FOR IMMEDIATE RELEASE
Monday, August 4, 2003

Analysts Tell International Sweetener Symposium:

Sugar Industry Stabalizing But Tough Challenges Ahead

BLAINE, WASHINGTON – Analysts noted at a conference here today that the American sugar industry has stabilized, after several years of depressed prices, but that difficult challenges lie ahead.

Addressing the 20th annual International Sweetener Symposium, John Love, the U.S. Department of Agriculture's lead sugar-market economist, predicted "producer prices for sugar for 2002/03 will be 5 percent higher than last year's and average near 1997-99 levels."

Love does not, however, expect any significant rise in consumer prices for sugar. American Sugar Alliance chief economist Jack Roney noted that the "U.S. retail sugar price is virtually unchanged since 1990, and is about 22 percent below the average consumer price in other developed countries."

As for the return to farmers, Roney said, "Producer prices were sharply lower, near 20-year lows, during much of the 1999-2001 period. The low prices caused wrenching adjustments, but the industry is leaner, more efficient, and better structured now for the formidable challenges that lie ahead."

Roney said the challenges include "continuing to reduce costs to cope with flat nominal and sharply lower real prices, defending sugar consumption against further decline, and trade policy threats from foreign countries that wish to claim a larger share of the U.S. market."

Love attributed the price rebound to the expectation that "in 2003/04 the market will be in balance, with consumption growth now at least partially recovered." Love noted that slow economic growth, changing dietary preferences and increased imports of sugar-containing products contributed to an unusual drop in U.S. sugar consumption in 2001/02, but that stronger economic growth should now be a positive factor.

Roney said the low producer prices of the past several years caused "a painful wave of sugar beet and cane mill closures, and also an unprecedented surge in vertical integration in the American sugar industry. The grower-owned share of U.S. refined beet and cane sugar production capacity more than doubled in just four years, from 35 percent in 1999 to 72 percent in 2003."

"Beet and cane growers saw independent beet processors and raw sugar refiners exiting the business because of low prices," Roney said. "Desperate to still have a place to process and market refined sugar from their beets and cane and to achieve a higher value-added for their product, these farmers went more deeply into debt to protect life-long investments in their growing operations. Joining together cooperatively to purchase these beet factories and cane refineries was the one way to guarantee these operations, and growers who supply them, would survive."

Roney said that despite the vertical integration, "competition remains fierce. The degree of concentration in the industry has actually declined. The three largest refined sugar sellers accounted for 76 percent of production capacity in 1999, but their share has dropped to 72 percent this year and will decline to 69 percent in 2004."

Roney said that a major factor in the restoration of balance in the U.S. market, in addition to a downturn in production because of beet and cane mill closures and bad weather, was the adoption of the 2002 Farm Bill. He called the legislation's inventory management provisions "the right choice for the U.S. sugar industry." Roney said, "It is the market oriented answer to the problem of oversupply, with sugar farmers accepting no government payments, and taking on the burden of storing excess sugar, at their own expense, when the government perceives that the market would otherwise be oversupplied."

"Sugar is the only no-cost commodity policy in the 2002 Farm Bill," Roney said, "but its no-cost status, and the stability it has restored to the U.S. market, will be jeopardized if U.S. trade negotiators give away too much of our market in the myriad of trade negotiations now under way. Past concessions have already made the U.S. sugar market one of the most open in the world. The industry must caution U.S. trade negotiators that further concessions could plunge the market back into a period of over supply, low prices, and government costs."

The American Sugar Alliance is a national coalition of growers, processors and refiners of sugarbeets, sugarcane and corn for sweetener.

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Monday, August 4, 2003

At International Sweetener Symposium:

Trade Advisor Tells Sugar Group FTAs Threaten Existence

BLAINE, WASHINGTON – A trade adviser to the American Sugar Alliance, and a former official with the U.S Trade Representative Office, warned participants at the International Sweetener Symposium here today that regional and bilateral trade agreements “threaten the American sugar industry’s existence.”

Donald M. Phillips said that while the Doha Round of the World Trade Organization (WTO) could yield possible benefits, he sees absolutely “no upside” for the U.S. sugar industry in the bilateral and regional free trade agreements, or FTAs.

