries are eligible for duty-free treatment under the GSP. The column 1 rate was not reduced in the Tokyo round of the Multilateral Trade Negotiations.

U.S. producers, production, and consumption.--Separate data concerning articles containing over 65 percent sugar are not available. The confectionery products industry consisted of 962 establishments with a total of 58,000 employees in 1977, the latest year for which such data are available. Industry shipments, as reported by the U.S. Department of Commerce (Confectionery Manufacturers Sales and Distribution) in 1980 totaled 3.4 million pounds, valued at $4.6 million.

Consumption of confectionery products in the United States has been trending down in recent years in terms of the quantities consumed. Per capita consumption amounted to 15.4 pounds in 1980, compared with 16.6 pounds in 1979.

U.S. imports.--U.S. imports of candy and other confectionery are reported in two groups--those not containing cocoa or chocolate (TSUSA item 157.1020) and those containing cocoa or chocolate (TSUSA item 157.1040). According to Customs officials, a large share of the former category contains over 65 percent sugar, and a significant share of the latter category contains over 65 percent sugar.

During 1979-82, total U.S. imports of candy and other confectionery not containing cocoa or chocolate ranged irregularly between 88 million pounds and 93 million pounds annually (table 18). In January-September 1983, imports amounted to 80 million pounds, valued at $68 million, compared with 66 million pounds, valued at $59 million, in the corresponding period of 1982. West Germany, Brazil, the United Kingdom, and the Netherlands have been the major import sources in 1983.

Imports of candy and other confectionery containing cocoa or chocolate trended downward from 1979 to 1981 (from 28 million pounds to 26 million pounds), before increasing to 35 million pounds in 1982 (table 19). Imports in January-September 1983 amounted to 29 million pounds, valued at $40 million, compared with imports of 23 million pounds, valued at $30 million, in the corresponding period of 1982. The United Kingdom, Canada, and West Germany were the major import sources. According to Customs officials, most of the imports consisted of sweetened chocolate with recognizable nuts, fruits, or other ingredients. Such articles generally do not contain more than 65 percent sugar on a dry-weight basis, and hence are not included in the scope of this investigation.

Table 18.--Candy and other confectionery, n.s.p.f., not containing cocoa or chocolate: 1/ U.S. imports for consumption, by principal sources, 1979-82, January-September 1982, and January-September 1983

Source	1979	1980	1981	1982	January-September-- 1982	January-September-- 1983
	Quantity (1,000 pounds)					
West Germany	14,420	14,511	15,554	15,926	11,588	15,800
Brazil	7,794	13,105	11,944	10,470	7,479	11,243
United Kingdom	19,458	14,705	12,436	8,502	6,135	7,904
Netherlands	5,172	5,031	6,089	6,856	5,137	6,532
Canada	5,029	5,837	4,825	5,449	4,191	4,648
Italy	4,644	3,897	4,600	4,049	2,976	4,199
Sweden	5,921	5,537	4,350	4,317	3,212	4,022
All other	30,389	25,231	29,501	35,422	24,829	26,136
Total	92,827	87,854	89,299	90,991	65,547	80,484
	Value (1,000 dollars)					
West Germany	36,128	26,306	20,768	19,982	14,592	18,390
Brazil	2,730	5,222	5,905	4,715	3,388	5,127
United Kingdom	14,997	14,236	12,452	8,103	5,770	7,116
Netherlands	4,412	4,645	5,428	5,903	4,494	5,661
Canada	2,653	3,937	3,759	4,255	3,259	3,522
Italy	5,421	3,640	4,517	3,891	2,911	3,773
Sweden	3,351	3,883	3,692	3,237	2,423	2,954
All other	19,791	18,209	27,241	31,828	21,861	21,657
Total	89,483	80,078	83,762	81,914	58,698	68,200
	Unit value (per pound)					
West Germany	$2.51	$1.81	$1.34	$1.25	$1.26	$1.16
Brazil	.35	.40	.49	.45	.45	.46
United Kingdom	.77	.97	1.00	.95	.94	.90
Netherlands	.85	.92	.89	.86	.87	.87
Canada	.53	.67	.78	.78	.78	.76
Italy	1.17	.93	.98	.96	.98	.90
Sweden	.57	.70	.85	.75	.75	.73
All other	.65	.72	.92	.90	.88	.83
Average	.96	.91	.94	.90	.90	.85

1/ TSUSA item 157.1020

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 19.--Candy and other confectionery, n.s.p.f., containing cocoa or chocolate: 1/ U.S. imports for consumption, by principal sources, 1979-82, January-September 1982, and January-September 1983

Source	1979	1980	1981	1982	January-September-- 1982	January-September-- 1983
	Quantity (1,000 pounds)					
United Kingdom	6,007	7,316	4,404	10,176	6,592	8,364
Canada	6,296	8,043	5,776	7,220	4,617	5,418
West Germany	5,518	2,616	2,719	3,162	2,141	2,513
Netherlands	1,334	903	966	890	498	2,110
Switzerland	1,287	1,632	2,664	2,433	1,413	1,750
Italy	1,353	1,292	1,347	1,994	612	1,511
All other	6,129	5,927	7,967	9,582	10,867	7,085
Total	27,924	27,729	25,843	35,457	22,584	28,751
	Value (1,000 dollars)					
United Kingdom	7,927	9,743	6,532	14,685	9,290	11,705
Canada	7,108	10,520	8,143	8,997	5,676	7,083
West Germany	9,371	4,760	4,138	4,550	2,916	3,128
Netherlands	1,357	1,303	1,317	1,294	742	2,427
Switzerland	3,114	4,103	5,840	5,581	3,328	4,320
Italy	3,033	3,463	3,376	4,726	1,410	3,747
All other	6,410	6,434	10,651	11,037	7,099	7,722
Total	38,320	40,326	39,997	50,870	30,491	40,132
	Unit value (per pound)					
United Kingdom	$1.32	$1.33	$1.48	$1.44	$1.41	$1.40
Canada	1.13	1.31	1.41	1.25	1.23	1.31
West Germany	1.70	1.82	1.52	1.44	1.36	1.24
Netherlands	1.02	1.44	1.36	1.45	1.49	1.15
Switzerland	2.42	2.51	2.19	2.29	2.36	2.47
Italy	2.24	2.68	2.51	2.37	2.30	2.48
All other	1.05	1.09	1.34	1.15	.65	1.09
Average	1.37	1.45	1.55	1.43	1.35	1.40

1/ TSUSA item 157.1040

Source: Compiled from official statistics of the U.S. Department of Commerce.

Edible preparations of gelatin

Edible preparations of gelatin are specifically provided for in TSUS item 182.90. 1/ In the TSUS, the word "of" means "in chief value of." Even though

1/ For the statutory descriptions, see excerpt from the TSUSA in app. E.

such preparations are in chief value of gelatin, most of them contain over 65 percent sugar. These preparations are usually dessert powders which are dissolved in water before being chilled and served. Although most gelatin dessert powders contain a fruit flavoring, some unflavored gelatin preparations are also used for food.

The current rates of duty applicable to imported edible preparations of gelatin provided for in item 182.90 are 6 percent ad valorem in column 1 and 25 percent ad valorem in column 2. Imports from all beneficiary developing countries are eligible for duty-free treatment under the GSP. The column 1 rate was not reduced in the Tokyo round of the Multilateral Trade Negotiations.

U.S. consumption of gelatin desserts is approximately equal to U.S. production. The number of producers is small, with two major firms predominating. These firms produce a variety of gelatin desserts, as well as many other food products.

Imports of gelatin preparations, reported by Commerce in terms of value only, increased irregularly from $780,000 in 1979 to $1.2 million in 1982 (table 20). Panama and Switzerland were the major suppliers during this period. During January-September 1983, imports totaled $2.4 million, more than doubling from $1.1 million during January-September 1982. This increase is attributable primarily to imports from Canada, which rose dramatically in January-September 1983.

One firm, * * * accounted for virtually all imports from Canada during this period. These imports consisted of * * *.

Table 20.--Edible preparations of gelatin, n.s.p.f.: U.S. imports for consumption, by principal sources, 1979-82, January-September 1982, and January-September 1983

(In thousands of dollars)

Source	1979	1980	1981	1982	January-September--	
					1982	1983
Canada	-	-	2	1	-	1,704
Panama	607	645	757	853	792	502
Switzerland	147	169	152	147	109	138
Israel	-	8	-	17	15	17
Philippines	3	2	1	11	6	11
West Germany	5	16	-	15	12	9
France	1/	24	320	10	6	8
All other	18	44	55	156	138	8
Total	780	908	1,287	1,210	1,078	2,397

1/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports from Panama were accounted for primarily by * * *.

Other products

In addition to the products previously discussed, there are several other articles which may contain over 65 percent by dry weight of sugar and be included within the scope of this investigation. Examples of such articles are certain confectioner's coatings (provided for in TSUS item 156.47), chewing gum (item 182.32), sweetened fruit juices (items 165.15-.70), certain baked articles (e.g., sugar wafers) (item 182.20), certain sauces (item 182.46), and mixed feeds for animals (items 184.70 and 184.80).

According to industry sources, it is usual for all these articles to contain less than 65 percent sugar; however, it is possible for them to contain over 65 percent sugar. Neither the USDA, importers, nor other interested parties discussed any of these articles.

The Probable Effect of Imports of the Subject Articles Containing Sugar on the Operation of the Sugar Price-Support Programs

Imports from foreign trade zones

Foreign trade zones are secured areas legally outside a nation's customs territory. They usually are located in or near customs ports or at industrial parks. There are about 80 foreign trade zones approved in the United States, and about 50 are currently active. Among other activities permitted in foreign trade zones, merchandise, including sugar, may be mixed with other foreign or domestic merchandise. When merchandise mixed in foreign trade zones is entered into the customs territory of the United States, duties and fees are assessed. If the merchandise entered for consumption was placed in the status of privileged foreign merchandise prior to mixing, duties and fees are assessed on the entered articles according to the condition of the foreign merchandise at the time of entry into the foreign trade zone. However, if the merchandise entered for consumption was placed under nonprivileged status at the time of entry into the zone, duties and fees are assessed on the basis of their condition at the time of leaving the foreign trade zone for entry for consumption. Blended sugars for example, may be subject to the provisions of TSUS items 155.20 or 183.05, depending on their status.

Quotas may not be applicable to certain merchandise, including sugar, that enters foreign trade zones. Thus, sugar that enters foreign trade zones may be mixed with foreign or domestic merchandise and, if the resultant mixture is classifiable under provisions of the TSUS not subject to quotas, it may enter the United States and not be charged against the quota.

In 1983, foreign trade zones became the site of sugar-blending operations. Blending started in the foreign trade zone in Toledo, Ohio, in January 1983. The blend consisted of 90 percent sugar from Canada 1/ and 10 percent dextrose.

1/ The sugar had been refined in Canada, but the raw sugar was from a number of countries throughout the world.

About * * * million pounds of this blend entered the customs territory of the United States between January 1983 and the issuance of the Presidential proclamation of June 28, 1983. Following the Presidential proclamation, the blend was changed to * * *. Between June 29, 1983, and November 14, 1983, * * * pounds (raw value) of sugar entered the zone, and * * * pounds of the blended product entered the customs territory of the United States. Two companies known to be conducting the blending operations are * * *.

Blending started in the foreign trade zone in Buffalo, N.Y., on July 25, 1983. The blend consisted of 60 percent sugar from Canada and 40 percent dextrose. By November 14, 1983, * * * pounds of sugar (raw value) had entered the foreign trade zone for blending, and * * * pounds of blends had been shipped from the zone. One company, * * * accounted for all the blending.

In October 1982, approximately * * * pounds of sugar from the EC entered the foreign trade zone in Miami, Fla. During February 1983-November 1983, approximately * * * pounds of this sugar was blended with dextrose and entered into the customs territory of the United States. This blend, which was manufactured and sold by * * *. 1/

Prices

Certain characteristics of the world market for raw sugar and of the production process for this commodity have often served to intensify the large fluctuations in the world price that have occurred in periods when world demand and world supply have been out of balance. Much of the instability in the world price of raw sugar results from the fact that a relatively small share of the world output is freely traded in international markets. Over 70 percent of world production is consumed in the producing countries at prices that are generally set by the government, and nearly 10 percent is traded under the terms of preferential agreements. 2/

This leaves only about 20 percent that is available to be traded in the world market. Therefore, significant increases or reductions in the amounts of raw sugar entering international trade during a short-term period can result in large fluctuations in world prices. In periods of widespread crop failures, governments may temporarily restrict exports to meet domestic needs, thus intensifying the upward movement in the world price. Similarly, in periods of bumper harvests when output exceeds domestic needs, supplying nations may attempt to sell their surpluses on the world market, exerting downward pressure on the world price.

The inability of sugar producers to adjust output rapidly in response to changing economic conditions also adds to the instability of raw sugar prices. Beet sugar production can be increased fairly rapidly during periods when the world price is rising, since the delay between planting and harvesting is only 8 months. But in the case of cane sugar, a 2-year wait may be required before a newly planted crop is ready to be harvested. Therefore, increased plantings of sugarcane cannot alleviate shortages of raw sugar or soften strong upward movement in world prices in the short run.

1/ * * *.

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2/ Developed from official statistics of the U.S. Department of Agriculture.

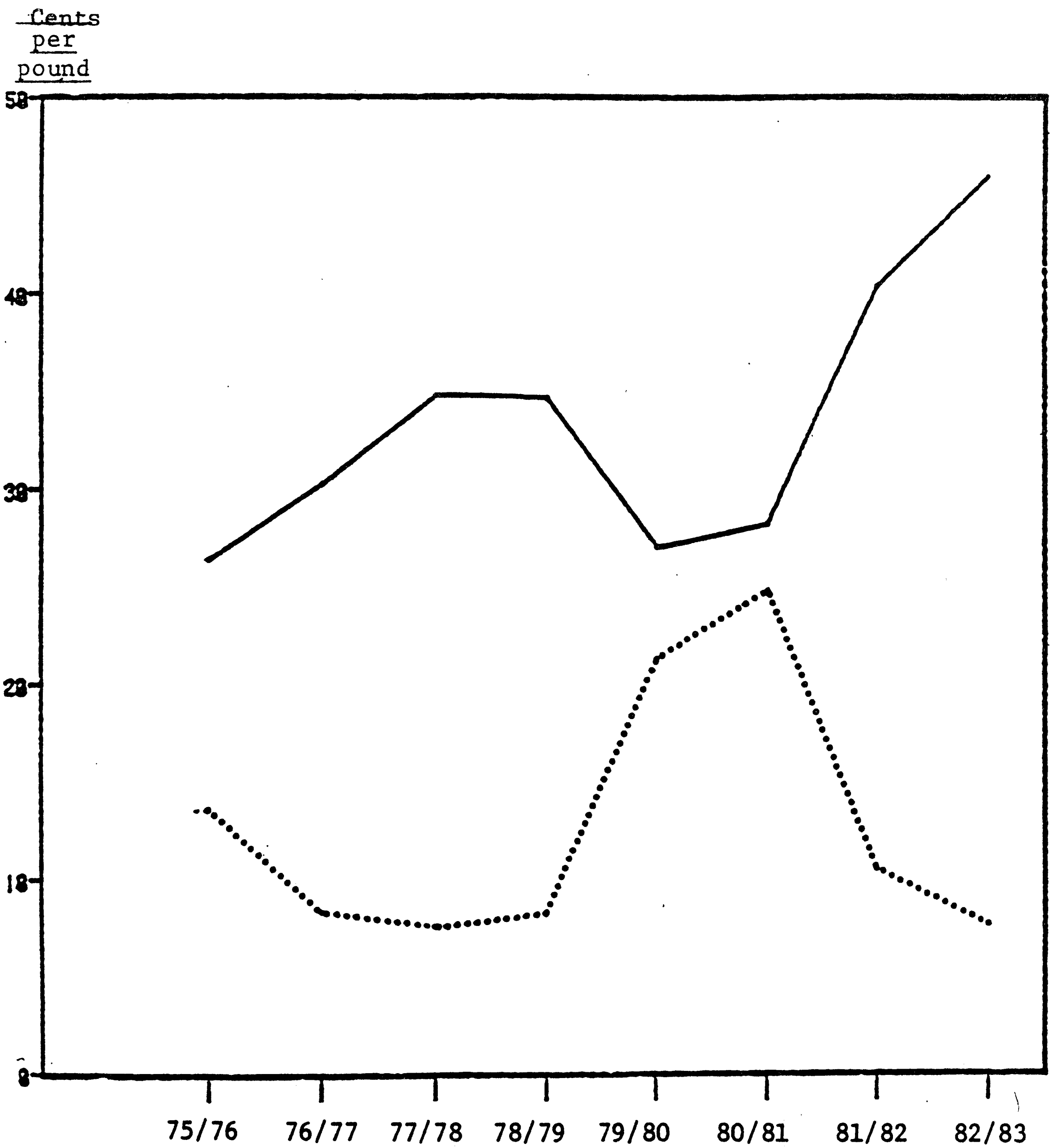
International efforts by sugar-producing and consuming nations to moderate the sharp swings in the world price of sugar have not been successful. The International Sugar Organization (ISO), which consists of sugar-importing and sugar-exporting countries, has sought to stabilize world prices through export quotas and stockpiling mechanisms since its formation in 1931. Despite detailed negotiations that have resulted in several international sugar agreements during the past 50 years, participating countries have often failed to abide by the agreements when they have conflicted with national policies. Additionally, major exporting and importing nations have often refused to participate in the negotiations. Although the United States has long been a nominal member of the ISO, the European Community, the world's largest exporter of sugar, has never been an ISO member. As a result, the current agreement which allows the world price to fluctuate between 13 and 23 cents per pound has been ineffective. Negotiations for a new agreement are now underway, but little progress has been made thus far.

