

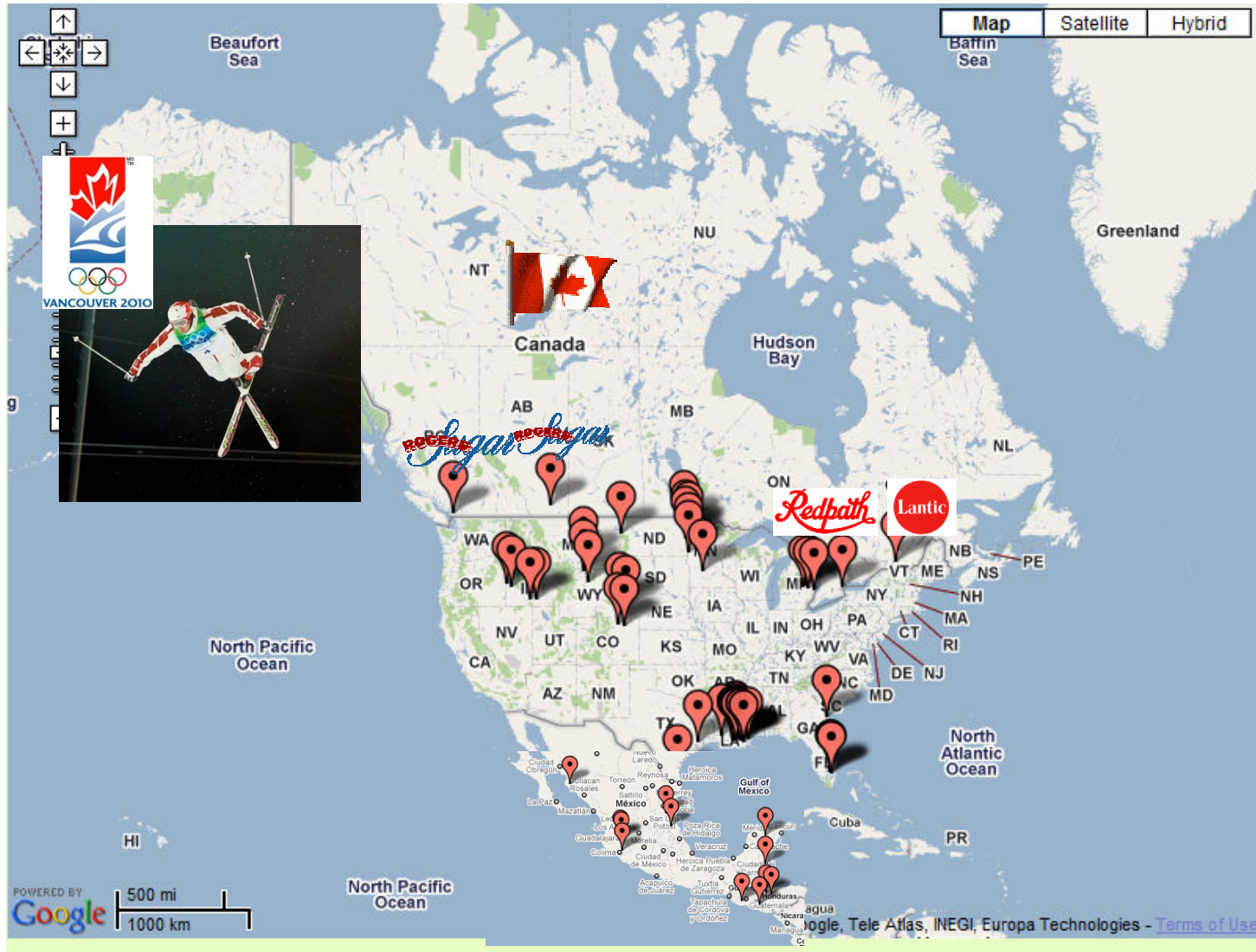


US Domestic & International Sugar Policy: How It's Working Today Canadian Sugar Perspective

