

Is Sugar Policy Working? An Importing Refiners Viewpoint

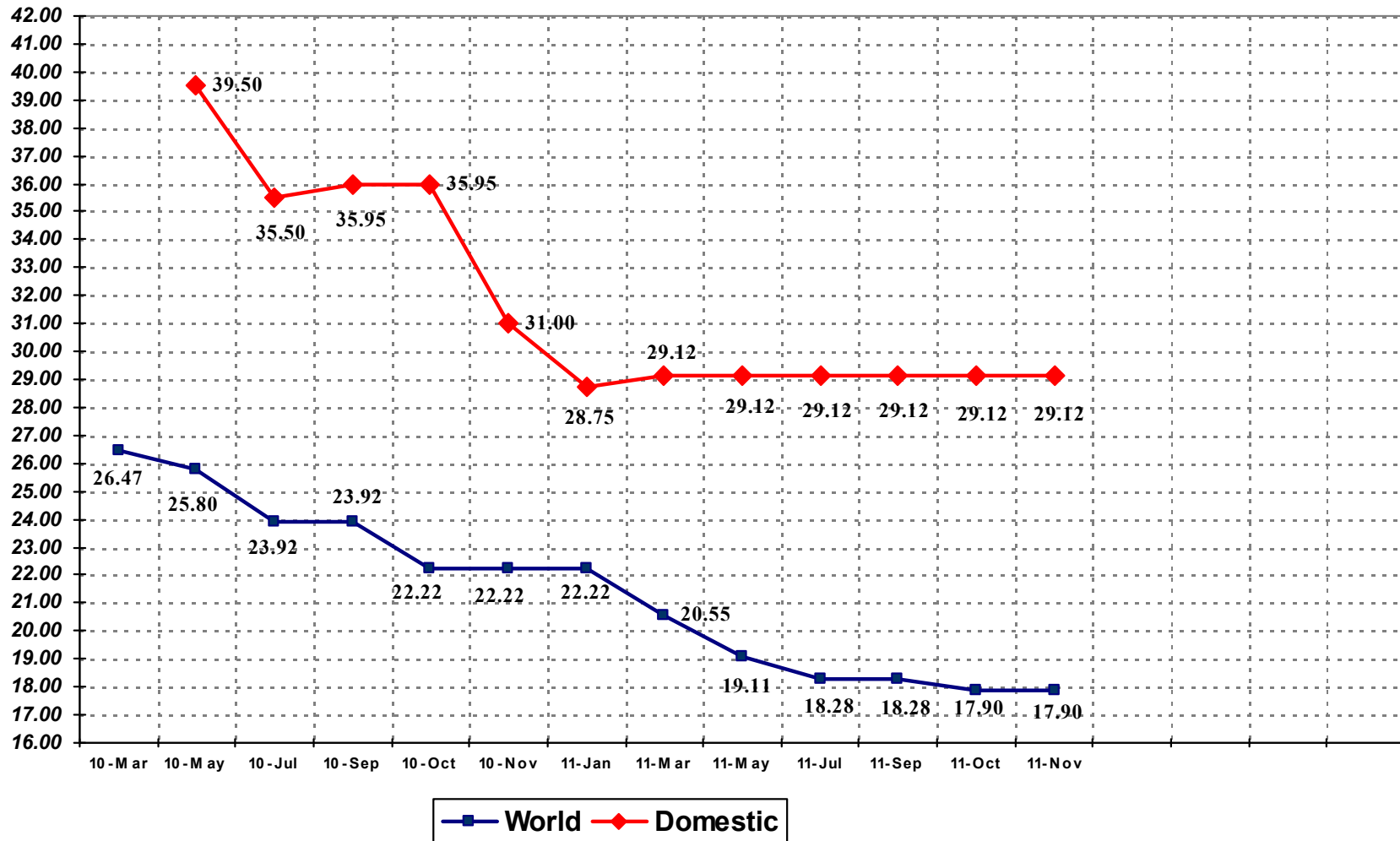
Fundamental Issues

- Raw Sugar Supply Chain is subject to shortages
 - Last year, 158,000 tons of the 1.25 million ton quota did not arrive. Some quota holders do not actually produce sugar but still retain quota rights
 - This year ISC estimates that more than 100,000 tons of the initial quota will not arrive.
- Raw Sugar Supply Chain is vulnerable to shortages if there are increased needs for imports
 - Some quota holders do not have enough production to export without importing for local consumption
 - A secondary issue here is that some countries may be able to supply the initial quota, but have insufficient sugar for substantial increases in the quota without importing.
- We need a flexible, rational and consistent method of re-allocating quota in periods of shortfalls
 - The annual timeframe of the quota may become a problem because quota holders may have sugar over the crop year, but the availability during a particular period within the year may be insufficient to meet the need for raw sugar supply.