Trends in world prices.--The fluctuations in the world price of raw sugar in recent years have been largely the result of sharp variations in world output from season to season in the face of a slow, steady growth in world demand. In years when production has exceeded consumption, significant increases in producers' stocks have led to price declines. In years where output has fallen below consumption as a result of crop failures or other factors, rapid depletions of stocks have led to sharp increases in the world price. Thus, high world prices have been associated with low ratios of producers' stocks to consumption, and lower prices have been accompanied by high ratios of stocks to consumption.

These tendencies are evident from the data presented in table 21 and figure 1, which show movements in the average world price and the ratio of the end-of-season stocks to consumption for crop years 1975/76 through 1982/83. Between 1975/76 and 1977/78, the average world price declined from 13.6 cents per pound to 7.5 cents as production outpaced consumption and the ratio of stocks to consumption rose from 26.5 to 34.8 percent. In the following season, the world price edged up slightly to 8.2 cents as production declined slightly. During 1979/80, world output fell sharply as a result of several factors. Bad weather caused serious damage to crops in the U.S.S.R., India, and Thailand. Cuba's output also declined because of crop damage resulting from cane rust, a disease which affected about 40 percent of its acreage. In addition, Brazil reduced the amount of acreage planted in sugarcane and also diverted some of its sugarcane output from the world sugar market to domestic energy uses.

The low levels of world output in 1979/80 and 1980/81 resulted in significant depletions of stocks and sharp increases in the world price. The price climbed rapidly throughout 1980 to a peak level of 41 cents per pound in October before turning downward (table 22). It averaged 21.3 cents per pound in 1979/80 and 24.8 cents in 1980/81--levels that were nearly three times as high as those recorded in 1978/79.

Figure 1.--Raw sugar: World price and ratio of world ending stocks to consumption, crop years 1975/76 through 1982/83.



——— Ratio of stocks to consumption.
...... World price

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 21.--Raw sugar: World production, consumption, and prices, crop years 1975/76 through 1982/83

Crop year 1/	World production	World consumption	World price 2/	Ratio of stocks to consumption
	Million short tons	Million short tons	Cents per pound	Percent
1975/76	90.1	87.3	13.63	26.5
1976/77	95.1	90.1	8.28	30.3
1977/78	102.2	95.0	7.51	34.8
1978/79	100.6	98.8	8.21	34.6
1979/80	93.3	98.7	21.28	27.0
1980/81	97.6	97.9	24.80	28.2
1981/82	110.9	98.9	10.43	40.3
1982/83	109.9	102.5	7.58	46.1

1/ Crop years run from September of a given year through August of the following year.

2/ The crop-year prices are simple averages of monthly prices from September of a given year through August of the following year based on spot prices, f.o.b. Caribbean, contract No. 11, New York Coffee, Sugar, & Cocoa Exchange, except from Nov. 3, 1977, to Aug. 17, 1979, when data were developed from the London Daily Price series.

Source: Compiled from official statistics of the U.S. Department of Agriculture, except as noted.

In the past two seasons, producers' stocks have reached record levels, and the world price has plunged. As output rose to a new high in 1981/82, stocks rose to 40.3 percent of consumption, and the average price declined to 10.4 cents per pound. World production fell slightly in 1982/83, but it was still far greater than consumption, and the price continued to fall, reaching an average of 7.6 cents per pound for the crop year.

Although the world price of raw sugar has increased from the very low levels recorded late in 1982 and early in 1983, it is not expected to rise significantly during 1983/84. 1/ After falling below 6 cents per pound in September and October 1982, the world price rose to 10.8 cents per pound in June 1983 because of reports of bad weather affecting the European sugar beet crop. However, it fell slightly in July and August and is not expected to increase much during the next year unless the current high stock levels are significantly reduced. Although consumption is likely to exceed production in 1983/84, Government and industry analysts do not expect large declines in these stocks, or in the ratio of stocks to consumption.

1/ These forecasts were provided by the Economic Research Service of the U.S. Department of Agriculture in the September 1983 issue of "Sugar and Sweetener Outlook and Situation Report."

U.S. raw sugar prices.--The price of raw sugar in the United States is influenced by the world sugar price, by Government price-support programs, and by competition from HFCS and other substitute products. The effects of each of these factors on the U.S. price is considered below.

From the period following the expiration of the Sugar Act and its quota system at the end of 1974 to the middle of 1982, when a new quota system was put in place, the U.S. and world prices of raw sugar consistently moved in the same direction (table 22 and fig. 2). Both fell steadily throughout 1975 and 1976 from the peak levels of over 50 cents per pound that were recorded in 1974, and both remained at low levels in 1977 and 1978, when world output exceeded demand. They began to recover late in 1979 and then climbed sharply throughout 1980 as a result of sharp declines in world output stemming largely from poor crops in major supplying nations. As world production rose above world consumption in 1981, the U.S. price again moved downward along with the world price.

Although the U.S. and world prices of raw sugar moved together from 1975 through the middle of 1982, the U.S. price was consistently higher than the world price by differences that were determined largely by periodic adjustments in the tariff level and in section 22 import fees during this period. When U.S. and world prices of raw sugar were declining and increased sugar imports threatened to push the U.S. price below the U.S. support price, the tariff and import fees were increased to stem an increase in imports and provide a boost to the U.S. price. Thus, in late 1977, when the world price had fallen to 8.09 cents per pound and the U.S. price was also at a low level, the President imposed an import fee of 1.58 cents per pound, which was increased to 2.70 cents per pound in February 1978. He also raised the tariff from 1.88 cents per pound to its maximum level of 2.81 cents per pound. Largely as a result of these actions, the U.S. price increased significantly in 1978, and the spread between the U.S. and world price widened. This difference continued to increase until January 1981, when it again narrowed, as shown in the table 22.

The close association between the U.S. price and the world sugar price that had prevailed for over 7 years ended when a quota was imposed on U.S. imports of raw sugar in May 1982. In the first few months after the quota went into effect, the domestic price remained fairly stable, but the world price continued to fall. By September 1982, the U.S. price of 20.9 cents per pound was more than three times the world price of 5.91 cents. During the next year, the difference narrowed slightly as the world price recovered, but in October 1983, the average U.S. price of 21.7 cents per pound was still more than twice the level of the world price.

Table 22.—Raw sugar: World and U.S. prices, by months, January 1975–October 1983

(In cents per pound)

Period	World price 1/	U.S. price 2/	Period	World price 1/	U.S. price 2/	Period	World price 1/	U.S. price 2/
1975:			1978:			1981:		
Jan	38.33	38.33	Jan	8.77	14.15	Jan	28.01	29.57
Feb	33.69	36.07	Feb	8.48	14.81	Feb	24.27	26.07
Mar	26.50	28.53	Mar	7.74	14.07	Mar	21.77	23.81
Apr	24.15	26.07	Apr	7.59	13.91	Apr	17.90	19.91
May	17.38	19.27	May	7.33	13.63	May	15.08	17.43
June	13.83	15.96	June	7.23	13.56	June	16.35	18.95
July	17.07	19.89	July	6.43	12.74	July	16.32	19.10
Aug	18.73	21.11	Aug	7.08	13.38	Aug	14.76	17.42
Sept	15.45	17.39	Sept	8.17	14.48	Sept	11.66	15.49
Oct	14.09	15.45	Oct	8.96	15.33	Oct	12.13	15.66
Nov	13.40	14.82	Nov	8.01	14.40	Nov	11.96	16.28
Dec	13.29	14.64	Dec	8.00	14.39	Dec	12.96	17.07
Avg	20.50	22.29	Avg	7.81	14.07	Avg	16.85	19.66
1976:			1979:			1982:		
Jan	14.04	15.42	Jan	7.57	14.58	Jan	12.99	18.16
Feb	13.52	15.04	Feb	8.23	15.22	Feb	13.05	17.77
Mar	14.92	16.27	Mar	7.46	15.60	Mar	11.24	17.13
Apr	14.06	15.58	Apr	7.82	14.42	Apr	9.53	17.89
May	14.58	15.97	May	7.85	14.58	May	8.12	19.57
June	12.99	14.40	June	8.14	14.87	June	6.85	21.03
July	13.21	14.59	July	8.52	15.82	July	7.83	22.15
Aug	9.99	11.31	Aug	8.84	15.85	Aug	6.80	22.45
Sept	8.16	9.80	Sept	9.80	15.72	Sept	5.90	20.88
Oct	8.03	10.65	Oct	11.93	15.93	Oct	5.91	20.44
Nov	7.91	10.46	Nov	13.69	16.29	Nov	6.50	20.79
Dec	7.54	10.22	Dec	14.86	18.30	Dec	6.27	20.83
Avg	11.60	13.32	Avg	9.59	15.58	Avg	8.42	19.92
1977:			1980:			1983:		
Jan	8.37	10.95	Jan	17.23	19.66	Jan	5.98	21.23
Feb	8.56	11.06	Feb	23.03	24.69	Feb	6.40	21.76
Mar	8.91	11.66	Mar	20.12	21.28	Mar	6.18	21.86
Apr	10.10	12.57	Apr	21.61	22.67	Apr	6.71	22.43
May	8.94	11.34	May	31.33	31.89	May	9.27	22.59
June	7.82	10.28	June	31.61	32.10	June	10.80	22.54
July	7.38	10.15	July	28.12	28.75	July	10.53	22.09
Aug	7.61	11.21	Aug	31.97	33.14	Aug	10.52	22.55
Sept	7.30	10.41	Sept	35.12	36.03	Sept	9.46	22.20
Oct	7.08	10.24	Oct	41.09	41.70	Oct	9.67	21.94
Nov	7.07	12.13	Nov	37.95	39.28			
Dec	8.09	13.50	Dec	28.98	30.29			
Avg	8.10	11.30	Avg	29.00	30.09			

1/ F.o.b. Caribbean, contract No. 11, New York Coffee, Sugar, & Cocoa Exchange, except from Nov. 3, 1977, to Aug. 17, 1979, when the world price was derived from the London Daily Price series.

2/ Spot prices, contract No. 12, New York Coffee, Sugar, & Cocoa Exchange, except from Nov. 3, 1977, to Aug. 17, 1979, when data consisted of daily world prices as determined by the ISO plus the cost of insurance and freight and duties.

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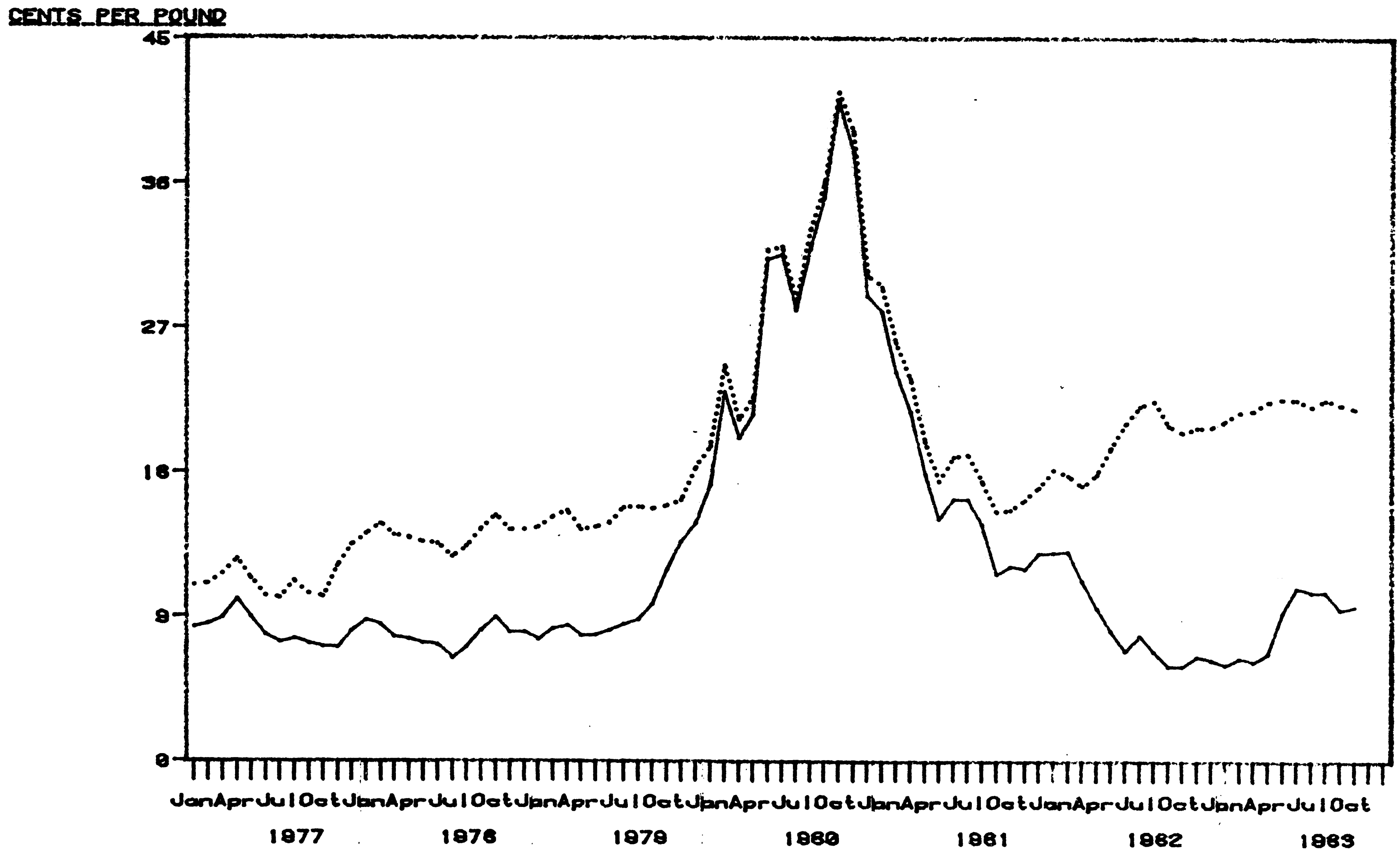
Source: Compiled from official statistics of the U.S. Department of Agriculture, except as noted.

Figure 2.--Raw sugar: World and U.S. prices, by months, January 1977-October 1983



——— World price.
.... U.S. price.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

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In addition to the world sugar price and the effects of import restrictions, competition from substitute products, particularly HFCS, also influences the U.S. price. Largely as a result of this competition, annual per capita consumption of refined sugar in the United States declined from 93.4 pounds in 1976 to 75.3 pounds in 1982. During the same period, world consumption of sugar increased moderately, reflecting the fact that sugar faces less competition from alternative sweeteners in other countries than in the United States. 1/ This continuing decline in U.S. demand for refined sugar has probably had an important negative effect on U.S. raw sugar prices in recent years, though the impact cannot be readily measured.