2010 International Sweetener Colloquium
February 24, 2010



North American Sugar Industry

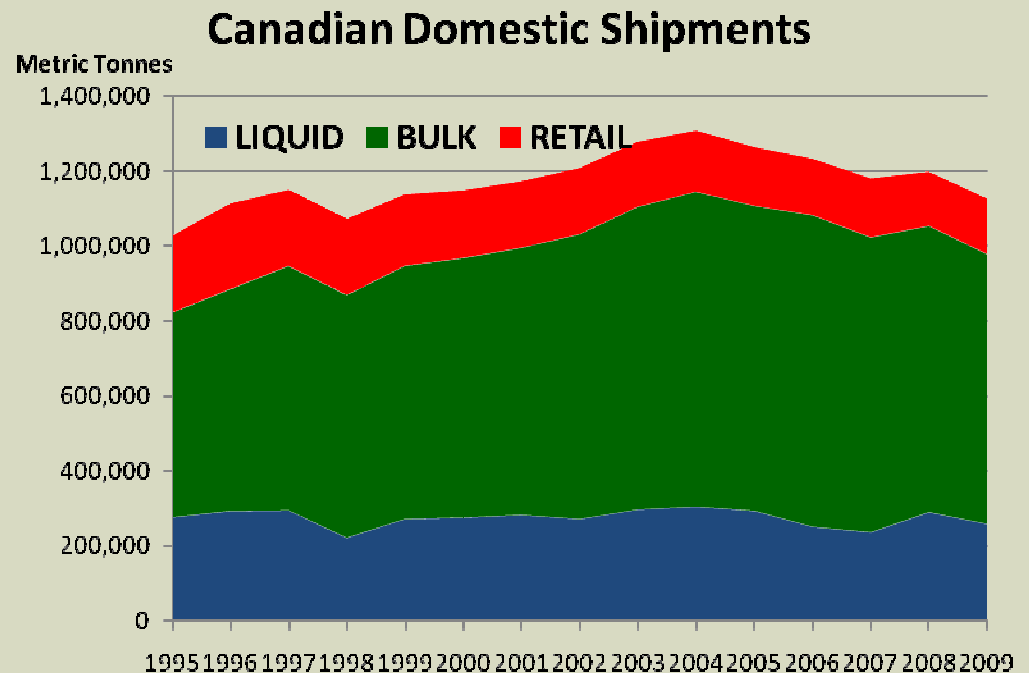


Canadian Sugar Market



- Canadian market 1.25 mln tonnes refined sugar
- Mostly raw sugar refining at ports
- Domestic beet sugar industry in Alberta with refined sugar capacity 110,000 tonnes

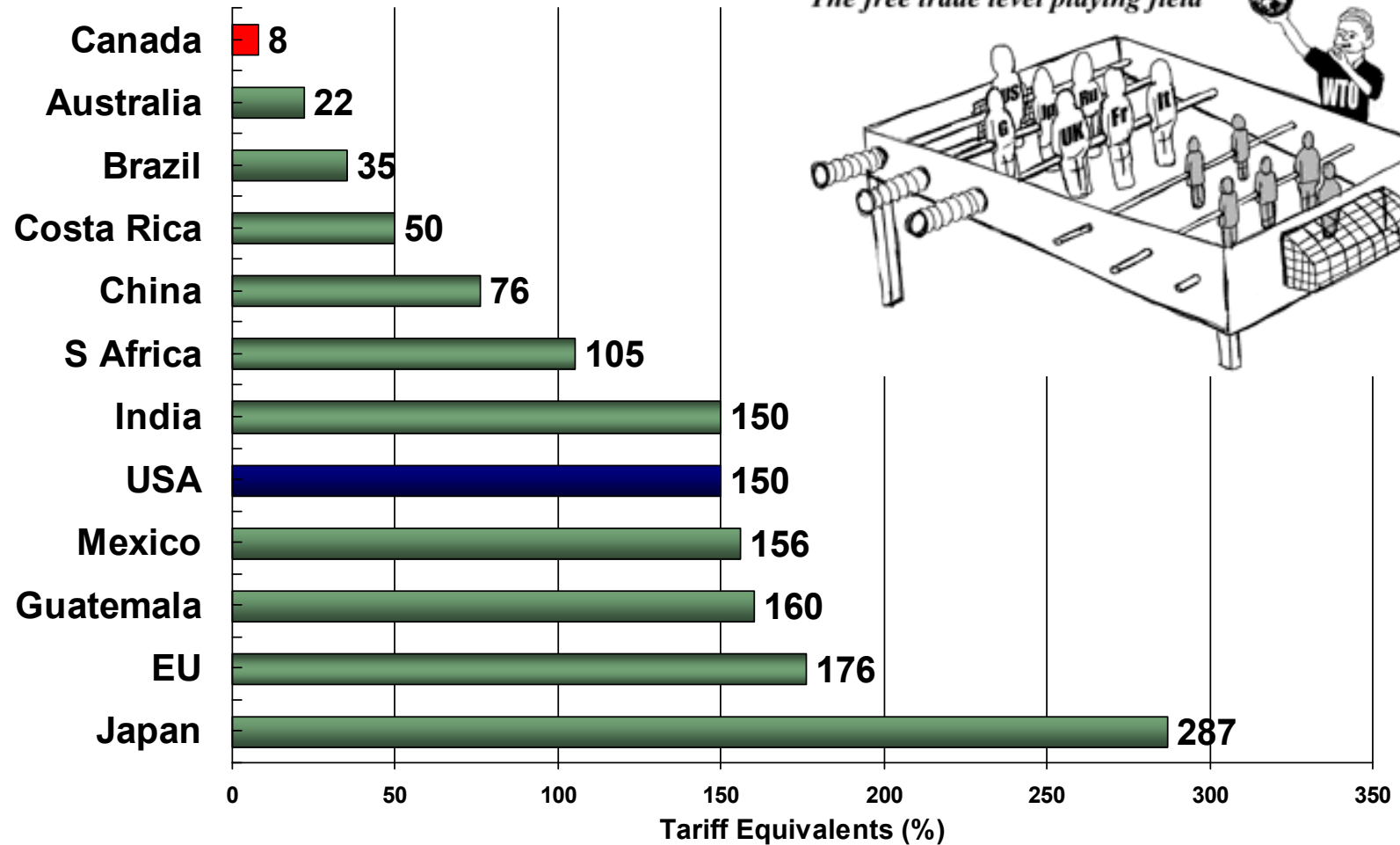
- Market decline 14% since 2004 (exchange rate)
- Minimal exports given US and other foreign trade barriers
- US market access:
 - 10,300 tonnes beet sugar (47% of global 22,000 tonne quota)



