International Sweetener Colloquium
Aventura, Florida
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Sugar Policy Landscape: Anticipating What Lies Ahead

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U.S. Sugar Policy Landscape

1. **Why we have a sugar policy**

   - **Foreign subsidies and the distorted nature of the world market**

2. **How the policy is working**

   - **For sugar producers**
   - **For sweetened-product manufacturers**
   - **For consumers**

3. **Producer-User Common Cause**
   - **Achieving genuine free trade in sugar**
   - **Defending sugar and sweetened-product consumption**

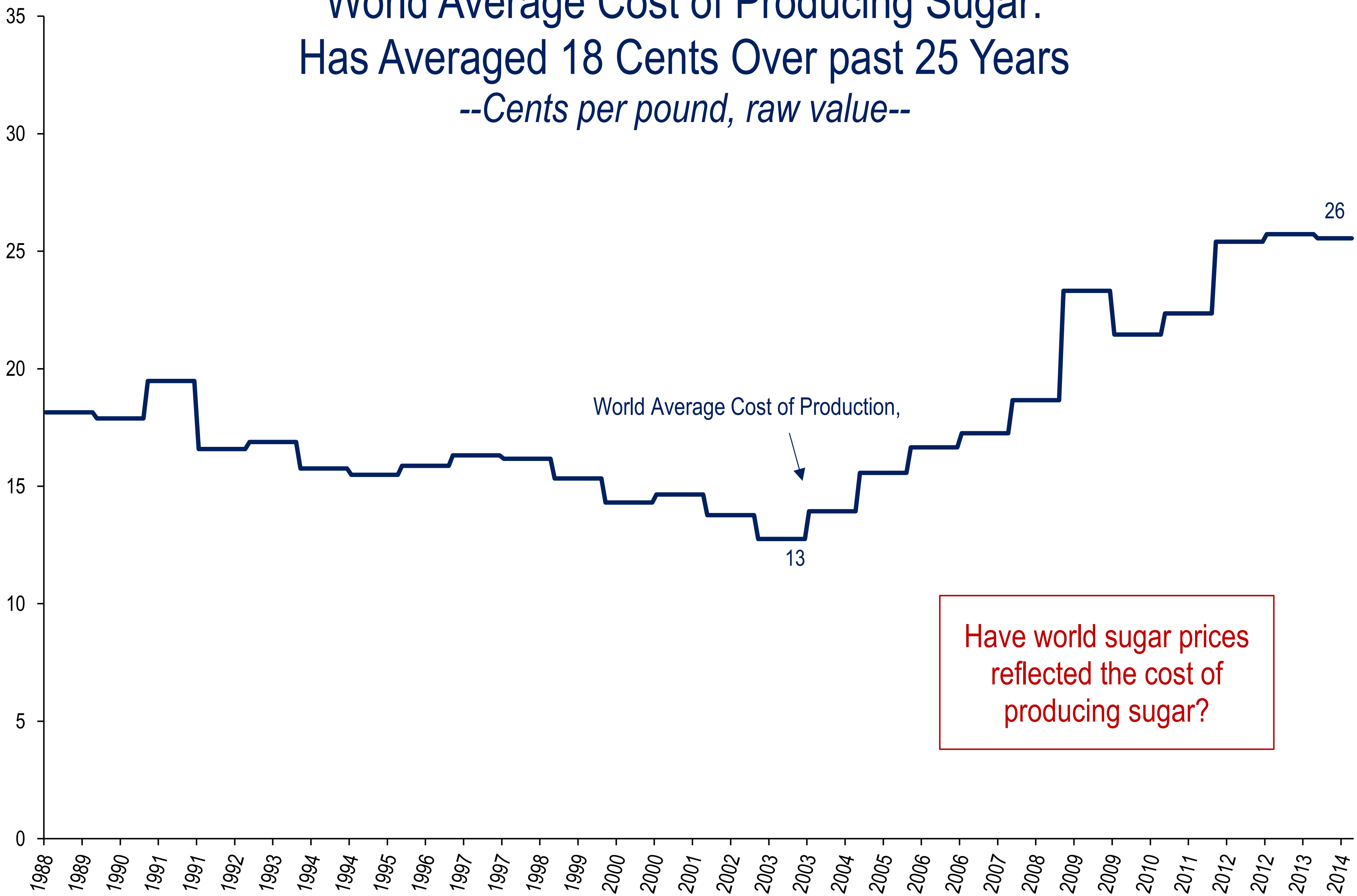
U.S. Sugar Policy Landscape

1. Why we have a sugar policy

- **Foreign subsidies and the distorted nature of the world market**
- A world price that rarely reflects the cost of producing sugar
  - Actual domestic wholesale prices globally are well above average costs of production and world dump market prices
- Foreign sugar subsidies: Pernicious and on the rise
  - Continue to distort the world market

World Average Cost of Producing Sugar: Has Averaged 18 Cents Over past 25 Years

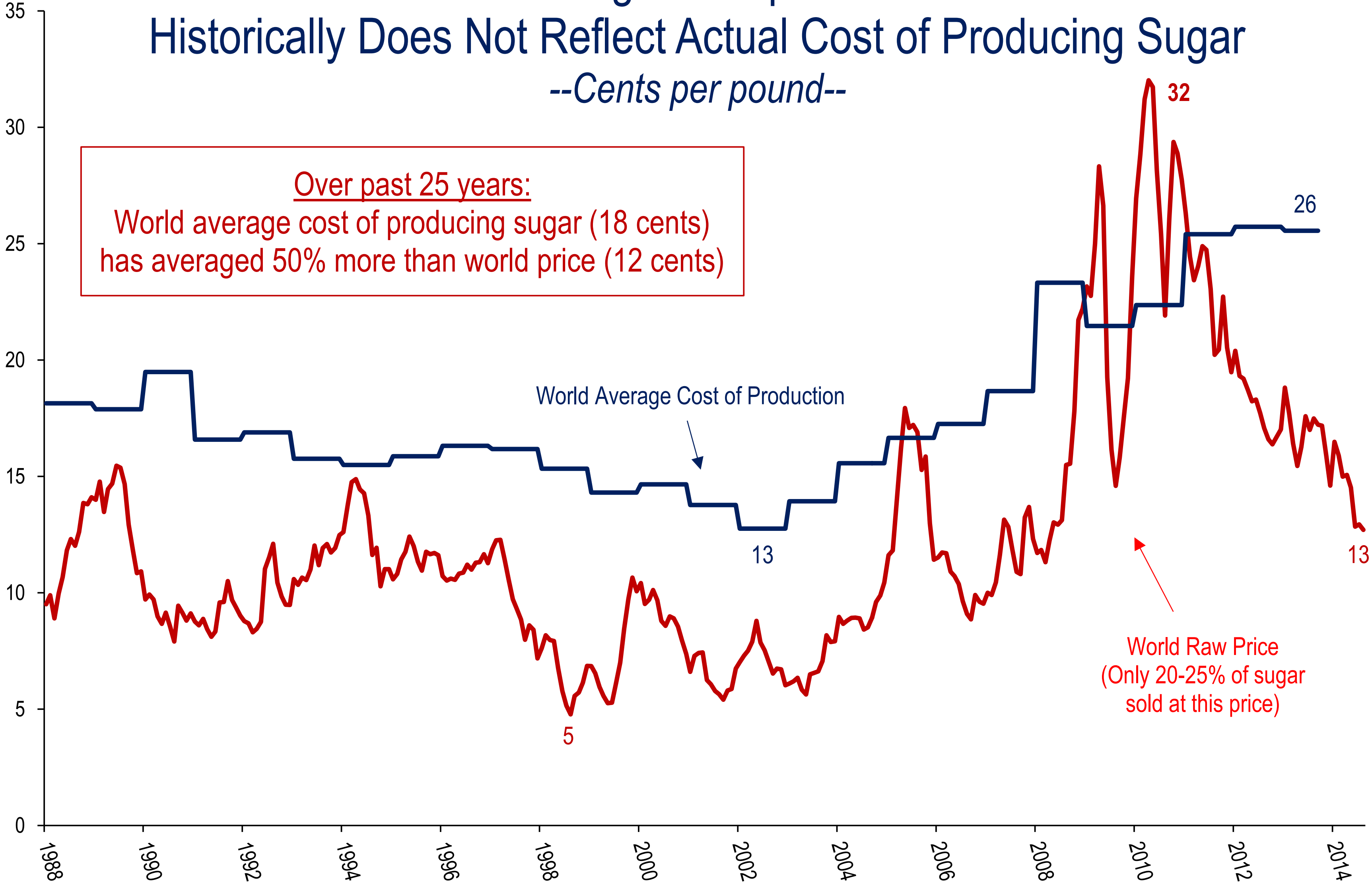
--Cents per pound, raw value--



Source: "Sugar Production Cost, Global Benchmarking Report," LMC International, Oxford, England, July 2014.

World Raw Sugar Dump Market Price:
Historically Does Not Reflect Actual Cost of Producing Sugar

--Cents per pound--



Sources: World Price: USDA, #11 raw contract, Caribbean ports. monthly average prices, 1970-2015.
Cost of Production: "Sugar Production Cost, Global Benchmarking Report," LMC International, Oxford, England, July 2014.