Much of the decline in sugar consumption has resulted from an increase in the use of HFCS because of its substantially lower price. From the middle of 1981 until early 1983, the difference between the prices of HFCS and refined sugar increased significantly. From December 1982 through February 1983, HFCS was less than half as expensive as refined sugar (table 23 and fig. 3). In more recent months the gap has narrowed as the price of HFCS has increased to nearly 25 cents per pound as a result of an increase in demand. However, the price of HFCS is still below the price of refined sugar, which has consistently exceeded 30 cents per pound in 1983.

Substitution of HFCS for refined sugar has remained significant during the current year. In March 1983, Coca Cola announced that it was increasing its usage of HFCS in the production of soft drinks and cutting back on its usage of sugar. Pepsi Cola followed with a similar announcement in April. As a result of these decisions, the U.S. Department of Agriculture expects total consumption of refined sugar in the United States to decline by 3 to 4 percent in 1983 from its 1982 level. Further declines in refined sugar consumption are forecast for 1984 and 1985.

Factors To Consider When Making Recommendations on Certain Articles Containing Sugar

If the Commission finds and recommends in the affirmative in this investigation, it may propose either quotas or fees on an article-by-article basis. The following section presents an economic analysis of the effect of imports of certain articles containing sugar on the U.S. price for sugar, estimates of the volume of sugar (raw basis) that entered the United States during May 1982-June 1983, the potential of foreign producers to supply these articles, and a discussion of factors to consider when imposing either quotas or fees.

1/ Official statistics of the U.S. Department of Agriculture.

Table 23.--Refined sugar and HFCS: Prices in the Northeast market, by months, July 1981-October 1983

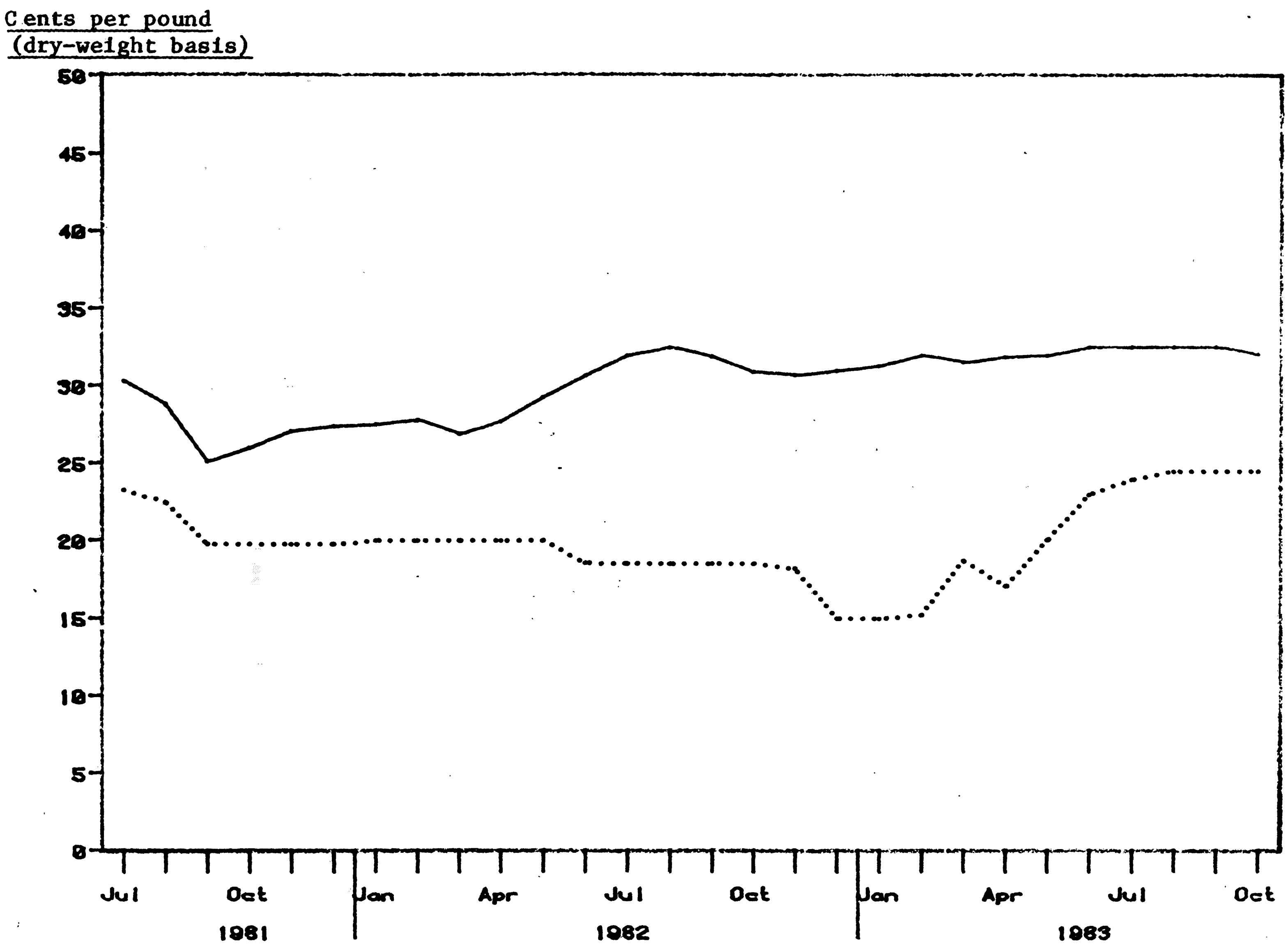
(In cents per pound)

Period	Refined sugar 1/	HFCS 2/
1981:		
July	30.3	23.25
August	28.8	22.48
September	25.1	19.75
October	26.0	19.75
November	27.1	19.75
December	27.4	19.75
1982:		
January	27.5	20.00
February	27.8	20.00
March	26.9	20.00
April	27.7	20.00
May	29.3	20.00
June	30.7	18.55
July	32.0	18.51
August	32.5	18.51
September	31.9	18.51
October	30.9	18.51
November	30.7	18.18
December	31.0	15.00
1983:		
January	31.3	15.00
February	32.0	15.25
March	31.5	18.74
April	31.9	17.04
May	32.0	20.06
June	32.5	22.51
July	32.5	23.45
August	32.5	24.51
September	32.5	24.51
October	32.0	24.51

1/ List prices on an f.o.b. basis. During 1981, prices are for sugar in 100-pound bags. In 1982 and 1983, prices are for bulk shipments.
2/ Prices are on a dry-weight basis.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Figure 3.--Refined sugar and HFCS: Prices in the Northeast market, by months, July 1981-October 1983.



——— Refined sugar
.... High-fructose corn sirup

Source: Compiled from official statistics of the U.S. Department of Agriculture

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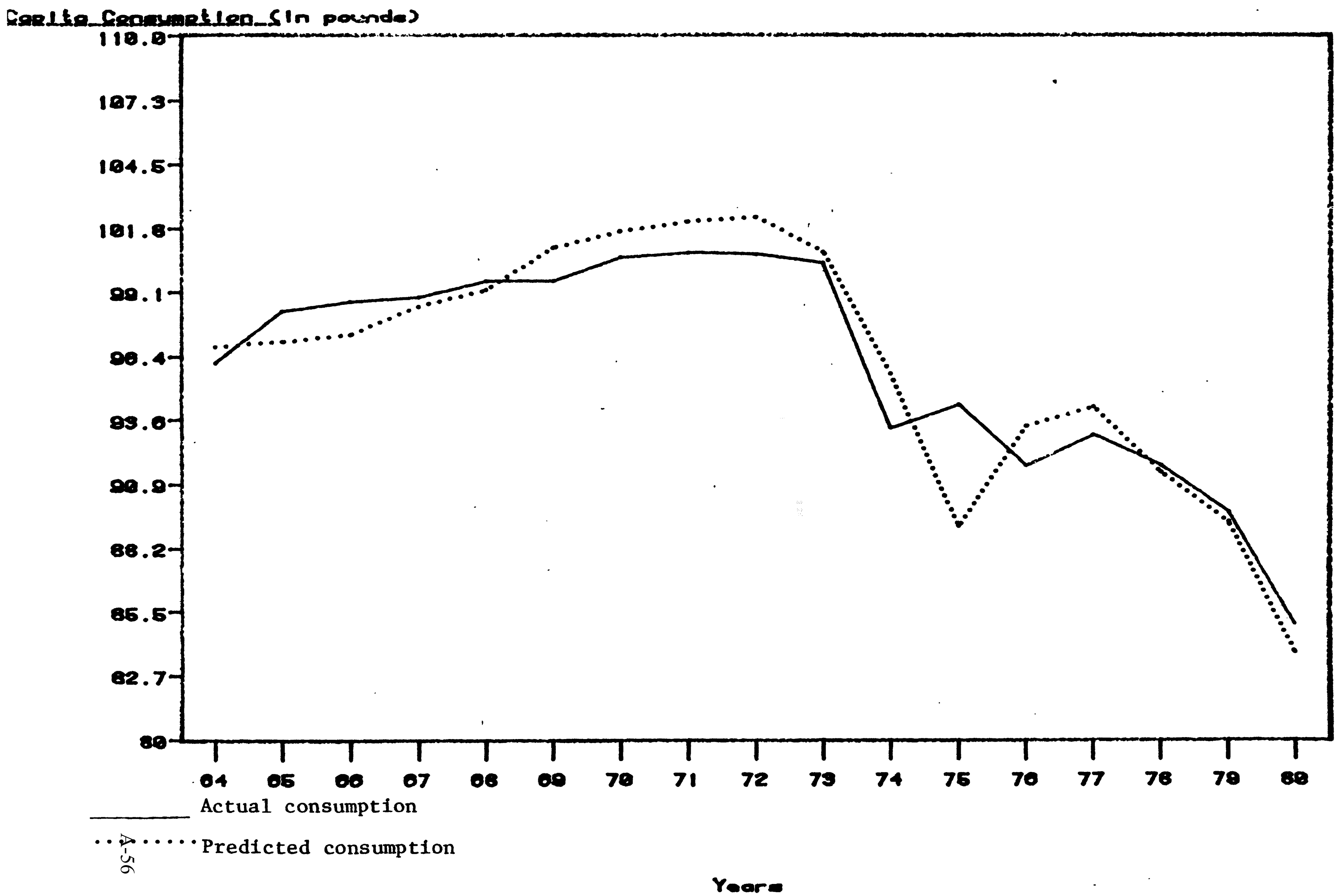
Effects of increased imports on the price of raw sugar

Increases in imports of articles containing sugar which occurred after the quota was imposed on raw sugar in 1982 may have displaced some domestic sales of refined sugar. So far, this displacement has had no visible effect on the price of raw sugar. But, if these imports had continued to increase, it is possible that this would have eventually resulted in a reduced demand for raw sugar and a decline in its price. Estimates of the price effects of varying amounts of increases in imports of blended products are provided in this section. The estimates were developed from an econometric analysis of the factors that are thought to determine the demand for refined and raw sugar and prices of raw sugar. The major results of the analysis will be briefly examined before the discussion of estimates. A technical discussion is presented in appendix F.

It was thought that annual variations in the demand for refined sugar could be largely explained by variations in its own price and by a time trend, which reflects the effects of competition from HFCS and other sweeteners. This hypothesis was tested by regressing per capita consumption on the wholesale price of refined sugar and a time-trend variable. Both variables were statistically significant at a high level of confidence, and the estimated equation provided a close simulation of actual levels of per capita consumption for the period from 1964 to 1980, as shown in figure 4. The coefficient for the time trend shows that the demand for raw sugar has tended to decline over time, and the coefficient for the price variable indicates that the demand for refined sugar tends to be price inelastic. The estimates suggest that a 10-percent increase in the price of refined sugar would result in a decline of less than 1 percent in per capita consumption.

Despite the complicating effects of price-support programs, it was believed that much of the annual variation in the U.S. price of raw sugar between 1963 and 1982 could be explained by fluctuations in U.S. production of raw sugar, changes in the world price of raw sugar, and a time trend to allow for movements in the demand for refined sugar. Poor harvests of sugarcane and sugar beets should result in higher prices, and good harvests should result in lower prices. Therefore, the U.S. production variable was thought to be negatively related to the U.S. price. Since imported and domestically produced raw sugar are close substitutes, an increase in the world price should encourage a shift in demand from the imported to the domestic product, thus bidding up the U.S. price, and a decline in the world price should have the opposite effect. Therefore, it was thought that the world price variable would be positively related to the U.S. price. It was also believed that the sharp reductions in imports which resulted from the quota in 1982 led to a significant increase in the U.S. price in that year. A qualitative variable was included in the equation to allow for this effect. Finally, it was believed that the decline in demand for refined sugar during the past 20 years that has resulted from competition from HFCS and other substitutes has tended to depress the U.S. price. Therefore, it was expected that the coefficient of the time-trend variable would be negative.

Figure 4.--Refined sugar: Actual levels of per capita consumption and levels predicted by the regression equation, 1964-80.



Source: Developed from official statistics of the U.S. Department of Agriculture.

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The regression results generally conformed to expectations. The production, world price, and qualitative variables were all statistically significant, and the estimated equation closely simulated actual levels of U.S. raw sugar prices (fig. 5). However, the time-trend variable was not statistically significant. The results show that the U.S. price has tended to move in the same direction as the world price, but is also sensitive to fluctuations in U.S. output. The estimates suggest that a 1-percent decline in raw sugar output would result in a 1.9-percent increase in the sugar price. The coefficient for the qualitative variables indicates that the quota raised the average price of raw sugar by about 5 cents per pound in 1982.

By substituting estimates of U.S. raw sugar production and the world sugar price into the equation, the regression results can be used to estimate the average U.S. price of raw sugar for 1983. If U.S. production reaches 5.75 million tons for 1983 as the Department of Agriculture has forecasted and the average world price of raw sugar averages 8.6 cents per pound, the equation predicts that the U.S. price of raw sugar will average about 21 cents per pound for 1983. 1/ If U.S. production remains at its 1983 level in 1984 and the world price stays low because of the continuing high ratio of world stocks to consumption that is projected by the USDA, the U.S. price is likely to average about 22 cents per pound in 1984. 2/ This estimate makes no allowance for the possible displacement of domestic sales of refined sugar by increased imports of articles containing sugar that are subjects of this investigation.