Canadian Sugar Policy in Global Context



Sugar Tariffs



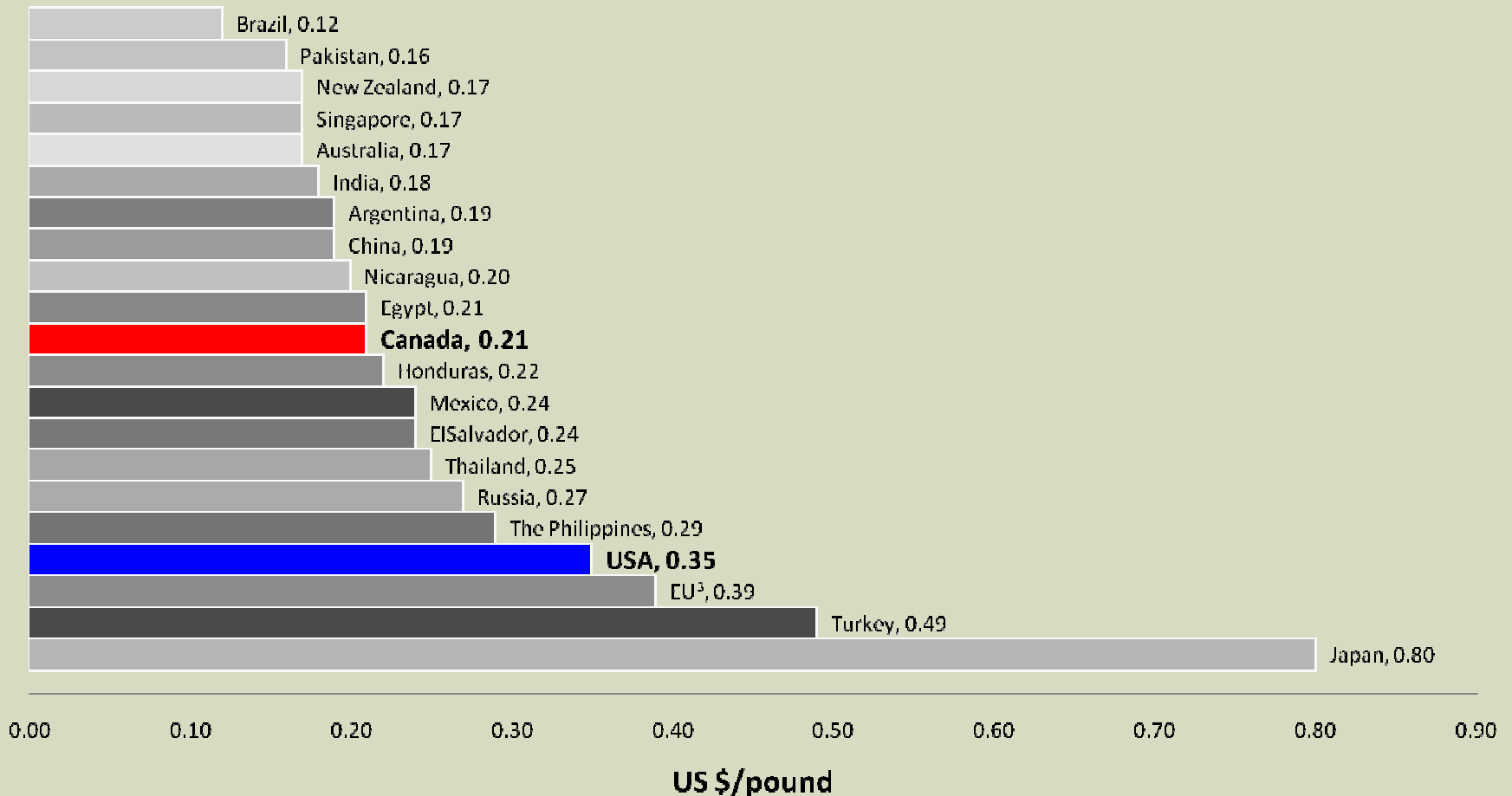
The free trade level playing field



Canadian Sugar Policy in Global Context



Wholesale sugar prices in selected countries - 2008



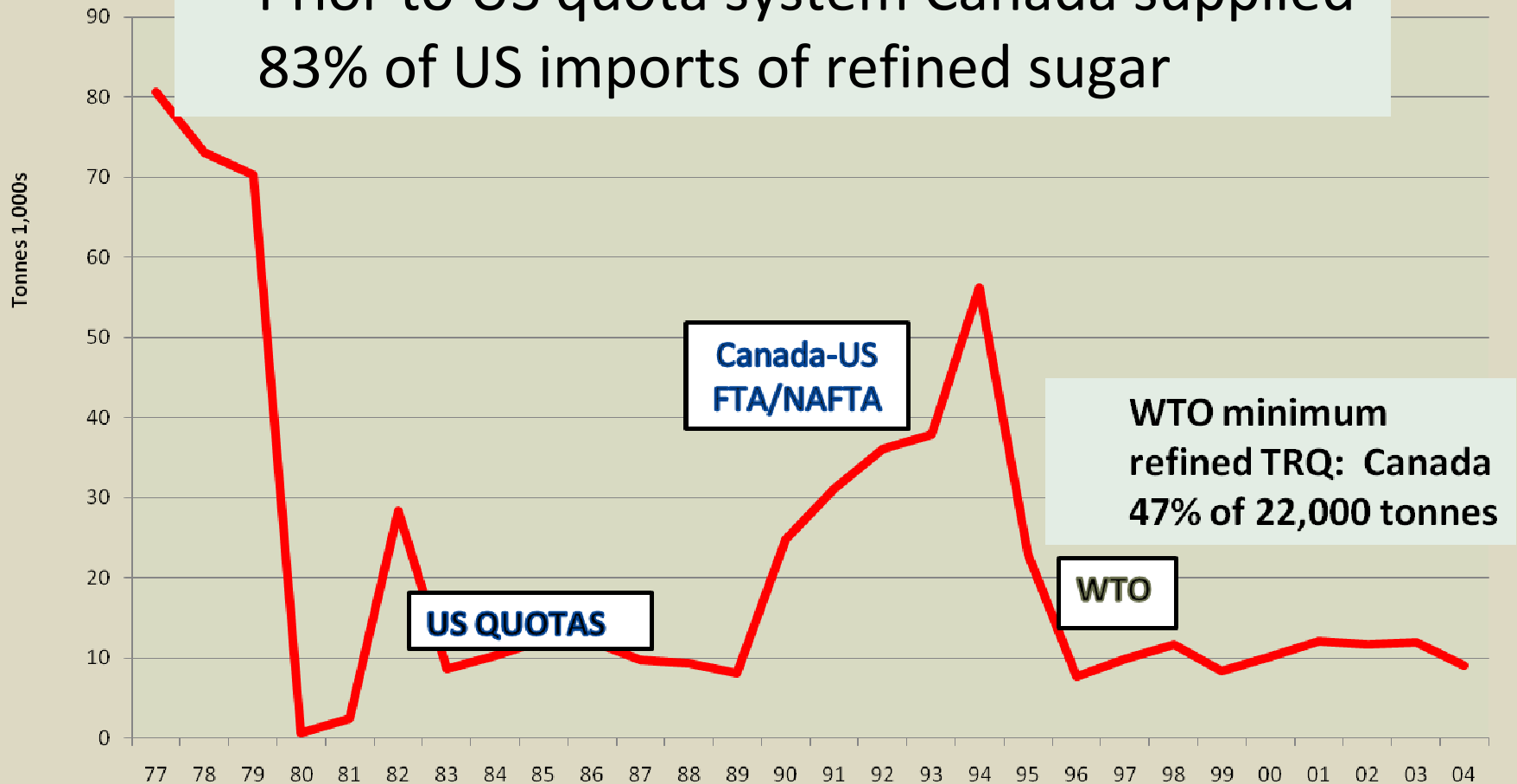
LMC International, June 2009



Canada Exports Refined Sugar to US



Prior to US quota system Canada supplied 83% of US imports of refined sugar



Current Canada-US Market Dynamics



- **Managed trade relationship – fixed quotas**
- **Improved export access requires multilateral (WTO) solution:**
LONG TERM



