



Newsletter

National Sweetener and Ingredient Marketing Assn
National Sugar Broker's Association



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HEADLINE: USDA Announces 2005,2006 Sugar Program Provisions

Message from Ray Washmera, President;

First, I wish to thank Neale Smith for his passing the baton to yours truly. Neale, you have been a wonderful President to the National Sweetener Ingredient Marketing Association, formerly known as the National Sugar Brokers Association. Your gentle guidance has kept the Association going for 17 fulfilling yet difficult years. That is quite a feat and we thank you . Fortunately, you have agreed to remain on the NSIMA Board for the next year, and I must say I hope for many more.

Second, I must reflect on an old friend who passed recently, Ben Oxnard. I met Ben 20 plus years ago, as a young, wet behind the ears, sugar broker/peddler. Ben, and I believe, Pat Henneberry, and I had been asked to speak at the ASA and compete as Fearless Forecasters. We were to forecast the average price of world sugar for the next year. I must admit I felt completely out of my league; and I stressed greatly as what to gather and present. Ben spoke first and made what I consider even today the most creative and brilliant approach. He made his presentation based entirely on the batting average of the Atlanta Braves and some specific hitters. By the time he was done, he had us rolling on the floor, laughing in stitches, and believing the price was going higher the next year. And you know what? I think he was right. I know by the time I got up there the audience was as friendly and congenial as you could imagine. It made my presentation so much easier and fun. Ben, we will miss you. Thanks for all the fun and laughter you brought to this industry. And to Elizabeth and Family, please accept our sympathies and prayers and our thanks for allowing us to share your Ben.

Sincerely, Raymond A. Washmera

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Trade pact in works with Thailand worries U.S. sugar

Tuesday, July 12, 2005; By [Larry Lipman](#), Palm Beach Post-Cox News Service

WASHINGTON — America's sugar industry describes it as CAFTA on steroids.

The "it" is a free trade agreement being negotiated this week in Great Falls, Mont. — estimated population 56,000 — between the United States and Thailand, one of the world's largest sugar-exporting nations.

In a letter sent Monday to President Bush, 67 sugar companies and associations from 19 states warned that including sugar in a free trade agreement with Thailand and other countries "can only come at the expense of U.S. producers and threaten the very survival of both the U.S. sugar program and our industry."

Sugar growers and producers are concerned that CAFTA — the free trade agreement with five Central American countries plus the Dominican Republic — is setting a harmful precedent for negotiations with Thailand and 20 other sugar-producing nations that export 25 million tons of sugar a year, three times the United States' sugar consumption.

"That's enough to eliminate U.S. sugar production," said Phillip Hayes, spokesman for the American Sugar Alliance, which represents both cane and beet sugar growers and producers.

South Florida is home to three major sugar-cane producers.

Although Sen. Bill Nelson, D-Fla., told the Senate just before it endorsed CAFTA last month that U.S. Trade Rep. Rob Portman had promised future agreements would not include sugar through 2007, the industry is not convinced.

"Sugar has not been taken off the table," Hayes said. "This is a huge deal because Thailand is the world's second-largest sugar-exporting nation and they are heavily subsidized. Thailand is Central America on steroids."

On average, Thailand exports about 4.6 million metric tons of sugar per year to the world market, although the 2005-06 export amount is expected to be about 2.9 million metric tons, according to the U.S. Department of Agriculture. That would place Thailand third in world sugar exports behind Brazil with 10.8 million metric tons and Australia with 4.2 million metric tons.

Thailand's exports to the United States last year totaled \$17.5 billion compared to \$6.4 billion in imports. But agricultural interests in the United States — particularly Western wheat farmers — see the potential agreement as a way to open Thailand to more American-produced grain, which now face a 35 percent tariff. Sugar producers worry their commodity may be sacrificed to win gains for other U.S. agricultural commodities.

Hayes said Thailand's desire to increase its share of the American market — now less than 2 percent — is an example of the danger posed by CAFTA. The House is expected to vote on CAFTA later this month. Both sides predict a razor-close margin.

Free-trade advocates argue the sugar industry has wildly exaggerated CAFTA's impact. "CAFTA will have minimal impact on the sugar industry — equivalent to about a spoonful (of sugar) a week" for the average American consumer, Commerce Secretary Carlos Gutierrez wrote in an online forum in May.

Obesity crisis spurs sugar warning proposal for soft drinks

7/15/2005 - **Proposals to put cigarette-style health warnings on soft drinks to highlight the harmful effects of too many sugary beverages has been called patronizing by the American Beverage Association, writes Anthony Fletcher.**

In a petition filed this week with the Food and Drug Administration (FDA), the Center for Science in the Public Interest (CSPI) has asked for the introduction of a series of rotating health notices on containers of all non-diet soft drinks-carbonated and non-carbonated-containing more than 13 grams of refined sugars per 12 ounces. Suggested warnings include *US Government recommends that you drink less (non-diet) soda to help prevent weight gain, tooth decay, and other health problems* and *To help protect your waistline and your teeth, consider drinking diet sodas or water.*

But the American Beverage Association (ABA), which represents soft-drink manufactures, has denounced the proposal as *flying in the face of common sense.* ABA president Susan Neely claimed that asking the FDA to put warning labels on soft drinks, or any food products that contain caloric sweeteners, would be highly patronizing to consumers and open up a whole can of worms. *Where would such a food "hit list" stop?* she asked. *Even skim milk and thousands of other food products could potentially fit into a CSPI labeling scheme because of the sugars contained in those products.*

Marshall Manson, vice president of public affairs at the industry-backed Center for Individual Freedom, went even further in her condemnation of the proposals. *This is nothing but another freedom-sucking proposal from CSPI,* she said. *The nutrition nannies are at it again. CSPI's anti-choice, anti-freedom agenda is plain for all to see.*

The CSPI however believes it has a case. It claims that teenage boys who drink carbonated or non-carbonated soft drinks consume an average of three 12-ounce cans per day, and girls more than two cans. Teens who drink soft drinks get nearly 15 percent of their total calories from those drinks. And although adults are turning to diet soda, CSPI claims that its data shows that teenagers are actually drinking more high-calorie soft drinks than ever and less diet soda than in years past-despite growing concerns about obesity.

Just as the soaring rates of obesity have shocked Americans, so should the increasing consumption by teenagers of one of the causes of obesity, said CSPI executive director Michael F. Jacobson.

What was once a rare treat in a small serving is now served up morning, noon, and night, virtually everywhere Americans happen to be. How did a solution of high-fructose corn syrup, water, and artificial flavors come to be the default beverage?

The CSPI also argues that it has the backing of the medical establishment. *It is obvious to physicians who treat obese children that the extra 200, 300, or 400 empty calories kids get from soft drinks contribute to weight gain,* said Dr. Caroline M. Apovian, director of the Nutrition and Weight Management Center at Boston Medical Center. *If you want to stop the epidemic of childhood obesity, curbing soda consumption is the place to start. Health messages on labels would certainly help parents and teens be aware of the risks.*

The ABA however contends that the consumption of soft drinks has actually declined. According to the Beverage Digest 2005 Fact Book, the average American consumed 18 (12-ounce) cans less in 2004 than they did in 1998. And Beverage Digest reports that calorie consumption per beverage serving has declined 16 percent during the same period due to an increase in bottled water and diet soft drink consumption and a decrease in full-calorie soft drink consumption. *Soft drinks are a refreshing and enjoyable beverage to be consumed in moderation as part of a balanced approach to life,* said Neely. *Warning labels designed by CSPI will unnecessarily confuse consumers without providing helpful nutritional information. Individuals, not the government, are in the best position to make the food and beverage choices that are right for them.*

Whatever the outcome of this debate, one thing is clear; obesity is a growing problem in the United States. The condition has now doubled in kids and tripled in teens since 1980, while nearly one-third of US adults are now obese.

Posted on Sat, Jul. 23, 2005; **Associated Press**

(RRV) Heavy rain leads to crop diseases

FARGO, N.D. - Crop diseases like scab and root rot, which thrive in wet weather, are showing up in North Dakota after heavy rain.

Farmers and crop scouts have found fusarium head blight, or scab, in wheat and barley fields in the Red River Valley and other parts of North Dakota, said Marcia McMullen, a plant pathologist at North Dakota State University. Scab, a fungal disease that robs small-grain crops of yield and quality. "I think it's going to be even a bigger problem than we ever want to think about," McMullen said.

Red River Valley farmers said some of their sugar beets are infected with root rot diseases.

"We're seeing a lot of it," said Tom Knudsen, an agronomist at the Wahpeton, based Minn-Dak Farmers Cooperative. The amount of damage caused by root rot and other diseases is unknown because many crops are still developing, officials said. But Knudsen estimates Minn-Dak's growers will lose about 40 percent of this year's crop to flooding. "This is a year we want to get over with and move on," he said. Some of the co-op's sugar beet fields have received as many as 20 inches of rain through June. Southern Richland County has been hit especially hard, he said.

In other parts of North Dakota, farmers have been battling hail damage.

Near Menoken, Ron Aberle estimated about 2,000 acres of his cropland was hit by hail Thursday night. Farmers near Plaza, Makoti and Ryder report pea and canola fields were damaged.

Marty Shaw, who farms near Plaza, said his farm was hit by hail for about 20 minutes, and it shattered grain and left much of the crop on the ground.