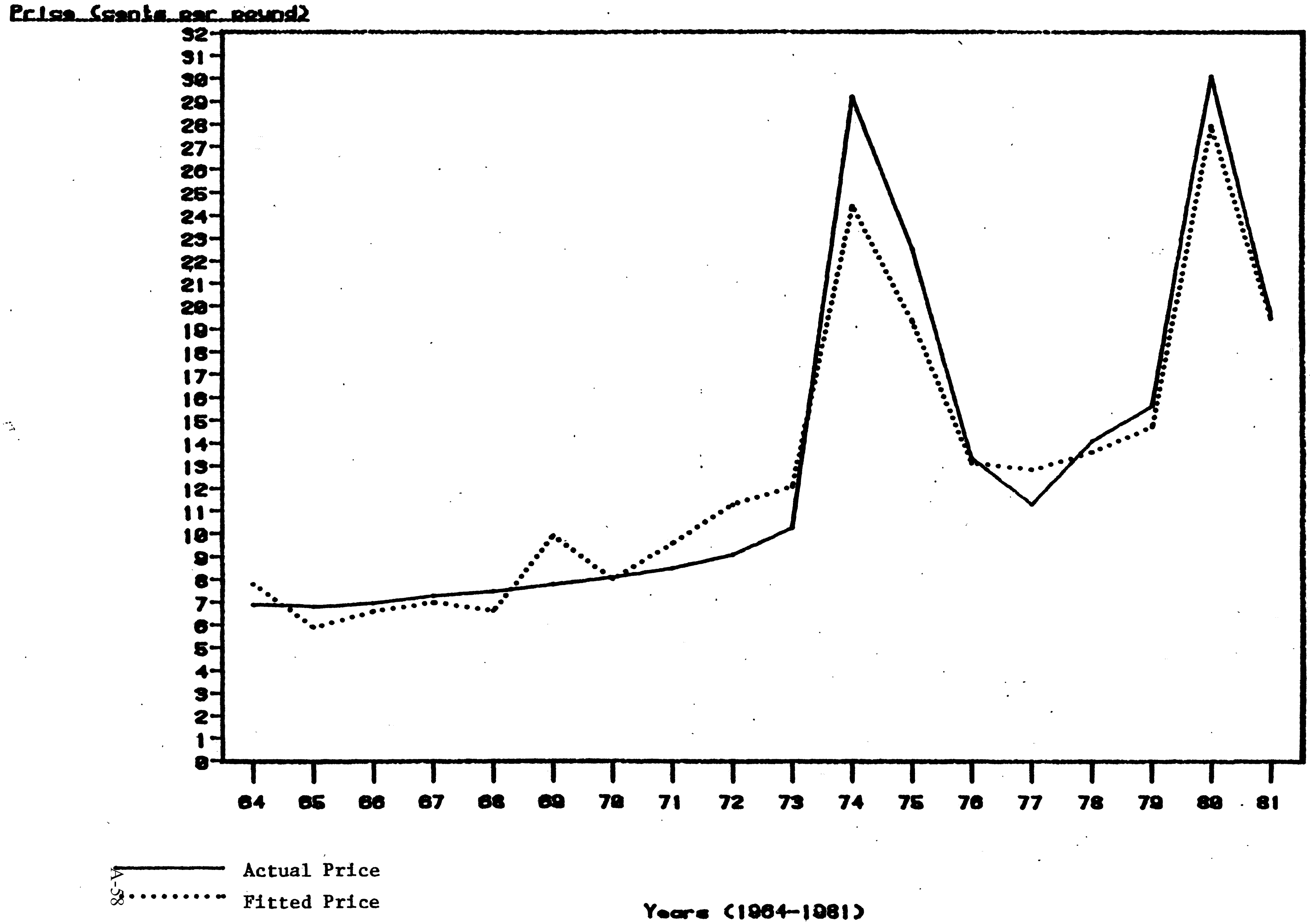
Imports of these products would have to increase sharply in 1984 to bring about the substantial displacements of sales of sugar that would be required to have a significant effect on the price of raw sugar. The estimates show that imports of blended products would have to rise sufficiently to displace about 75,000 tons of sales of refined sugar, thus causing the price of raw sugar to decline by 0.5 cent per pound from the level that would prevail with no increase in imports. 3/ Imports of items contained in items 155.75 and 183.05 would have to increase to about twice their 1983 level in order to bring about a displacement of that magnitude. A displacement of 150,000 tons would be needed to bring about a price decline of 1 cent per pound, and displacement of 300,000 tons would be required to cause a decline of 2 cents per pound.

1/ During the first 10 months of 1983, the world price averaged 8.6 cents per pound, and the U.S. price averaged 22.1 cents per pound.

2/ The U.S. Department of Agriculture was asked for projections of the U.S. price of raw sugar at the hearing on Oct. 25. However, they did not provide projections at the hearing or in posthearing submissions.

3/ Although the USDA increased the 1984 sugar import quota by 150,000 tons over the 1983 level, it is expected by the USDA that the major portion of this increase will be used to replenish refiners' stocks, which have fallen to low levels. The 75,000 tons discussed here is an additional amount above that allowed under the increased quota.

Figure 5.--Raw sugar: Actual price and estimated price predicted by regression equation, 1964-81.



Source: Developed from official statistics of the U.S. Department of Agriculture.

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Estimates of sugar entered in certain articles containing sugar

Data are not reported on the amount of sugar imported into the United States in the products which are subjects of this investigation. However, on the basis of information supplied at the hearing, briefs submitted in connection with the investigation, information supplied by U.S. Customs officials, and questionnaire responses, estimates have been made of the amounts of sugar imported in certain types of articles subject to the investigation. Imports of sugar in the articles which were included in the emergency zero quota which became effective June 28, 1983, are estimated to have amounted to 66,855 tons 1/ (raw sugar equivalent) 2/ during May 1982-June 1983. Included are the imports of blended sirups (TSUS item 155.75), all of which were from Canada; blended sugars (TSUS item 183.05) imported directly from Canada; blended sugars (TSUS item 183.05) processed in foreign trade zones utilizing sugar from Canada and the EC; and flavored sugars (TSUS item 155.75) imported from Brazil and Canada.

Regarding imports of sugar in articles subject to the investigation but not included in the emergency quota, imports of sugar in the form of blended sugars containing less than 65 percent sugar derived from sugarcane or sugar beets (TSUS item 183.05) are known to have amounted to at least * * * tons 3/ (raw sugar equivalent) during June 29-November 14, 1983.

Information on imports of other articles containing sugar is too sketchy to make estimates of the sugar content of the imports; however, it is known that blended sugars in retail-size packages have been imported by at least one firm. 4/ Data on the amount of the imports are not available. In addition, information supplied at the hearing and by Customs officials indicates that imports of beverage bases containing large proportions of sugar have been increasing in recent months.

Quotas and fees

Either fees or quotas could be used to restrict imports of articles containing sugar. 5/ Both have significant advantages and drawbacks. A major

1/ Data are slightly understated.

2/ All conversions from refined sugar to raw sugar equivalents were performed using generally accepted industry practices.

3/ Data are understated.

4/ Transcript of the hearing, p. 223.

5/ If desired, the total remedy could consist of fees on some of the articles and quotas on others, but both remedies cannot be applied to the same article under sec. 22.

advantage of a fee is that it allows the market to continue to determine the level of imports of an item while reducing or eliminating any price advantage that the imported item has over comparable domestic products. However, since the precise impact of a fee on the volume of imports cannot be predicted, it is likely to be much less effective than a quota in holding imports to a desired level.

Although fees as high as 50 percent ad valorem could be imposed in addition to existing duties, determining the appropriate fee for a given item may be a complex process. One goal in setting the fee would be to entirely offset the price advantage of an imported article that arises from the low cost of the sugar contained in the article. If the sugar used in an imported item was obtained by the foreign producer at the world price, a specific fee could be applied that is based upon the sugar content of the article and the difference between the U.S. and the world prices of raw sugar. If, for example, the U.S. price of sugar were 20 cents per pound, the world price were 10 cents, and an import consisted of 50 percent sugar, a fee of 5 cents per pound would eliminate any price advantage enjoyed by the imported article that resulted from the lower world price of sugar. The fee would be higher if the sugar content were greater and lower if the sugar content were less. 1/ The fee would be increased if the difference between the U.S. and world prices widened, and it would be reduced if the difference narrowed.

One problem in administering a fee system of this type is that the sugar content of many imported items would not be known. Instead of requiring the Customs Service to continually test for this content, the burden could be placed on importers to specify the sugar content of the items. The Customs Service could then test the sugar content of the imported articles periodically to determine whether the percentages specified by the importers were valid. The difference between the U.S. and the world price of raw sugar can be obtained from prices which are reported daily.

If a quota is to be used as a remedy, the problem of choosing a quota level arises. 2/ Between May 1982 and June 29, 1983, the sugar content of the items imported under items Nos. 155.75 and 183.05 reached an estimated 66,855 tons. During this period, the average monthly U.S. price of raw sugar was consistently above the market stabilization price. Since these imports had no apparent effect on the U.S. price of raw sugar in that 13-month period, setting a quota level that allows the sugar content of items in these categories to reach 66,855 tons in 1984 would be one possible approach. However, the econometric results described earlier indicate that a larger quota with an additional raw sugar content of 75,000 tons over the amount that

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1/ If the sugar content of the article were 25 percent, the fee would be 2.5 cents per pound. If the content were 75 percent, the fee would be 7.5 cents per pound.

2/ Sec. 22 permits the imposition of quotas that restrict imports to levels as low as 50 percent of the amounts imported in a previous representative period.

entered in 1983 would reduce the U.S. price of raw sugar by only 0.5 cent per pound. This suggests that the raw sugar content of the items under a quota could exceed 66,855 tons without significantly affecting the U.S. price of raw sugar. On the other hand, the U.S. price of raw sugar has long been sensitive to a variety of short-term influences and thus cannot be easily predicted. Therefore, setting a more restrictive quota would reduce the risk of a decline in the U.S. raw sugar price.

Quotas may be imposed annually or for shorter periods on either a country-by-country or a global basis. If there is a concern that imports are likely to rise rapidly during the early part of an annual quota period and exert a depressing effect on the U.S. price of raw sugar, applying the quota on a quarterly basis would be the better approach. Whether the quota is applied an a global or a country-by-country basis, Canada is likely to continue to be the major supplier of some classes of items. If imports were allowed under item 155.75, allocating the quota on a country-by-country basis according to historical patterns would amount to an effective ban on imports from sources other than Canada. However, if the quota on this item were applied globally, Canada would probably still capture most of this market because of its geographical proximity.

The potential of foreign producers to supply certain articles

The potential of foreign producers to supply liquid and dry sugar blends to the United States is influenced by two major factors: transportation considerations and the availability of sugar in the home market.

Transportation factors vary depending on whether the blend is dry or liquid. Dry blends are much easier to ship and store than liquid blends. Additionally, a foreign nation with excess sugar could sell that product to a manufacturer in a foreign trade zone in the United States, where it could be blended into a dry mixture and then entered into the Customs territory of the United States. In either example, transportation costs would be primarily for a product that is near 100 percent sucrose.

Unlike the dry blends, liquid-sugar mixtures are both expensive to ship and difficult to maintain. The USDA has estimated that transportation costs essentially limit the only feasible sources for these products to Canada and Mexico. 1/ Additionally, liquid blends are very susceptible to bacterial growth and are difficult to maintain for long periods of time.

The potential of a foreign nation to supply these products to the United States is also dependent on that nation's supply of sugar. As shown in the following tabulation, compiled from the ISO Statistical Bulletin (August 1983), the ratios of ending stocks to consumption of several possible sources of these products varied widely in 1982:

1/ Posthearing submission of the USDA.

Source	Production	Ending stocks	Consumption	Ratio of ending stocks to consumption
	Metric tons			Percent
Canada	129,485	270,921	939,642	29
EC	15,724,000	13,506,319	10,627,300	127
Mexico	2,739,109	251,638	3,514,247	7
Brazil	8,940,554	3,589,813	6,096,912	59
World total	100,748,345	48,788,774	91,857,879	53

Canada, which was the major source of imports of the blended sirups and blended sugars covered by this investigation, has the rated capacity to produce 1,135,000 tons of refined sugar per year. 1/ This capacity estimate is based on operating the refineries 24 hours per day, 5 days per week. According to the CSI, the Canadian domestic market accounted for 81 percent of this capacity in 1982, while exports accounted for an additional 8 percent.

1/ Letter from the CSI dated Nov. 1, 1983.

APPENDIX A

THE PRESIDENT'S LETTER TO THE COMMISSION AND PRESIDENTIAL PROCLAMATION NO. 5071

THE WHITE HOUSE

WASHINGTON

June 28, 1983

Dear Mr. Chairman:

Pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that certain articles containing sugar or sirups derived from sugarcane or sugar beets are practically certain to be imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for sugarcane and sugar beets undertaken by the Department of Agriculture.

Specifically, reference is made to the following articles:

> Blended sirups provided for in TSUS item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported;
>
> Articles provided for in TSUS item 183.01 and 183.05, containing not less than 25 percent by dry weight of any sugars or blends of sugars provided for in Subpart A of part 10 of Schedule 1 of the TSUS, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients; and
>
> All other articles, wherever classified in the TSUS, containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS.

The United States International Trade Commission is therefore directed to make an investigation under Section 22 of the Agricultural Adjustment Act of 1933, as amended, to determine whether the above-described articles are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective or materially interfere with the price support program of the Department of Agriculture for sugarcane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

The Secretary has also determined and reported to me, pursuant to Section 22(b) of the Agricultural Adjustment Act of 1933, as amended, that a condition exists requiring emergency treatment with respect to certain articles containing sugar or sirups derived from sugarcane or sugar beets as described below, and has therefore recommended that I take prompt action under Section 22(b) to restrict the quantity of these articles which may be entered. I have therefore this day issued a proclamation establishing quotas of zero pounds for the following articles:

> Blended sirups provided for in TSUS item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; and,
>
> Articles containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles, provided for in TSUS items 155.75, 156.45, 183.01, and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States.

These quotas will continue in effect pending the report and recommendations of the United States International Trade Commission and action that I may take thereon.

Sincerely,

Ronald Reagan

The Honorable Alfred E. Eckes
Chairman
United States International Trade Commission
701 E Street, N.W.
Washington, D.C. 20436

Federal Register / Vol. 48, No. 127 / Thursday, June 30, 1983 / Presidential Documents 30089

Presidential Documents

Proclamation 5071 of June 28, 1983

Import Quotas on Certain Sugars, Sirups, Blends, and Mixtures

By the President of the United States of America

A Proclamation

1. The Secretary of Agriculture has advised me that he has reason to believe that certain sugars, blended sirups, and sugars mixed with other ingredients, described below, and certain other sugars, sirups and mixtures of sugar or sirup with other ingredients are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets.

2. I agree that there is reason for such belief by the Secretary of Agriculture, and therefore I am requesting the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624), and report its findings and recommendations to me as soon as possible.

3. The Secretary of Agriculture has also determined and reported to me with regard to the sugars, blended sirups, and sugars mixed with other ingredients, described below, that a condition exists which requires emergency treatment and that the import quotas hereinafter proclaimed should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

4. On the basis of the information submitted to me, I find and declare that:

(a) The articles described below are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations of the Department of Agriculture for sugar cane and sugar beets;

(b) The representative period within the meaning of the first proviso to subsection (b) of section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624), for imports of the articles described below is the years 1978–81, during which years there were no imports of the described articles; and

(c) The imposition of the import quotas hereinafter proclaimed, without awaiting the recommendations of the United States International Trade Commission with respect to such action, is necessary in order that the entry, or withdrawal from warehouse for consumption, of the articles described below will not materially interfere with the price support operations being conducted by the Department of Agriculture for sugar cane or sugar beets.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, by the authority vested in me by section 22 of the Agricultural Adjustment Act of 1933, as amended, and the Constitution and Statutes of the United States, including Section 301 of Title 3 of the United States Code, do hereby proclaim as follows:

1. Part 3 of the Appendix to the Tariff Schedules of the United States is amended by inserting in numerical sequence the following two items:

Item	Articles	Quota Quantity
958.10	Blended sirups provided for in TSUS item 155.75, containing sugars derived from sugar cane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported	None
958.15	Articles containing over 65 percent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles provided for in TSUS items 155.75, 156.45, 183.01, and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States	None

2. Pending Presidential action upon receipt of the report and recommendations of the United States International Trade Commission on this matter, the quotas established by this proclamation shall apply to articles entered, or withdrawn from warehouse for consumption, on or after the effective date of this proclamation. However, these quotas shall not apply to articles entered, or withdrawn from warehouse for consumption, if the articles were (1) exported from the country of origin prior to the effective date of this proclamation, and (2) imported directly into the United States, as determined by the appropriate customs officials, in accordance with the criteria set forth at 19 CFR 10.174, 10.175 (1982).

3. This proclamation shall be effective as of 12:01 a.m. Eastern Daylight Time on the day following the date of its signing.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of June, in the year of our Lord nineteen hundred and eighty-three, and of the Independence of the United States of America the two hundred and seventh.

Ronald Reagan

[FR Doc. 83-17870
Filed 6-29-83; 11:30 am]
Billing code 3195-01-M

Editorial Note: A letter from the President to the Chairman of the U.S. International Trade Commission on the import quotas is printed in the *Weekly Compilation of Presidential Documents* (vol. 19, no. 26).

APPENDIX B

WITNESSES APPEARING AT THE HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Certain Articles Containing Sugar

Inv. No. : 22-46

Date and time: October 25, 1983 - 10:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Government appearances:

United States Department of Agriculture, Washington, D.C.