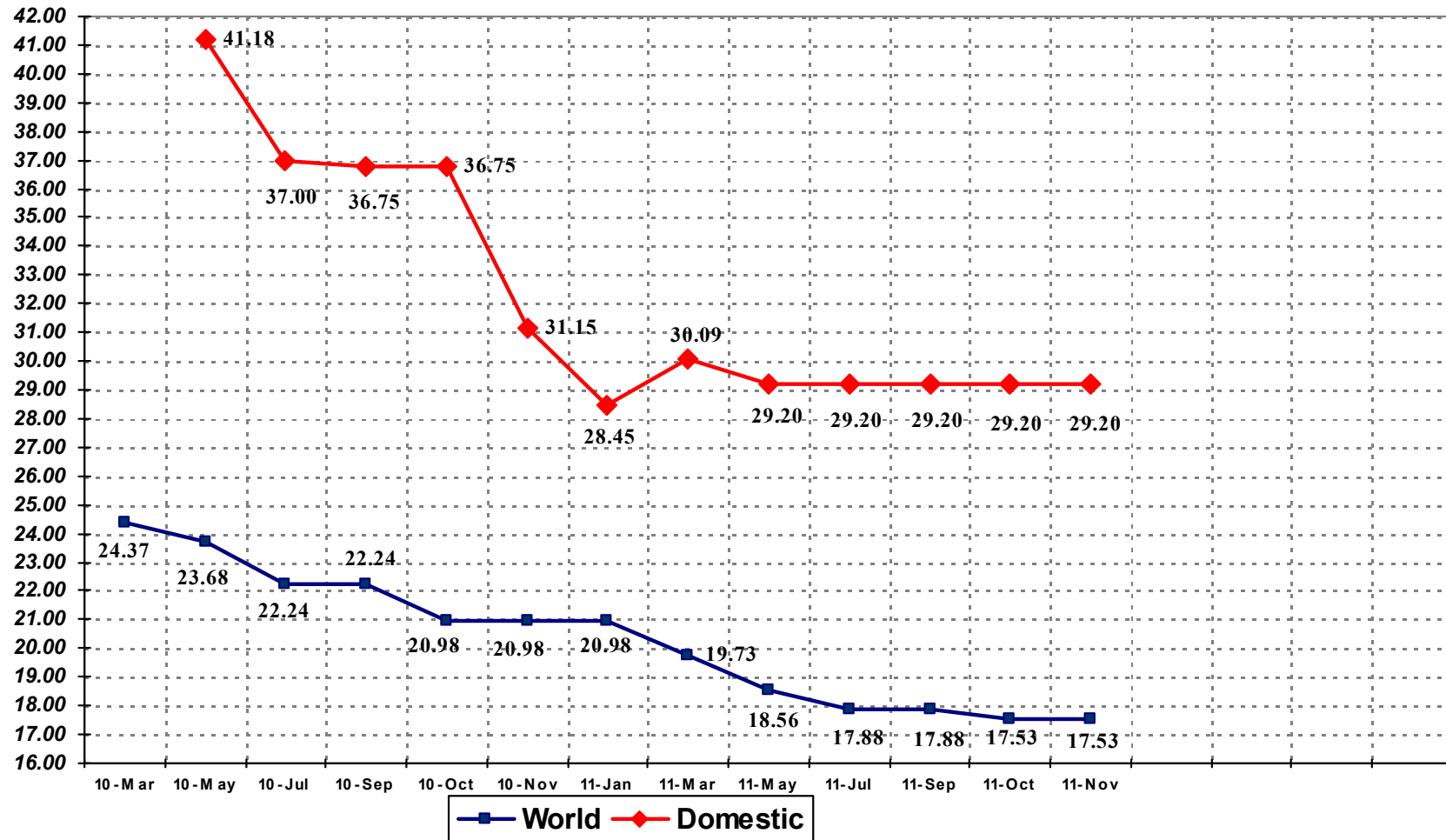
Fundamental Issues

- April 1 date to increase quota without a declaration of disaster
 - Added stress on raw sugar availability
 - Increases the chances for shortages during the busy fall season
- Assumption that all domestic sugar is readily available for shipment early is not necessarily true
 - Contractual obligations and geographic production and refinery locations keeps sugar in place.