As for the American Sugar Alliance position on trade negotiations, Phillips said that because the world sugar market is so grossly distorted by widespread government intervention, “reform must be global and comprehensive, not piecemeal.” He said, “This outcome can only be achieved in the WTO. Sugar should be excluded from all FTA market access negotiations.”

Phillips said that for the U.S. sugar industry, the long-term result of the flood of FTAs the administration is pursuing would be the “elimination of tariffs, thus bringing in an unmanageable flood of imports, and causing the likely collapse of U.S. sugar policy.”

He cited figures from USDA documenting that sugar exports from the countries with which the U.S. is negotiating FTAs total 27.3 million metric tons. That is three times the entire annual consumption of sugar in the United States and “would destroy the U.S. market.” He said the “adverse effects of extremely low sugar prices would spill over into the corn sweetener industry.”

Further, in the FTAs the most important trade-distorting policies would not be eliminated or even addressed, Phillips said.

Sharing the podium with Phillips during this presentation was Luther Markwart, Executive Vice President, American Sugarbeet Growers Association. Markwart noted that since the beginning of the Uruguay Round agreement in 1995 through 2002, world sugar prices have dropped 45 percent—from 13.86 cents per pound to 7.58 cents a pound—less than half the average global cost of production.

Markwart listed a number of causes for this problem. He said these range from the “transparent” export subsidies many countries continue to provide, to the monopoly effect of state trading enterprises, to currency exchange depreciation, low environmental standards and a lack of enforcement, to lack of compliance with agreements.

Markwart agreed with Phillips that the domestic sugar industry has nothing to gain from the FTAs as they are being negotiated by the administration. Additionally, he said the U.S. sugar loan rate is at serious risk in the WTO negotiations, and there are other problems in the WTO as well, such as proposals for excessive special and differential treatment for developing countries—even though they are often major sugar producers with well-developed industries.

Markwart said it is up to the sugar industry to identify the problems it faces in trade negotiations, explain these problems to negotiators and policy makers, and then recommend solutions. He urged his colleagues to “be vigilant in our oversight of the negotiating process.”

The American Sugar Alliance is a national coalition of growers, processors and refiners of sugarbeets, sugarcane and corn for sweetener.

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FOR IMMEDIATE RELEASE
Monday, August 4, 2003

At International Sweetener Symposium:

Rep. Engel Says Sugar Should Be Excluded From FTAs

BLAINE, WASHINGTON – Rep. Eliot Engel (D-NY) said today that “sugar should be excluded” from regional trade agreements like CAFTA and the FTAA that are favored by the administration.

Engel made the remarks at a speech before the International Sweetener Symposium here. CAFTA refers to the proposed Central America Free Trade Agreement and FTAA refers to the Free Trade Area of the Americas.

A primary reason for excluding sugar from these, and like agreements, Engel said is because labor and environment are not included in the mix. He said, “It is inappropriate to pass a trade agreement without consideration of labor standards.”

Engel said he has opposed most of the trade agreements because stringent safeguards are not imposed on labor standards or protecting the environment. He said, “Your (sugar) industry is in jeopardy” from countries that “use weaker labor laws to create an advantage.” He said such advantages should not be permitted in trade agreements. He promised the participants at the Symposium that he would continue to fight to defend American jobs, such as those in the sugar industry.

Engel said many people don’t realize the positive economic impact the sweetener industry has on the United States economy, nor how many direct and indirect jobs it creates. He cited an annual economic impact of $21.1 billion a year and 372,000 jobs in 42 states.

The American Sugar Alliance is a national coalition of growers, processors and refiners of sugarbeets, sugarcane and corn for sweetener.

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FOR IMMEDIATE RELEASE
Tuesday, August 5, 2003

Rep. Stenholm Tells Sweetener Symposium:

Sugar Negotiations Need To Be Reserved For WTO

BLAINE, WASHINGTON – Rep. Charles Stenholm (TX), the ranking Democrat on the House Agriculture Committee, told participants at the International Sweetener Symposium here today that sugar trade negotiations need to be reserved for consideration in the World Trade Organization (WTO) talks, and not in the flood of regional and bilateral agreements being pursued by the administration.