Richard A. Smith, Administrator, Foreign Agricultural Service

S. E. T. Bogan, Agricultural Stabilization and Conservation Service

Robert Barry, Economic Research Service

Daniel Brinza, Office of General Counsel

James Truran, Foreign Agricultural Service

William Doering, Foreign Agricultural Service

Domestic:

Baker & McKenzie--Counsel
Washington, D.C.
on behalf of

Amstar Corporation, New York, N.Y.

Robert Vorsanger, Assistant General Counsel

Dr. Margaret Blamburg, Vice President, American Sugar Division

Thomas P. Ondeck--OF COUNSEL

A-70

- more -

4C Foods Corporation, Brooklyn, New York

Daniel C. Swartz, Vice President

United States Cane Sugar Refiners' Association, Washington, D.C.

Nicholas Kominus, President

Accompanied by:

Wilmer, Cutler & Pickering, Washington, D.C.

Daniel K. Mayers, Esq.

Abel, Daft and Earley, Washington, D.C.

Thomas Earley, Economic Consultant

Italo H. Ablondi, P.C.--Counsel
Wahington, D.C.
on behalf of

United States Beet Sugar Association, Washington, D.C.

David C. Carter, President

F. David Foster--OF COUNSEL

Importers:

Rogers & Wells--Counsel
Washington, D.C.
on behalf of

Canadian Sugar Institute, Toronto, Canada

Robert S. Thompson, President

John Lewis, Chief Chemist, Westcane Sugar, Ltd.,
Oshawa, Ontario

Michael E. Vincent, President, Toledo Sugars, Inc.

Robert V. McIntyre)
George C. Smith)--OF COUNSEL

- more -

Arent, Fox, Kintner, Plotkin & Kahn--Counsel
Washington, D.C.
on behalf of

U.S. Brands Corporation, Buffalo, New York

David V. Bonerb, President

Stephen L. Gibson--OF COUNSEL

Canada Lentzco Ltd., Toronto, Canada

Samuel Varco, Manager

Michael Don

APPENDIX C

COMMISSION'S NOTICE OF INSTITUTION

INTERNATIONAL TRADE COMMISSION

[Investigation No. 22-46]

Certain Articles Containing Sugar

AGENCY: International Trade Commission.

ACTION: Institution of an investigation under section 22(a) of the Agricultural Adjustment Act (7 U.S.C. 624(a)) to determine whether certain articles containing sugar are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for sugarcane and sugar beets; and to schedule a public hearing in connection therewith.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission, instituted investigation 22-46 following receipt of the attached letter dated June 28, 1983, from the President directing the Commission to conduct such an investigation. The letter stated that the President agreed with the Secretary of Agriculture that there is reason to believe that certain articles containing sugars derived from sugarcane or sugar beets are practically certain to be imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for sugarcane and sugar beets undertaken by the Department of Agriculture.

The President's letter also stated that he was that day taking emergency action under section 22(b) of the Agricultural Adjustment Act and issuing a proclamation establishing quotas of zero pounds for certain of the above mentioned articles, with such quotas to continue in effect pending the report and recommendation of the Commission and action that he may take thereon.

A description of the articles included in the investigation and in the emergency action is contained in the attached letter from the President.

EFFECTIVE DATE: July 6, 1983.

FOR FURTHER INFORMATION CONTACT: Lowell Grant (202-724-0099), Agriculture Division, Office of Industries, U.S. International Trade Commission, or David Coombs (202-523-1376), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11) not later than 21 days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c) as amended by 47 FR 33682, Aug 4, 1982).

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on October 25, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on October 11, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on October 13, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is October 19, 1983.

Testimony at the public hearing shall be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs. Posthearing briefs shall not exceed ten (10) pages of textual material, double spaced, on stationery measuring 8½ x 11 inches, and must be submitted not later than the close of business on November 1, 1983. In addition, the presiding official may permit persons to file answers to questions or requests made by the Commission at the hearing within a specified time. The Secretary shall not accept for filing posthearing briefs or answers which do not comply with the provisions contained in this notice.

Written submissions.—As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before November 1, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR 201, as amended by 47 FR 33682, Aug. 4, 1982).

This notice is published pursuant to § 204.2 of the Commission's rules (19 CFR 204.2).

By order of the Commission.

Issued: July 7, 1983.

Kenneth R. Mason,

Secretary.

THE WHITE HOUSE,
WASHINGTON,
June 28, 1983.

Dear Mr. Chairman: Pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that certain articles containing sugar or sirups derived from sugarcane or sugar beets are practically certain to be imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for sugarcane and sugar beets undertaken by the Department of Agriculture.

Specifically, reference is made to the following articles:

Blended sirups provided for in TSUS item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported;

Articles provided for in TSUS item 183.01 and 183.05, containing not less than 25 percent by dry weight of any sugars or blends of sugars provided for in Subpart A of part 10 of Schedule 1 of the TSUS, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients; and

All other articles, wherever classified in the TSUS, containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, and capable of being further processed or mixed with similar or other ingredients, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the TSUS.

The United States International Trade Commission is therefore directed to make an investigation under Section 22 of the Agricultural Adjustment Act of 1933, as amended, to determine whether the above-described articles are being, or are practically certain to be, imported under such conditions, at such prices, and in such quantities as to render or tend to render ineffective or materially interfere with the price support program of the Department of Agriculture for sugarcane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

The Secretary has also determined and reported to me, pursuant to Section 22(b) of the Agricultural Adjustment Act of 1933, as amended, that a condition exists requiring emergency treatment with respect to certain articles containing sugar or sirups derived from sugarcane or sugar beets as described below, and has therefore recommended that I take prompt action under Section 22(b) to restrict the quantity of these articles which may be entered. I have therefore this day issued a proclamation establishing quotas of zero pounds for the following articles:

Blended sirups provided for in TSUS item 155.75, containing sugars derived from sugarcane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; and,

Articles containing over 65 percent by dry weight of sugars derived from sugarcane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles, provided for in TSUS items 155.75, 156.45, 183.01, and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States.

These quotas will continue in effect pending the report and recommendations of the United States International Trade Commission and action that I may take thereon.

Sincerely,

Ronald Reagan.

The Honorable Alfred E. Eckes,
Chairman, United States International Trade Commission, 701 E Street, NW., Washington, D.C.

[FR Doc. 83-18892 Filed 7-12-83; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX D

ACTIONS TAKEN BY THE GOVERNMENT SINCE APRIL 1982 IN CONNECTION WITH THE PRICE-SUPPORT PROGRAM

Table 24.--Sugar (TSUS items 155.20 and 155.30): U.S. import duties, import fees, and quotas, Apr. 1, 1982-Sept. 26, 1983

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Sec. 22 fees 1/: Raw sugar 2/	Sec. 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977
			Cents per pound						
Apr. 1, 1982	47 F.R. 14200 (Apr. 2, 1982).	Presidential Proclamation: No. 4887.	2.8125 4/	2.98125 4/	2.8125 4/	2.98125 4/	3.0703	4.1782	-
Apr. 21, 1982	47 F.R. 17600 (Apr. 23, 1982).	Presidential Proclamation: No. 4887.	-	-	-	-	4.0703	5.1782	-
May 6, 1982	Presidential Proclamation: No. 4940.	Sec. 22	-	-	-	-	4.0703 Modified procedure for Secretary of Agriculture to establish and adjust fees--Marginal Selling Price revised to 19.88.	5.0703	-
May 11, 1982	Presidential Proclamation No. 4941	Headnote 2	-	-	-	-			Establishes certificate of eligibility system. All countries in "basket category" assigned quotas according to pro rata share of category or of 16,500 short tons, whichever is greater. Quota for May 11-June 30, 1982--220,000 short tons.
July 1, 1982	47 F.R. 26420 (June 18, 1982).	Presidential Proclamation No. 4941.	-	-	-	-			Establishes quota for 3d quarter of 1982--420,000 short tons.
July 1, 1982	47 F.R. 28442 (June 30, 1982).	Presidential Proclamation No. 4940.	-	-	-	-	3.4193	4.4193	
July 21, 1982	47 F.R. 31905 (July 23, 1982).	Presidential Proclamation No. 4940.	-	-	-	-	2.4193	3.4193	
Aug. 10, 1982	47 F.R. 35027 (Aug. 12, 1982).	Presidential Proclamation No. 4940.	-	-	-	-	1.4193	2.4193	
Aug. 28, 1982	47 F.R. 38566 (Sept. 1, 1982).	Presidential Proclamation No. 4940.	-	-	-	-	0.4193	1.4193	
Oct. 1, 1982	47 F.R. 41407 (Sept. 20, 1982).	Presidential Proclamation No. 4941.	-	-	-	-			Quota for Oct. 1, 1982-Sept. 30, 1983, 2.8 million short tons.
Oct. 1, 1982	47 F.R. 34812, 34870 (Aug. 11, 1982).	Presidential Proclamation No. 4941.							Modifies allocation provisions and establishes annual quotas.

See footnotes at end of table.

Table 24.--Sugar (TSUS items 155.20 and 155.30): U.S. import duties, import fees, and quotas, Apr. 1, 1982, to Sept. 26, 1983 (continued)

Effective date	Action	Authority	Rates of duty: Col. 1: 96° raw sugar	Rates of duty: Col. 1: 100° refined sugar	Rates of duty: Col. 2: 96° raw sugar	Rates of duty: Col. 2: 100° refined sugar	Sec. 22 fees 1/: Raw sugar 2/	Sec. 22 fees 1/: Refined sugar 3/	Quotas and other requirements of International Sugar Agreement, 1977 (ISA)
			Cents per pound						
Oct. 1, 1982	47 F.R. 42766 (Sept. 29, 1982).	Presidential Proclamation: No. 4940.	-	-	-	-	0.00	1.00	
Oct. 1, 1982	47 F.R. 43101 (Sept. 30, 1982).	Presidential Proclamation: No. 4940.	-	-	-	-	-	-	MSP set at 20.73 for FY 1983.
Apr. 1, 1983	48 F.R. 13212 (Mar. 30, 1983).	Presidential Proclamation: No. 4940.	-	-	-	-	0.00	1.00	
June 22, 1983	48 F.R. 28771 (June 23, 1983).	Presidential Proclamation: No. 4941.	-	-	-	-	-	-	Establishes "specialty sugar" for countries exporting sugar to the U.S. during 1974-81, but not covered by quota. Quota set at 80 short tons per country.
June 23, 1983	48 F.R. 28679 (June 23, 1983).	Presidential Proclamation: No. 4941.	-	-	-	-	-	-	Expands Oct. 1, 1982-Sept. 30, 1983, quota from 2.8 million by 2,000 to account for "specialty sugar" imports from countries not otherwise covered by quota.
June 28, 1983	48 F.R. 29824 (June 28, 1983).	Presidential Proclamation: No. 4941.	-	-	-	-	-	-	Promulgates final rule on "specialty sugar" license system.
June 29, 1983	Presidential Proclamation: No. 5071.	Sec. 22	-	-	-	-	-	-	Establishes a quota of zero for certain articles containing sugar.
July 1, 1983	48 F.R. 29932	Presidential Proclamation: No. 4940.	-	-	-	-	0.00	100	
Sept. 20, 1983	48 F.R. 42843 (Sept. 20, 1983).	Presidential Proclamation: No. 4941.	-	-	-	-	-	-	Quota for Sept. 26, 1982-Sept. 30, 1984,--2,952,000 short tons.
Sept. 26, 1983	Presidential Proclamation: No. 5104.	Sec. 201	-	-	-	-	-	-	Reallocates quotas.

1/ Sec. 22 fees may not exceed 50 percent ad valorem.
2/ Sugar to be further refined or improved in quality.
3/ Sugar not to be further refined or improved in quality.
4/ Rates in effect since Dec. 23. 1981.

APPENDIX E

EXCERPTS FROM THE TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Subpart B. - Edible Fruits				
			Subpart B headnote:				
			1. For the purposes of this part -- (a) the term "fresh" covers fruit crude or in its natural state, whether green (immature) or ripe, and whether or not chilled (but not frozen), and includes fruit notwithstanding the use of nonpreservative coloring or other matter to maintain or improve its appearance; (b) the term "dried" means dried, desiccated, or evaporated; (c) the term "in brine" means provisionally preserved by packing in a preservative liquid solution such as water impregnated with salt or sulphur dioxide, but not specially prepared for immediate consumption; (d) the term "pickled" means prepared or preserved in vinegar or acetic acid whether or not packed in oil or containing sugar, salt, or spices; and (e) the term "prepared or preserved" covers fruit which is dried, in brine, pickled, frozen, or otherwise prepared or preserved, but does not cover fruit juices (see part 12A of this schedule), or fruit flours, peels, pastes, pulps, jellies, jams, marmalades, or butters (see subpart C of this part), or candied, crystallized, or glacé fruits (see subpart D of this part).				
			Apples, fresh, or prepared or preserved:				
	146.10	00	Fresh	Lb.	Free		0.5c per lb.
A	146.12	00	Dried	Lb.	0.75c per lb.		2c per lb.
	146.14	00	Otherwise prepared or preserved	Lb.	0.5c per lb.		2.5c per lb.
			Apricots, fresh, or prepared or preserved:				
	146.20	00	Fresh or in brine	Lb.	0.2c per lb.		0.5c per lb.
A*	146.22	00	Dried	Lb.	1c per lb.		2c per lb.
	146.24	00	Otherwise prepared or preserved	Lb.	35% ad val.		35% ad val.
	146.30	00	Avocados (alligator pears), fresh, or prepared or preserved	Lb.	6.7c per lb.	6c per lb.	15c per lb.
	146.31		If products of Cuba		Free (s)		
			Bananas, fresh, or prepared or preserved:				
	146.40	00	Fresh	Lb.	Free		Free
A	146.42	00	Dried	Lb.	1.8% ad val.		35% ad val.
A*	146.44	00	Otherwise prepared or preserved	Lb.	3% ad val.		35% ad val.

(s) = Suspended. See general headnote 3(b).