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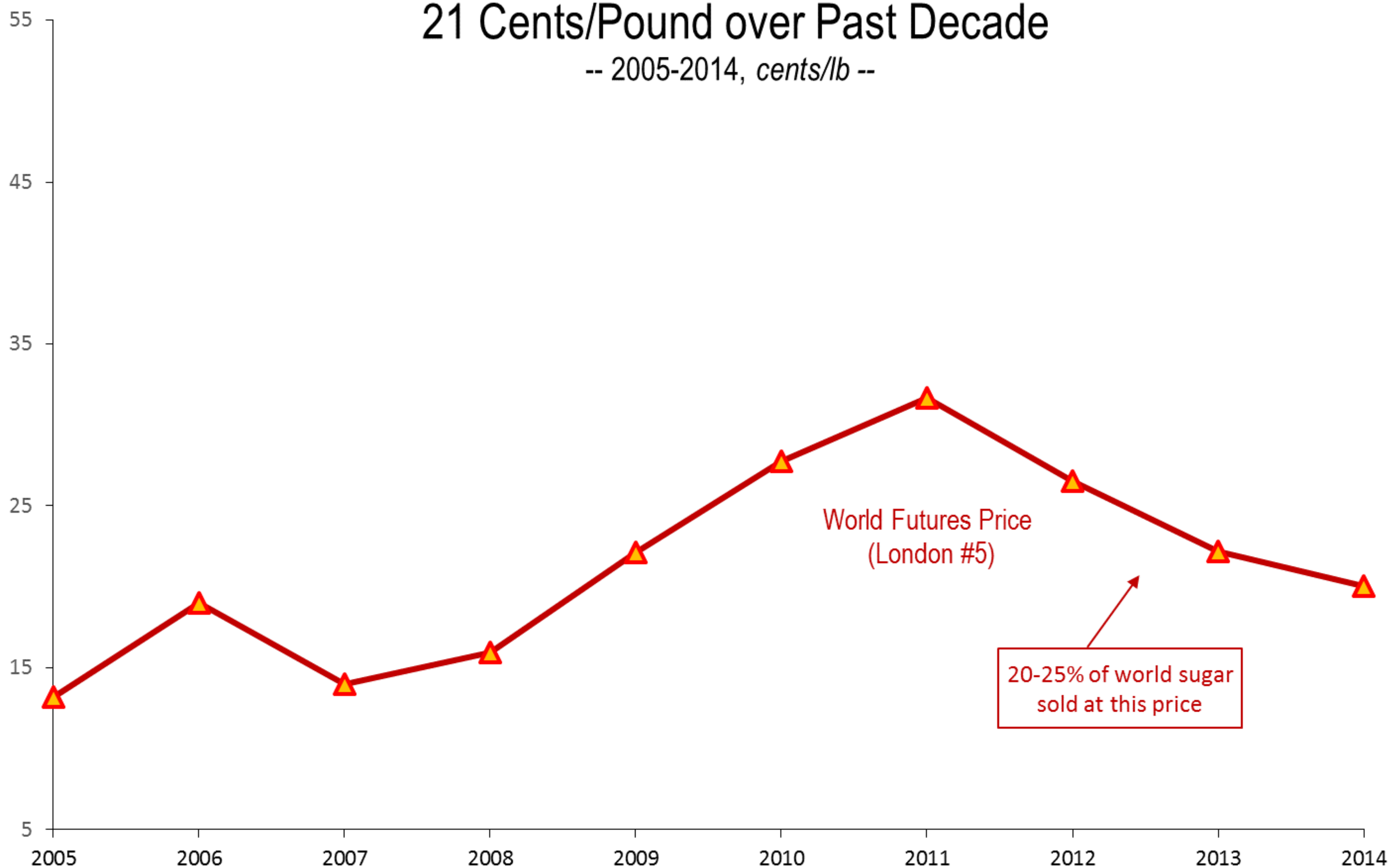
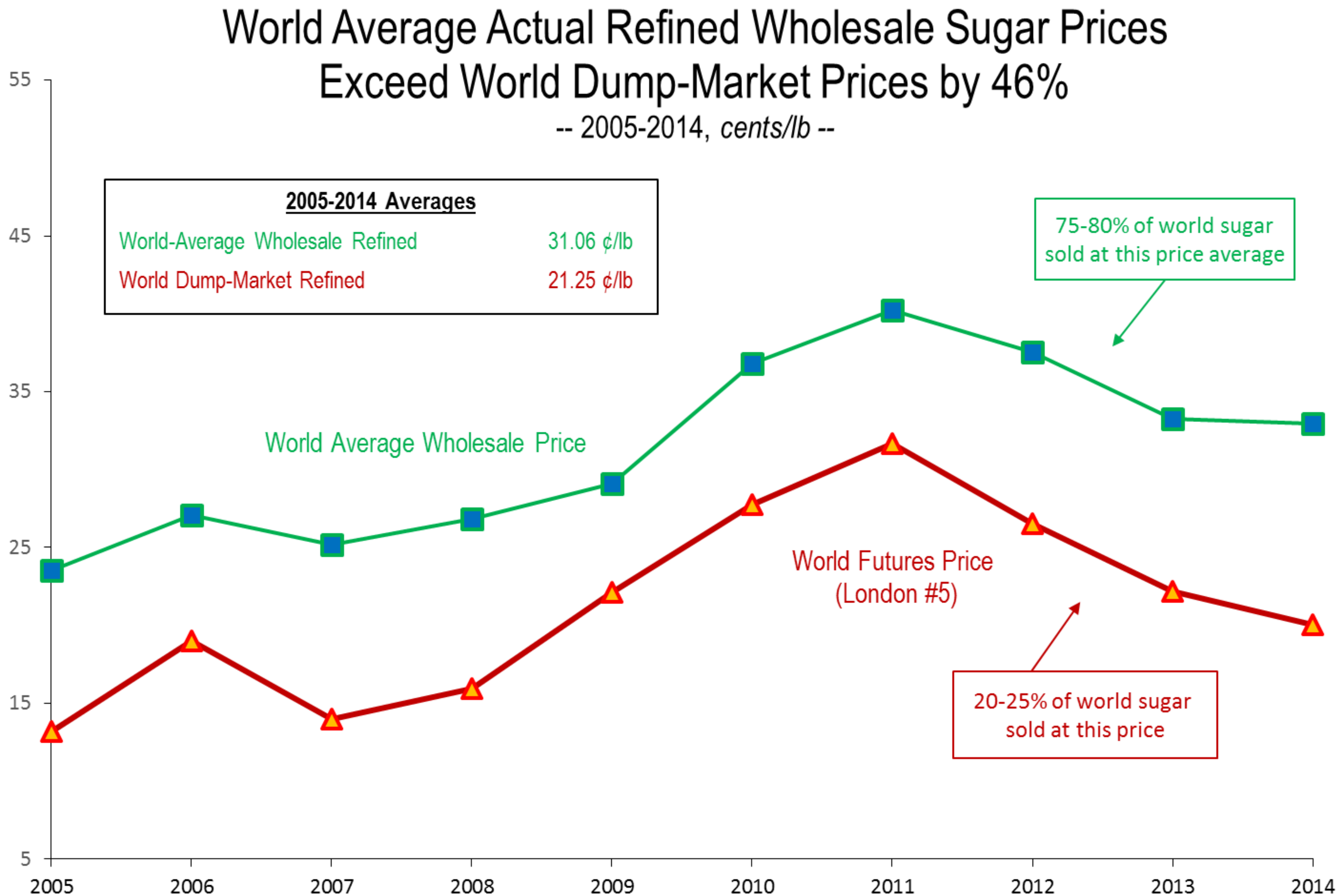
World Dump-Market Prices for Refined Sugar Averaged 21 Cents/Pound over Past Decade

-- 2005-2014, *cents/lb* --



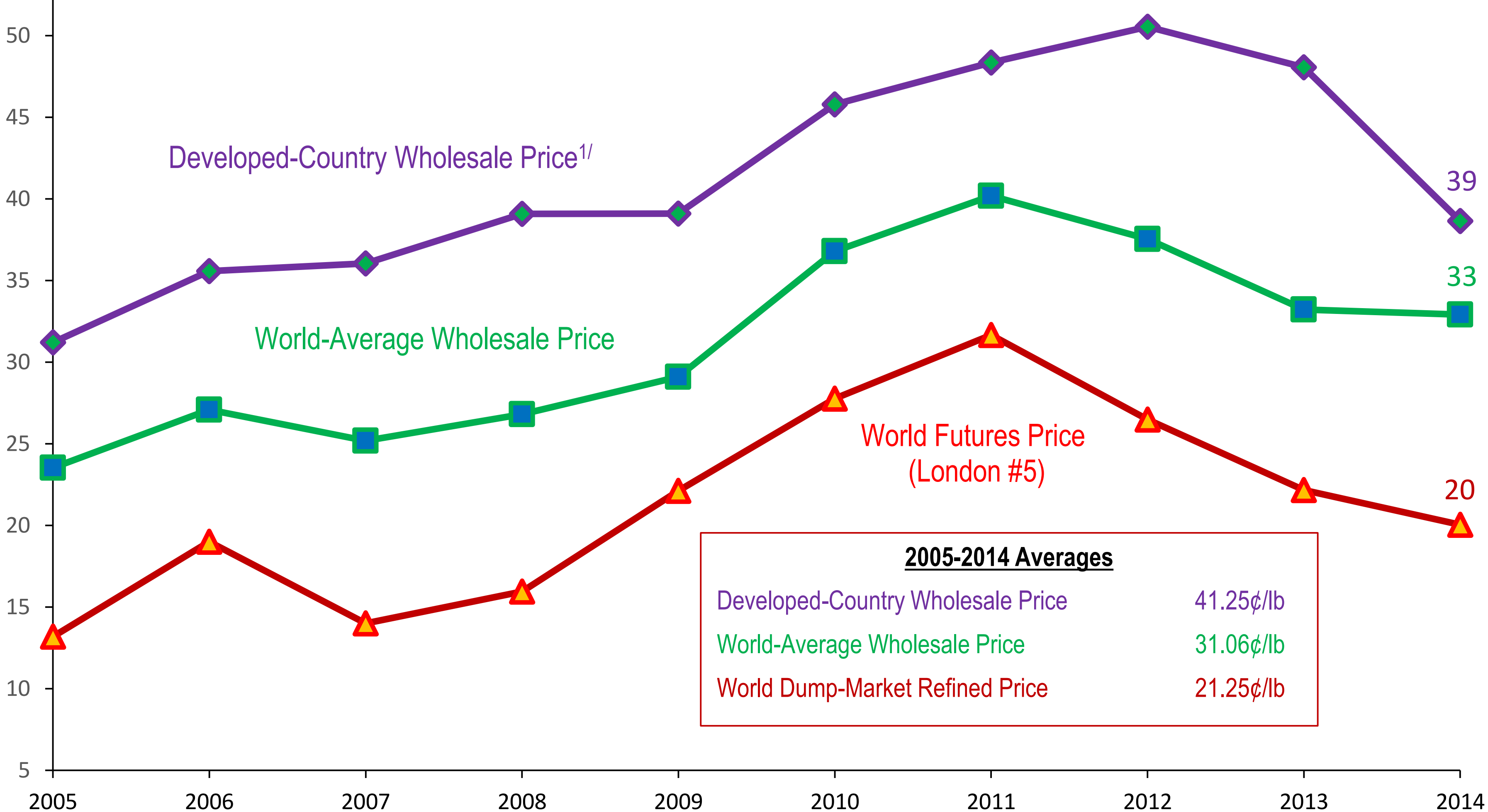
Source: USDA.



