U.S. Sugar Policy Makes Sense

American Economy Benefits From U.S. Sugar Policy

• Responds to foreign predatory trade practices.

• Adds $26.2 billion annually to the U.S. economy.

• Unrestricted domestic free market.

Taxpayers Benefit From U.S. Sugar Policy

• Operates as a loan program and involves NO direct subsidies.

• Revenue raiser throughout the 1990's.

• Sugar producers have played their part in helping achieve the federal budget surplus by paying millions of dollars in a special deficit-reduction tax – nearly $300 million from 1991-99.

Consumers Benefit From U.S. Sugar Policy

• Provides an essential high-quality food ingredient at low, stable, and competitive prices.

American Workers Benefit From U.S. Sugar Policy

• Creates 420,000 direct and indirect jobs.

Important Sugar Facts

• The U.S. is the world's largest consumer of natural sweeteners. We consume about 9.3 million tons of refined sugar each year, and about 12 million tons of corn sweeteners.

• The U.S. is the world's fourth largest sugar producer, trailing only Brazil, India, and China. The European Union (EU), taken collectively, is by far the world's largest producing region, benefiting from massive production and export subsidy programs.

• American farmers are the world's largest producers of sweetener from corn, which is grown extensively throughout the nation. Slightly more than half of U.S. sugar production comes from sugarbeets, which are grown in 12 states; the other portion of American sugar comes from sugarcane, grown in four states.

• The U.S. produces about 80 to 85 percent of the sugar it consumes, importing the remainder from 41 foreign countries, making the U.S. one of the world's largest importers of sugar.

Source: American Sugar Alliance

U.S. Sugar Policy Reformed Extensively in Farm Bill

Major Changes Made by Congress to U.S. Sugar Policy

Sugarbeet and sugarcane farmers shared in the major reforms the 1996 Farm Bill brought to U.S. commodity programs:

- Far less governmental intervention.
- More market orientation.
- Greater financial risk for farmers

Free Domestic Market – Just as acreage reduction programs were eliminated for other crops in the 1996 Farm Bill, marketing allotments were eliminated for sugar. The U.S. now has a domestic free market in sugar and sweeteners.

Forfeiture Penalty Initiated – The 1996 Farm Bill imposed a one-cent per-pound penalty on any producer who forfeits on a government Commodity Credit Corporation loan when non-recourse loans are in effect. While aimed at a continued no-cost sugar policy by discouraging forfeitures, the penalty would substantially reduce the income of sugar producers who forfeit.

'GATT-Plus' – In the 1996 Farm Bill, American sugar farmers challenged foreign sugar producers to eliminate export subsidies, marketing monopolies and cartels, high internal supports, and high import barriers. American sugar farmers coupled this challenge with a commitment to further modify U.S. sugar policy if foreign countries exceed their Uruguay Round obligations and reduce their sugar programs to or below U.S. levels.

Higher Assessments on Sugar Farmers:

- Sugar farmers receive no government payments.
- U.S. sugar policy has been run at no cost to U.S. government, since 1985.
- U.S. sugar policy has been a significant revenue raiser since 1991. A marketing tax paid by sugar producers to help eliminate the federal budget deficit was increased by 25 percent in the 1996 Farm Bill. As a result, U.S. sugar policy generates an estimated $40 million for federal deficit reduction each year.

Reforms Under Trade Agreements: Import Access Liberalized

The U.S. has met and exceeded its commitment under the Uruguay Round to import no less than 1.26 million tons of sugar per year. Historically, the U.S. is the third largest importer of sugar in the world, trailing only Russia and China, neither of which are members of the World Trade Organization. Imports to the U.S. are allocated among supplying nations based on their historical shares of our market. The import system that the U.S. uses is called a "tariff-rate quota." Under the tariff-rate quota system, imports are permitted to enter the U.S. at minimal or no tariff in order to meet U.S. consumption needs that cannot be met by domestic production. Imports above our needs that threaten American farmers are subject to higher tariffs. These higher tariffs are gradually dropping by 15 percent, as promised in the Uruguay Round. This is in addition to Farm Bill reforms.

U.S. Sugar Policy Benefits Consumers

U.S. Consumers Get Reliable Supplies at Reasonable Prices

A reliable supply of the essential food ingredient, sugar, is critical to American consumers. U.S. consumers use 21 million tons of natural sweeteners a year. About 9 million tons of that is sucrose, or sugar, and 12 million tons is corn sweetener. U.S. sugar policy ensures that American consumers, individuals as well as big commercial users, have a reliable supply.

American consumers get a good deal on sugar when they go to the supermarket. This fact is borne out by an independent study that shows the average retail price for sugar in the United States is 20 percent below what consumers pay on average in other developed countries.

Without U.S. sugar policy, consumers get hurt. Twice in recent years when temporarily there was no U.S. sugar policy in place, sugar prices skyrocketed and then later plummeted, hurting consumers on the way up and farmers on the way down. **Lower producer prices drive sugar farmers out of business, but they only mean fatter profits for the big commercial users, not lower prices for consumers.**

Lower Farmer Prices Not Passed Through to Consumers

The big commercial users of sugar get a good deal also. The big commercial sugar users—who purchase about 72 percent of the natural sweetener in the United States for food processing, candy manufacturing and the like—rely on high-quality sweeteners of many specifications and prompt deliveries, and at a reasonable price. All of this is provided under the existing sugar policy.

Lower prices for farmers mean higher profits for big commercial users, not lower prices for consumers. Some of the big commercial users of sugar claim that consumers would benefit if farm prices for sugar were lower. History shows quite clearly that this is not the case. Sadly for farmers, producer prices have been dropping for a decade, and, sadly for consumers, they've seen no benefit at the retail level.

While farm prices are down, consumers prices are up. Producer prices for sugar dropped 24 percent from 1990 to 1999, and refined beet sugar prices fell 37 percent. At the same time, the retail refined sugar price did drop at all and consumer prices for products that use sweeteners soared 25 to 36 percent. Who's benefiting? Not the farmers, not the consumers – but the big commercial users and retailers.

Source: American Sugar Alliance