To make trade agreements effective, he said, they need to be fully enforced and "we need to get serious about export subsidies." He said what a country does internally is its own business, but when exports are subsidized, "that becomes our business."

In trade agreements, also, he said market access must addressed. He said our borders are much more open to imports than are the borders of many other countries.

Asked about expectations for the WTO Ministerial in Cancun next month, Stenholm said this will be a point where the trade round will "show movement or not." Again, he emphasized the need to address export subsidies. He indicated he was not that optimistic for meaningful movement from the Cancun ministerial.

As for excluding sugar in regional and bilateral trade agreements, Stenholm said there was ample precedent for this. He cited the US-Canada FTA, the Mercosur FTA between Brazil, Argentina, Paraguay and Uruguay, and the European Union's FTAs with Mexico and with South Africa.

Stenholm said that agricultural sectors all over the United States are becoming less supportive of trade agreements because they have not been enforced as they should. "The perception is that we're not tough enough in trade negotiations."

As one of the original fiscally conservative "Blue Dog" Democrats, Stenholm said the nation is headed toward a "Perfect Storm" as this country buys $500 billion more goods from others than we sell to the rest of the world. He said this imbalance cannot keep up.

Also addressing fiscal issues, Stenholm cautioned that with the growing federal deficit, agricultural interests need to recognize that the 2002 Farm Bill, which has helped stabilize the sugar industry, almost definitely faces "reopening."

The Ameican Sugar Alliance is a national coalition of growers, processors and refiners of sugarbeets, sugarcane and corn for sweetener.

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FOR IMMEDIATE RELEASE
Wednesday, August 6, 2003

New Global Survey Confirms:

U.S. Sweetner Producers Rank Among World's Lowest Cost

BLAINE, WASHINGTON – Despite high costs for labor and environmental standards and a strong dollar, American sugar and corn sweetener producers remain among the lowest cost producers in the world, according to a global survey released today by the renowned commodities research firm, LMC International, based in Oxford, England.

LMC senior economist John Cropley revealed the preliminary results of LMC's triennial study at the American Sugar Alliance's 20th Annual International Sweetener Symposium, being held here through Wednesday.

For the most recent 6-year period studied, 1997/98-2002/03, U.S. corn sweetener producers were the lowest cost of 19 producing countries, U.S. beet sugar producers were the second lowest cost of 42 countries, and U.S. cane sugar producers were 27th lowest cost among 64. For beet and cane sugar combined, the U.S. is in the top third, ranked 39th lowest cost of 105 countries studied. "Adding in the very cost-competitive corn sweetener industry, lifts the combined U.S. sweetener sector to 18th place out of 125 countries," Cropley said.

Cropley said U.S. corn sweetener producers have long been the world's lowest cost by far, and that American sweetener producers have managed to improve their ranking in each of the five 5-to-6-year periods LMC has studied since it began these studies in 1979. Cropley said U.S. sugar producers' production costs are below the world average for sugar. With corn sweetener included, fully two-thirds of the world's nutritive sweeteners are produced at a higher cost than in the United States.

Cropley said, "U.S. producers' rankings are all the more impressive because they faced two major obstacles." One is the fact that their competition is dominated by developing-country cane producers, "where wages are generally very low and environmental regulations tend to be far less stringent than in the U.S." Three-quarters of the world's sugar is produced in developing countries.

The other obstacle was the strong value of the dollar, which has soared in value by 70 percent in the past 24 years against the currencies of most other cane producing countries. Cropley explained how the strong dollar hurts American producers' relative cost competitiveness, saying, "a strong dollar acts to inflate your costs relative to other countries' and harm your international ranking as a sugar and sweetener producer. So, the strong dollar offsets the efficiency improvements U.S. beet and cane producers achieved over the past several years."

Jack Roney, ASA's director of economics and policy analysis, who moderated the session, said, "Once again, results of the LMC study prove that American sweetener producers are among the most efficient in the world. This is why U.S. sugar producers would welcome free trade worldwide. Our farmers can compete one-on-one with other farmers around the world- but not with foreign governments. Until this level playing field is achieved, a minimal U.S. sugar policy must remain in place."

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