Source: International Sugar Organization (ISO), "Domestic Sugar Prices - a Survey", MECAS(15)06, May 2015. A survey of 78 countries, representing 79% of world sugar consumption; 2014 preliminary.

World Average Wholesale Refined Sugar Price Nearly 50% Higher than World Dump Market Price; Developed-Country Average Nearly Double

-- 2005-2014, cents/lb --

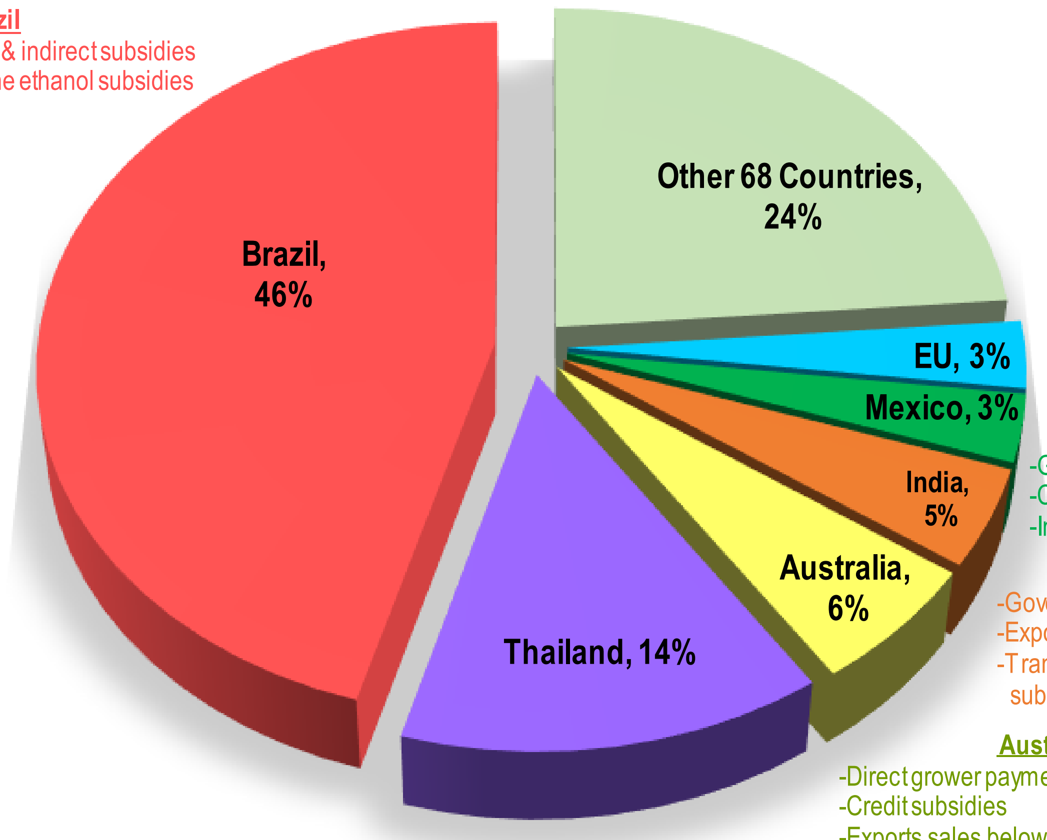


Source: International Sugar Organization (ISO), "Domestic Sugar Prices - a Survey", MECAS(15)06, May 2015. A survey of 78 countries, representing 79% of world sugar consumption; 2014 preliminary. U.S. 10-year average: 37 cents; September 2015 price: 33 cents.

1/ EU-28 and other OECD countries in ISO survey.

World's Largest Sugar Exporters: All Subsidize*

-- Shares of Global Exports, 2011/12-15/16 Average --



Brazil
-$2.5-3.0 billion/yr direct & indirect subsidies
-Sugar benefits from cane ethanol subsidies
-Credit subsidies
-Debt forgiveness

European Union
-Decades of high price supports, export subsidies
-High import tariffs
-Grower subsidies

Mexico
-Government ownership of mills
-Credit subsidies; debt forgiveness
-Income subsidies

India
-Government-set prices
-Export subsidies
-Transportation and input subsidies

Australia
-Direct grower payments
-Credit subsidies
-Exports sales below domestic price levels

Thailand
-Government-set prices
-Credit and input subsidies
-Indirect export subsidies

Datea source: USDA/FAS, November 2015. 2015/16 = forecast.
* Subsidies -- Sourced from FAS attache reports, press reports, country studies. **Does *not* include currency devaluations**.

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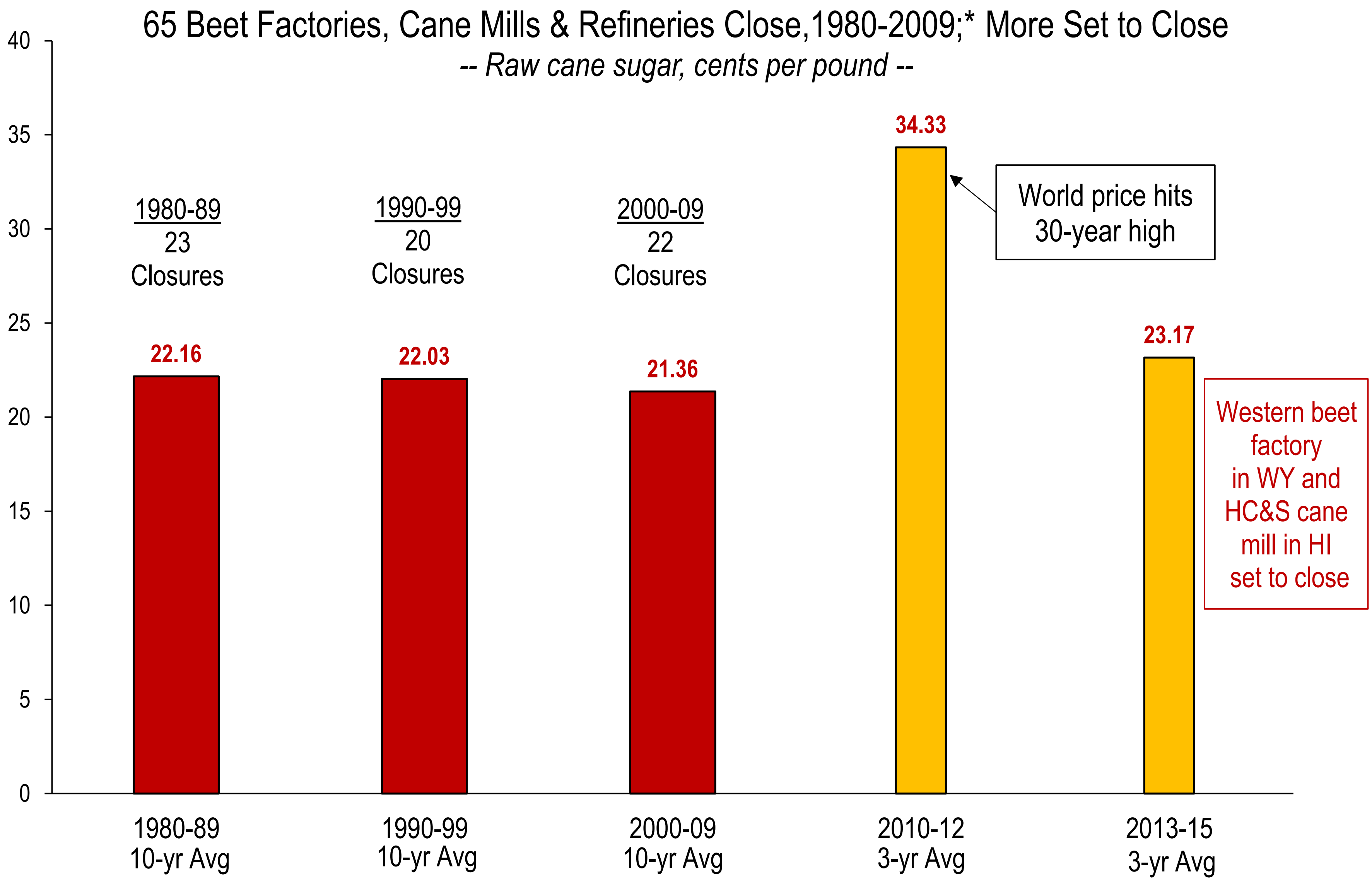
2. How the policy is working

- **For sugar producers**
- Mostly stagnant prices for 35 years; rising costs; sharply lower real prices for sugar
- Half of all U.S. sugar-producing operations have closed since early 1980's; more closures on the way
- Investment in yield-improving technology has sustained production
  - ➢ But further yield improvement elusive; serious threat of yield decline on the horizon