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 9 - Edible Nuts and Fruits

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Berries, fresh, or prepared or preserved:				
			Fresh or in brine:				
	146.50	00	Blueberries	Lb.	Free		1.25c per lb.
	146.52	00	Lingon or partridge berries	Lb.	Free		1.25c per lb.
			Loganberries and raspberries:				
	146.54	00	If entered during the period from July 1 to August 31, inclusive, in any year	Lb.	Free		1.25c per lb.
	146.56	00	If entered at any other time	Lb.	0.3c per lb.		1.25c per lb.
			Strawberries:				
	146.58	00	If entered during the period from June 15 to September 15, inclusive, in any year	Lb.	0.2c per lb.		1.25c per lb.
	146.60	00	If entered at any other time	Lb.	0.75c per lb.		1.25c per lb.
	146.62	00	Other berries	Lb.	Free		1.25c per lb.
			Dried:				
	146.64	00	Barberries	Lb.	2.5c per lb.		2.5c per lb.
A	146.66	00	Other	Lb.	1c per lb.		2.5c per lb.
			Frozen:				
	146.68	00	Blueberries	Lb.	Free		35% ad val.
A	146.69	00	Black currants, gooseberries, lingon or partridge berries and loganberries	Lb.	7% ad val.		35% ad val.
	146.70	00	Boysenberries	Lb.	14% ad val.		35% ad val.
	146.71	00	Cranberries	Lb.	6% ad val.		35% ad val.
A	146.74	00	Raspberries	Lb.	7% ad val.		35% ad val.
A*	146.76		Strawberries		14% ad val.		35% ad val.
		25	In immediate containers each holding not more than 40 ounces	Lb.			
		30	In immediate containers each holding more than 40 ounces	Lb.			
A	146.78	00	Other berries	Lb.	14% ad val.		35% ad val.
			Otherwise prepared or preserved:				
	146.79	00	Blueberries	Lb.	3.5% ad val.		35% ad val.
A	146.82	00	Black currants, gooseberries, lingon or partridge berries and loganberries	Lb.	7% ad val.		35% ad val.
	146.83	00	Cranberries	Lb.	10% ad val.		35% ad val.
	146.84	00	Raspberries	Lb.	7% ad val.		35% ad val.
	146.85	00	Strawberries	Lb.	14% ad val.		35% ad val.
	146.86	00	Other berries	Lb.	14% ad val.		35% ad val.
A	146.87	00	Cashew apples, mameyes colorados, sapodillas, soursops, and sweetsops, fresh, or prepared or preserved	Lb.	2.8% ad val.		35% ad val.
			Cherries, fresh, or prepared or preserved:				
			Fresh:				
A	146.90	00	Not in airtight or watertight containers	Lb.	0.1c per lb.	Free	2c per lb.
	146.91	00	In airtight or watertight containers	Lb.	1c per lb.		2c per lb.
	146.93	00	Dried	Lb.	6c per lb.		6c per lb.
			In brine:				
	146.95	00	With pits	Lb.	5.5c per lb.		5.5c per lb.
	146.96	00	With pits removed	Lb.	9.5c per lb.		9.5c per lb.
	146.97	00	Frozen	Lb.	3.5c per lb. + 5% ad val.		9.5c per lb. + 40% ad val.
	146.99	00	Otherwise prepared or preserved	Lb.	7c per lb. + 10% ad val.		9.5c per lb. + 40% ad val.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	LDDC	2
			Citrus fruits, fresh, or prepared or preserved:				
			Citrons:				
	147.00	00	Fresh, dried, or in brine	Lb.	Free		Free
	147.02	00	Otherwise prepared or preserved	Lb.	1.7c per lb.		6c per lb.
			Grapefruit:				
			If entered during the period from August 1 to September 30, inclusive, in any year:				
	147.03	00	Fresh	Lb.	1c per lb.		1.5c per lb.
	147.04		If product of Cuba	....	0.3c per lb.(s)		
	147.05	00	Prepared or preserved	Lb.	0.6c per lb.		1.5c per lb.
	147.06		If product of Cuba	....	0.3c per lb.(s)		
			If entered during the month of October:				
	147.07	00	Fresh	Lb.	0.8c per lb.		1.5c per lb.
	147.08		If product of Cuba	....	0.6c per lb.(s)		
	147.09	00	Prepared or preserved	Lb.	0.6c per lb.		1.5c per lb.
			If entered during the period from November 1, in any year, to the following July 31, inclusive:				
	147.15	00	Fresh	Lb.	1.3c per lb.		1.5c per lb.
	147.16		If product of Cuba	....	1.2c per lb.(s)		
	147.17	00	Prepared or preserved	Lb.	0.6c per lb.		1.5c per lb.
			Lemons:				
	147.19	00	Fresh	Lb.	1.25c per lb.		2.5c per lb.
A	147.21	00	Prepared or preserved	Lb.	0.6c per lb.		2.5c per lb.
			Limes:				
	147.22	00	Fresh or in brine	Lb.	1c per lb.		2c per lb.
	147.23		If products of Cuba	....	0.8c per lb.(s)		
	147.26	00	Otherwise prepared or preserved	Lb.	17.5% ad val.		35% ad val.
	147.27		If products of Cuba	....	14% ad val.(s)		
			Oranges:				
A	147.29	00	Mandarin, packed in airtight containers	Lb.	0.2c per lb.		1c per lb.
	147.30	00	Kumquats, packed in airtight containers	Lb.	0.25c per lb.		1c per lb.
	147.31		Other	....	1c per lb.		1c per lb.
			Fresh:				
		20	Mandarins and tangerines	Lb.			
		40	Other	Lb.			
		60	Prepared or preserved	Lb.			
	147.32		If products of Cuba	....	0.8c per lb.(s)		
			Other citrus fruits:				
A	147.33	00	Fresh	Lb.	6% ad val.	3.4% ad val.	35% ad val.
A	147.36	00	Prepared or preserved	Lb.	23% ad val.	17.5% ad val.	35% ad val.
	147.37		If products of Cuba	....	14% ad val.(s)		

(s) = Suspended. See general headnote 3(b).

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Dates, fresh, or prepared or preserved:				
			Fresh or dried:				
			With pits:				
			Packed in units weighing (with the immediate container, if any) not more than 10 pounds each:				
	147.38	00	Chiani type	Lb.	3c per lb.		7.5c per lb.
	147.41	00	Other	Lb.	7.5c per lb.		7.5c per lb.
	147.42	00	Other	Lb.	1c per lb.		1c per lb.
			With pits removed:				
	147.44	00	Packed in units weighing (with the immediate container, if any) not more than 10 pounds each	Lb.	7.5c per lb.		7.5c per lb.
	147.46	00	Other	Lb.	2c per lb.		2c per lb.
	147.48	00	Otherwise prepared or preserved	Lb.	35% ad val.		35% ad val.
			Figs, fresh, or prepared or preserved:				
	147.50	00	Fresh or in brine	Lb.	1.5c per lb.		5c per lb.
			Dried:				
	147.51	00	In immediate containers weighing with their contents over 1 pound each	Lb.	4.5c per lb.		5c per lb.
❷ A	147.53	00	Other	Lb.	3.5c per lb.		5c per lb.
A ❷	147.54	00	Otherwise prepared or preserved	Lb.	12% ad val.		40% ad val.
			Grapes, fresh, or prepared or preserved:				
			Fresh (in bulk, or in crates, barrels or other packages):				
	147.60	00	Hothouse	Cu. ft.v Lb.	6c per cu. ft. of such bulk or the capacity of the package		25c per cu. ft. of such bulk or the capacity of the package
			Other than hothouse:				
	147.61	00	If entered during the period from February 15 to March 31, inclusive, in any year	Cu. ft.v Lb.	4.6c per cu. ft. of such bulk or the capacity of the package	4c per cu. ft. of such bulk or the capacity of the package	25c per cu. ft. of such bulk or the capacity of the package
	147.63	00	If entered during the period from April 1 to June 30, inclusive, in any year	Cu. ft.v Lb.	Free		25c per cu. ft. of such bulk or the capacity of the package
	147.64	00	If entered at any other time	Cu. ft.v Lb.	6c per cu. ft. of such bulk or the capacity of the package		25c per cu. ft. of such bulk or the capacity of the package
			Dried:				
			Raisins:				
			Made from seedless grapes:				
	147.66	00	Currants	Lb.	1c per lb.		2c per lb.
	147.68	00	Sultana	Lb.	1c per lb.		2c per lb.
	147.70	00	Other	Lb.	1c per lb.		2c per lb.
	147.72	00	Other raisins	Lb.	2c per lb.		2c per lb.
	147.75	00	Other dried grapes	Lb.	2.5c per lb.		2.5c per lb.
	147.77	00	Otherwise prepared or preserved	Lb.	12.3% ad val.	7% ad val.	35% ad val.
	147.78		If products of Cuba		14% ad val. (s)		

(s) = Suspended. See general headnote 3(b).

❷ Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	LDDC	2
			Guavas, fresh, or prepared or preserved:				
A	147.80	00	Fresh, dried, in brine, or pickled................	Lb......	7% ad val.		35% ad val.
A	147.85	00	Otherwise prepared or preserved....................	Lb......	2% ad val.	Free	35% ad val.
			Mangoes, fresh, or prepared or preserved:				
			Fresh:				
A*	148.03	00	If entered during the period from September 1, in any year, to the following May 31, inclusive..................................	Lb......	3.75¢ per lb.		15¢ per lb.
	148.04		If product of Cuba......................	....	3¢ per lb. (s)		
	148.06	00	If entered at any other time.................	Lb......	3.75¢ per lb.		15¢ per lb.
	148.07		If product of Cuba......................	....	3¢ per lb. (s)		
A	148.08	00	Prepared or preserved............................	Lb......	1.5¢ per lb.		15¢ per lb.
			Melons, fresh, or prepared or preserved:				
			Fresh:				
			Cantaloupes:				
	148.10	00	If entered during the period from August 1 to September 15, inclusive, in any year..................	Lb......	20% ad val.		35% ad val.
	148.11		If products of Cuba................	....	14% ad val. (s)		
A*	148.12	00	If entered during the period from December 1, in any year, to the following March 31, inclusive...........	Lb......	35% ad val. 1/		35% ad val.
	148.13		If products of Cuba................	....	14% ad val. (s)		
A*	148.17	00	If entered at any other time............	Lb......	35% ad val. 1/		35% ad val.
	148.18		If products of Cuba................	....	14% ad val. (s)		
			Ogen and Galia melons:				
A	148.19	00	If entered during the period from December 1, in any year, to the following May 31, inclusive.............	Lb......	3.5% ad val.		35% ad val.
	148.22	00	If entered at any other time............	Lb......	23% ad val.	14% ad val.	35% ad val.
	148.23		If product of Cuba................	....	14% ad val. (s)		
			Watermelons:				
A*	148.25	00	If entered during the period from December 1, in any year, to the following March 31, inclusive...........	Lb......	20% ad val.		35% ad val.
	148.28	00	If entered at any other time............	Lb......	20% ad val.		35% ad val.
	148.29		If products of Cuba.....................	....	Free (s)		
			Other melons:				
A*	148.30	00	If entered during the period from December 1, in any year, to the following May 31, inclusive.............	Lb......	8.5% ad val.		35% ad val.
	148.32	00	If entered at any other time............	Lb......	35% ad val.		35% ad val.
	148.33		If products of Cuba................	....	14% ad val. (s)		
A	148.35	00	Prepared or preserved............................	Lb......	23% ad val.	17.5% ad val.	35% ad val.
	148.36		If products of Cuba............................	....	14% ad val. (s)		

(s) = Suspended. See general headnote 3(b).

1/ Duty temporarily suspended if entered during the period from January 1 to May 15. See item 903.65 in part 1B, Appendix to the Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general [illegible]

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Olives, fresh, or prepared or preserved:				
	148.40	00	Fresh	Lb.	5¢ per lb.		5¢ per lb.
			In brine, whether or not pitted or stuffed:				
			Not ripe and not pitted or stuffed:				
	148.42	00	Not green in color and not packed in airtight containers of glass, metal, or glass and metal	Gal. v Lb.	15¢ per gal.		20¢ per gal.
	148.44		Other		20¢ per gal.		20¢ per gal.
		20	In containers each holding not more than 0.3 gallon	Gal. v Lb.			
		40	In containers each holding more than 0.3 gallon	Gal. v Lb.			
			Ripe, but not pitted or stuffed:				
	148.46	00	Not green in color and not packed in airtight containers of glass, metal, or glass and metal	Gal. v Lb.	15¢ per gal.		30¢ per gal.
	148.48	00	Other	Gal. v Lb.	30¢ per gal.		30¢ per gal.
	148.50		Pitted or stuffed		30¢ per gal.		30¢ per gal.
			Pitted:				
		20	In containers each holding not more than 0.3 gallon	Gal. v Lb.			
		40	In containers each holding more than 0.3 gallon	Gal. v Lb.			
			Stuffed:				
			In containers each holding not more than 0.3 gallon:				
		65	Placed packed	Gal. v Lb.			
		70	Other	Gal. v Lb.			
		80	In containers each holding more than 0.3 gallon	Gal. v Lb.			
			Dried:				
A	148.52	00	Not ripe	Lb.	5¢ per lb.		5¢ per lb.
	148.54	00	Ripe	Lb.	2.5¢ per lb.		5¢ per lb.
	148.56	00	Otherwise prepared or preserved	Lb.	5¢ per lb.		5¢ per lb.
			Papayas, fresh, or prepared or preserved:				
	148.60	00	Fresh	Lb.	8.5% ad val.		35% ad val.
	148.61		If products of Cuba		Free (s)		
A	148.65	00	Prepared or preserved	Lb.	4% ad val.		35% ad val.

(s) = Suspended. See general headnote 3(b).

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	LDDC	2
			Peaches, fresh, or prepared or preserved:				
			Fresh or in brine:				
	148.70	00	If entered during the period from June 1 to November 30, inclusive, in any year........	Lb......	0.2c per lb.		0.5c per lb.
A*	148.72	00	If entered at any other time..................	Lb......	0.05c per lb.	Free	0.5c per lb.
	148.74	00	Dried..	Lb......	1c per lb.		2c per lb.
			Otherwise prepared or preserved:				
A	148.77	00	White fleshed..................................	Lb......	10% ad val.		35% ad val.
	148.78	00	Other..	Lb......	20% ad val.		35% ad val.
			Pears, fresh, or prepared or preserved:				
			Fresh or in brine:				
A*	148.81	00	If entered during the period from April 1 to June 30, inclusive, in any year............	Lb......	0.12c per lb.	Free	0.5c per lb.
	148.82	00	If entered at any other time..................	Lb......	0.5c per lb.		0.5c per lb.
	148.83	00	Dried..	Lb......	0.7c per lb.	Free	2c per lb.
	148.86	00	Otherwise prepared or preserved...................	Lb......	18% ad val.		35% ad val.
			Pineapples, fresh, or prepared or preserved:				
			Fresh:				
	148.90	00	In bulk..	No.....v Lb.	1-1/6c each		1-1/6c each
	148.91		If products of Cuba.....................	....	0.84-2/3c each (s)		
	148.93	00	In crates..	Crate of 2.45 cubic feet..v Lb.	35c per crate of 2.45 cu. ft.		50c per crate of 2.45 cu. ft.
	148.94		If products of Cuba.....................	....	20c per crate of 2.45 cu. ft. (s)		
	148.96	00	In packages other than crates................	Crate equiv. of 2.45 cubic feet..v Lb.	27c per 2.45 cu. ft.		50c per 2.45 cu. ft.
	148.97		If products of Cuba.....................	....	20c per 2.45 cu. ft. (s)		
	148.98		Prepared or preserved............................	....	0.5c per lb.	0.25c per lb.	2c per lb.
		20	In airtight containers.......................	Lb.			
		40	Not in airtight containers...................	Lb.			
			Plantains, fresh, or prepared or preserved:				
	149.10	00	Fresh..	Lb......	Free		Free
A	149.15	00	Prepared or preserved............................	Lb......	3% ad val.		35% ad val.

(s) = Suspended. See general headnote 3(b).

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Plums, prunes, and prunelles, fresh, or prepared or preserved:				
			Fresh:				
	149.18	00	If entered during the period from January 1 to May 31, inclusive, in any year............	Lb......	0.05c per lb.	Free	0.5c per lb.
	149.21	00	If entered during the period from June 1 to December 31, inclusive, in any year........	Lb......	0.5c per lb.		0.5c per lb.
	149.24	00	In brine..	Lb......	0.1c per lb.		0.5c per lb.
	149.26	00	Dried...	Lb......	2c per lb.		2c per lb.
	149.28		Otherwise prepared or preserved....................	....	17.5% ad val.		35% ad val.
		20	In airtight containers........................	Lb.			
		40	Not in airtight containers....................	Lb.			
	149.40	00	Tamarinds, fresh, or prepared or preserved.............	Lb......	Free		Free
			Other fruits, fresh, or prepared or preserved:				
	149.48	00	Chinese gooseberries (Actinidia Chinensis Planch.), fresh..	Lb......	Free		1.25c per lb.
A*	149.50	00	Other fruits, fresh...............................	Lb......	6% ad val.	3.4% ad val.	35% ad val.
A	149.60	00	Prepared or preserved.............................	Lb......	7% ad val.		35% ad val.
			Mixtures of two or more fruits, prepared or preserved:				
	150.02	00	In airtight containers and not containing apricots, citrus fruits, peaches or pears..........	Lb......	7% ad val.		35% ad val.
	150.05	00	Other...	Lb......	17.5% ad val.		35% ad val.
	150.06		If products of Cuba..........................	....	14% ad val. (s)		
	150.50	00	Any of the prepared or preserved products covered by this subpart containing 0.5 percent or more ethyl alcohol by volume...............................	Pf. gal.	An additional duty of $2.50 per proof gal. on such alcohol content 1/		An additional duty of $5 per proof gal. on such alcohol content 1/
			Subpart C. - Fruit Flours, Peels, Pastes, Pulps, Jellies, Jams, Marmalades, and Butters				
			Fruit flours:				
A	152.00	00	Banana and plantain...............................	Lb......	4.9% ad val.		20% ad val.
A	152.05	00	Other...	Lb......	15% ad val. 2/		20% ad val.

