SWEETENER USERS ASSOCIATION

FOR IMMEDIATE RELEASE

Media Contact:
Jennifer Cummings
(202) 822-9491
jcummings@fratelli.com

SUA Welcomes USDA Undersecretary's Remarks on Ensuring Adequate Sugar Supply, Despite Market Instability Caused by Sugar Program

Agriculture Policy Expert Says U.S. Sugar Program, Not Mexico, is Source of Current Market Imbalance

Washington, DC (August 4, 2014) – The Sweetener Users Association (SUA) welcomed remarks delivered today by U.S. Department of Agriculture (USDA) Undersecretary for Farm and Foreign Agricultural Services Michael Scuse on the agency's commitment to ensuring adequate sugar supply to meet market demands. Scuse, who delivered those remarks during the 31st International Sweetener Symposium taking place this week in Stowe, Vermont, indicated that the agency has the necessary tools at its disposal to increase supply, if needed.

"Undersecretary Scuse and USDA have done a good job managing the program and balancing the interests of all parties – both sugar users and producers – in the face of management challenges resulting from the flawed sugar program," said Jennifer Cummings, spokesperson for the Sweetener Users Association.

During Monday's symposium session, Randy Green, an agriculture policy expert and principal at Watson Green, LLC, delivered remarks during a panel themed "2014 Farm Bill and Sugar Policy Challenges." Green discussed how changes made to the sugar program in the 2008 farm bill – not Mexican sugar imports, as U.S. sugar producers claim – ultimately led to market distortions that are now the subject of an antidumping and countervailing duty petition against Mexican sugar.

"Mexico is a vital part of the U.S. sugar supply and has been since the implementation of the North America Free Trade Agreement," said Green. "And while over the years U.S. imports of Mexican sugar have increased, they have increased at the expense of TRQ imports, not domestic production. This is a key point that leads to the question: What has caused the fluctuations in the U.S. market if not Mexican sugar? Put simply, the U.S. sugar program."

Citing data on the impact of the 2008 farm bill, Green described skyrocketing U.S. sugar prices compared to the world sugar price because of changes made to the U.S. sugar program, which he noted incentivized increased output in both Mexico and the United States – resulting in a sugar surplus and low prices.

“This fluctuation in prices and supply over the past several years is not a sinister plot by Mexico, but rather the ramifications of an outdated, protectionist U.S. sugar program that is in need of reform,” Green said.

He also made recommendations on managing the flawed program more efficiently, with more transparency and at the least possible cost to taxpayers. In FY 2013, the program cost taxpayers nearly $300 million, and the Congressional Budget Office forecasts costs of $629 million between FY 2014 and FY 2024.

“Last year made it clear the sugar program can cost taxpayers real money, and again, USDA was conscientious and creative, but it would be foolish to assume it can never happen again,” said Green.

On the issue of cost reduction, Green questioned whether the Feedstock Flexibility Program is the best surplus disposal option, noting that it will always cause taxpayers to incur large losses, whether through forfeiture or purchase on the market. He suggested that USDA use re-export programs when U.S. and world prices are relatively close and increase competition by expanding eligibility to include sugar-containing product and polyhydric alcohol license holders. Green also recommended that USDA publish alternate calculations for what the overall allotment quantity would be in absence of the 85 percent floor – a program requirement that guarantees U.S. sugar producers 85 percent of the domestic market.

“The 85 percent floor is in fact a constraint on USDA’s ability to prevent program costs. Publishing alternate calculations wouldn’t directly reduce costs, but would tell markets how USDA would have operated the program but for the 85 percent floor,” said Green.

Green presented his views alongside Barbara Fecso, Director of Dairy & Sweeteners Analysis, Farm Service Agency at the U.S. Department of Agriculture, and Jack Roney, Director of Economics & Policy Analysis with the American Sugar Alliance. The panel was moderated by Ryan Weston, Executive Vice President of the Florida Sugar Cane League, and Washington Representative of Rio Grande Valley Sugar Growers and Hawaii Sugar Farmers.

###