Low Producer Prices Force Closures

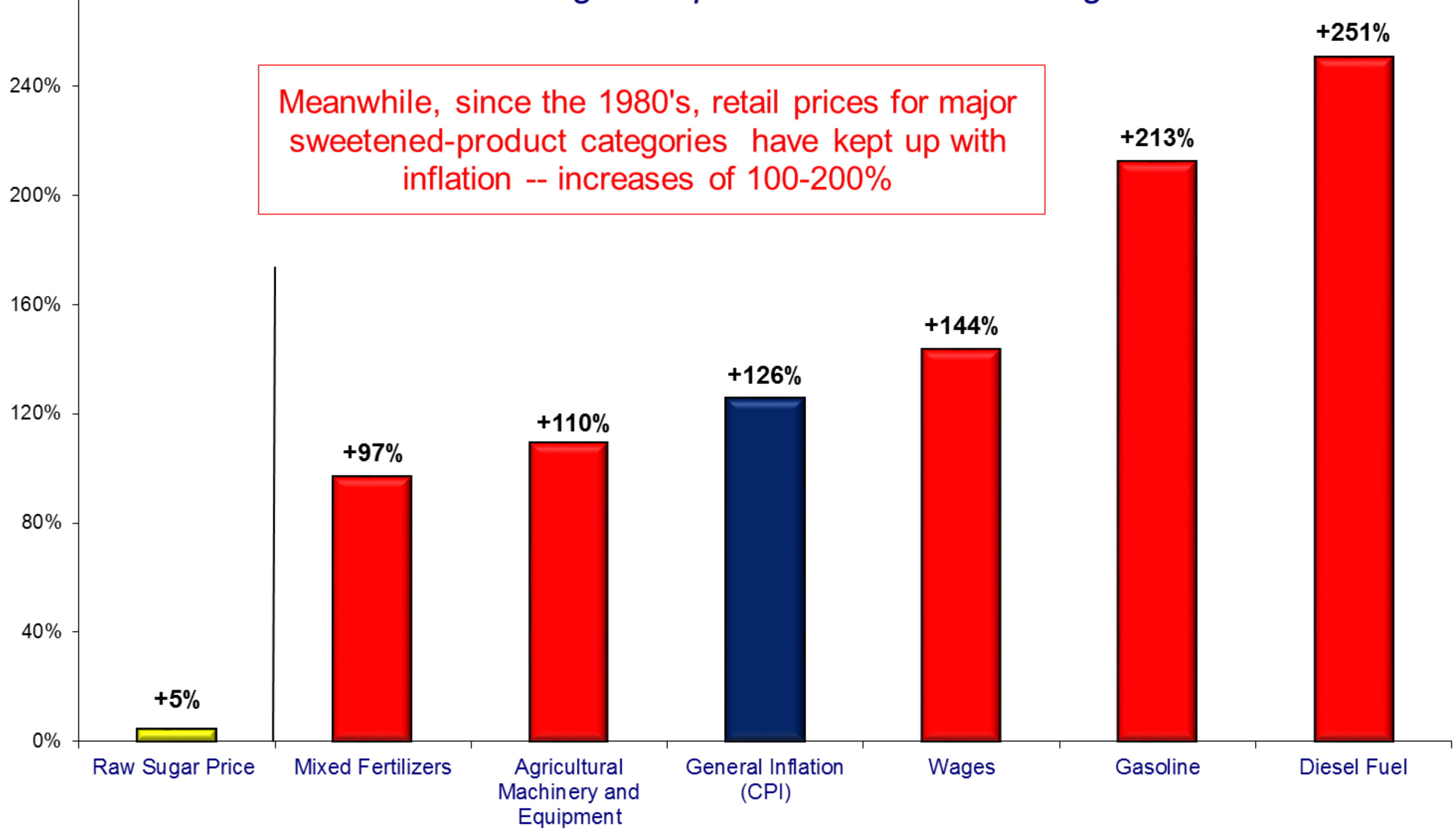


Source: USDA, raw cane sugar, #16 ICE contract, delivered NY; annual average calendar-year prices, 1980-2015.

*** During 1997-2005, sugarbeet growers cooperatively purchased 19 beet factories that otherwise would have closed..**

Since 1980's: Producer Prices for Sugar Flat While Farmers' Costs Have Soared

-- 2013-15 average compared with 1980s average --



1980's average compared with 2013-15 three-year average.

Sugar price data source: USDA , Table 4; Raw cane sugar prices, #16 contract. Input cost and inflation data source: U.S. Labor of Statistics.

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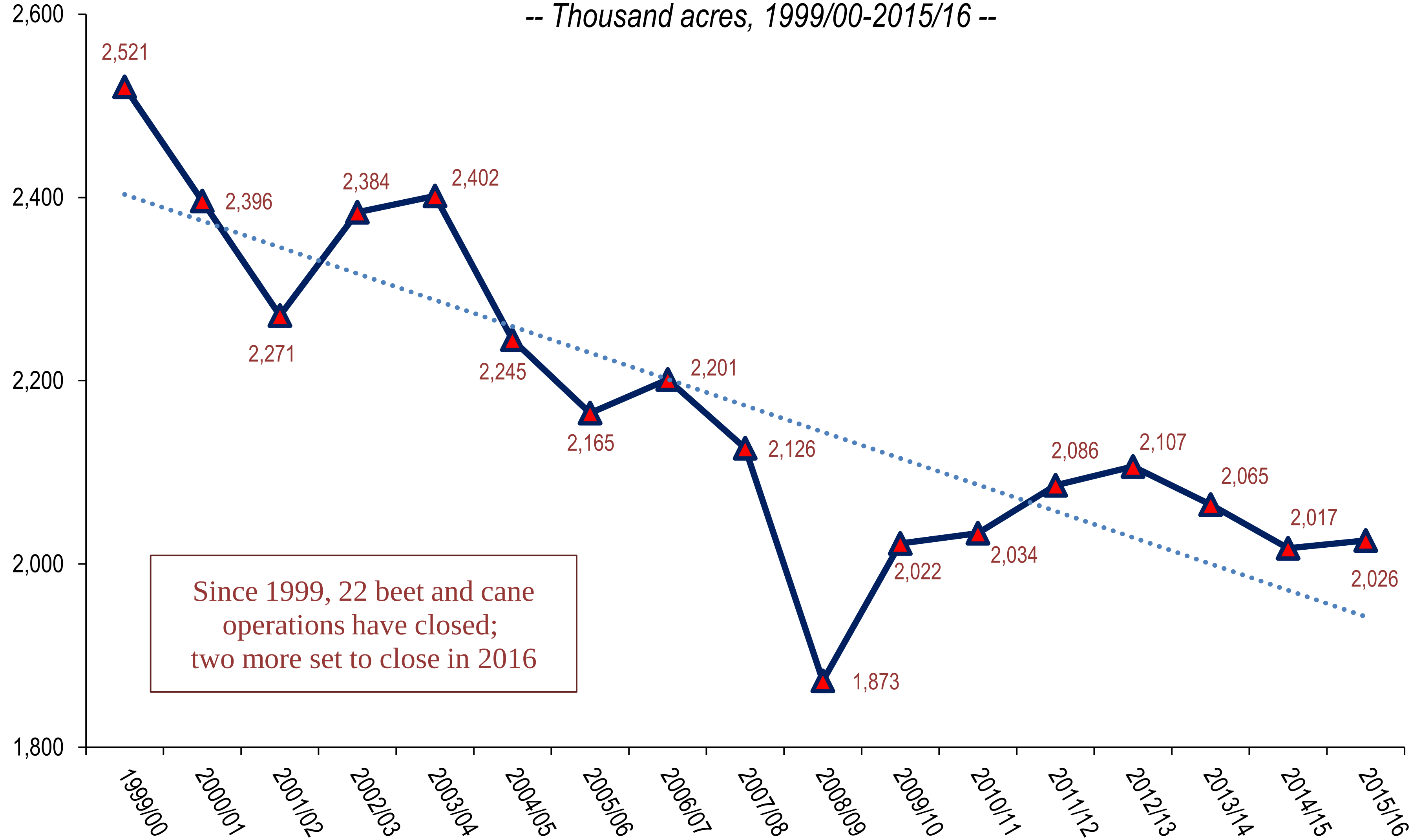
Flat Producer Prices, Rising Farm Costs, Low Producer Returns: U.S. Sugarbeet and Sugarcane Acreage Down 20%

-- Thousand acres, 1999/00-2015/16 --



Data source: USDA, ERS. December 2015. Sum of U.S. sugarbeet and sugarcane area harvested. Linear trendline.