(s) = Suspended. See general headnote 3(b).

1/ Imports under this item may be subject to Federal Excise Tax (26 U.S.C. 5001 and 5041) as follows:
A) If containing distilled spirits, a tax of $10.50 per proof gallon and a proportionate tax at the like rate on all fractional parts of a proof gallon.
B) If containing wine, a tax of --
1) 17c per wine gallon on still wines containing not more than 14% of alcohol by volume;
2) 67c per wine gallon on still wines containing more than 14% and not exceeding 21% of alcohol by volume;
3) $2.25 per wine gallon on still wines containing more than 21% and not exceeding 24% of alcohol by volume;
4) $3.40 per wine gallon on champagne and other sparkling wines; and
5) $2.40 per wine gallon on artificially carbonated wines.

2/ Duty on carob flour temporarily suspended. See item 903.69 in part 1B, Appendix to the Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Fruit peel, crude, dried, or otherwise prepared or preserved:				
			Crude, dried, or in brine:				
	152.10	00	Citron	Lb.	Free		Free
	152.14	00	Orange	Lb.	0.3c per lb.	Free	2c per lb.
	152.18	00	Lemon	Lb.	0.9c per lb.		2c per lb.
	152.22	00	Other	Lb.	1c per lb.		2c per lb.
			Otherwise prepared or preserved:				
	152.26	00	Citron	Lb.	1.7c per lb.		6c per lb.
A	152.30	00	Orange	Lb.	1.4c per lb.		8c per lb.
	152.34	00	Lemon	Lb.	3c per lb.		8c per lb.
	152.38	00	Other	Lb.	8c per lb.		8c per lb.
	152.39		If products of Cuba and grapefruit, or pomelo or shaddock, peel		6.4c per lb. (s)		
			Fruit pastes and fruit pulps:				
A	152.40	00	Apple and quince	Lb.	15% ad val.		35% ad val.
	152.41		If product of Cuba		14% ad val. (s)		
	152.42	00	Apricot	Lb.	15% ad val.	12.5% ad val.	35% ad val.
A	152.43	00	Cashew apple, mamey colorado, sapodilla, soursop and sweetsop	Lb.	7% ad val.		35% ad val.
	152.50	00	Fig	Lb.	5c per lb.		5c per lb.
A*	152.54	00	Guava	Lb.	4.9% ad val.	2.8% ad val.	35% ad val.
A	152.58	00	Mango	Lb.	2.8% ad val.		35% ad val.
A	152.60	00	Tamarind	Lb.	15% ad val.		35% ad val.
	152.61		If product of Cuba		14% ad val. (s)		
	152.62	00	Orange	Lb.	17.5% ad val.		35% ad val.
	152.63		If product of Cuba		14% ad val. (s)		
	152.65	00	Papaya	Lb.	17.5% ad val.		35% ad val.
	152.66		If product of Cuba		10% ad val. (s)		
A*	152.72	00	Banana and plantain	Lb.	7.5% ad val.		35% ad val.
A	152.78	00	Pear	Lb.	15% ad val.		35% ad val.
	152.79		If product of Cuba		14% ad val. (s)		
	152.88		Other		15% ad val.		35% ad val.
		20	Strawberry	Lb.			
		40	Other	Lb.			
	152.89		If product of Cuba		14% ad val. (s)		
			All jellies, jams, marmalades, and fruit butters:				
	153.02	00	Cashew apple, mango, mamey colorado, sapodilla, soursop, and sweetsop	Lb.	Free		35% ad val.
			Currant and other berry:				
A	153.03	00	Strawberry	Lb.	3% ad val.		35% ad val.
A	153.05	00	Mulberry and blackberry	Lb.	3% ad val.		35% ad val.
	153.07	00	Other	Lb.	3% ad val.		35% ad val.
	153.08	00	Guava	Lb.	Free		35% ad val.
A	153.16	00	Orange marmalade	Lb.	5.5% ad val.		35% ad val.
A	153.20	00	Papaya	Lb.	5% ad val.		35% ad val.
A	153.24	00	Pineapple	Lb.	5% ad val.		35% ad val.
A	153.28	00	Quince	Lb.	8.5% ad val.		35% ad val.
A	153.32	00	Other	Lb.	7% ad val.		35% ad val.

(s) = Suspended. See general headnote 3(b).

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Subpart D. - Glacé Nuts, Fruits, and Other Vegetable Substances				
			Candied, crystallized, or glacé nuts, fruits, fruit peel, and other vegetable substances:				
	154.05	00	Cherries	Lb.	7c per lb. + 10% ad val.		9.5c per lb. + 40% ad val.
A	154.10	00	Chestnuts, including marrons	Lb.	2.5c per lb.		25c per lb.
	154.15	00	Citrons	Lb.	1.7c per lb.		6c per lb.
			Fruit peel:				
	154.20	00	Citron	Lb.	1.7c per lb.		6c per lb.
	154.25	00	Lemon	Lb.	3c per lb.		8c per lb.
	154.30	00	Orange	Lb.	3.4c per lb.		8c per lb.
	154.35	00	Other	Lb.	4c per lb.		8c per lb.
A	154.40	00	Ginger root	Lb.	9.5% ad val.	5.4% ad val.	20% ad val.
A	154.43	00	Kumquats, mangoes, plums and prunes	Lb.	5% ad val.		40% ad val.
	154.45	00	Pineapples	Lb.	6% ad val.	3.4% ad val.	35% ad val.
			Other:				
	154.50	00	Nuts	Lb.	7% ad val.		40% ad val.
A*	154.53	00	Fruit	Lb.	10% ad val.		40% ad val.
A	154.60	00	Other	Lb.	20% ad val.		20% ad val.
	154.90	00	Mixtures of two or more kinds of candied, crystallized, or glace nuts, fruit, or vegetable substances	Lb.	The highest rate applicable to any of the components		The highest rate applicable to any of the components

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

G S P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2

PART 10. - SUGAR; COCOA; CONFECTIONERY

Subpart A. - Sugars, Sirups, and Molasses

Subpart A headnotes:

1. The term "degree", as used in the "Rates of Duty" columns of this subpart, means sugar degree as determined by polariscopic test.

2. The rates in column numbered 1 in items 155.20 and 155.30 on January 1, 1968, shall be effective only during such time as title II of the Sugar Act of 1948 or substantially equivalent legislation is in effect in the United States, whether or not the quotas, or any of them, authorized by such legislation, are being applied or are suspended: Provided,

(i) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than the 90th day following the termination of the effectiveness of such legislation;

(ii) That any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; and

(iii) That the January 1, 1968, rates shall resume full effectiveness, subject to the provisions of this headnote, if legislation substantially equivalent to title II of the Sugar Act of 1948 should subsequently become effective.

3. (a) The total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered, or withdrawn from warehouse for consumption, between May 11, 1982 and June 30, 1982, inclusive, shall not exceed, in the aggregate, 220,000 short tons, raw value.

(b) Beginning with the third calendar quarter of 1982, the Secretary of Agriculture (hereafter the Secretary) shall establish for each calendar quarter the total amount (expressed in terms of raw value) of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, which may be entered, or withdrawn from warehouse for consumption, during such calendar quarter. The Secretary shall determine such amount, inform the Secretary of the Treasury of his determination, and file notice thereof with the Federal Register no later than the 15th day of the month immediately preceding the calendar quarter during which such determination shall be in effect. In determining such amounts the Secretary shall give due consi-

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G S P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	LDDC	2

deration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade.

(c) The total amounts of sugars, sirups, and molasses permitted to be imported under paragraphs (a) and (b) of this headnote shall be allocated to the following supplying countries or areas in the following percentages:

	Country	Percentage		Country	Percentage
1.	Canada	1.1	18.	Philippines	13.5
2.	Guatemala	4.8	19.	Taiwan	1.2
3.	Belize	1.1	20.	Australia	8.3
4.	El Salvador	2.6	21.	Mauritius	1.1
5.	Honduras	1.0	22.	Mozambique	1.3
6.	Nicaragua	2.1	23.	Rep. S. Africa	2.3
7.	Costa Rica	1.5	24.	Swaziland	1.6
8.	Panama	2.9	25.	Barbados	0.7
9.	Jamaica	1.1	26.	Trinidad-Tobago	0.7
10.	Dominican Republic	17.6	27.	Bolivia	0.8
11.	Colombia	2.4	28.	India	0.8
12.	Guyana	1.2	29.	Figi	0.7
13.	Ecuador	1.1	30.	Malawi	0.7
14.	Peru	4.1	31.	Zimbabwe	1.2
15.	Brazil	14.5	32.	Other specified countries and areas	0.3
16.	Argentina	4.3			
17.	Thailand	1.4			100.0

NOTE: The category "Other specified countries and areas" shall consist of the following: Mexico, Haiti, Paraguay, Saint Christopher-Nevis, Malagasy Republic, and the Ivory Coast.

Notwithstanding the allocation provisions set forth above, the Secretary may, after consultation with the U.S. Trade Representative, the Department of State and the Department of the Treasury, issue regulations modifying the allocation provisions governing "Other specified countries and areas" if the Secretary determines that such modifications are appropriate to provide such countries and areas reasonable access to the United States sugar market. Such regulations may, among other things, provide for the establishment of minimum quota amounts, the establishment of quota periods other than quarterly periods, and the carrying forward of unused quota amounts into subsequent quota periods.

(d) The Secretary, after consultation with the U.S. Trade Representative and the Department of State, may suspend the allocation provisions of paragraph (c), or may establish quantitative limitations for periods of time other than calendar quarters as provided in paragraph (b), if the Secretary determines that such action or actions are appropriate to give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade. The Secretary may reinstate the allocation provisions of paragraph (c), or may amend any quantitative limitations (including the time period for which such limitations are applicable) which have previously been established under this paragraph or paragraph (b), if the Secretary determines that the considerations set forth in the previous sentence so warrant. The Secretary shall inform the Secretary of the Treasury of any determination made under this paragraph. Notice of such determinations shall be filed with the Federal Register, and such

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G S P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			determinations shall not become effective until the day following the date of filing of such notice or such later date as may be specified by the Secretary. (e) The U.S. Trade Representative or his designee, after consultation with the Department of Agriculture and the Department of State, may modify the allocation provisions of paragraph (c) (including the deletion or addition of any country or area), and may prescribe further rules, limitations or prohibitions on the entry of sugar if he finds that such actions are appropriate to carry out the obligations of the United States under the International Sugar Agreement, 1977, or any successor agreement thereto, and that such actions give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade. If the U.S. Trade Representative takes any such action, he shall so inform the Secretary of the Treasury and the Secretary of Agriculture and shall publish notice thereof in the Federal Register. Such action shall not become effective until the day following the date of filing of such notice or such later date as may be specified by the U.S. Trade Representative. (f) The Secretary shall, in consultation with the U.S. Trade Representative, the Department of State, and other concerned agencies, review the operation of this headnote prior to September 1 of each year. In making such review, the Secretary shall determine whether the continued operation of paragraphs (b), (c), (d), and (e) of this headnote gives due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, and whether the operation of paragraph (g) of this headnote would give due consideration to such interests. The Secretary shall file a notice of such determinations in the Federal Register no later than September 1 of each year. If the Secretary determines that the continued operation of paragraphs (b), (c), (d), and (e) of this headnote would not give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, and that the provisions of paragraph (g) of this headnote would give due consideration to such interests, paragraphs (b), (c), (d), and (e) of this headnote shall terminate as of the first day of October following such determinations. (g) If paragraphs (b), (c), (d), and (e) of this headnote are terminated under the provisions of paragraph (f) of this headnote, the total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered, or withdrawn from warehouse for consumption, in any fiscal (October 1-September 30) year shall not exceed, in the aggregate, 6,900,000 short tons, raw value. The U.S. Trade Representative or his designee may allocate this quantity among supplying countries or areas, and may prescribe further rules, regulations, limitations or prohibitions on the entry of sugar in accordance with the International Sugar Agreement, 1977, and Public Law 96-236. The U.S. Trade Representative or his designee shall inform the Commissioner of Customs of any such action regarding the importation of sugar, and shall publish notice thereof in the Federal Register.				

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			(h) For the purposes of this headnote, the term "raw value" means the equivalent of such articles in terms of ordinary commercial raw sugar testing 96 degrees by the polariscope as determined in accordance with regulations issued by the Secretary of the Treasury. Such regulations may, among other things, provide: (1) for the entry of such articles pending a final determination of polarity; and (2) that positive or negative adjustments for differences in preliminary and final raw values be made in the same or succeeding quota periods. The principal grades and types of sugar shall be translated into terms of raw value in the following manner: (i) For articles described in item 155.20, by multiplying the number of pounds thereof by the greater of 0.93, or 1.07 less 0.0175 for each degree of polarization under 100 degrees (and fractions of a degree in proportion). (ii) For articles described in item 155.30, by multiplying the number of pounds of the total sugars thereof (the sum of the sucrose and reducing or invert sugars) by 1.07. (iii) The Secretary of the Treasury shall establish methods for translating sugar into terms of raw value for any special grade or type of sugar for which he determines that the raw value cannot be measured adequately under the above provisions.				
			(ij) The Secretary may exempt the entry of articles described in items 155.20 and 155.30 from the requirements or limitations established pursuant to this headnote on the condition that such articles: (1) be used only for the production (other than by distillation) of polyhydric alcohols except polyhydric alcohols for use as a substitute for sugar in human food consumption; or (2) be re-exported in refined form or in sugar containing products. Such articles shall be entered under licenses issued pursuant to regulations promulgated by the Secretary. In promulgating such regulations, the Secretary shall give due consideration to the interests in the U.S. sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade. Such regulations may contain any terms, conditions, bonds, or other limitations as the Secretary determines are appropriate to ensure that articles imported under license are used only for the purposes specified in this paragraph. This paragraph shall terminate whenever paragraphs (b), (c), (d), and (e) of this headnote are terminated under paragraph (f) of this headnote.				
			Sugar beets and sugar cane:				
			In their natural state:				
	155.10	00	Sugar beets.................................	S. ton..	80¢ per short ton		80¢ per short ton
	155.12	00	Sugar cane..................................	S. ton..	$2.50 per short ton		$2.50 per short ton
	155.15	00	In other forms suitable for the commercial extraction of sugar..............................	Lb.total sugars	0.5¢ per lb. of total sugars		1.5¢ per lb. of total sugars

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SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 10. - Sugars; Cocoa; Confectionery

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Sugars, sirups, and molasses, derived from sugar cane or sugar beets:				
A*	155.20		Principally of crystalline structure or in dry amorphous form 1/	....	2.98125¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb. 2/		2.98125¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb. 2/
		25	In any form suitable for immediate human consumption without further refining	Lb.			
		45	Other	S. ton raw value.v Lb.			
	155.21		If products of Cuba	....	0.53¢ per lb. less 0.0075¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.3425¢ per lb. (s)		
			Not principally of crystalline structure and not in dry amorphous form:				
A	155.30	00	Containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids 1/	Lb.total sugars	Dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees 2/		Dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees 2/
	155.31		If products of Cuba	....	Dutiable on total sugars at the rate per lb. applicable under Item 155.21 to sugar testing 100 degrees (s)		

(s) = Suspended. See general headnote 3(b).

1/ Imports of cane and beet sugar are subject to absolute quotas (see headnote 3).
2/ Certain imports of sugars, sirups, and molasses, derived from sugar cane or sugar beets are subject to additional section 22 fees or licensing requirements. See items 956.05, 956.15, and 957.15, and headnote 4, in part 3, Appendix to the Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

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GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Sugars, sirups, and molasses, derived from sugar cane or sugar beets (con.): Not principally of crystalline structure and not in dry amorphous form (con.):				
A*	155.35	00	Other	Gal.	2.9¢ per gal.		6.8¢ per gal.
	155.36		If products of Cuba		2.1¢ per gal.(s)		
A	155.40	00	Sugars, sirups, molasses, and mixtures thereof; all the foregoing derived from sugar cane or sugar beets and containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to over 6% by weight of the total soluble solids, if imported for use other than (a) the commercial extraction of sugar, or (b) human consumption	Gal.v 1/ Lb.total sugars	0.012¢ per lb. of total sugars		0.03¢ per lb. of total sugars
	155.41		If product of Cuba		0.01¢ per lb. of total sugars (s)		
	155.50	00	Maple sugar	Lb.	Free		6¢ per lb.
	155.55	00	Maple sirup	Lb.	Free		4¢ per lb.
A	155.60	00	Dextrose	Lb.	1.6¢ per lb.		2¢ per lb.
	155.65	00	Dextrose sirup	Lb.	1.6¢ per lb.		2¢ per lb.
	155.70	00	Honey	Lb.	1¢ per lb.		3¢ per lb.
A	155.75	00	Sugars, sirups, and molasses, described in this subpart, flavored; and sirups, flavored or unflavored, consisting of blends of any of the products described in this subpart	Lb.	10.5% ad val.	6% ad val.	20% ad val.