Nearly 9 inches of rain fell in the Fargo area in June, compared to less than a half-inch so far this month, the National Weather Service said. Still, many farmers in the Red River Valley missed the heavy rain, and they may harvest at least average crops, NDSU crop specialists said.

"The crops are all over the place," Knudsen said. "You need a Doppler (radar) summary to figure all this out."

Clay County (Minn.) farmer Mark Nyquist said storms dumped 11 inches on his farmland in June, damaging some crops and spurring the onset of some scab in his wheat. "I hate to say it, but we could use a little rain right now," said Nyquist who farms a few miles south of Moorhead, Minn.

Minn-Dak's 500 shareholders planted 108,000 acres of beets this spring, but expect to lose 18,000 acres to flooding. Harvested beets could yield half the co-op's average, making this year's crop the smallest in more than 10 years, Knudsen said.

Moorhead-based American Crystal Sugar could lose 30,000 acres of the 500,000 planted to beets this spring, co-op spokesman Jeff Schweitzer said. "Generally speaking, I'd categorize the 2005 crop as below average," he said.

Last week, NDSU field scouts found small infestations of scab in 36 of 103 wheat fields throughout the state, including some in the Red River Valley, McMullen said. "I think it's going to get pretty bad," she said.

The region's farmers have seen little of scab since 2001. In an eight-year stretch, from 1993 until 2001, North Dakota's economy lost an estimated \$3.5 billion to scab outbreaks. During the same period, scab cost Minnesota about \$1.8 billion in crop losses, an NDSU study completed last year shows.

"We started out with a nice, early planting season and with great optimism, but now we're fairly disappointed," Clay County farmer David Kragnes said.

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7/25/2005 10:57:00 AM To: National Desk - Contact: Matt J. Lauer, 202-448-3127 or mlauer@qorvis.com

Splenda Ads by Johnson & Johnson Are Misleading, Says Advertising Standards Board; New Zealand Authority Upholds Complaint Against J&J

WASHINGTON, July 25 /U.S. Newswire/ -- The New Zealand Advertising Standards Authority (ASA) has upheld a complaint against Johnson & Johnson for misleading marketing practices in advertisements for the chlorinated artificial sweetener Splenda. "This complaint is on the basis that Splenda is being compared directly to sugar and misleading and confusing consumers into thinking it's as natural as sugar because it's 'made from sugar and tastes like sugar,'" according to the upheld complaint.

The Authority's Advertising Standards Complaints Board, made up of representatives from New Zealand's advertising and marketing agencies, reviewed 15 second and 30 second versions of an ad for the artificial sweetener along with focus group input. The Board determined that the ad deceived consumers into thinking Splenda is all natural like sugar, when it is actually a chemical compound. "The (Splenda) advertisement...gave rise to a likelihood of a consumer being confused and misled as a result of the comparison in the advertisement," the Board decided. According to the ASA, when the Board upholds a complaint, they ask the company not to run the ad again.

In reality, the product Splenda does not contain and is not sugar. The artificial sweetener ingredient (sucralose) in Splenda is manufactured chemically. The sweetness of Splenda is due to the chlorocarbon chemical (sucralose) that contains three atoms of chlorine in every one of its molecules.

In fact, the name sucralose is misleading because it is not a sugar but a chlorinated chemical. In the United States, Johnson & Johnson is currently involved in more than ten federal and consumer class action lawsuits alleging misleading marketing for the chlorinated artificial sweetener Splenda.

"This is an important ruling for consumers. As more and more sweeteners are used to formulate foods in the U.S., consumers need to be vigilant in reading the ingredients part of the Food Label to verify if the product is made with all natural real sugar or some man-made, chemical sweetener. To help consumers, advertising of these food products must be accurate and not misleading," says Andy Briscoe, President of the Sugar Association.

The New Zealand Advertising Standards Authority was formed in 1973 and is a self-regulating body comprised of marketing and advertising agencies in New Zealand.

To learn more about the truth about Splenda, please contact Rich Masters at Qorvis Communications at 202-496-1000, email at rmasters@qorvis.com or visit the website <http://www.truthaboutsplenda.com>.
<http://www.usnewswire.com/>

Tate & Lyle Announces GBP 100 Million Investment in Growth

LONDON, Jul 28, 2005 (BUSINESS WIRE) -- Tate & Lyle PLC (PINK SHEETS:TATYY)(LSE:TATE):

1. Loudon, USA facility

Tate & Lyle PLC, a world leader in renewable ingredients, today announced plans for a GBP 43 million (US\$75 million) expansion to its Loudon, Tennessee, facility. It will enable Tate & Lyle to increase production of value added products and will also supply substrate for the new joint venture, DuPont Tate & Lyle BioProducts, LLC (being constructed adjacent to the facility) which will produce 1,3 propanediol (Bio-3G), the key building block for DuPont(TM) Sorona(R). Ethanol capacity will also be increased by 37 million gallons per year. There will be no increase in high fructose corn syrup capacity.

By implementing proprietary technology, the expansion will both dramatically increase starch yields and reduce per unit energy consumption. The project includes investment in substantial environmental improvements. Subject to regulatory permit approvals, construction will begin later this financial year and the new capacity is scheduled to be operational in October 2007. The project is expected to cover the Group's cost of capital in the first full year of operation.

"These proprietary technologies, which have been developed by Group engineers in Europe and the Americas, allow significantly higher starch yields and lower energy consumption," said Stanley Musesengwa, Chief Operating Officer of Tate & Lyle. "In addition to lower operating costs, the expansion will be implemented at a lower capital cost per bushel than the traditional corn wet milling process and is an example of Tate & Lyle's experience and innovation at work.

"These are exciting times for the Loudon facility, which is seeing considerable investment and is creating jobs in the local construction industry. We look forward to working with the Tennessee Department of Environment & Conservation and local environmental groups and are confident that construction will begin shortly."

2. Sagamore, USA facility

Tate & Lyle today announced plans for a GBP 57 million (US\$100 million) expansion to its Sagamore facility in Lafayette, Indiana to increase capacity for food ingredient products. This will contribute to the delivery of Tate & Lyle's strategy to grow the contribution from value added products. The project includes investment in substantial environmental improvements.

Subject to regulatory permit approvals, construction will begin later this financial year and the new capacity is scheduled to be operational by January 2007. The project is expected to cover the Group's cost of capital in the first full year of operation.

The Sagamore plant is Tate & Lyle's primary US production site for modified food starches and is the flagship site for value added dent and waxy based food starch products. These products are used in a wide array of dairy, beverage, baking, snack, and dressings. Tate & Lyle has been successful in growing these markets and without this expansion production capacity at the plant would have become a constraint. This expansion is part of the Group's investment in growth.

"We have undertaken significant work to understand and anticipate changing consumer preferences and eating habits, and how the food processing and food service industries will respond to these trends," said Iain Ferguson, Chief Executive of Tate & Lyle. "The cumulative impact of this work coupled with our greater understanding of, and deeper involvement with, our customers is that we recognize the need for investment in modified food starch and maltodextrin at Sagamore to meet growing demand.

"The investments in both Sagamore and Loudon reflect our firm commitment to deliver against our strategy to grow our business, and in particular to grow the contribution from value added products. The expansions will increase the corn grind and demand for locally sourced crops whilst the environmental improvements are designed to reduce emissions and reflect Tate & Lyle's commitment to environmental performance and to the surrounding community."

SPLENDA(R) is a trademark of McNeil Nutritionals, LLC

<http://www.mlive.com/business/sanews/index.ssf?/base/business-1/1122646865170740.xml&coll=9>

Friday, July 29, 2005; by DEAN BOHN, **THE SAGINAW NEWS**

CAFTA could start trend with other nations, (Michigan) sugar official says

Because of existing trade agreements, a mid-Michigan company has to warehouse goods worth \$13 million in profit.

Michigan Sugar Co. officials are barred from putting 50 million pounds of sugar on the market, said Richard E. Leach Jr., director of communications and government relations.

Now the Saginaw Township-based company faces the latest trade pact, the Central American Free Trade Agreement. Congress late Wednesday passed the agreement with six Latin American nations.

U.S. Rep. Dale E. Kildee, a Flint Democrat, voted against the pact, while U.S. Rep. Dave Camp, a Midland Republican, cast a yes vote on the controversial measure, which passed the House by a 217-215 vote. The Senate approved CAFTA last month 54-45, and it now goes to the president for his signature.

At the present market price of about 26 cents per pound, Michigan Sugar is losing a \$13 million profit on the warehoused sugar, Leach said. "(The latest agreement) isn't a company-breaker, it won't kill Michigan Sugar, but we're also looking at 20-some other agreements coming down the road, and if they use CAFTA as a template, as a formula to go by for these other countries, then there's a real problem coming," Leach said. "The first agreement they're working on now is with Thailand. They're the second-largest exporter of sugar in the world. (Brazil is the top exporter). "That's a lot of money out of farmers' pockets and eventually into the economy."

To ease the burden of storing sugar, the company has cut back on acreage that it contracts with growers. Michigan Sugar also said it will save \$4 million to \$6 million a year by closing its Carrollton plant, which has the smallest capacity and the highest fuel cost of the company's plants.

"Not only have we cut back on acreage, but we closed the Carrollton factory and had to let go 65 full-time employees and 100 part-time workers," Leach said. "Yet this country is bringing in more sugar and won't let us sell ours. It continues to squeeze our industry."

