Russia's declining demand for U.S. pork products continued through May. So far this year, U.S. exports to Russia are 62 percent lower than for the same period last year. U.S. pork products continue to have difficulty competing with lower priced pork products from Brazil and China.

For South Korea, 2002 was to have been the year of re-entry into international pork markets—Japan in particular—after foot-and-mouth disease (FMD) infected the Korean herd in the spring of 2000. In anticipation of resuming the lucrative loin trade to Japan, the Korean pork industry accumulated significant stocks of pork this year. U.S. exports to Korea had increased 75 percent over the same period last year. Korean traders imported lower priced U.S. cuts in order to accumulate stocks of Korean products for export to Japan. But, the reappearance of FMD in May has postponed Korean loin exports to Japan. Large Korean pork stocks will likely slow Korean demand for U.S. pork products for the remainder of 2002.

U.S. Pork Imports Increase

So far through May 2002, the U.S. has imported 17 percent more pork than over the same period last year. About 80 percent of U.S. imports are from Canada, representing the continuing integration of the U.S. and Canadian pork and food service industries. Denmark accounts for about 13 percent of U.S. imports. The American appetite for pork ribs is the primary factor driving Danish exports to the U.S.

Despite concerns about low fourth-quarter 2002 prices, and uncertainty surrounding requirements for Country of Origin Labeling contained in the 2002 Farm Act, the U.S. continued to import large numbers of live Canadian hogs. In the first 5 months of 2002, imports were 18 percent higher than for the same period last year. So far this year, nearly 64 percent of live Canadian imports have been feeder pigs destined largely for finishing in the Corn Belt States. The U.S. is expected to import 6.2 million hogs from Canada this year, 17 percent more than in 2001. AO

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For the latest data and analysis, see the Hogs briefing room on the ERS website: www.ers.usda.gov/briefing/hogs/

Specialty Crops

U.S. Sugar Policy Under the 2002 Farm Act

The 2002 Farm Act—the Farm Security and Rural Investment Act of 2002—reauthorized the sugar price support loan program and introduced measures to make the program work more effectively for producers and processors, and to lessen the cost of the program to the U.S. government.

The Sugar Loan Program

The 2002 Farm Act reauthorized the U.S. Department of Agriculture (USDA) to make loans available to processors of domestically grown sugarcane at the rate of 18 cents per pound and to processors of domestically grown sugar beets at 22.9 cents per pound for refined sugar. As before, loans are made for a maximum term of 9 months and must be liquidated along with interest charges by the end of the fiscal year. Processors are required to provide payments to producers in proportion to the amount of the loan value accounted for by the sugar beets and sugarcane the producers deliver. USDA retains the authority to establish minimum producer payment amounts.

Other sugar loan provisions in the 2002 Act include the following:

- Sugar loans must be nonrecourse, meaning that when the loan matures, the USDA must accept sugar pledged as collateral as payment in full in lieu of cash repayment of the loan, at the discretion of the processor.
- A new provision allows processors to obtain loans for “in-process” sugar and syrups at 80 percent of the loan rate. “In-process” sugar and syrups must be converted into raw cane or refined beet sugar at no cost to the Commodity Credit Corporation (CCC) before being eligible for forfeiture.
- The Act eliminates penalties that, under prior legislation, had been charged to processors who forfeited sugar to the CCC.
- The Act eliminates the requirement that sugar processors notify USDA of their intention to forfeit sugar under loan. Also eliminated are government assessments on sugar marketing by processors.

Operation of the program at no cost to the government. A key change in the 2002 Farm Act requires that USDA operate the U.S. sugar loan program at no cost to the Federal government, to the maximum extent possible. Specifically, USDA must avoid forfeiture of sugar to the CCC. To discourage loan forfeiture, the sugar price at the time of loan repayment must be high enough to cover the loan principal *plus* interest and marketing expenses.

The 2002 Farm Act gives USDA authority to accept bids from sugarcane and sugar beet processors to obtain raw cane sugar or refined beet sugar in CCC inventory in exchange for reducing production. This is one way to control expected excess (or “price-depressing") supplies of sugar. The 2002 Farm Act specifies that this authority is in addition to any authority the CCC may have under other laws.

Marketing allotments. Another way to guarantee that the sugar loan program operates at no cost to the Federal government is the requirement in the 2002 Farm Act that USDA establish flexible marketing allotments for sugar (supply control).