- **Any SHORT TERM export opportunity is important to Canadian sugar**

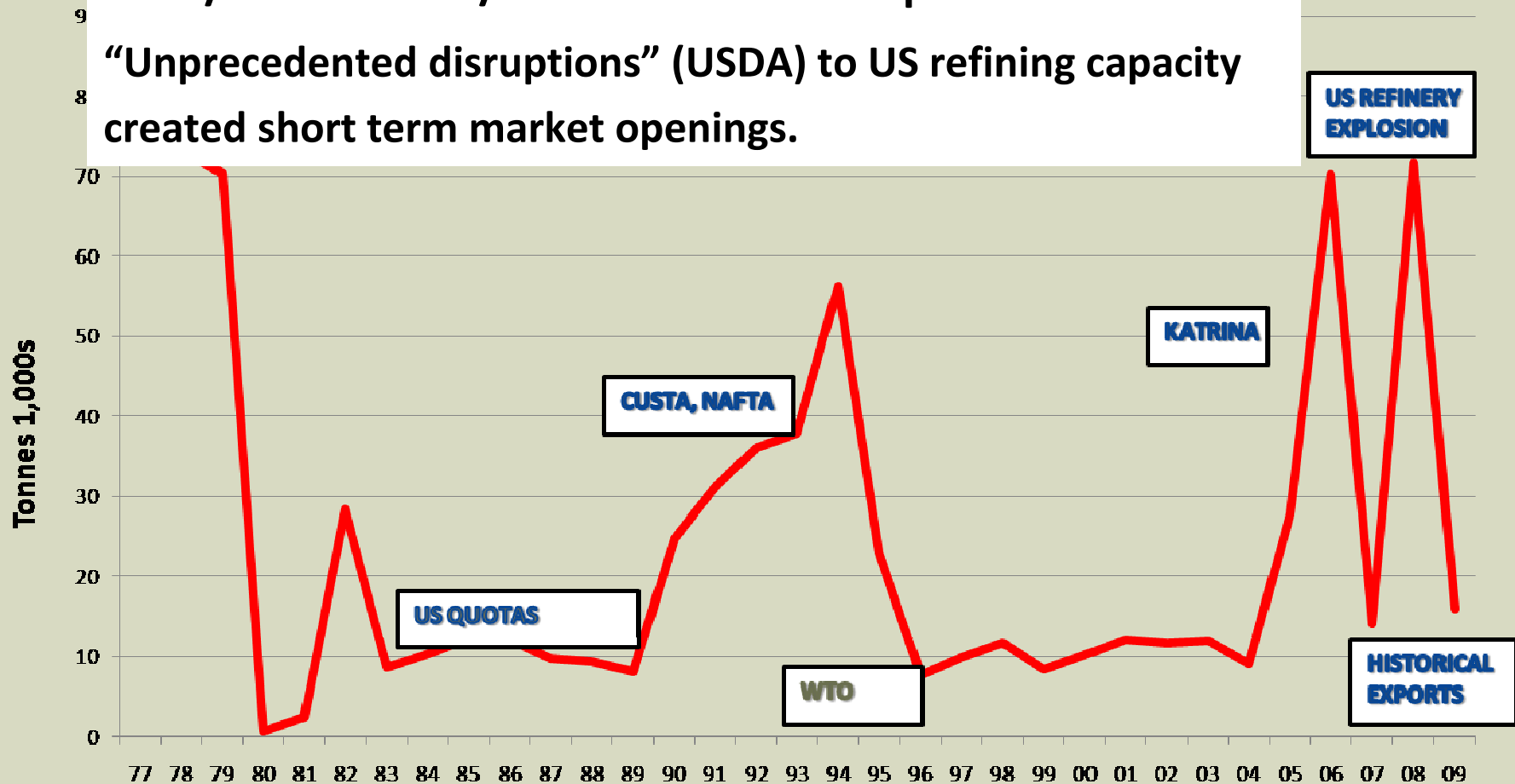


Canada Exports Refined Sugar to US

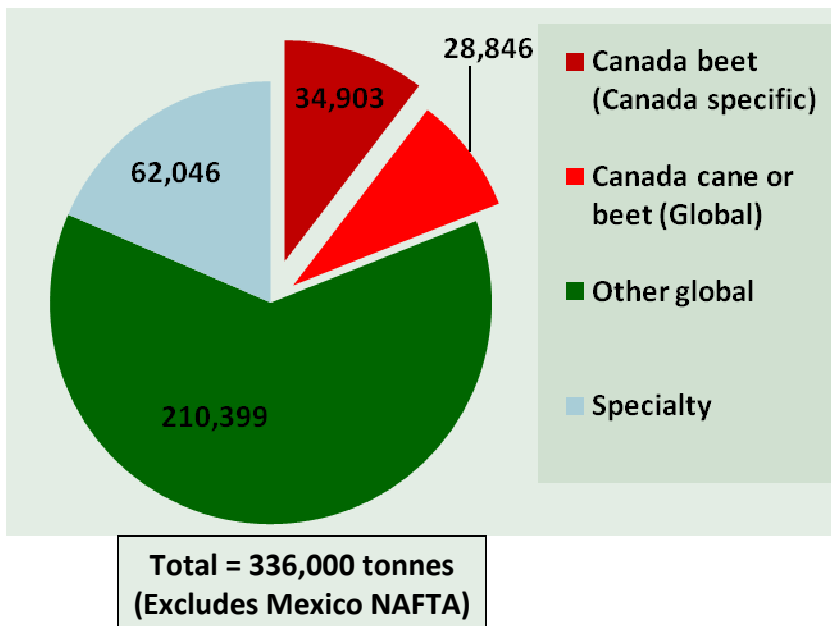


2005/06 and 2007/08 US Market Disruptions

“Unprecedented disruptions” (USDA) to US refining capacity created short term market openings.



Canada Access to TRQ Increases 2007-08



CUSTOMS ENTRY

- Tranches
- Container size restrictions
- User quality white sugar

Sept 18, 2008
Customs rescinded conditions for higher quality white sugar and small container sizes.

3 TRQ OPENINGS	Oct 1, 2007	Aug 14, 2008	Oct 30, 2008
Metric Tonnes	7,090	163,877	68,278
Tranches	No	No	Yes - 5
Container size restriction	No	Yes/No	No
User-quality white sugar not to be further refined	No	Yes/No	No
Canada share of global TRQ	14%	9%	19%



2008 US Farm Bill – Quota Administration



Legal authority in US Tariff Schedule to increase raw and refined quotas when “domestic supplies of sugars may be inadequate to meet domestic demand at reasonable prices”

Farm Bill

- Manage marketing allotments to maintain prices above forfeiture levels AND provide “adequate supplies of raw and refined sugar in the domestic market”
- Adjust allotments - up or down “in a fair and equitable manner” (not below 85% domestic consumption)
- Reassign deficits to imports of “raw cane sugar”
- Adjust Tariff Rate Quotas for “**raw cane sugar and refined sugars**”



US Farm Bill – Responsibilities of Secretary