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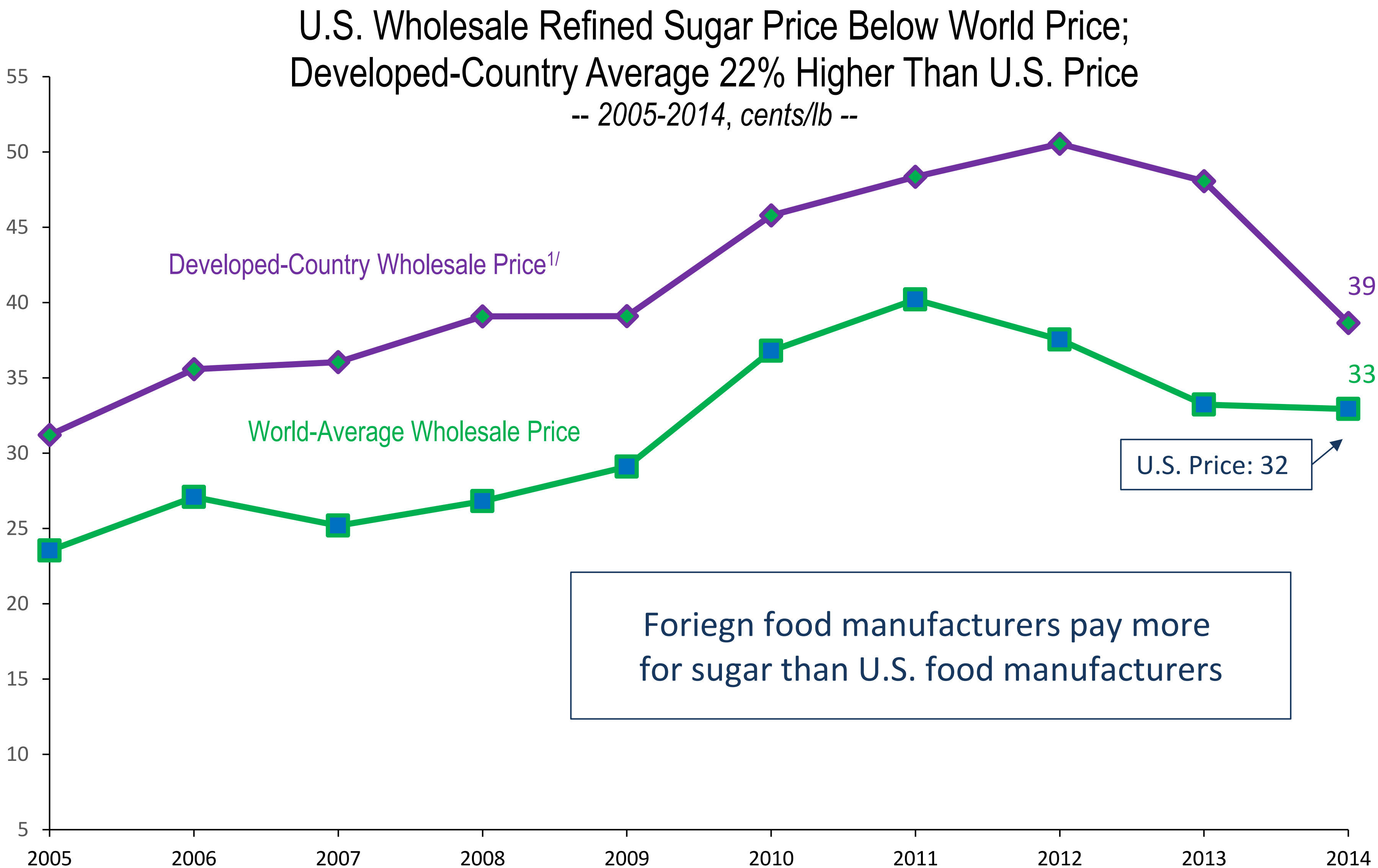
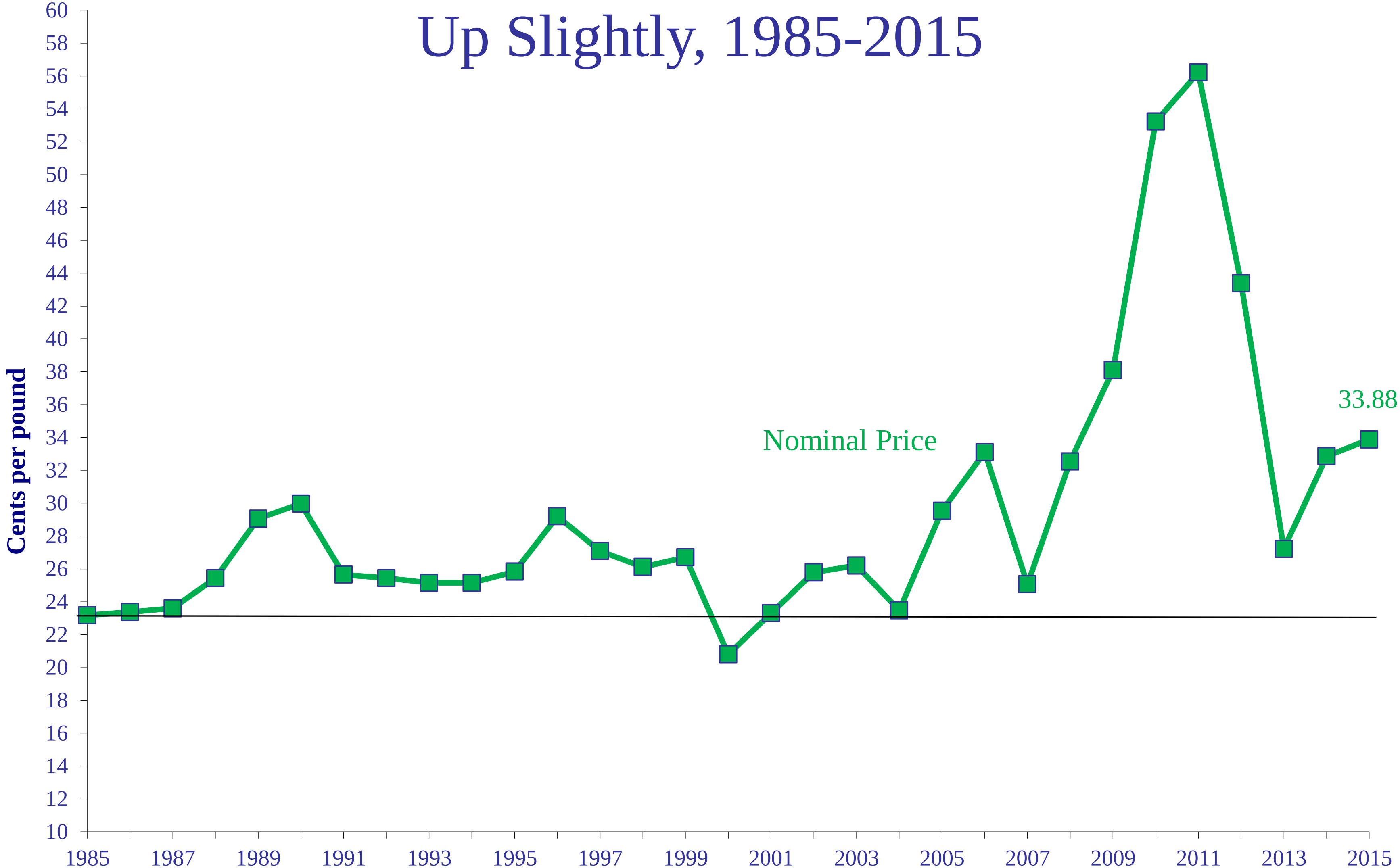
2. How the policy is working

- **For sweetened-product manufacturers**
- Reliable, safe, high quality sugar: Responsibly, sustainably produced at U.S. standards for worker, environmental, consumer safety
- Just-in-time delivery: Producers save food manufacturers the cost of storing sugar
- Wide geographic sourcing of sugar: *But shrinking as mills close*
- Reasonable prices: Wholesale prices below world average and down sharply in real terms
  - Suspension agreements restore stability to U.S.-Mexican market – U.S. prices down 15% since SAs negotiated
- Stable pricing = profit opportunity for manufacturers as retail sweetened-product prices steadily rise
- U.S. sweetened-product sector prospering, expanding, attracting foreign companies



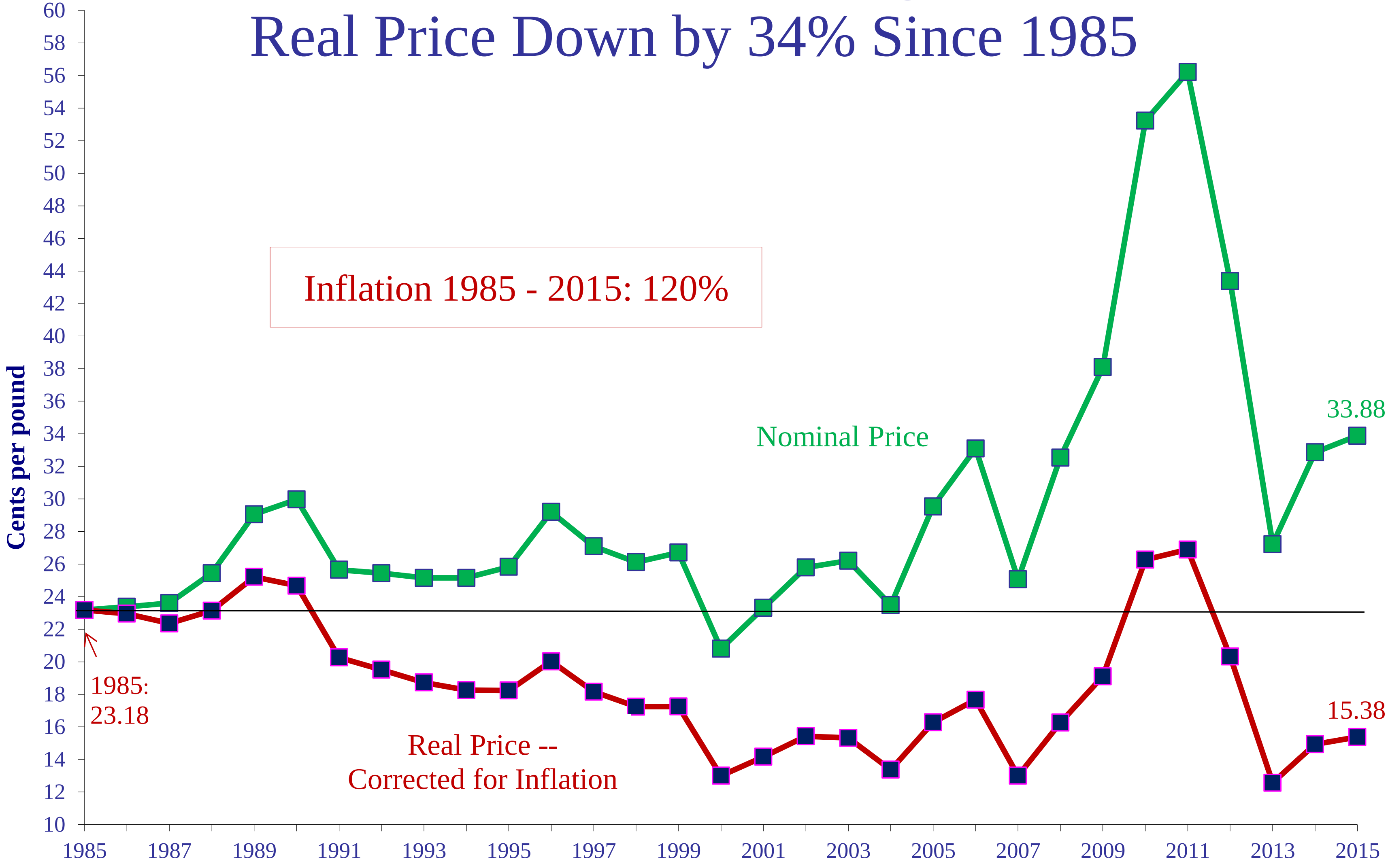
Source: International Sugar Organization (ISO), "Domestic Sugar Prices - a Survey", MECAS(15)06, May 2015. A survey of 78 countries, representing 79% of world sugar consumption; 2014 preliminary. U.S. 10-year average: 37 cents; September 2015 price: 33 cents.
1/ EU-28 and other OECD countries in ISO survey.

