

The Office of the United States Trade Representative

Home / Document Library / Press Releases / 2006 / August / 08/03/2006 | USTR Announces Revised FY 2006 Tariff-Rate Quota Sugar Allocations, Agreement with Mexico on Market Access on Sweeteners

USTR Announces Revised FY 2006 Tariff-Rate Quota Sugar Allocations, Agreement with Mexico on Market Access on Sweeteners

08/03/2006

The Office of the United States Trade Representative (USTR) today announced the allocations for the increased Fiscal Year (FY) 2006 tariff-rate quotas for refined sugar and specialty sugar.

In addition, USTR announced the country-by-country allocations of the in-quota quantity of the tariff-rate quotas for imported raw cane sugar, refined sugar, specialty sugar and sugar-containing products for FY 2007 (Oct. 1, 2006 and Sept. 30, 2007).

A tariff-rate quota is an import policy that allows countries to ship specified quantities of a product to the United States at a relatively low tariff, but subjects all other imports of that product to a higher tariff.

USTR also announced agreement between the United States and Mexico on Market Access for Sweeteners.

FY 2006

In response to a continuing tight sugar market exacerbated by disastrous weather events that greatly reduced the FY 2006 domestic supplies, on July 27, 2006, the Secretary of Agriculture increased the in-quota quantity of the tariff-rate quota for refined sugar for FY 2006 by 90,719 metric tons* raw value, none of which is for specialty sugars. USTR is allocating a total of 26,681 metric tons raw value to Mexico. The remaining 64,038 metric tons raw value of the in-quota quantity may be supplied by any country on a first-come, first-served basis, subject to any other provision of law. The certificate of quota eligibility is required for sugar entering under the tariff-rate quota for refined sugar that is the product of a country that has been allocated a share of the tariff-rate quota for refined sugar.

Also on July 27, 2006, the Secretary of Agriculture increased the in-quota quantity of the tariff-rate quota for specialty sugar for FY 2006 by 9,000 metric tons raw value. This quantity may be supplied by any country on a first-come, first-served basis, subject to any other provision of law.

FY 2007

On July 27, 2006, the Secretary of Agriculture announced sugar program provisions for FY 2007. The in-quota quantity of the tariff-rate quota for raw cane sugar for FY 2007 is 1,343,992 metric tons* raw value, which is 226,797 metric tons raw value above the minimal amount to which the United States is committed under the World Trade Organization (WTO) Uruguay Round Agreements. The FY 2007 raw cane sugar tariff-rate quota will be allowed early entry beginning August 7, 2006 and no shipping patterns will be established. USTR is allocating the raw cane sugar allocations of 1,343,992 metric tons raw value to the following countries:

Country FY 07 Raw Cane Sugar Allocations (metric tons raw value)

Argentina 55,112
Australia 106,378
Barbados 8,972
Belize 14,098
Bolivia 10,253
Brazil 185,841
Colombia 30,760
Congo 7,258
Costa Rica 19,225
Cote d'Ivoire 7,258
Dominican Republic 225,573
Ecuador 14,098
El Salvador 33,323
Fiji 11,535
Gabon 7,258
Guatemala 61,520
Guyana 15,380
Haiti 7,258
Honduras 12,817
India 10,253
Jamaica 14,098
Madagascar 7,258
Malawi 12,817
Mauritius 15,380
Mexico 7,258
Mozambique 16,662

Nicaragua 26,915

Panama 37,168

Papua New Guinea 7,258

Paraguay 7,258

Peru 52,548

Philippines 173,025

South Africa 29,478

St. Kitts & Nevis 7,258

Swaziland 20,507

Taiwan 15,380

Thailand 17,943

Trinidad & Tobago 8,972

Uruguay 7,258

Zimbabwe 15,380

These allocations are based on the countries' historical shipments to the United States. The allocations of the raw cane sugar tariff-rate quota to countries that are net importers of sugar are conditioned on receipt of the appropriate verifications of origin, and certificates for quota eligibility are required for entry of this sugar.

On July 27, 2006, the Secretary of Agriculture established the FY 2007 refined sugar tariff-rate quota at 57,000 metric tons raw value for which the sucrose content, by weight in the dry state, must have a polarimeter reading of 99.5 degrees or more. This amount includes the minimum level to which the United States is committed under the WTO Uruguay Round Agreement (22,000 metric tons raw value of which 1,656 metric tons raw value is specialty sugar) and an additional 35,000 metric tons raw value of specialty sugars. USTR is allocating a total of 10,300 metric tons raw value of refined sugar to Canada, 2,954 metric tons raw value to Mexico, and 7,090 metric tons raw value to be administered on a first-come, first-served basis. The 36,656 metric tons raw value allocation of specialty sugar, which includes the additional 35,000 metric tons raw value of specialty sugar and the specialty sugar allocation of 1,656 metric tons raw value included in the 22,000 metric tons raw value WTO minimum, will be administered on a first-come, first-served basis.

With respect to the tariff-rate quota of 64,709 metric tons for certain sugar-containing products maintained under Additional U.S. Note 8 to Chapter 17 to the Harmonized Tariff Schedule of the United States, 59,250 metric tons is being allocated to Canada. The remainder of the sugar-containing products tariff-rate quota is available for other countries on a first-come, first-served basis.

Mexico

As USDA noted in its press release of July 27, the United States and Mexico have determined jointly, in accordance with Annex 703.2 of North American Free Trade Agreement (NAFTA), that Mexico is projected to be a net surplus producer of sugar for FY 2007, and accordingly that Mexico will be permitted to enter up to 250,000 metric tons raw or refined sugar duty free in FY 2007. Quantities allocated to Mexico under WTO raw cane sugar tariff-rate quota, but not the WTO refined sugar tariff-rate quota, will be counted against this amount. Certificates for quota eligibility are required for entry of tariff-rate quota sugar from Mexico.

As also noted in the USDA press release, the United States and Mexico have reached an agreement on market access for sweeteners. That agreement, set forth in an exchange of letters dated July 27, 2006, provides Mexico duty-free access to the United States for 250,000 metric tons raw value of raw or refined sugar in FY 2007 and at least 175,000 metric tons raw value of raw or refined sugar for the first three months of FY 2008 (Oct. 1 through Dec. 31, 2007). Under the agreement, Mexico will provide reciprocal access for U.S. high fructose corn syrup (HFCS), including 250,000 metric tons in FY 2007 and at least 175,000 metric tons for the first three months of FY 2008 (Oct. 1 through Dec. 31, 2007). Mexico also commits that effective January 1, 2008 it will not impose duties on U.S. HFCS. The United States and Mexico confirm that on July 3, 2006 they submitted a joint letter to the WTO Dispute Settlement Body regarding the elimination of Mexico's soft drink and distribution taxes. Mexico will establish a duty-free quota for U.S. sugar of not less than 7,258 metric tons raw value for each of marketing years 2006, 2007, and 2008. The over-quota tariff on U.S. sugar will be eliminated effective January 1, 2008 as provided for in the NAFTA.

For its part, Mexico announced on July 27 its actions to implement the July 27 agreement with respect to FY 2007 amounts. Mexico and the United States will consult before July 1, 2007 in order to set allocations for the first three months of FY 2008, which per the agreement may range from 175,000 metric tons raw value to 250,000 metric tons raw value.

**Conversion factor: 1 metric ton = 1.10231125 short tons.*

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