

**Explanation for Fiscal Years 2011 and 2012 Changes**  
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In June, 2012 the Dairy and Sweeteners Analysis (DSA) group of the Farm Service Agency conducted interviews with accountants of domestic cane refiners who report to DSA on a monthly basis, as required by law. Cane refiners were targeted because, of the three bodies that are required to report to USDA, sugar beet processors, sugarcane processors and cane refiners, only cane refiners report import activity, which is a critical element in determining domestic demand for sugar. For Sweetener Market Data (SMD) purposes, DSA defines food use sugar demand as the sum of food use deliveries of beet processors, cane processors, cane refiners and imports which by-pass any cane refiner and go directly to an end user for human consumption (these direct consumption imports are termed “deliveries by non reporters in the SMD). This fourth component of demand is estimated as the total imports as reported through Customs less any imports reported by domestic cane refiners. This is based on the assumption that all raw sugar imports ultimately go to and are reported by cane refiners, therefore, imported sugars which do not go to cane refiners must be refined sugar delivered by a non-reporter.

The June interviews found several problems in reporting: 1) Some refiners were not using the proper formula to convert actual weight to raw value. Each question on the cane refiner survey has two components, one relating to raw sugar, and one to refined sugar. All questions are to be answered in terms of hundredweight, raw value. 2) Some refiners were treating Mexican standar as refined sugar even though they intended to melt (further refine) the sugar. USDA defines raw sugar as requiring further refining through affination or defecation, clarification, and further purification by absorption or crystallization; otherwise, it is considered refined. 3) Cane refiners did not record tolling activity consistently and accurately. Under a tolling agreement, a third party purchases sugar and pays a fee to a cane refiner for processing and delivering. Tolloed sugar is considered marketed when delivered back to its owner. 4) Several large imports of raw sugar were not reported to USDA because of non conventional trade importing arrangements. Thus, when direct consumption imports were estimated by subtracting reported raw imports from total imports, direct consumption imports, and food deliveries, were overestimated at the time of importation. As these imports were later delivered to cane refineries and identified as raw sugar imports, the overestimation of deliveries was corrected. 5) Calculated endings stocks were not reconciled appropriately with physical inventory. All refiners have a continuous calculation of their stocks that they periodically correct with a physical inventory of their stocks. A tolling error in 3) above resulted in a 94,000-ton error in calculated stocks, which was not reconciled with physical inventories.

DSA has counseled the reporters and is confident of revisions to the FY11 and FY12 SMDs. DSA will continue to monitor the situation.