U.S. Wholesale Refined Sugar Prices: Up Slightly, 1985-2015



Data sources: BLS -- CPI-U. USDA - wholesale refined beet sugar, Midwest markets; annual averages 1985-2015.

U.S. Wholesale Refined Sugar Prices: Real Price Down by 34% Since 1985



Data sources: BLS -- CPI-U. USDA - wholesale refined beet sugar, Midwest markets; annual averages 1985-2015.

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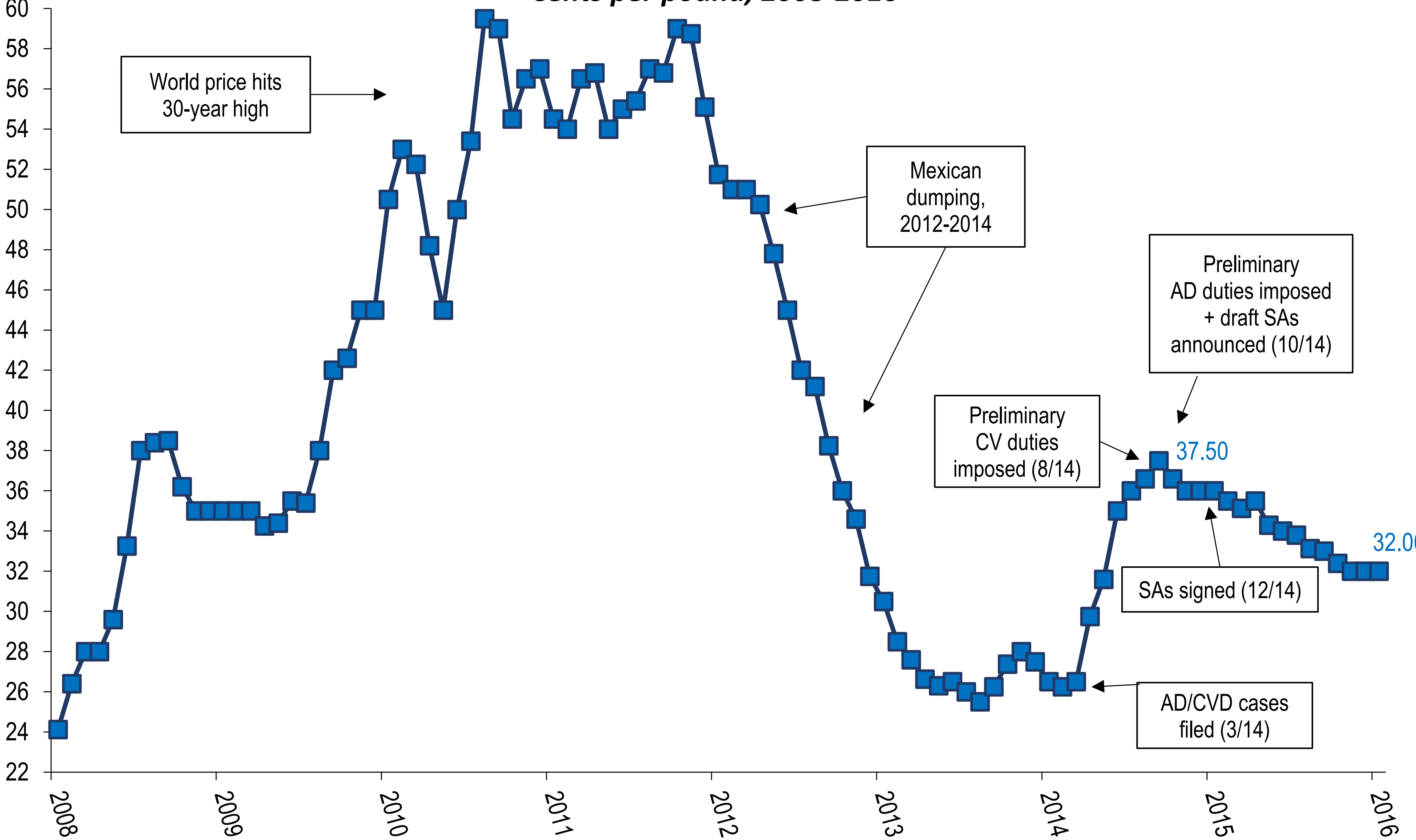
U.S. Wholesale Refined Beet Sugar Prices Since Free Trade with Mexico Began; Prices Down 15% Since Suspension Agreements Announced

-- Cents per pound, 2008-2016 --



Source: USDA. Wholesale refined beet sugar, Midwest markets. Monthly average prices, 2008-2016. FSA-calculated forfeiture range.
AD/CVD = antidumping and countervailing duties. SAs = U.S.-and-Mexican-government-negotiated suspension agreements.

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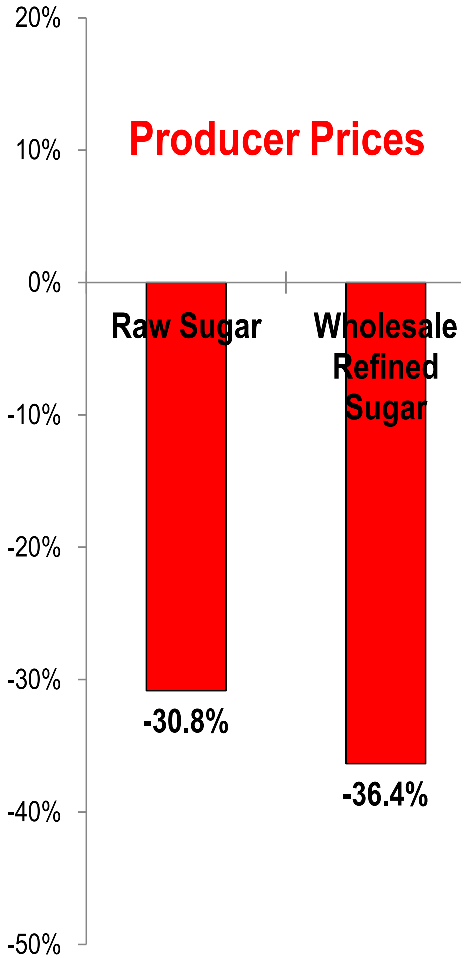
Producer Prices for Sugar Plummet

-- Annual average price changes from 2010 to 2015 --

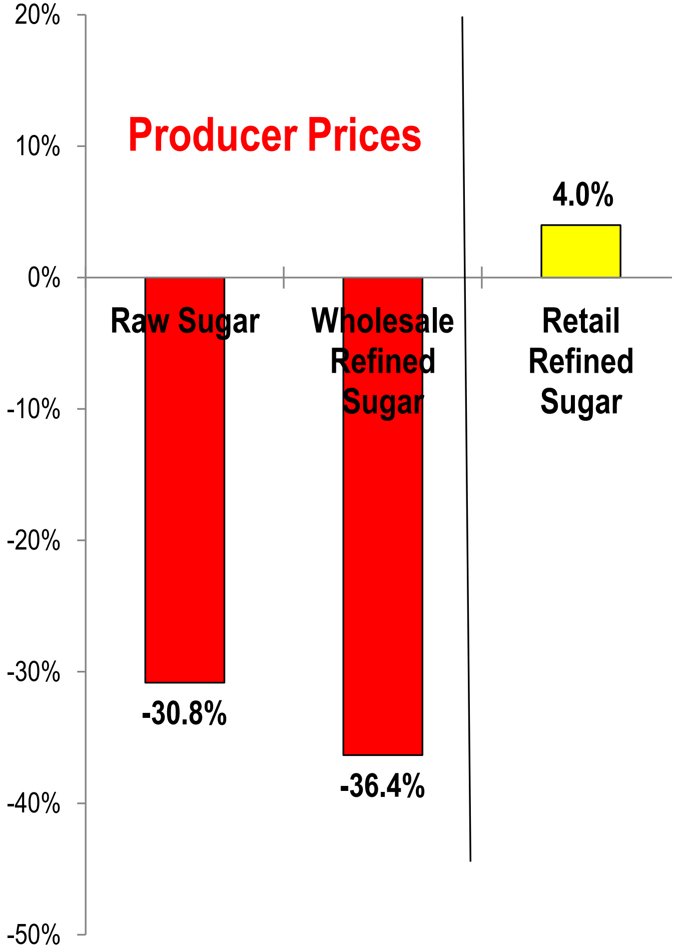


Sugar policy critics argue lower producer prices for sugar would save American consumers $2-3 billion per year on sugar and sweetened-product purchases

Sources: ERS/USDA, Sugar Briefing Room. Raw Sugar - http://www.ers.usda.gov/Briefing/sugar/Data/Table04.xls. Refined Sugar - http://www.ers.usda.gov/Briefing/sugar/Data/TABLE05.XLS. Retail Sugar - http://www.ers.usda.gov/Briefing/sugar/data/Table06.xls. Sugar-Containing Products - http://www.ers.usda.gov/Briefing/sugar/data/Table11.xls. Average Annual Prices.