Company officials vow a continued fight against the passage of the trade agreements. "We've really battled this," Leach said. "You have to realize this passed by only two votes, so the change of any one vote would have made a tie, and a tie means it loses."

<http://www.msnbc.msn.com/id/8779500/>

Atkins Nutritionals files for bankruptcy

Company has been hurt by waning popularity of its namesake diet

NEW YORK - Atkins Nutritionals Inc., the company that promoted low-carb eating into a national diet craze, filed for bankruptcy court protection Sunday, a company spokesman said.

Atkins has been hurt by waning popularity of its namesake diet, which focuses on eliminating carbohydrates such as bread and pasta to shed weight. The diet became one of the most popular in U.S. history, spawning a virtual cottage industry of low-carb regimens — but also drew criticism from experts for its focus on fatty foods and low fruit and vegetable consumption.

A hearing on the prearranged, Chapter 11 filing was scheduled for Monday in U.S. Bankruptcy Court, spokesman Richard Rothstein said. The privately held company, founded in 1989 by Dr. Robert C. Atkins, said it had reached an agreement with the majority of its lenders to give them equity in exchange for lowered debt.

Atkins owes \$300 million in outstanding principal and interest, Rothstein said.

The company said it had received \$25 million in financing to operate during the bankruptcy proceedings, which it said would not affect day-to-day operations.

President and CEO Mark S. Rodriguez said the company has in the past year “adjusted our organization to accommodate a smaller business” and will promote its brands “more broadly for consumers who are concerned about health and wellness.”

After it leaves bankruptcy, the Ronkonkoma, N.Y.-based company will focus on its nutrition bars and shakes, Rodriguez said in a statement.

Private equity firm Parthenon Capital LLC acquired a majority stake in Atkins, in October 2003. Goldman Sachs Capital Partners owns a smaller stake in the company, as does the estate of Robert Atkins, who died in 2003 from injuries he suffered in a fall.

Posted on Mon, Aug. 01, 2005

Johanns sessions signal start of farm bill race

FARGO, N.D. - Secretary of Agriculture Mike Johanns appeared in North Dakota for the third time seven months in office. This time, he was in Minot for a "listening session" on the farm bill. It's the start of the process of choosing a new farm policy for 2007 and beyond. Johanns asked participants six questions:

1. How should farm policy be designed to maximize U.S. competitiveness and our country's ability to effectively compete in global markets?
2. How should farm policy address any unintended consequences and ensure that such consequences do not discourage new farmers?
3. How should farm policy be designed to effectively and fairly distribute assistance to producers?
4. How can farm policy best achieve conservation and environmental goals?
5. How can federal rural and farm programs provide effective assistance in rural areas?
6. How should agricultural product development, marketing and research-related issues be addressed in the next farm bill?

Popular policy

By all accounts, the current farm policy is popular. Even the North Dakota Farmers Union likes a bill that was passed in an all-Republican national government.

One of the reasons for the farm bill's popularity was how it was written. Credit for that should go to former House Agriculture Chairman Larry Combest, R-Texas. In January 2001, he launched a series of hearings in which they demanded that ag and commodity groups offer specific proposals for changing the farm program. Reached at his Lubbock office, Combest says he is proud of the 2002 bill.

Combest says Johanns should get credit for seeking input - especially for soliciting comments online. But he also says he doesn't think it would be a good idea for USDA to come out with its own detailed farm policy because that's the job of Congress and because it could turn the debate negative.

What will be different

Despite its popularity, Combest acknowledges, a change in the budget situation could "have a huge bearing on how the program will work." For perspective on this, I called Randy Russell, a Washington lobbyist with family roots in North Dakota and a veteran of six farm bills. Russell sees three things that will be different this time:

1. The budget deficit. Instead of an \$80 billion to \$100 billion surplus when then the 2002 bill was passed, the government is projecting \$300 billion to \$400 billion deficits.

2. Trade impact. World Trade Organization talks are stumbling forward, and the new farm bill is going to have to comply. It's unclear whether the talks can conclude in time for the current farm bill to expire, so one possibility is a simple one-year extension of the current bill.

3. More players. Fresh fruit and vegetable people are among those pushing for a bigger piece of the ag spending pie, arguing that they account for 15 percent to 20 percent of gross receipts in agriculture and deserve consideration for marketing, export and nutrition programs.

"This farm bill could potentially be a donnybrook," Russell says.

Yes, and I think the biggest issue for the Red River Valley is the \$2 billion question, being settled in sugar's bare-knuckle fight to defeat the Central America Free Trade Agreement-Dominican Republic. The House voted late July 27 to pass CAFTA. It now awaits the president's signature.

Since sugar lost on CAFTA - the proposal passed - it could be a double loss. Beyond getting increased sugar imports in this and future FTAs, there could be a reduction in sugar's influence.

Don't believe it? Hear the words of Sen. Trent Lott, R-Miss., quoted in National Journal on his frustration with the sugar/CAFTA-DR effort: "I've been in the unholy agricultural alliance for 33 years. I've voted for every damned ridiculous agricultural program and subsidy conceived by the minds of men. But I may not anymore."

Imperial Sugar Company Announces Results for its Third Fiscal Quarter

Thursday August 4, 7:30 am ET

Declares \$0.05 Per Share Cash Dividend Payable August 26, 2005

SUGAR LAND, Texas--(BUSINESS WIRE)--Aug. 4, 2005--Imperial Sugar Company (NASDAQ:[IPSU](#) - [News](#)) today announced financial results for the three-month period ended June 30, 2005. The Company reported a net loss of \$4.5 million or \$0.43 per diluted share for the current quarter, compared to net income of \$4.3 million or \$0.40 per diluted share during the third fiscal quarter of the prior year. The reduced results were primarily the result of a reduced gross margin caused by lower sales prices, higher energy, freight and manufacturing costs and higher SG&A costs, partially offset by lower raw sugar costs, lower interest expense and higher other income. For the nine-month period, the Company reported net income of \$1.0 million or \$0.09 per diluted share compared to \$9.5 million or \$0.88 per diluted share in the comparable period ended June 30, 2004.

For the three months ended June 30, 2005, net sales were \$236.6 million, compared to \$229.6 million in the three months ended June 30, 2004, an increase of 3.0%. Domestic sugar volumes increased 6.4% for the quarter, as more aggressive industrial and foodservice selling increased volumes 16.8% and 14.3% respectively, while consumer volumes decreased 14.3% due to competitive pressures in the private label sector. Domestic sales prices were 2.6% lower for the three months ended June 30, 2005 compared to the same period in 2004 reflecting the effects of increased competitive pressures resulting from a surplus of sugar on the market.

The Company's gross margin as a percentage of net sales decreased to 3.6% in the quarter ended June 30, 2005, compared to 9.4% for the same period last year. The decrease in the current year's gross margin percentage is primarily due to lower sales prices along with higher energy, freight and manufacturing costs, partially offset by lower raw sugar costs. Lower domestic sales prices contributed to a decrease in gross margin of 2.6% in the current three-month period compared to prior year. Higher energy costs, including increased transportation charges resulting from higher fuel costs reduced gross margin by an additional 2.3% for the current three-month period while increased manufacturing expenses (excluding energy) reduced gross margin by approximately 2.4%. Of particular note, the Company's beet factories, which began their seasonal processing campaign at the beginning of the third fiscal quarter, experienced certain startup problems related to mechanical interruptions, rain delays and beet quality issues which resulted in higher costs for the quarter. Lower raw sugar costs provided some offset to these increases and improved gross margin by 0.9% for the current three-month period.

"This quarter has been a large disappointment for all of us at Imperial as I'm sure it has been for our shareholders," said Robert A. Peiser, Imperial's president and CEO. "We have been very proud of the accomplishments of the past three years but the high cost of energy and the cyclical nature of our industry have both turned against us in a major way. While we have expressed our concerns that these factors have been growing in past quarters, they have certainly manifested themselves to significantly affect this quarter's results.

"Fortunately, we continue to be in an extremely strong financial position, which will allow us to weather this storm and continue to invest in our business, albeit at a rate that will reflect the current realities. We plan to continue to initiate changes that will reduce the commodity nature of our

business and its sensitivity to the commodity cycle. We also continue to seek ways of lowering our operating costs through investments in energy-related and other projects to allow us to manage our business in a more efficient manner."

Selling, general and administrative expense increased \$1.1 million or 10.4% in the quarter compared to the same quarter of the previous year. Increases in professional service fees, due in part to Sarbanes-Oxley compliance efforts as well as strategic business initiatives, accounted for \$0.8 million of the increase for the current three-month period. Also contributing to the increase was higher employee benefits expense partially offset by lower incentive compensation expense in the current quarter.

There was an operating loss for the nine months ended June 30, 2005 of \$0.4 million compared to operating income of \$17.3 million for the same period one year ago. The current year's results included gains of \$4.5 million in pre-tax operating asset sales. For the nine months ended June 30, 2005, net sales were \$703.5 million, compared to \$695.2 million in the nine months ended June 30, 2004, an increase of 1.2%. For the year-to-date period domestic volumes increased 4.6%, led by a 9.4% increase in industrial sales and an 8.8% increase in foodservice volume compared to prior year. Overall domestic sales prices were 2.7% lower for the first nine months of the year compared to the same period in 2004. The Company's gross margin percentage for the nine month period declined from 8.6% to 5.6%, due principally to lower sales prices, higher energy, freight and manufacturing costs, off set in part by lower raw sugar costs.