(s) = Suspended. See general headnote 3(b).

1/ Report gallons of dried molasses on basis of 6 pounds total sugars to one gallon.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Subpart B. - Cocoa				
			Subpart B headnote: 1. The term "chocolate", as used in this subpart, shall be limited to products (whether or not confectionery) consisting wholly of ground cocoa beans, with or without added fat, sweetening, milk, flavoring, or emulsifying agents.				
	156.10	00	Cocoa beans	Lb.	Free		Free
			Chocolate:				
	156.20	00	Not sweetened	Lb.	Free		3¢ per lb.
			Sweetened:				
A	156.25	00	In bars or blocks weighing 10 pounds or more each	Lb.	0.2¢ per lb.	Free	4¢ per lb.
A	156.30		In any other form		5% ad val.		40% ad val.
		20	For consumption at retail as candy or confection	Lb.			
			Other:				
		45	Not containing butterfat or other milk solids	Lb.			
			Other:				
		50	Containing over 5.5 percent by weight of butterfat (item 950.15)	Lb.			
		65	Containing not over 5.5 percent by weight of butterfat or containing other milk solids (item 950.16)	Lb.			
	156.35	00	Cocoa butter	Lb.	Free		25% ad val.
A	156.40	00	Cocoa, not sweetened, and cocoa cake suitable for reduction to cocoa powder	Lb.	0.37¢ per lb.		3¢ per lb.
	156.45	00	Cocoa, sweetened	Lb.	Free		40% ad val.
A	156.47	00	Confectioners' coatings and other products (except confectionery) containing by weight not less than 6.8 percent non-fat solids of the cocoa bean nib and not less than 15 percent of vegetable fats other than cocoa butter	Lb.	2.5% ad val.		35% ad val.
			Cocoa cake not suitable for reduction to cocoa powder, and other residues from the processing of cocoa beans:				
	156.50	00	Cocoa bean shells	Lb.	Free		Free
	156.55	00	Other	Lb.	Free		10% ad val.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Subpart C. - Confectionery				
			Subpart C headnotes:				
			1. If chocolate, candy, cakes, glacé fruits or nuts, or other confections are mixed or packed together, they shall be treated as a tariff entirety subject to the highest rate of duty applicable to any product in the assortment.				
			2. The term "confectionery", as used in this subpart, covers confections or sweetmeats ready for consumption. This subpart does not cover all confectionery (see subpart B of this part, part 9 of schedule 1, and subpart B of part 15 of schedule 1 for other provisions covering confectionery).				
A	157.10		Candy, and other confectionery, not specially provided for	....	7% ad val.		40% ad val.
		20	Not containing cocoa or chocolate	Lb.			
		40	Containing cocoa or chocolate	Lb.			

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Macaroni, noodles, vermicelli, and similar alimentary pastes:				
A	182.35	00	Not containing egg or egg products	Lb.	0.25c per lb.	Free	2c per lb.
A	182.36	00	Containing egg or egg products	Lb.	0.3c per lb.	Free	3c per lb.
A	182.40	00	Non-alcoholic preparations of yeast extract (other than sauces) for flavoring or seasoning food	Lb.	5% ad val.		20% ad val.
			Sauces:				
A	182.45	00	Thin soy	Lb.	3% ad val.		35% ad val.
A	182.46	00	Other	Lb.	7.5% ad val.		35% ad val.
	182.48	00	Seaweeds and other marine plants prepared for use as human food or as an ingredient in such food	Lb.	Free		Free
A	182.49	00	Shrimp chips	Lb.	7% ad val.		20% ad val.
			Soups, soup rolls, soup tablets or cubes, and other soup preparations:				
	182.50	00	Containing oysters or oyster juice	Lb.	3c per lb. (including wt. of immediate container)		8c per lb. (including wt. of immediate container)
A	182.52	00	Other	Lb.	7% ad val.		35% ad val.
	182.53	00	Spring rolls and stuffed steamed bread dumplings	Lb.	5% ad val.		20% ad val.
			Vinegar:				
	182.55	00	Malt	Pf. gal.	Free		8c per proof gal.
A	182.58	00	Other	Pf. gal.	3c per proof gal.		8c per proof gal.
	182.60	00	Watermelon seeds, prepared or preserved	Lb.	5% ad val.		20% ad val.
	182.70	00	Wild rice, crude or processed	Lb.	2.5% ad val.		10% ad val.
			Edible preparations not specially provided for (including prepared meals individually packaged):				
A	182.90	00	Of gelatin	X	6% ad val.		25% ad val.
			Other:				
	182.92	00	Containing over 5.5 percent by weight of butterfat and not packaged for retail sale 1/	Lb.	18% ad val.	16% ad val.	20% ad val.
			Other:				
A	182.96	00	Wheat gluten	Lb.	9% ad val.	8% ad val.	20% ad val.
			Other:				
	183.00		Subject to quotas proclaimed pursuant to section 22 of the Agricultural Adjustment Act, as amended		10% ad val.		20% ad val.
		30	Provided for in item 950.16	Lb.			
		40	Provided for in item 950.19	Lb.			
		60	Provided for in item 950.23	Lb.			
A	183.01	00	Pancake flour and other flour mixes; refrigerated (including frozen) doughs	Lb.	10% ad val.		20% ad val.
A	183.05	00	Other	Lb.	10% ad val.		20% ad val.

1/ Imports of certain articles are subject to additional import restrictions. See items 950.22 and 950.23 in part 3, Appendix to the Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Subpart C. - Animal Feeds				
			Subpart C headnotes: 1. For the purposes of this subpart -- (a) the term "animal feeds, and ingredients therefor" embraces products chiefly used as food for animals, or chiefly used as ingredients in such food, respectively, but such term does not include any product provided for in schedule 4 (except part 2E thereof) or schedule 5 (except part 1K thereof); and (b) the terms "mixed feeds" and "mixed-feed ingredients" in item 184.70 embrace products which are admixtures of grains (or products, including byproducts, obtained in milling grains) with molasses, oil cake, oil-cake meal, or other feed-stuffs, and which consist of not less than 6 percent by weight of the said grains or grain products. 2. None of the provisions of this subpart cover fertilizer or fertilizer materials (see part 11 of schedule 4).				
	184.10	00	Bran, shorts, and middlings obtained in milling grains	S. ton..	Free		10% ad val.
	184.20	00	Beet pulp, dried	S. ton..	Free		$4.45 per short ton
	184.25	00	Brewers' and distillers' grains and malt sprouts	S. ton..	Free		$4.45 per short ton
	184.30	00	Hay	S. ton..	Free		$5 per short ton
	184.35	00	Straw (except flax straw and rice straw)	S. ton..	Free		$1.50 per short ton
	184.40	00	Grain hulls, ground or not ground	Cwt.....	Free		10c per 100 lbs.
			Grain or seed screenings, scalpings, chaff, or scourings, ground or not ground:				
	184.45	00	Of flaxseed	S. ton..	Free		10% ad val.
	184.47	00	Other	S. ton..	Free		10% ad val.
			Soy bean and other vegetable oil cake and oil-cake meal:				
A	184.50	00	Linseed oil cake and oil-cake meal	Lb......	0.12c per lb.		0.3c per lb.
A	184.51	00	Rapeseed oil cake and oil-cake meal	Lb......	0.21c per lb.	0.12c per lb.	0.3c per lb.
			Other:				
	184.52	00	Soy bean and cottonseed oil cake and oil-cake meal	Lb......	0.3c per lb.		0.3c per lb.
A	184.53	00	Other	Lb......	0.3c per lb.		0.3c per lb.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

G S P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Tankage; dead fish and whales; fish and whale scrap, meal and solubles; homogenized condensed fish and whales; all the foregoing not fit for human consumption:				
	184.54	00	Cod-liver solubles	Lb.	5% ad val.		20% ad val.
	184.55		Other		Free		Free
		10	Fish or whale meat in airtight containers	Lb.			
		20	Tankage	S. ton			
		30	Scrap and meal	S. ton			
		60	Other	S. ton			
A	184.58	00	Wheat gluten to be used as animal feed	Lb.	7% ad val.	4% ad val.	20% ad val.
			Animal feeds, and ingredients therefor, not specially provided for:				
			Meat, including meat offal, not fit for human consumption:				
			Raw, whether or not chilled or frozen:				
	184.60	00	Horsemeat (except meat packed in immediate containers weighing with their contents less than 10 pounds each)	Lb.	Free		Free
	184.61	00	Other	Lb.	Free		10% ad val.
A	184.65	00	Prepared or preserved	Lb.	2% ad val.		20% ad val.
	184.70		Byproducts obtained from the milling of grains, mixed feeds, and mixed-feed ingredients		Free		10% ad val.
		20	Pet food packaged for retail sale	Lb.			
		70	Other	S. ton			
			Other:				
	184.80	00	Animal feeds containing milk or milk derivatives 1/	Cwt.	7.5% ad val.		20% ad val.
	184.85	00	Other	Cwt.	3% ad val.		20% ad val.

Subpart D. - Feathers, Downs, Bristles, and Hair

Subpart D headnotes:

1. For the purposes of this subpart, the term "treated" means cleaned, disinfected, or treated for preservation.

2. (a) Except as provided in (b) and (c) of this headnote, the importation of the feathers or skin of any bird is hereby prohibited. Such prohibition shall apply to the feathers or skin of any bird --

(i) whether raw or processed;

(ii) whether the whole plumage or skin or any part of either;

(iii) whether or not attached to a whole bird or any part thereof; and

(iv) whether or not forming part of another article.

1/ See item 950.17 in part 3, Appendix to the Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

APPENDIX F

ECONOMETRIC MODEL

A technical discussion of the regression results and of the method of estimating the effects of displacement of sales of refined sugar on the U.S. price of raw sugar that are described on pages A-55 through A-57 is presented in this appendix. The demand equation for refined sugar was estimated from annual data for 1963-81, and the price equation for raw sugar was developed from data for 1963-82.

The results of regressing the logarithm of U.S. per capita consumption of refined sugar, C_{rs} on the logs of the prices of refined sugar, P_{rf}, and a time trend, T are presented in the expression below.

$$(1)\ \ln C_{rs} = \underset{(22.292)}{5.349} + \underset{(3.773)}{-.069 \ln P_{rf}} \underset{(-2.405)}{-.223 \ln T} + e$$

$$R^2 = .889$$
$$D.W. = 2.435$$

The regression provided a good fit of the data as measured by the R^2 value of .899, and the Durbin-Watson statistic of 2.435 indicates that autocorrelation is not a serious problem. 1/ The coefficient for both variables indicates that they were both statistically significant at the 95-percent confidence level. Despite the high degree of significance of the price variable, the very small value of -.069 for its coefficient indicates that the demand for refined sugar is very price inelastic. The negative time-trend coefficient shows that the demand for refined sugar has tended to decline, probably as a result of competition from high-fructose corn sirup (HFCS) and noncaloric sweeteners.

However, efforts to directly measure the effects of variations in the price of HFCS on the demand for refined sugar were not successful. Using quarterly data, several regressions that included both the price of HFCS and the price of refined sugar in the demand equation for refined sugar were attempted. Because of the high degree of collinearity between these two explanatory variables, meaningful results could not be obtained. The problem of variations in the seasonal demand for sugar that arose in the quarterly data added a further complication to the analysis.

The price of refined sugar was thought to be determined by standard demand and supply considerations. The demand for domestic raw sugar, which is represented by Q_d in the expression below, was believed to be determined by its own price, P_d, the world price, P_w, a time trend, T, that reflects the declining demand for refined sugar, and D, a dummy variable that allows for the impact of the quota on raw sugar imports in 1982. The coefficients for P_d and T were thought to be negative, and the coefficients for P_w and D were believed to be positive.

$$(2)\ \ln Q_d = \ln a + b_1 \ln P_d + b_2 \ln P_w + b_3 \ln T + b_4 D$$

The supply of domestically grown sugar in a given season, was thought to be inelastic with respect to the price during that season because growers of sugarcane and sugar beets must sell their crop immediately after it has been harvested, regardless of the prevailing price. Thus, the domestic output of sugar probably depends upon the acreage planted and upon weather conditions instead of short-term market factors. If the supply of domestically grown

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1/ Because of the problem of positive autocorrelation in the initial OLS regression, the Cochrane-Orcutt iterative technique was used in estimating the regression presented above.

sugar is completely price inelastic, and the quantity of raw sugar demanded by refiners is equal to the quantity supplied, the price equation for raw sugar can be derived by simply rearranging the terms in equation (2) as shown in (3).

$$(3)\ \ln P_d = \frac{\ln a}{b_1} + \frac{1}{b_1} \ln Q_d - \frac{b_2}{b_1} \ln P_w - \frac{b_3}{b_1} \ln T - \frac{b_4}{b_1} D$$

If b_1 is negative, the coefficients for $\ln Q_d$ and $\ln T$ should be negative, and the coefficients for the other two variables should be positive.

The regression results supported this hypothesis as shown in equation (4). All of the coefficients had the expected signs, and all variables except the time trend were statistically significant at the 90-percent confidence level or higher. The equation represents a close fit of the data as measured by the R^2 value of .931, and the Durbin-Watson statistic indicates that autocorrelation is not a serious problem. 1/

$$(4)\ \ln P_d = \underset{(2.782)}{18.005} - \underset{(-2.549)}{1.872 \ln Q_d} + \underset{(6.412)}{.537 \ln P_w} - \underset{(-.453)}{.852 \ln T} + \underset{(1.868)}{.334\, D}$$

$$R_2 = .931$$
$$D.W. = 1.782$$

It was possible to determine the structural parameters of the original demand equation from this regression, even though tests of significance could not be applied to these parameters. The results show that the price elasticity of demand for domestic raw sugar, b_1, is approximately -.53. Although this elasticity is low, it is higher than for refined sugar, possibly reflecting the fact that unlike U.S. refiners, domestic raw sugar producers are faced with competition from an identical imported product, despite quotas and other trade restrictions. The coefficient of 1.0 for b_2 indicates that the demand for domestic raw sugar is more sensitive to variations in the world price than it is to variations in its own price.

Estimates of the effects of displacements of sales of refined sugar on the U.S. price of raw sugar as a result of increased imports of articles containing sugar were derived indirectly from equation (4). The approach began by projecting the price of raw sugar that would result in 1984 if production reached 5.75 million tons (raw sugar equivalent), the world price averaged 9.5 cents per pound, and imports of articles containing sugar remained at about the levels recorded in 1983. Substituting this data into equation (4) resulted in an estimated price of about 22 cents per pound. In estimating the effects of displacements of domestic sales of refined sugar on the price of raw sugar, the analysis proceeded on the expectation that a reduced demand for raw sugar on the part of refiners would cause the demand curve for domestic raw sugar to shift to the left, and thus intersect the inelastic supply curve at a lower price. Since it is presumed that growers would sell their entire output of sugarcane and sugar beets regardless of the price, a reduced demand for raw sugar would have no effect on the actual quantity sold. Using the estimated coefficients from equation (4), the calculations indicate that at an initial price of 22 cents per pound, the quantity of raw sugar supplied would have to exceed the quantity demanded by about 75,000 tons. For the price to decline by 1 cent, the supply would have to exceed demand by about 150,000 tons.

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1/ Because of the problem of autocorrelation in the initial OLS regression, the Cochrane-Orcutt technique was also used in this estimate.