- **Before Apr 1:**
 - **“Shall”** take action if there is an **emergency shortage** “caused by war, floods, hurricanes, or other natural disaster, **or other similar event** “
 - Including increases in raw TRQ to accommodate allotment reassignments
 - Increases in refined sugars after domestic marketings **and refining capacity have been maximized** and if “such further increase” will not result in forfeitures
- **On or after April 1:**
 - **“May”** take action (no emergency required)
 - If there is still a shortage of sugar , the TRQ for raw cane sugar may be increased after marketings of domestic sugar have been maximized
 - **Does not preclude increases to TRQ for refined sugars as per legal authority in Tariff schedule to ensure adequate domestic supplies at reasonable prices**



Ongoing US TRQ Issues



- **Uncertainty regarding timing and composition of TRQ openings**
- **WTO TRQ allocations to Mexico are redundant and limit opportunity for other suppliers**
- **Challenges of Customs administration**
 - First-come, first-served TRQ
 - TRQ for refined sugars includes lower quality white sugars that require further processing
 - Need to establish increases above WTO minimum using international white sugar standard (use new tariff subheading)
 - Tranches and container size restrictions can help orderly marketing



Projected Ending Stocks to Use FY2010



USDA Monthly Stocks to Use Ratio Crop Year (Oct 1 - Sep 30)