With respect to other financial items, during the quarter ended June 30, 2005, the Company improved its negative net debt position (excess of cash and temporary investments over long-term debt and short-term borrowings) from \$3.0 million at June 30, 2004 to \$10.2 million at June 30, 2005. Also, as a reflection of its continued financial strength, on August 2, 2005, Imperial's Board of Directors declared a cash dividend of \$0.05 per share payable on August 26, 2005 to shareholders of record on August 16, 2005.

In looking toward the remainder of fiscal 2005, the Company anticipates that, despite some signs that there might be gradual improvement in the supply/demand dynamics that have created a difficult competitive environment, there will be continuing, significant challenges related to the energy and sugar market environments for the remainder of the year. Specifically with respect to natural gas and coal costs, which increased \$8 million in the first nine months, the Company has hedged or purchased substantially all of its remaining anticipated requirements in fiscal 2005 at prices which are \$11 million higher than fiscal 2004.

With respect to the sugar market, while the refined market has firmed recently, there has also been a significant increase in the cost of raw sugar. Also, the future direction of both raw and refined prices remains uncertain and depends to a great extent on the size and quality of the beet crop as well as future actions to be taken by the USDA with regard to supply allocations. Finally, as indicated in prior comments, Imperial expects to experience higher SG&A expenses during the remainder of this fiscal year for many of the same reasons indicated above for the quarter.

Because of these factors, the Company continues to anticipate that operating profitability (excluding gains and losses on asset sales) is likely to decline significantly in fiscal year 2005 from fiscal year 2004 performance. The Company has developed and launched additional new consumer products in an effort to increase contributions from value-added products, but these products will be a relatively small part of its total revenues and have only recently been introduced.

Commenting on the recently passed Central American Free Trade Agreement ("CAFTA"), Peiser stated that: "I also want to express my appreciation to all of the members of Congress who voted for

the CAFTA. While it does not call for a significant increase in imported raw sugar, it should marginally improve our supply situation without harming the rest of the industry in any material way."

The Company reported on May 19, 2005 that it had received from Schultze Asset Management, LLC ("Schultze") an unsolicited indication of interest in a possible acquisition of all of the Company's outstanding shares. This non-binding proposal provided for a purchase price of \$17 per share, subject to completion of due diligence and definitive documentation. On June 22, 2005, the Company entered into a confidentiality agreement with a term of six months that contains a sixty-day standstill with Schultze, whereby Schultze was permitted limited access to management and to certain non-public information.

On July 20, 2005, after completing the permitted due diligence, Schultze communicated to the Company that it was "undeterred" in their interest in acquiring the company and that the parties should proceed to a discussion on valuation. Schultze indicated that the market's reaction to the Company's actual results should be factored into that discussion. The Company expects to schedule future meetings with Schultze.

As previously announced, Company officials will discuss Imperial Sugar's operating results for the quarter ended June 30, 2005, its current financial position and business strategies on a call and Web cast to be held at 11:00 a.m. ET on Thursday, August 4, 2005. Participants wishing to listen and participate in a brief question-and-answer session after the presentation can dial 866-700-0133 and enter the Participant Passcode: 77703791. The conference call can also be accessed via live audio webcast by visiting Imperial Sugar's web site at <http://www.imperialsugar.com> and clicking on the "Q3 2005 Imperial Sugar Earnings Conference Call" icon under "Investor Relations." For those who are unable to listen to the call during its live broadcast, a replay of the entire presentation will be available on the Company's web site beginning one hour following the conclusion of the call. In addition to the webcast replay, a telephone replay will also be available beginning one hour following the conclusion of the call that can be accessed by dialing 888-286-8010 and entering the Passcode: 53080001. Both replays will be available through September 6, 2005.

About Imperial Sugar

Imperial Sugar Company is one of the largest processors and marketers of refined sugar in the United States to food manufacturers, retail grocers and foodservice distributors. With packaging and refining facilities across the U.S., the Company markets products nationally under the Imperial®, Dixie Crystals®, Spreckels® and Holly® brands. For more information about Imperial Sugar, visit www.imperialsugar.com.

Statements regarding a possible future transaction with Schultze Asset Management LLC, future market prices and margins, future energy costs, future operating results, sugarbeet acreage, operating efficiencies, future government and legislative action, future cost savings, future benefit costs, our liquidity and ability to finance our operations, and other statements that are not historical facts contained in this release are forward-looking statements that involve certain risks, uncertainties and assumptions. These include, but are not limited to, completion of any possible transaction, market factors, energy costs, the effect of weather and economic conditions, farm and trade policy, our ability to realize planned cost savings, the available supply of sugar, available quantity and quality of sugarbeets, actual or threatened acts of terrorism or armed hostilities, legislative, administrative and judicial actions and other factors detailed in the Company's Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

IMPERIAL SUGAR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2005	2004	2005	2004
Net Sales	\$ 236,620	\$ 229,574	\$ 703,537	\$ 695,187
Cost of Sales	228,114	207,966	664,321	635,626
Gross Margin	8,506	21,608	39,216	59,561
Selling, General and Administrative Expense	11,611	10,517	32,296	31,715
Depreciation and Amortization	4,108	3,608	11,867	10,346
Loss (Gain) on Operating Asset Sales	223	118	(4,503)	155
Operating Income (Loss)	(7,436)	7,365	(444)	17,345
Interest Expense, Net	(439)	(977)	(1,600)	(3,923)
Gain on Non-Operating Asset Sales	-	-	1,854	-
Other	741	268	1,737	1,154
Income (Loss) Before Income Taxes	(7,134)	6,656	1,547	14,576
Provision (Benefit) for Income Taxes	(2,639)	2,332	573	5,102
Net Income (Loss)	\$ (4,495)	\$ 4,324	\$ 974	\$ 9,474
Earnings (Loss) Per Share of Common Stock:				
Basic	\$ (0.43)	\$ 0.42	\$ 0.09	\$ 0.93
Diluted	\$ (0.43)	\$ 0.40	\$ 0.09	\$ 0.88
Weighted Average Shares Outstanding:				
Basic	10,552,009	10,345,777	10,455,375	10,188,296
Diluted	10,552,009	10,943,718	11,046,937	10,785,470

IMPERIAL SUGAR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars)
(Unaudited)

	June 30, 2005	September 30, 2004	June 30, 2004
	-----	-----	-----
Cash and Temporary Investments	\$ 17,419	\$ 2,514	\$ 12,378
Accounts Receivable	62,371	74,883	61,688
Inventory	125,685	161,922	152,501
Other Current Assets	20,942	7,884	13,029
	-----	-----	-----
Current Assets	226,417	247,203	239,596
Plant Property & Equipment	132,094	138,136	136,231
Deferred Income Taxes	22,457	23,887	-
Other Assets	6,847	6,584	7,129
	-----	-----	-----
Total	\$ 387,815	\$ 415,810	\$ 382,956
	=====	=====	=====
Accounts Payable	\$ 50,099	\$ 77,849	\$ 65,178
Short-Term Borrowings	-	-	-
Current Maturities of Long Term Debt	2,277	5,334	2,049
Other Current Liabilities	35,334	33,647	40,439
	-----	-----	-----
Current Liabilities	87,710	116,830	107,666
Long-Term Debt	7,251	12,041	9,335
Current Maturities of Long-Term Debt	(2,277)	(5,334)	(2,049)
	-----	-----	-----
Long-Term Debt - Net of Current Maturities	4,974	6,707	7,286
Other Liabilities	116,791	116,072	130,077
Shareholders' Equity	178,340	176,201	137,927
	-----	-----	-----
Total	\$ 387,815	\$ 415,810	\$ 382,956
	=====	=====	=====
Shares of Common Stock Outstanding	10,556,067	10,373,700	10,373,700

In addition to financial results determined in accordance with generally accepted accounting principles (GAAP) that are included in the attached press release, this document also includes the non-GAAP financial measure (as defined under SEC's Regulation G) "Net Debt". Management believes that Net Debt (Long-Term Debt, plus Short-Term Borrowings, less Cash and Temporary Investments) provides a useful measurement of the Company's leverage position. Net Debt excludes Deferred Employee Benefits and Other Liabilities. Net Debt is comprised of (in thousands of dollars):

	June 30, 2005	September 30, 2004	June 30, 2004
	-----	-----	-----
Short-Term Borrowings	\$ -	\$ -	\$ -
Long-Term Debt	7,251	12,041	9,335
Less:			
Cash and Temporary Investments	17,419	2,514	12,378
	-----	-----	-----
Net Debt	\$ (10,168)	\$ 9,527	\$ (3,043)
	=====	=====	=====

Contact:

Imperial Sugar Company
H. P. Mechler, 281-490-9652

Source: Imperial Sugar Company

August 06, 2005; Ruchi Ahuja / New Delhi

Inclusion of sugar in Doha Round sought

The Global Alliance for Sugar Trade Reform and Liberalisation is seeking inclusion of sugar in the Doha Round agricultural negotiations.

Seeking support on the matter from the Indian authorities, a delegation has met ministers and senior officials in the ministries of finance, petroleum, agriculture and commerce.

In a memorandum submitted to the Commerce Minister Kamal Nath, the Global Alliance has stated, "for the full and proper inclusion of sugar in the Doha Round agricultural negotiations. We will work tirelessly with you to achieve this outcome and would welcome your participation in our activities at the Hong Kong WTO Ministerial Meeting in December 2005."