Producer Prices for Sugar Plummet, But Retail Prices for Sugar Rise

-- Annual average price changes from 2010 to 2015 --



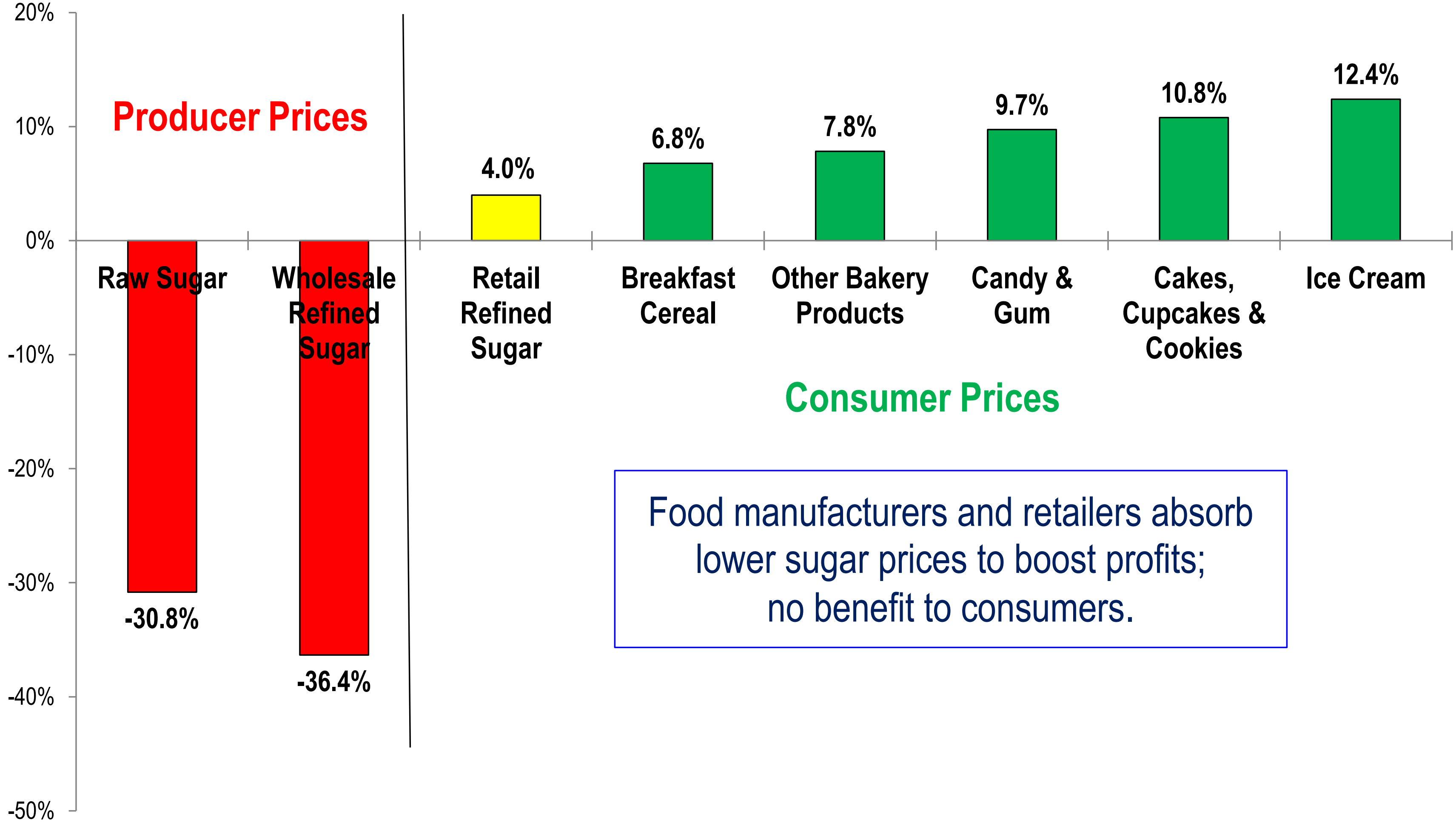
~40% of sugar consumed as sugar, rather than as ingredient in products

Zero savings to consumers from lower producer prices for sugar

Sources: ERS/USDA, Sugar Briefing Room. Raw Sugar - http://www.ers.usda.gov/Briefing/sugar/Data/Table04.xls. Refined Sugar - http://www.ers.usda.gov/Briefing/sugar/Data/TABLE05.XLS. Retail Sugar - http://www.ers.usda.gov/Briefing/sugar/data/Table06.xls. Sugar-Containing Products - http://www.ers.usda.gov/Briefing/sugar/data/Table11.xls. Average Annual Prices.

Producer Prices for Sugar Plummet, But Retail Prices for Sugar and Sweetened Products Rise

-- Annual average price changes from 2010 to 2015 --



Sources: ERS/USDA, Sugar Briefing Room. Raw Sugar - http://www.ers.usda.gov/Briefing/sugar/Data/Table04.xls.
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Sugar-Containing Products - http://www.ers.usda.gov/Briefing/sugar/data/Table11.xls. Average Annual Prices.

Foreign and U.S. Candy Companies Expanding in the U.S., Adding Jobs: Some Examples

Larger American Companies	Location	Action
Mars	Kansas	Expansion, 2015
	Georgia	Expansion, 2015
	Kansas	New plant, 2014
	Mississippi	Expansion, 2014
	Texas	Expansion, 2013
	Tennessee	Expansion, 2013
Hershey	Nevada	New store, 2014
	Pennsylvania	Expansion, 2011
Hostess Brand	Kansas	Expansion, 2014
	Illinois	New plant, 2013
	Indiana	New plant, 2013
	Georgia	Re-opened plant, 2013
	Kansas	Re-opened plant, 2013
Ferrara Candy	Illinois	Two new expansions, 2015
	Illinois	New plant, 2014
Wrigley	Illinois	Expansion, 2014
	Tennessee	Expansion, 2011
Goya	New Jersey	Expansion, 2015
McKee Foods	Tennessee	Expansion, 2013
Spangler	Ohio	Expansion, 2011
Barry Callebaut	North Carolina	Expansion, 2014
Nestle	Ohio	Expansion, 2014
Kellogg	Pennsylvania	Expansion, 2014
Mondelez	Virginia	New plant, 2014
Keebler	Kentucky	Expansion, 2014
Clif Bar	Idaho	New plant, 2015
IT'SUGAR	Minnesota	New store, 2015
	Several states	64 new stores, 2014

Foreign and U.S. Candy Companies Expanding in the U.S., Adding Jobs: Some Examples

Smaller American Companies	Location	Action
Just a Taste Confections	Illinios	New Store, 2016
Lulu's Chocolates	North Carolina	New Store, 2016
Royal Candy Company	New Jersey	Expansion, 2016
Nassau Candy Distributors	New York	Expansion, 2015
DeMet's Candy	New York	Expansion, 2015
Sugarfina	New York	2 New Stores, 2015
Sweet Pete's Candy	Illinios	New Store, 2015
Marini's Candies	California	New Store, 2015
Barry Callebaut Center	Illinios	Expansion, 2015
Piedmont Candy	North Carolina	Expansion, 2015
Schimpff's Confectrionery	Indiana	Expansion, 2015
Edward Marc Chocolatier	Pennsylvania	New plant, 2015
Sweet Pete's Candy	Florida	Expansion, 2015
Flowers Foods	Alabama	Expansion, 2015
Bon Bon Bon	Michigan	New store, 2015
St. Croix Chocolate Co.	Minnesota	New store, 2015
Elmers Chocolate	Louisiana	Expansion, 2014
Jacques Torres Chocolate	New York	New plant, 2014
Bissinger's Handcrafted Chocolatier	Iowa	New plant, 2014
RW Garcia Co. Inc.	Nevada	New plant, 2014
Li-Lac's Master Chocolater	New York	New plant, 2014
Abdallah Candies	Minnesota	New plant, 2014
Hoffman's Chocolate	Florida	New store, 2014
Studbagels and South Bend Chocolate Co.	Indiana	New store, 2014
Nassau Candy Distributors	New York	Expansion, 2014
Dandelion Chocolate	California	New plant, 2014
Krause's Homemade Candy	New York	New store, 2014
Sweepy Group Products	Florida	New plant, 2014
Dunmore Candy Kitchen	Pennsylvania	New store, 2014
Pearson Candy Co.	Minnesota	Expansion, 2014
Flowers Foods	Tennessee	New plant, 2014
South Bend Chocolate Cafe	Indiana	New Store, 2014
Leclerc Foods USA	Arizona	New plant, 2014
Olive and Sinclair	Tennessee	New plant, 2013
Madre Chocolate	Hawaii	New store, 2013
Inventure Foods	Indiana	Expansion, 2013
Wythe Will Tzetzo LLC	New York	New plant, 2013
Fine to Raw	New York	New store, 2013
American Licorice	Indiana	Expansion, 2013
Kimmie Candy	Nevada	Expansion, 2012
Chocolate Chocolate Chocolate	Missouri	New plant, 2012
Greco Nut and Candy	Indiania	New store, 2012
FunkyChunky	Minnesota	Expansion, 2011
Impact Confections	Wisconsin	Expansion, 2011
BestSweet	North Carolina	Expansion, 2011