		Month	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Current Crop Year Estimates	October		15.3	14.1	15.5	20.8	21.8	10.5	16.5	18.2	6.0	7.9
	November		18.0	12.7	12.7	19.8	19.2	6.4	17.6	17.8	8.3	9.6
	December		20.0	12.5	12.1	20.6	16.5	13.4	18.7	19.4	8.8	9.6
	January		18.8	11.6	13.5	20.3	15.6	12.7	17.0	19.0	9.9	10.8
	February		19.4	12.7	14.6	19.7	15.3	16.0	16.0	19.3	9.8	10.0
	March		19.2	13.9	13.7	19.8	14.5	14.4	16.0	18.8	9.0	
	April		18.7	16.9	13.7	20.1	13.8	14.4	16.6	18.6	11.9	
	May		18.6	16.0	16.4	22.1	13.1	13.8	16.3	16.4	11.0	
	June		19.3	16.1	16.0	21.9	13.1	13.2	16.1	15.9	11.0	
	July		18.6	16.0	16.4	21.6	14.4	13.6	15.3	13.7	10.0	
	August		18.7	17.2	16.4	21.4	14.1	15.1	15.4	15.0	11.2	
September		19.8	16.7	17.5	21.5	14.9	15.5	16.9	14.3	11.8		
Final Revised	April of Next Crop Year		21.0	13.9	16.7	18.6	12.6	16.2	17.3	15.2	13.5 est	