The Alliance feels the inclusion of sugar in the Doha round will reform the domestic sugar industries particularly in the developed economies, reducing the distortions of their sugar subsidies on the world market. Also, it may increase world demand and market opportunities for cane sugar producers.

Sugar has been sidelined by USA, EU and Japan, as a sensitive product in trade negotiations, said SL Jain, director general of Indian Sugar Mills Association.

He added that India will benefit from the improved world sugar trade environment. With less subsidised sugar on the world market, the export opportunities will increase for the sugar industry. This will also increase the profits of producers.

The Global Sugar Alliance members include Australia, Brazil, Canada, Chile, Columbia, Guatemala, Honduras, India, South Africa and Thailand. Together, these countries represent 85 per cent of world's sugar exports.

The central objective of the Global Sugar Alliance is fair and equal treatment of sugar along with other agricultural products in the WTO Doha Round trade negotiations.

Alliance preparing to take on the US

The Global Sugar Alliance is now preparing to fight against the domestic subsidy in the US for the sector. The alliance feels that this is not permissible under the WTO norms and must be done away with like the one in EU. Earlier, three members of the Global Alliance, namely Brazil, Australia and Thailand had accused the EU of breaking trade rules by providing sugar subsidies in excess of the WTO permissible limits. The WTO had upheld the complaint saying that by breaking the agreed limits on export subsidies, the EU was hurting developing countries by undercutting their producers' prices.

Taking the Sugar Out of Sweet

- As waistlines expand, the food industry is busy trying to reduce or mimic the calorie-filled fuel in its products, and to also fool taste buds.

By Rosie Mestel, Times Staff Writer

CHICAGO — Midway through the afternoon, when the belly yearns for snacks, three NutraSweet executives are going wild: cola, orange drink, citrus punch, chocolate milk, more cola, pound cake and crispy squares of coconut pie — all test-kitchen concoctions made with artificial sweeteners.

They consume two servings of everything. In quick succession. They wax exuberant about one of the pound cakes — moist, crumbly and nicely browned.

"The person who cooked these said she never had such browning before," says Craig R. Petray, chief executive of NutraSweet Co.

In the bounty of goodies before them lies a vision of the future of sweetness — a future, these executives hope, just as sweet and delectable as real sugar.

But, as researchers have discovered, the quest to find a perfect, consequence-free artificial sweetener is difficult, littered with cloying, metallic and just plain odd-tasting chemicals.

Today, the research is receiving fresh attention — fueled by an expanding national waistline. Nutritionists believe that Americans' breathtaking intake of sugars in soft drinks and processed foods is partly to blame.

The U.S. Department of Agriculture estimates that the average American eats about 100 pounds of added sugars a year, up 30% since the 1980s.

Consumers are taking note, trying in small ways to clean up their act. Diet soft drink sales are growing at about 6% a year, while those of regular soft drinks are declining by as much as 2%.

After years of loading snacks with sugar, food manufacturers are developing more reduced-sugar brands so that consumers can have their cake and eat it.

To tackle the problem, some are cutting down slightly on sugar in their products, or artfully combining high-intensity artificial sweeteners to find just the right combinations to mimic real sugar.

Other companies are turning to the latest research in genetics and chemistry. Now there are humming labs, seeking out "enhancer" chemicals that accentuate the effects of real sugar, thus allowing less to be used.

Shaving away sugar is no easy business.

Sugar does much more than sweeten. It provides crumbliness to a cake's interior, crispness to its outside and a richer taste to a soft drink.

Despite decades of research, artificial sweeteners — a \$1-billion-a-year market in the U.S. — still taste noticeably unnatural.

"You could probably line up 30 different sweeteners and I could tell you what each one was, no problem," says Susan Schiffman, a sweetness researcher at Duke University Medical Center.

The human lust for sweetness runs deep. Even newborn babies have an innate love of sugar-flavored water.

There is a sensible evolutionary reason for this: Sugar means fuel — 15 calories in each teaspoon. Homing in on rich sources in nature — fruits, berries, honey — is a key for creatures as varied as flies, birds and dogs.

Unlike the super-sharp sensors for pheromones and poisons, human sweet receptors are naturally blunt so that people only notice significant sources of calories. As for sugar, the more the better.

It's an instinct that proved useful back when calories were scarce. It is far less beneficial in a land flowing with candy, super-sized soft drinks and doughnuts.

A problem with cutting sugar is that its sweetness is tricky to imitate.

Artificial sweeteners stick to the same receptor but to different parts, and with different speeds and tightness. Those factors translate into subtle differences in onset of taste, intensity and length of sweetness.

Sweetness aficionados have developed discerning palates.

"I can pick each one up and say, 'Ah, Ace-K ... ah, sugar ... ah, thaumatin,' " Schiffman says.

The first artificial sweetener was found in 1879 by accident.

Two chemists at Johns Hopkins University, Constantine Fahlberg and Ira Remsen, were trying to make new chemical dyes from coal tar derivatives when a vessel boiled over in the lab one day. Fahlberg failed to properly wash his hands before a meal and noted how sweet his fingers tasted.

He traced the sweetness back to a two-ringed chemical called benzoic acid sulfanilamide. Fully 300 times sweeter than sugar, it is indigestible by the body, and thus calorie-free. He later dubbed the chemical saccharin, from *saccharum*, the Latin word for sugar.

The pattern of serendipity has continued up until today.

Cyclamate, used in soft drinks until it was banned, was discovered in 1937 when University of Illinois graduate student Michael Sveda put his cigarette down near a compound he was testing as a possible anti-fever drug and later noticed he was smoking a sweet cigarette.

Aspartame was discovered in 1965 by chemist Jim Schlatter, who licked his finger while testing a new anti-ulcer drug for the pharmaceutical company G. D. Searle & Co.

Scientists now know of scores of sweet chemicals — monellin, stevioside, thaumatin, lugdunane, glycyrrhizin, maltitol and the tasty but toxic dulcin, which was used as a sweetener during World War I (and poisoned several children).

Only a handful have been approved by the Food and Drug Administration for use as sweeteners: saccharin (most commonly known by the ubiquitous pink Sweet'N Low packets); acesulfame K (a less-known saccharin-like chemical); aspartame (in Diet Coke and Pepsi and the little blue packets of Equal); sucralose (in yellow Splenda packets); and neotame, the most recently discovered sweetener, more than 7,000 times sweeter than sugar.

From the moment the first sweetener was discovered, the sugar industry sensed a threat.

In the early 20th century, the European sugar beet industry persuaded several countries to make the inexpensive saccharin available only by prescription.

A cartel of saccharin smugglers sprang up in response, sneaking the synthetic white powder over the Swiss border inside car tires, false-bottom suitcases, waistcoats, candles and bottles of champagne.

It was just the first scuffle to break out in the world of artificial sweetness.

The latest centers on sucralose, which has seized about 50% of the packet artificial sweetener market in the U.S. during the past four years under the brand name Splenda.

Baking is at the heart of the conflict.

Sucralose — 600 times sweeter than sugar — was discovered in 1976 as chemists working for Britain's sugar maker Tate & Lyle searched for new uses for sucrose. They altered it to contain three atoms of chlorine.

Its intense sweetness was discovered, company legend goes, when a graduate student misunderstood instructions to "test" it, and "tasted" it instead.

As it turned out, the addition of the chlorine atoms rendered the compound indigestible, and thus calorie-free.

Splenda lacks saccharin's bitterness and aspartame's heat-fragility. The latter means it can be used in baking, putting it in direct competition with sugar.

But Splenda still falls short — because foods depend on sugar for more than just sweetness. In baked goods, sugar stops flour and water from reacting together to form long stringy threads of gluten. This enables cookies and pie crusts and cakes to be tender and crumbly instead of bread-like and doughy.

When heated, sugar combines with amino acids in a process known as the Maillard reaction — imparting crispness and color. It also adds bulk and moisture to baked goods: Remove it and you must add something else or face a culinary disaster.

Splenda's maker touts its closeness to the real thing and has been gradually building market share using the advertising slogan "Made from sugar so it tastes like sugar."

The campaign has angered its competitors. While Splenda, they say, may start its life as sugar, the chlorine-studded chemical is anything but. Thus, they say, its marketing is deceptive.

Lawsuits have been filed against the company that markets Splenda, McNeil Nutritionals. Among those suing are the Sugar Assn. and Merisant Co., purveyors of Equal.

The Sugar Assn. has also sponsored a website, <http://www.truthaboutsplenda.com>, to challenge Splenda's advertising and safety.

McNeil Nutritionals has responded with its own lawsuit against the Sugar Assn.

"Sucralose is in fact made from sugar, and it does taste like sugar," McNeil spokeswoman Cathy Grayson-Roper said.

The problems in removing sugar from products have sparked a revolution in taste science.

Could there be a way to make a little bit of sugar pack a big dollop of sweetness?

It's an approach that has been embraced by Senomyx Inc., of La Jolla, whose research has been supported by food heavyweights Campbell Soup Co., the Coca-Cola Co. and Nestle.

Three years ago, Senomyx identified the receptor in the taste buds responsible for sweet taste — the one to which sugar and artificial sweeteners bind to create the sweetness in cake, soda and candy.