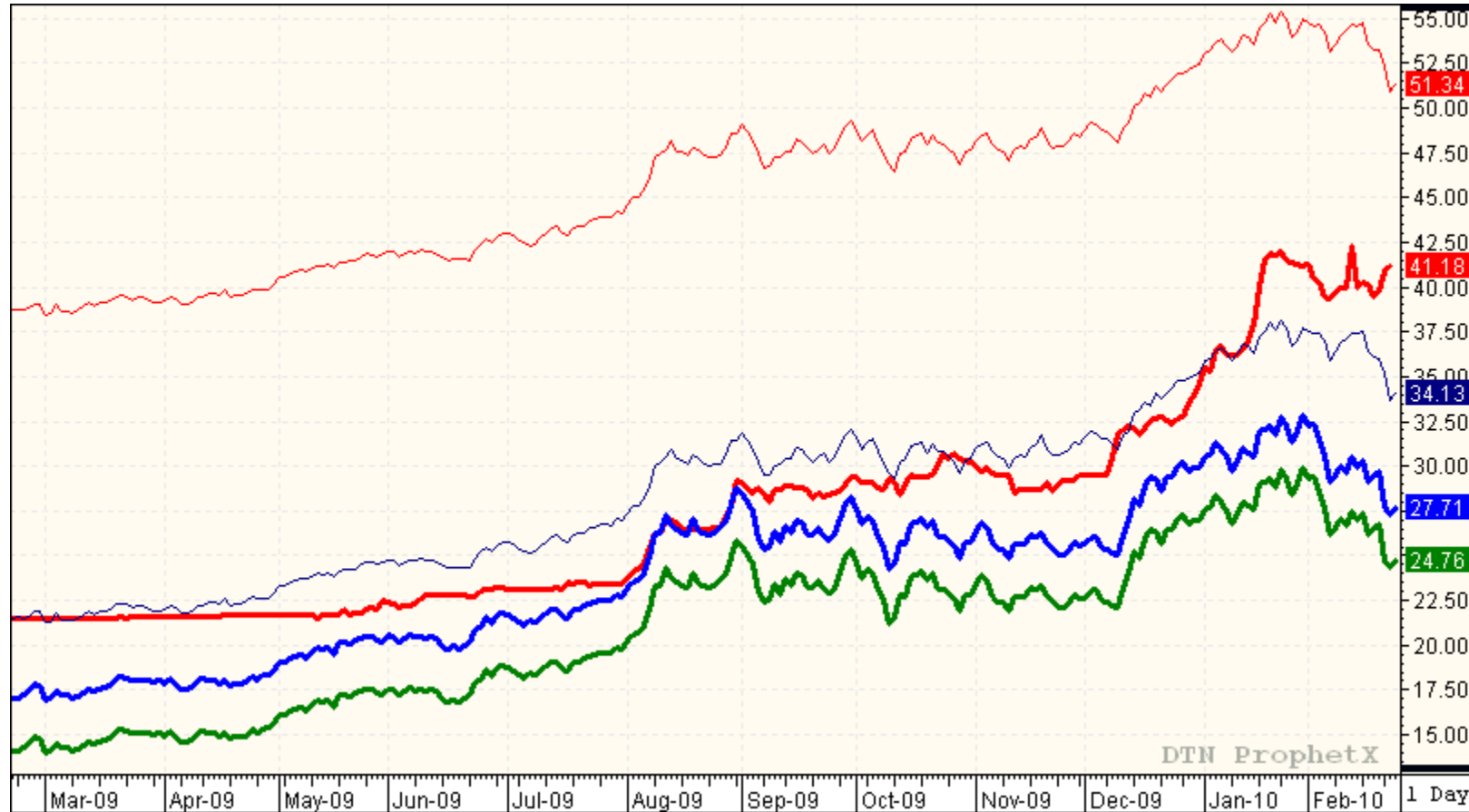
World and Domestic Sugar Price Curve



World and Domestic Sugar Price Curve



World Sugar Price Interaction with US Sugar Price



Heavy Green line is March 2010 ICE No. 11 sugar price (world raw sugar price FOB country of origin)

Heavy Blue line is March 2010 ICE No. 11 raw sugar price plus transportation and expenses to deliver to the US

Heavy Red line is the May 2010 ICE No. 16 sugar price (Domestic or quota raw sugar price delivered to the US)

Thin Blue line London May 2010 refined sugar futures price plus delivery charges to quota holding countries

Thin Red line is the London May 2010 refined sugar futures price delivered to the US paying full duty.