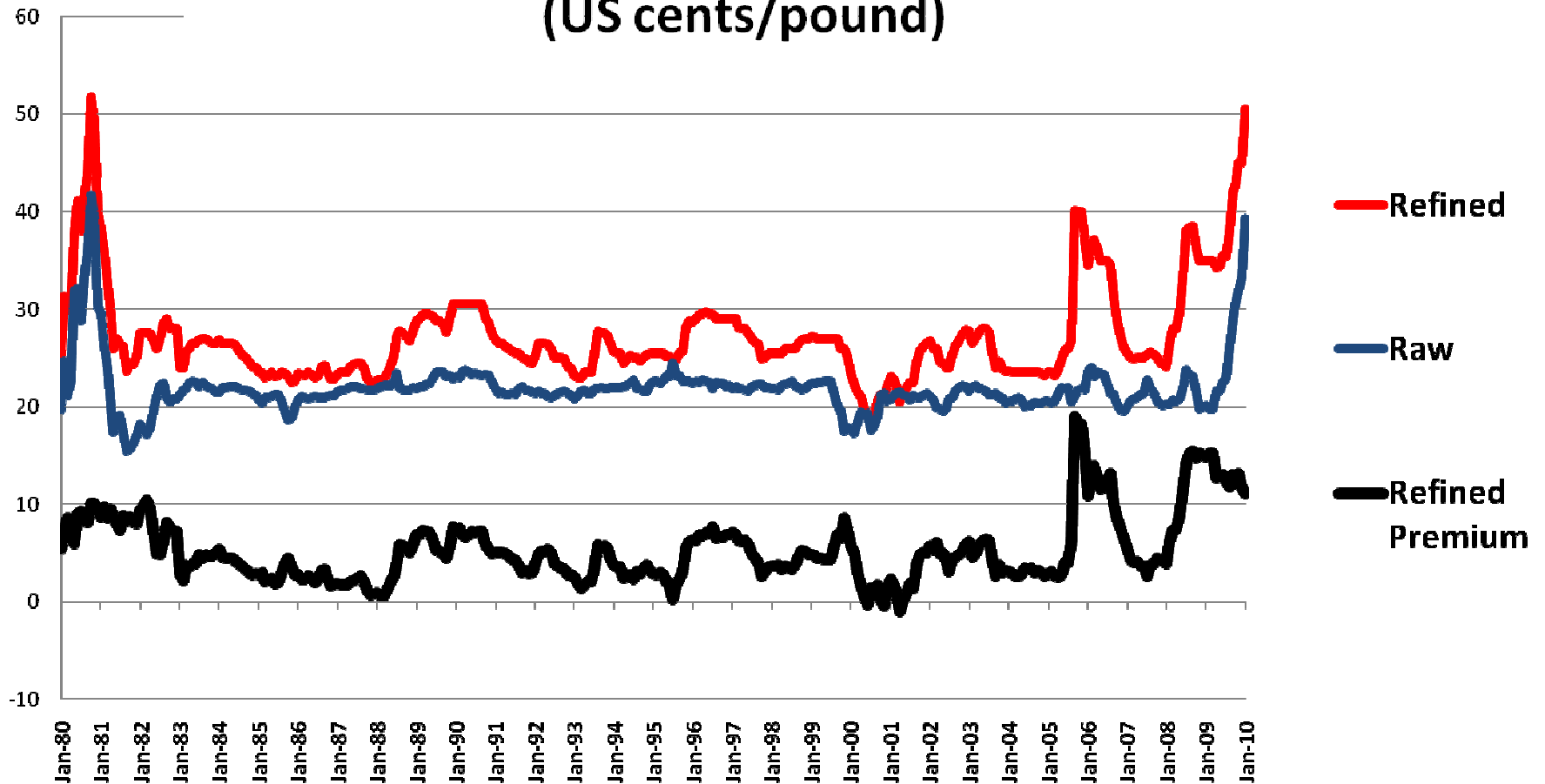
Source: USDA WASDE Reports



Market Prices Signal Demand



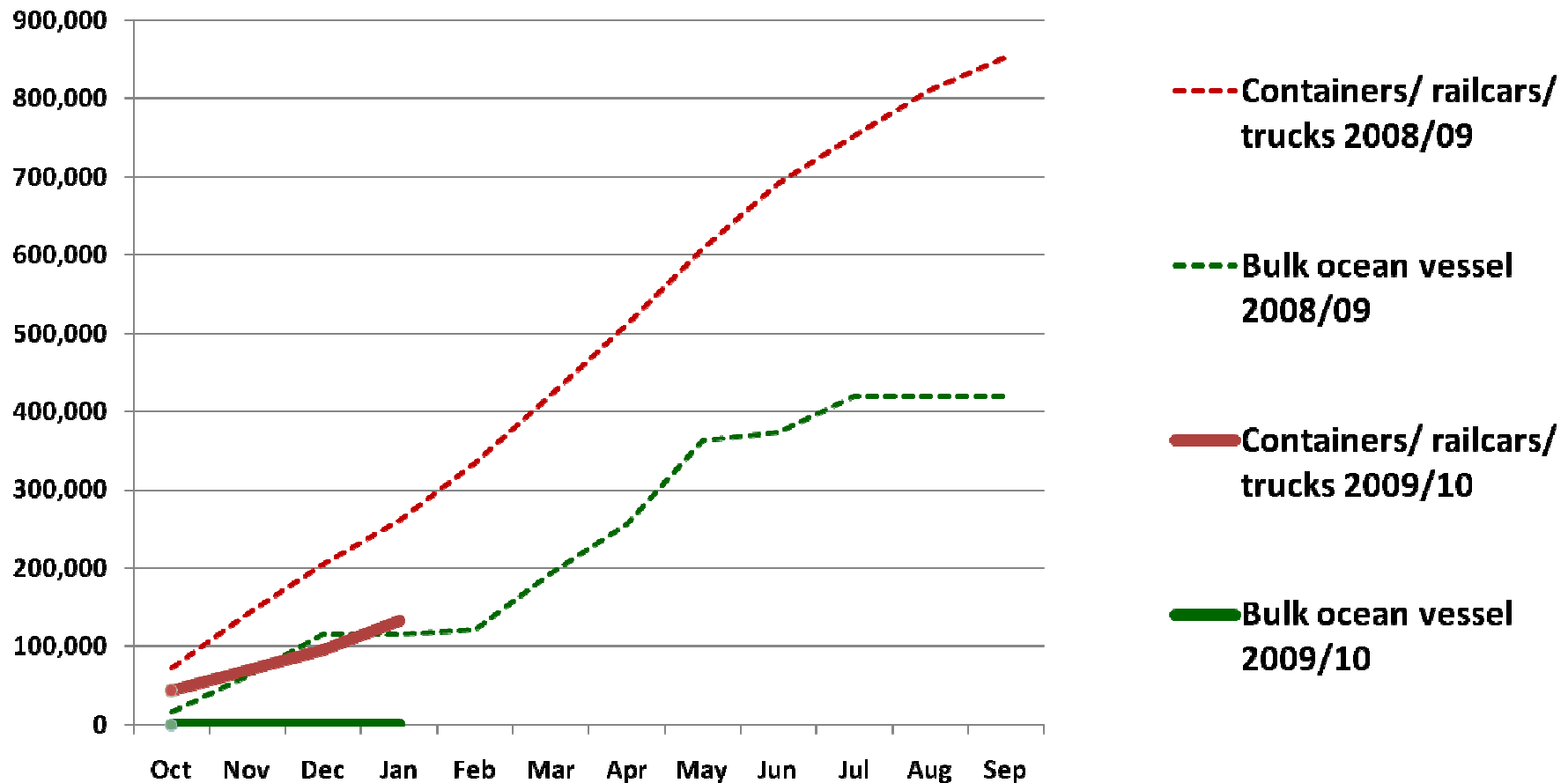
US Raw and Refined Sugar Prices and PREMIUM (US cents/pound)



Mexico Cannot Fill Gap This Year



**CUMULATIVE U.S. Imports of Sugar from Mexico
Fiscal Year 2009 and 2010**



Canada Exports Refined Sugar to US?