In the company's reception area, a picture of two mice nuzzling a berry-topped chocolate cake hangs on a wall. Nearby is an image of the sweet receptor, zig-zag in shape.

The receptor is made up of two long proteins, T1R2 and T1R3, that are stuck on the surface of cells and work together to impart sweet taste. Millions of receptors reside in the taste buds in the moist crevices of the tongue, cheek and soft palate.

Part of each receptor hangs into the mouth's slimy void and the other end into the cell. When a sweetener binds, a message is sent into the cell's interior and ultimately to the brain.

Senomyx is seeking needles in haystacks — chemicals that enhance the efficiency of the sweetness receptor (or, in other projects, saltiness or savoriness).

Inside a laboratory lined with cell incubators, technicians tend to mammalian cells bathed in salmon-pink serum. The cells have been engineered to manufacture the human sweet receptor — in effect, they are tiny fake taste buds that glow green when exposed to sugars.

In another room, machines scan 384 chemicals at a time, measuring the glow produced by each sample.

Researchers Cyril Redcrow and Poonit Kamdar watch as results come up on a screen: numbers, letters and wavy graphs that indicate how strongly the cells respond.

"Oh, see — there's a hit right there," says chief scientific officer Mark Zoller, pointing to a spot where one of the wavy graphs has an extra-high peak.

Senomyx has trawled through 200,000 chemicals and found several hundred sweetness enhancer candidates.

The company is now tinkering with two, dubbed S299 and S679.

Added to food, they would make it possible to reduce sugars without adding something artificial-tasting, Zoller says.

The savings could be significant. A single can of soda with 20% less high-fructose corn syrup means about 30 fewer calories. That could add up to 10,950 calories a year — an annual weight savings of about 3 pounds.

The savings don't stop at the waistline.

In Chicago, among a rainbow-like product display at NutraSweet are a New Zealand beverage called Budget Pineapple and a gallon bottle of Peach Flavored Drink. Both use artificial sweeteners because they are often cheaper than sugar and high-fructose corn syrup.

In the case of some honey wheat pretzels on display, an artificial sweetener was added to cut down on honey that was clogging the manufacturer's pretzel-extruding machine and also stopping the pretzels from rising.

NutraSweet's Sweet Spot test kitchen is trying to combine artificial sweeteners so that one makes up for the deficiencies of the other in mimicking the precise nature of sugar.

Saccharin and Ace-K register quickly on the palate but have an after-bite of bitterness because they also bind to one of the body's bitter receptors.

Neotame and aspartame lack bitterness but have a sweetness that takes longer to register — and lingers unnaturally.

It is as much art as science in figuring out which combination can produce a better, more sugary taste.

Even without such blending, as much as one-third of the sugar in products can often be replaced with an artificial sweetener before consumers notice.

"Number 267 finished cleaner, with a good cola flavor at the end," said Ihab E. Bishay, NutraSweet's vice president for research and developing, who was sipping a small plastic beaker of the cola sample in the test kitchen, as he does several times a week.

Bishay and two other executives turn next to two chocolate milks — one partly sweetened with neotame. They bite into two pound cakes, one reduced one-third in sugar, with sweetener taking up the slack.

The cakes are identical in taste and moisture. But the crust gives the artificially sweetened one away: It's less crispy and crumbly.

The rich and buttery cake, loaded with fat and flour, seems to challenge some of the logic of the enterprise. Reducing sugar in foods might be a health boon — or might possibly, like low-fat foods before them, backfire.

"It doesn't turn the pound cake into a healthy food — especially if you eat 30% more thinking it's a low-calorie pound cake," says Michael F. Jacobson, executive director of the Center for Science in the Public Interest, a Washington-based consumer group.

Nonetheless, the quest continues.

"Do I get seconds?" asks Kevin Bauer, NutraSweet's vice president for sales and marketing, as he reaches across the table for another slice of the artificially sweetened pound cake.

A sweet taste

The sweet-taste receptor consists of two large proteins on the surface of taste-bud cells. When sweeteners bind, the taste buds send a signal to the brain.

Sweetness through the ages

9000 BC: Sugar cane, growing wild in New Guinea jungles, is chewed by man.

7000 BC: Neolithic cave paintings depict man harvesting honey from hives.

1000 BC: Sugar cane is traded and cultivated through the world, reaching Spain by about AD 700.

1550: First commercial cultivation of sugar cane in the New World, followed by rise of the slave trade to work plantations in Brazil and West Indies.

1879: Accidental discovery of saccharin, the first artificial sweetener.

1937: Discovery of cyclamate during studies for anti-fever drugs.

1952: First diet soft drink--a ginger ale called the No-Cal Beverage.

1963: Introduction of Tab, sweetened with saccharin and cyclamate.

1964: Diet Pepsi introduced, sweetened with saccharin.

1965: Discovery of aspartame (NutraSweet).

1966: Introduction of Fresca, sweetened with cyclamate and saccharin.

1967: Discovery of acesulfame-K, a saccharin-like artificial sweetener.

1970: Cyclamate banned in U.S. after studies report large doses can cause cancer in rats.

1970s: Introduction of high fructose corn syrup into drinks and food.

1976: Discovery of sucralose (Splenda).

1977: Food and Drug Administration proposes ban of saccharin after studies report large doses cause cancer in rats. A consumer outcry blocks the ban. Warning labels are added to saccharin-containing products.

1982: Diet Coke (sweetened with aspartame) introduced.

1992: Discovery of neotame, structurally similar to aspartame but sweeter.

1998: FDA approves sucralose (Splenda).

2000: Warning labels taken off saccharin packets.

2002: Scientists isolate human sweet-taste receptor.

2002: FDA approves the latest artificial sweetener, neotame, 7,000 to 13,000 times sweeter than sugar.

Sources: Coca Cola Co., PepsiCo, American Beverage Assn., Times Research



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August 9, 2005

Announcement

TO OUR VALUED CUSTOMERS AND BROKERS

Earlier today, American Sugar Refining Inc. completed the acquisition of C&H Sugar Company, Inc., which owns the Crockett, California cane sugar refinery. American Sugar will now operate cane sugar refineries in:

Yonkers, NY
Baltimore, MD
Chalmette, LA
Crockett, CA

Domino Foods, Inc. will continue to function as the marketing arm of American Sugar Refining, Inc. and Okeelanta Corporation, which operates a cane sugar refinery in South Florida. Domino Foods is the largest marketer of refined cane sugar in the United States and, as a result of American Sugar's acquisition of C&H, the only marketer of cane sugar with a national footprint. This national footprint will allow Domino Foods to better service our valued customers.

Domino Foods markets a full line of sugar products within the Industrial, Consumer (including Organic Sugars), Foodservice and Export distribution channels. Domino Food's portfolio of branded sugar products includes the Domino®, C&H®, Florida Crystals® and Jack Frost® brands.

Domino Foods, Inc is headquartered in Iselin, New Jersey.

8/10/2005 -

Chicago keeps hold of 'candy capital' title

Despite some of the best-known confectionary brands leaving the area, Chicago still deserves its 'candy capital' epithet, according to Food Chicago's Candy Institute.

The number of workers employed in sugar and confectionary manufacturing in Cook County fell from 10,170 in 1995 to 5,378 in 2004, according to the Illinois Department of Employment Security.

But as the department changed its classification system midway through this period, Laura Carnes, manager of the Candy Institute estimates that the true figure for 2004 is closer to 6,000.

Although this still represents quite a drop, Carnes told FoodNavigator-USA.com: *"Candy companies are becoming more productive and more efficient, and that might be a factor in the falling workforce."*

She also pointed out that each food industry worker in the Chicago area has responsibility for more production than a worker in any other state.

Chicago earned its title in the 1900s, when superior railroad links meant that settlers, who brought their authentic confectionary recipes to the area, had access to relatively low cost raw materials such as corn syrup.

These days, however, sugar prices are the highest in the world, and some have blamed this for turning the tide on Chicago's confectionary fortunes. Local companies pay around 30 cents a pound for their sugar – three times the world sugar price.

But according to Carnes, sugar prices are only big deal for sugar confectioners. A saturated market, it is dominated by large brands who are effecting mergers and acquisitions amongst themselves – such as Wrigley's recent acquisition of certain confectionary interests of Kraft, including the Life Savers and Altoids brands. In this environment, it is difficult for small-scale newcomers to get a look in.

What is more, Bill Graham, workforce development coordinator for the Candy Institute, told FoodNavigator-USA.com that companies are starting to use less sugar in their products, replacing it with high fructose corn syrup or moving into the expanding niche of low-sugar or sugar-free confectionary.

Two of the largest confectionary-makers have left the scene in the past 24 months, but there is no indication that this is the result of sugar prices.

Archibald's, the maker of Fannie Mae and Fanny Farmer chocolates, filed for bankruptcy in January 2004, but Carnes said that a major factor in this was a lack of marketing effort and innovation. In 2000, Archibald's employed 650 workers.

Brach's Confections was purchased by Swiss player Barry Callebaut in September 2003, despite lobbying from the Institute to keep it in the Chicago area. Brach's employed 1500 in 2000.

Between them, these two closures account for around half of the job losses in the past decade. In June, chewing-gum giant Wrigley announced that next year is phasing out production at its Chicago plant over the next 18 months and ramping up capacity in Yorkville, Illinois.

