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SUA Expert Cites Sugar Market Instability, Historically High Prices as Evidence of Urgent Need for Policy Reform

Says Potential Loan Forfeitures Could Cost U.S. Taxpayers More Than $100 Million

Washington, DC (March 19, 2013) – In testimony today before the U.S. International Trade Commission (USITC), Tom Earley, Vice President of Agralytica and an economist for the Sweetener Users Association (SUA), detailed how current U.S. sugar policy has destabilized the sugar market, driven up consumer and business costs and jeopardized American job creation. Earley's testimony was delivered today during a USITC hearing on "The Economic Effects of Significant U.S. Import Restraints."

In his remarks, Earley discussed how components of the sugar program enacted as part of the 2008 farm bill were added to already restrictive import quotas and very high tariffs on sugar outside of the quotas, resulting in both high U.S. sugar prices over the past four years and the current threat of sugar loan forfeitures.

"The last four years have served as a perfect example of what is wrong with U.S. sugar policy. …For the first four years under the 2008 farm bill, the result was a period of extraordinarily high domestic sugar prices, reaching record levels in 2010 and 2011, with a total adverse impact on consumers of $14 billion.

"…Not surprisingly, a couple of years of record prices stimulated production in both the U.S. and Mexico. Sugar output in both countries is estimated by USDA to be up about 20% since the 2008/09 marketing year, and ending stocks in both markets are projected to be much higher than normal. This is creating the threat of sugar loan forfeitures later this summer that would result in the first budget costs for the sugar program in over a decade, probably more than $100 million in connection with triggering the so-called Feedstock Flexibility Program, which involves USDA buying surplus sugar and selling it for pennies a pound to ethanol producers.

"…Both the shortages in the initial years under the 2008 farm bill and the emerging surplus this year are signs of program failure. The current sugar program has destabilized the U.S. market. SUA and partnering organizations in the Coalition for Sugar Reform are therefore trying to at least get the 2008 sugar program changes reversed in the next farm bill."

Highlighting the impact of the current sugar program on American jobs, Earley noted that between 1997 and 2011, nearly 127,000 jobs were lost in U.S. sugar-using industries, due in large part to sugar costs. In addition, he cited a recent Iowa State University study, which found that reforming the program could add as many as 20,000 food industry jobs to the U.S. economy and help save consumers up to $3.5 billion annually.

In concluding his testimony, Earley stated:

"Food and beverage companies, and the consumers they serve, want a reliable sugar supply at a reasonable price. A viable, economically healthy sugar-producing sector in the United States is important to sugar users. And they also want a viable cane sugar refining industry that can process both domestic and imported raw sugar. … SUA is not opposed to policies that provide economic support to sugar producers. However, present U.S. policies are poorly designed and both distort and destabilize markets."

To read the full testimony, click here.

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