

Imports of Certain Sugar Syrups Rise Dramatically in the 1990's

Most imported raw cane sugar, refined sugar, and sugar syrups enter the United States under either the raw cane sugar or refined sugar tariff-rate quotas (TRQs). Since 1995, however, certain sugar syrups containing molasses have entered the United States under the HTS 1702.90.40 tariff line, which is outside the sugar TRQs. Imports of these sugar syrups have contributed to greater U.S. supplies of sugar and have pressured TRQ levels.

In May 1995, the U.S. Customs Service, in response to a request from a sugar refiner in Michigan, determined that a type of sugar/molasses syrup should be classified under the tariff category, HTS 1702.90.40. The syrup is produced outside the United States by adding raw granular sugar to molasses and water and heating the mixture to dissolve the sugar. Once in the United States, the syrup is refined into liquid sugar, which is used in breakfast cereals and other food products.

Imports of the sugar syrup described in the previous paragraph began to increase after the Michigan refinery came on line in mid-1997. Prior to the May 1995 ruling, imports under the 1702.90.40 tariff line were of juices derived from raw sugarcane with 6 percent or less molasses. Imports under the tariff category, which came from Central American or Caribbean countries, were less than 20,000 tons annually. Imports under the 1702.90.40 category rose from less than 1,000 short tons, raw value (STRV) in FY 1994/95 to 118,000 STRV in 1999/2000—the equivalent of 10.5 percent of imports under the raw and refined sugar TRQs in 1999/2000. Imports of the sugar/molasses syrup are assessed much lower duties than are imports of sugar syrups subject to the high-tier (over-quota) tariff of the refined sugar TRQ.

Most of the sugar syrup entering the United States under 1702.90.40 is processed in a plant in Ontario, Canada, from imported raw sugar. Since 1995, raw sugar imports from a number of countries have been used to make the molasses/sugar syrup. Examples include Australia, Brazil, the Dominican Republic, and, most recently, Colombia. Some of the syrup also is produced in Mexico. In FY 1997/98 and FY 1999/2000, between 3,000 STRV and 4,000 STRV of the syrup were imported from Mexico. The same quantity has been imported from Mexico in the first two months of FY 2001 alone.

As imports of the sugar/molasses syrup increased through the late 1990's, they began to expand U.S. sugar supplies. When imports under tariff line 1702.90.40 topped 83,000 STRV in FY 1997/98, the U.S. Department of Agriculture (USDA) began to include the product in its estimates of non-TRQ sugar imports. USDA forecasts FY 2001 imports of the sugar/molasses syrup at 125,000 STRV, up 7,000 STRV from actual FY 2000 imports of 118,000 STRV.

Sugar producers are concerned that other firms will begin producing and refining the sugar/molasses syrup, further

adding to already large U.S. sugar supplies. Some countries that hold shares of the U.S. raw cane sugar TRQ agree with the U.S. producers' concerns because increasing imports of the sugar/molasses syrup expand U.S. sugar supplies, erode quota rents, and reduce the size of the raw cane sugar TRQ when import needs exceed the World Trade Organization (WTO) minimum.

In January 1998 and again in January 1999, the United Sugar Cane Refiners Association and the United States Sugar Beet Association jointly petitioned the U.S. Customs Service to revoke its May 1995 classification ruling for the sugar/molasses syrup. Following a lengthy administrative process which allowed comments from all interested individuals and companies, the Customs Service announced that it was revoking the May 1995 ruling on September 8, 1999, for implementation in November 1999. By revoking its original ruling, the Customs Service recognized the product as a sugar syrup which would be subject to the quota restrictions and higher over-quota tariff rates of the refined sugar TRQ.

The U.S. company affected by the U.S. Customs Service ruling filed a complaint against the Customs Service in the U.S. Court of International Trade (C.I.T.). On October 19, 1999, the U.S. C.I.T. decided in favor of the company and blocked the Customs Service's September 8 ruling. The Customs Service appealed the U.S. C.I.T. decision to a higher court on March 31, 2000, and it is expected that the case will be heard shortly. In addition, Canada initiated consultations with the United States under the WTO dispute settlement procedures in October 1999, but stopped the dispute settlement procedure after the U.S. C.I.T. blocked the U.S. Customs Service September 8, 1999, ruling.

In 2000, legislators in the U.S. House and Senate introduced bills that would add the HTS 1702.90.40 tariff line to the list of tariff lines included under the refined sugar TRQ and would extend the list to any other products from which sugar can be extracted or which can be used to circumvent the sugar TRQs. The legislation was not approved in 2000, but it is likely that the same legislators will introduce similar legislation in 2001.

U.S. imports of sugar/molasses syrup under HTS 1702.90.40

Year	Import volume Metric tons 1/	Import value \$1,000	Import volume STRV
1994/95	1,864	295	1,025
1995/96	14,648	1,138	8,056
1996/97	38,324	11,049	21,078
1997/98	151,382	33,541	83,260
1998/99	208,537	38,415	114,695
1999/00	214,735	34,002	118,105

1/ Commercial weight.

Source: U.S. Census Bureau import data. Import volumes in metric tons, commercial weight, are multiplied by 0.55 to derive imports of sugar in short tons, raw value.