Again, the sugar high was not implicated in the decision, which was explained by supply chain streamlining. While the Chicago plant is split over multiple buildings and floors, the 11-year-old Yorkville site has a one-story lay out.

Wrigley is not abandoning its Chicago roots altogether, however; its corporate and R&D presence will remain in the city – and 50 new jobs are even being created in this area.

Getting to grips with supply chain issues is as relevant for small companies as it is for the Wrigleys of this world.

"Where large companies have control of distribution networks and raw materials, smaller outfits can remain competitive by forming buying associations between themselves," said Graham – and this holds true for all manufacturing, not just confectionary and food.

They can protect themselves by moving to a more efficient and organized just-in-time model, ensuring that production never stops and orders are locked into consumer demand and tracked by computer. This means that goods spend less time sitting around in warehouses awaiting shipping, and companies need not shell out for raw materials than they need at any given time.

Graham also flagged competition from overseas manufacturers is a factor impinging on the US confectionary market, as cheaper candies have long shelf life if they are packaged properly. Unless there is a specific, local taste, it doesn't matter where they are produced anymore.

Even so, shipments of confectionary products from metropolitan Chicago accounted for 12.7 percent of that supplied to the United States as a whole in 2001, the most recent year for which figures were available from the US Census Bureau. Despite a dip to 10.3 percent in 1997, Chicago's slice of the pie has grown by an average of 2.5 percent per year.

8/12/2005 6:00:00 AM ; by Jerry Hagstrom, **Washington, D.C., Correspondent**

USDA vows to defend sugar industry

SUN VALLEY, Idaho – A key USDA official promised the nation's sugar growers here Aug. 7 that the department can and will “defend” the U.S. sugar program through 2007, as Agriculture Secretary Mike Johanns promised in a letter during the debate over the Central American Free Trade Agreement.

Sugar grower leaders and their supporters in Congress, however, said farmers will have to fight hard for farm programs in the next farm bill and future trade negotiations.

About 350 cane and beet sugar leaders and their families met at the American Sugar Alliance Symposium Aug. 7-10. The meeting occurred only a week after sugar growers lost a major battle in Congress when the House of Representatives voted 217 to 215 to approve CAFTA.

Dan Colaccio, a civil servant who is the director of sweetener analysis for the USDA Farm Service Agency, told the symposium, “We can do everything in that letter” – a reference to a letter in which Johanns promised to protect the sugar program from imports through 2007.

Colaccio said that the USDA has previously undertaken all the steps that Johanns described including buying sugar and selling inventory to keep the program functioning. “The difference is that these were always options,” Colaccio said. “The Secretary (now) says we will do this. We will defend that program.”

During the CAFTA debate, several members of Congress and farm groups have questioned whether the USDA has the legal authority to use the Commodity Credit Corp. to undertake the purchases and possible donations of commodities to foreign countries that Johanns promised.

But another high-ranking Agriculture Department civil servant, Ken Roberts, the associate administrator of the USDA Foreign Agriculture Service, told the sugar growers during the symposium that they should consider using the next farm bill to seek a change in their program, which is the only U.S. farm program that still relies on quotas and tariffs on imports to maintain price levels rather than government-paid supports.

“The policy that needs change is the domestic sugar policy,” Roberts said. Speaking of the continuing controversy between the United States and Mexico over the sugar provisions in the North American Free Trade Agreement, Roberts added he believes the U.S. sugar industry “hasn't made the best use of the 15 years” NAFTA has been in effect to come up with a different policy and that “Mexico hasn't done better” on developing a new policy on helping its corn and bean industries, which must cope with imports from the United States.

Luther Markwart, a beet grower lobbyist who is the outgoing president of the ASA, said CAFTA was a battle the sugar growers did not seek but were forced to fight. Markwart said the growers hope that the Bush administration would consult more with them before making future trade deals, but that they will fight for the program again if necessary.

Sen. Larry Craig, R-Idaho, and Reps. C.L. “Butch” Otter and Mike Simpson, R-Idaho, also told the

farmers they had to look forward. All three said the opposition to CAFTA had been worth the battle even though they lost and added that they believe future trade agreements will have an even harder time getting approved because members of Congress don't believe the U.S. government is enforcing current trade laws.

Craig and Simpson also told the sugar growers that they must prepare the public for the next farm bill debate. Craig said the growers "have a unique opportunity to tell the story (of farming) as clearly as it needs to be told.

"We are at a time when we must decide what to do on farm policy," Craig said. "Are we going to sustain agriculture and rural communities" or "progressively allow a disinvestment in agriculture" and see production to other countries.

Craig said he expects the Bush administration's position on the farm bill to be dominated by the White House Office of Management and Budget, which is always concerned about keeping spending down. OMB's position, he said, "has nothing to do with sustaining American agriculture or providing for the viability of rural America." Craig added that telling the story of agriculture and rural America is "my job and your job, not OMB's."

Simpson also praised the current farm bill, saying that it has "stabilized" agriculture and stabilized the amount of money the government spends on agriculture. He noted that spending under the 1996 Freedom to Farm bill had been higher. He also warned the sugar growers they have to "make the point to members of Congress."

Sugar growers asked speakers on several occasions whether they believe there will be retribution against sugar for opposing CAFTA while almost all the rest of agriculture supported it. Most speakers said they believed there would not be retribution from members of Congress or other agriculture groups, but both Craig and Simpson noted that President Bush said the sugar growers should support CAFTA or would suffer in the next farm bill. Simpson said the victors – the CAFTA supporters – could afford to be magnanimous.

Senate Budget Committee ranking member Kent Conrad, D-N.D., told the ASA in a tape-recorded message that he expects the U.S. sugar program to come under increasing pressure in trade negotiations and suggested that the sugar industry find some way to move along with the rest of agriculture toward "green box" payments, which are considered nontrade distorting. The sugar program operates at no net cost to the U.S. Treasury, but the World Trade Organization calculates that its benefit to U.S. growers is about \$1 billion per year because that is the difference between the U.S. loan rate for sugar and the world price for sugar.

ASA economist Jack Roney told the group today sugar is "under conflicting pressures" because trade negotiators want the United States to drop its tariffs that keep out sugar from other countries while budget analysts keep warning that the U.S. deficit is going up, which makes it difficult to add a government-financed sugar program to the farm bill.

Tom Mahr, a Conrad aide, noted that the peanut program was changed from a tariff and quota-based program to a subsidy in the last farm bill, but said it was expensive and that he had not seen any other farm groups offering to give up part of their subsidies to pay for sugar.

Simpson also said he is not Congress, that Congress "is willing to put billions to get rid" of the sugar program. He also pointed out that the number of members of Congress supporting the sugar program in key votes has risen in recent years.

8/12/2005 6:00:00 AM ; by Jerry Hagstrom, **Washington, D.C., Correspondent**

Fanjul family acquires C&H cane sugar refinery

SUN VALLEY, Idaho – The Florida-based Fanjul family on Aug. 9 acquired the C&H cane sugar refinery in Crockett, Calif., the only cane refinery on the West Coast.

In addition to enlarging the Fanjul family's sugar business, the acquisition is also likely to extend the Fanjuls' and the U.S. sugar industry's political influence in preserving the U.S. sugar program, according to industry sources meeting here at the American Sugar Alliance Summer Symposium.

The C&H plant was built in Crockett, north of San Francisco, in 1906 as the California and Hawaiian Sugar Refining Co., a project of the old "Big Five" Hawaiian sugar companies. In recent years it has been a joint venture of the Alexander & Baldwin Co. of Hawaii and Citicorp Venture Capital.

Sources said the plant has had management troubles in recent years and that the Fanjuls were expected to bring stability to the operation.

Under the Fanjuls, the company will be held by American Sugar Refining Inc. of Yonkers, N.Y., which is owned by Florida Crystals Corp. and the Sugar Cane Growers Cooperative of Florida. Florida Crystals is a subsidiary of Flo-Sun Inc., a Fanjul family company. The Sugar Cane Growers Cooperative is an agricultural cooperative owned by 50 sugar cane farmers.

The C&H plant currently refines sugar from Hawaii, the Philippines and other Pacific Rim countries that hold quota rights to sell sugar into the United States, Don Carson, a Florida Crystals executive, said in an interview here.

Carson said that the company is also interested in using the C&H plant to refine sugar from Mexico – if Mexican sugar cane comes into the United States under the North American Free Trade Agreement – and wants to use it to refine additional sugar from Central America, particularly from Costa Rica and Guatemala, under the Central American Free Trade Agreement that was past last week.

The American Sugar Alliance, of which the Fanjul companies are members, opposed CAFTA. Carson said even though the C&H plant would be used to refine foreign sugar the acquisition in no way diminishes the family's support for the U.S. sugar program.

The purchase, he said, "is a demonstration of our commitment to the sugar program. We believe in the sugar business in the United States."

In a news release, American Sugar Refining Inc. said the addition of the C&H plant will bring American Sugar Refining's annual capacity to about 3 million tons of refined sugar and specialty products. It also said American Sugar Refining and Okeelanta Corp. will add C&H to its brand portfolio that already includes the Domino, Florida Crystals and Jack Frost brands.

The company also said the acquisition "gives Domino Foods a national platform to better serve its customers through a broader distribution and logistics infrastructure. It will enhance American Sugar Refining's competitiveness coast to coast and in the U.S.-Mexican market created by NAFTA."

Luis J. Fernandez of Florida Crystals and Antonio L. Contreras, Jr. of Sugar Cane Growers Cooperative are co-presidents of American Sugar Refining.

WASDE-425-14; August 12, 2005

SUGAR: Projected U.S. sugar supply for 2005/06 is decreased 119,000 short tons, raw value, from last month, due to lower beginning stocks and production more than offsetting a 70,000-ton increase in imports due to U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). Beet sugar production is reduced 161,000 tons, based on processors' reports compiled by the Farm Service Agency. Use is unchanged and ending stocks are lowered to 785,000 tons.

For 2004/05, ending stocks are reduced 28,000 tons, mainly due to Louisiana processors lowering production projections for September 2005 (down 53,000 tons), which are partially offset by a 40,000-ton increase in high-tier imports from Mexico.

WASDE-425-14 - U.S. Sugar Supply and Use 1/

Item	2003/04	2004/05		2005/06
		July	August	Projection
1,000 short tons, raw value				
Beginning stocks	1,670	1,897	1,476	1,448
Production 2/	8,649	8,052	8,152	7,991
Beet sugar	4,692	4,716	4,443	4,282
Cane sugar	3,957	3,336	3,709	3,709
Florida	2,154	1,690	1,899	1,899
Hawaii	251	268	254	254
Louisiana	1,377	1,218	1,376	1,376
Texas	175	160	180	180
Imports	1,754	1,769	1,591	1,661
TRQ 3/	1,230	1,209	1,206	1,276
Other program 4/	464	400	325	325
Other 5/	60	160	60	60
Supply, total	12,073	11,718	11,219	11,100
Exports	288	240	200	200
Deliveries	9,862	10,030	10,115	10,115
Food	9,678	9,875	9,950	9,950
Other 6/	184	155	165	165
Miscellaneous 7/	26	0	0	0
Use, total	10,176	10,270	10,315	10,315
Ending stocks	1,897	1,448	904	785
Stocks to use ratio	18.6	14.1	8.8	7.6

1/ Fiscal years beginning Oct 1. Includes Puerto Rico. Historical data are from FSA, "Sweetener Market Data" except imports (U.S. Customs Service, Census Bureau). 2/ Production projections for 2005/06 are on processor reports compiled by the Farm Service Agency. 3/ Actual arrivals under the tariff rate quota (TRQ) with late entries, early entries, and TRQ overfills assigned to the fiscal year in which they actually arrived. For 2005/06, includes only the U.S. commitment to the World Trade Organization to import a minimum quantity of raw and refined sugar, minus shortfall of 50,000 tons. The Secretary will establish the actual level of the TRQ at a later date. 4/ Includes sugar under the re-export and polyhydric alcohol programs. 5/ Includes high-tier and other. 6/ Transfers to sugar-containing products for reexport, and for nonedible alcohol and feed. 7/ Residual statistical discrepancies.



NEWS RELEASE

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USDA ANNOUNCES FISCAL YEAR 2005 AND 2006 SUGAR PROGRAM PROVISIONS

WASHINGTON, August 12, 2005 -- The U.S. Department of Agriculture today announced details for the operation of the sugar program for the remainder of this fiscal year (FY) and for FY 2006.

USDA announced an increase in the FY 2005 overall allotment quantity (OAQ); the FY 2006 OAQ and the quantities for beet sugar and cane sugar; and the FY 2005 and 2006 allowable quantities of imports of raw, refined, and specialty sugars. USDA had earlier (August 1) announced that domestic marketing allotments again will be in effect for the upcoming marketing year.

FY 2005 Overall Allotment Quantity Increased

As the sugar marketing year enters its final months, anomalies have appeared in the market resulting in a supply situation suddenly much tighter than had been anticipated earlier in the year. Because of these developments, the FY 2005 OAQ is increased immediately by 250,000 short tons, raw value (STRV) to 8.350 million STRV. This amount is adjudged to be sufficient for the efficient operation of the market through the remainder of the marketing year.

This additional amount is allocated to the beet (135,875 STRV) and cane (114,125 STRV) sectors as required by the Agricultural Adjustment Act of 1938 (the Act). Since there is insufficient cane sugar to meet this amount, the "shortfall" is assigned immediately to the import sector.

FY 2005 Tariff-Rate Quota for Refined and Specialty Sugar Increased

The FY 2005 refined sugar tariff-rate quota (TRQ) is increased by 2,000 metric tons raw value (MTRV) (2,205 STRV), raising the total to 45,000 MTRV (49,604 STRV), for which the sucrose content, by weight, in the dry state, must have a polarimeter reading of 99.5 degrees or more. The increase is designated entirely to the specialty sugar TRQ and is needed to accommodate a rapidly expanding market for organic sugar. This addition to the first four completed tranches brings the total FY 2005 specialty sugar TRQ to 24,656 MTRV (27,169 STRV).

This fifth and final tranche of 2,000 MTRV will open on August 30, 2005, and will be reserved for organic sugar and other specialty sugars not currently commercially produced in the United States or reasonably available from domestic sources.

FY 2006 Overall Allotment Quantity Announced

In accordance with the Agricultural Adjustment Act of 1938, USDA announced on August 1, 2005 that marketing allotments again would be required for the FY 2006 marketing year to meet the statutory program objectives of an orderly market and program operation at no cost to the taxpayer to the maximum extent practicable.

Preliminary market indicators incorporating the latest available information from the August 12, 2005, USDA World Agricultural Supply and Demand Estimates (WASDE) report follow:

	FY 2005	FY 2006
		(000 STRV)
Carry-in stocks	1,897	1,450
Production	8,052	7,991
Imports *	1,771	1,691
Total Use	10,270	10,315
Ending Stocks	1,450	817

* Reflects TRQ for specialty sugars contained in this announcement.

USDA is establishing the OAQ at 8,600,000 STRV for FY 2006. The calculation of the OAQ is based on the estimate of domestic sugar food use less the amount of sugar that is expected to be supplied from alternative (non-OAQ) sources. USDA emphasizes the considerable market uncertainties surrounding the underlying estimates, particularly domestic food use, non-OAQ supplies that may be available from the sugar re-export program and from Mexico (so-called "tier II" sugar), and sugar sold this fiscal year for delivery in FY 2006.

The determination of the OAQ reflects the United States-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) which will come into force on January 1. While not all of the countries have yet ratified the agreement, it is assumed that the first year allowable amount of duty free sugar of 120,000 STRV will be available to the domestic market during the January 1 - September 30 portion of the marketing year.

USDA closely monitors stocks, consumption, imports, and all other program variables on an ongoing basis. Appropriate adjustments may be made at any time during the year to the OAQ as required, to ensure an adequate supply for the domestic market in FY 2006, to avoid forfeitures, and to prevent program disruptions.

When the OAQ is allocated to the sectors as required by the Act, the resulting quantities are (000 STRV):

- Beet Sugar: 4,674
- Cane Sugar: 3,926

Because the available cane domestic sugar supply is expected to be insufficient to fully meet market requirements, the "shortfall" is assigned to imports. This assignment is being made now to facilitate shipping arrangements and ensure that the sugar is made available to the market. These imports do not count against the import trigger of 1.532 million STRV contained in the 2002 Farm Bill. Anticipated imports, in any event, are not expected to exceed the trigger, thus no actions are anticipated to be required to avoid disruption of sugar program operations.

CCC Stocks Sales Policy Restated

USDA operates the program at no cost to taxpayers by avoiding forfeitures to the Commodity Credit Corporation (CCC) of sugar used as collateral for non-recourse loans. The Act shifts the responsibility of storing surplus production to the domestic industry rather than the CCC. Should forfeitures occur, CCC reiterates its intention to move these stocks into the commercial market as expeditiously as practicable. The FY 2007 OAQ allocations to companies thus will be reduced by an amount equal to the forfeited quantity.

FY 2006 Allowable Imports for Raw, Refined, and Specialty Sugar Announced

The FY 2006 tariff rate quota for imports of raw cane sugar into the United States is established at 1,117,195 MTRV (1,231,497 STRV). This is the minimal amount to which the United States is committed under the World Trade Organization (WTO) Uruguay Round Agreements. Certificates for Quota Eligibility (CQEs) corresponding to each country's allocation may be entered at the low-tier tariff at any time during the fiscal year. Certain shipping pattern restrictions used in previous years are no longer being imposed because of changes occurring over time in the domestic marketing of cane sugar.

The FY 2006 refined sugar TRQ is established at 49,000 MTRV (54,013 STRV) 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 22,000 MTRV, the minimum level to which the United States is committed under the WTO Uruguay Round Agreements, and an additional 27,000 MTRV for specialty sugars. This additional 27,000 MTRV combined with a specialty sugar allocation of 1,656 MTRV included in the 22,000 MTRV WTO minimum refined sugar level brings the total specialty sugar allocation to 28,656 MTRV (31,588 STRV).

USDA will administer the FY 2006 specialty sugar TRQ in four tranches. Because this is a first-come, first-served TRQ, tranches are needed to allow for orderly marketing throughout the year. The first, totaling 1,656 tons raw value, will open October 26, 2005. All specialty sugars are eligible for entry under this tranche. The next three tranches will each be equal to 9,000 tons. The second tranche will open on November 9, 2005; the third on March 15, 2006; and the fourth on June 7, 2005. The second, third and fourth tranches will be reserved for organic sugar and other specialty sugars not currently commercially produced in the United States or reasonably available from domestic sources.

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