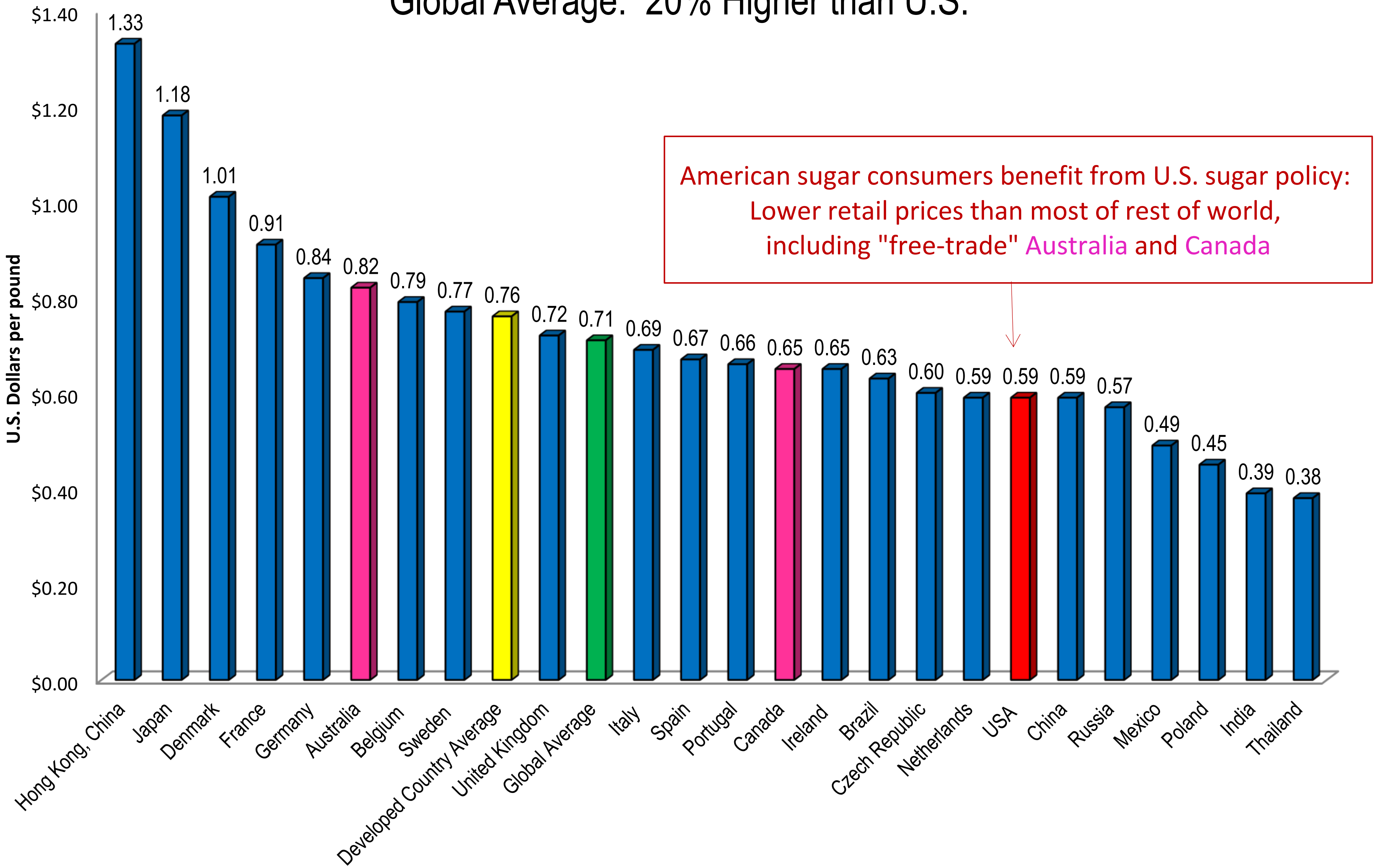
Foreign and U.S. Candy Companies Expanding in the U.S., Adding Jobs: Some Examples

Foreign Company/Operation	Location	Action
Canada: Wrigley	Georgia	Manufacturing shift, 2016
Canada: Smuckers	Wisconsin	Manufacturing shift, 2011
Mexico: Bimbo	South Carolina	Expansion, 2015
	Pennsylvania	New plant, 2013
Mexico: Virc LLC	Texas	New plant, 2015
China: Au'some	South Carolina	New plant, 2012
Brazil: Mavalerio	Virginia	New plant, 2015
Italy: Nutkao	North Carolina	Investment, 2013
Japan: Moringa & Co	North Carolina	New plant, 2014
Switzerland: Ghirardelli	Illinios	New Store, 2015
Switzerland: Chocolat Frey	New York	New plant, 2014
Switzerland: Lindt	Pennsylvania	Acquisition, 2014
Switzerland: Lindt/Russell Stover	Kansas (2), Colorado, Texas	Plant acquisitions, 2014
Switzerland: Lindt/Russell Stover	Florida	New store, 2014
Switzerland: Lindt	New Hampshire	Expansion, 2014
Switzerland: Lindt/Ghirardelli	California	Expansion, 2013

2. How the policy is working

- **For consumers**
- American consumer prices for sugar lower than the world average and among the lowest in the developed world
  - Global average retail sugar prices 20% higher than U.S.
  - Developed-country average retail sugar prices 29% higher than the U.S.
- Allegations that American consumers pay "double" what foreign consumers pay for sugar are absurd
- Even "free trade" Australia and Canada have much higher retail sugar prices than U.S.

Developed-Country Average Retail Sugar Price: 29% Higher than U.S.; Global Average: 20% Higher than U.S.



Source: SIS International Research, "*Global Retail Sugar Prices*," July 2015, from Euromonitor, International Monetary Fund; 2014 prices.
Surveyed countries represent 67% of global sugar consumption. Developed countries include OECD member countries and Hong Kong.

3. Producer-User Common Cause

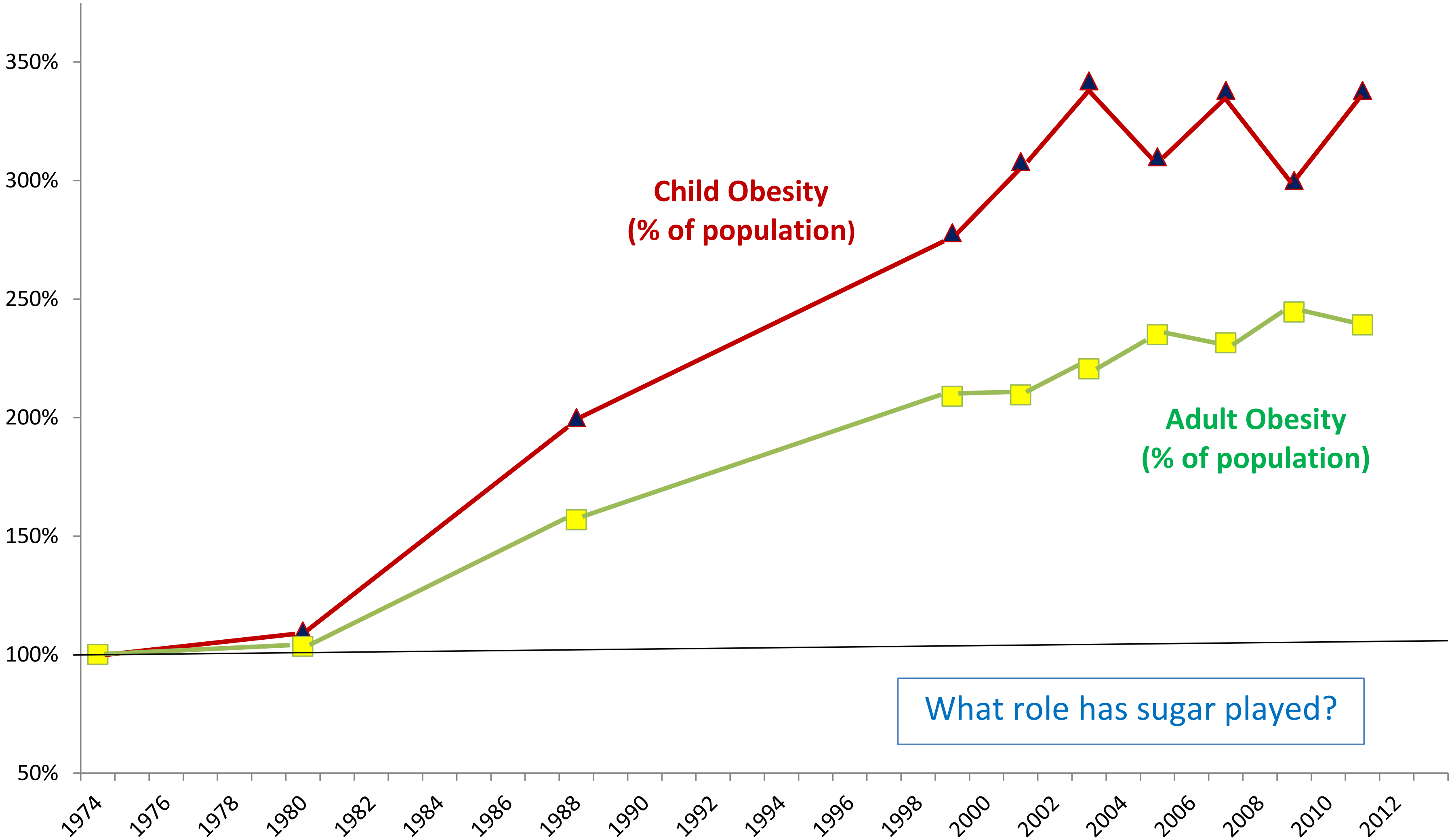
- **Achieving genuine free trade in sugar**
- Support World Trade Organization multilateral efforts: All countries at the table; all government programs on the table
- With genuine free trade and a level playing field, efficient American sugar producers can compete
- Support the "Zero-for-Zero" Congressional resolution: When foreign countries eliminate their sugar programs, the U.S. will eliminate its sugar program
  - Eliminating U.S. sugar policy without foreign concessions = unilateral disarmament & loss of American sugar jobs to subsidizing countries

3. Producer-User Common Cause

- **Defending sugar and sweetened-product consumption**
- Reveal the lack of scientific basis for attacks on safety of sugar consumption in moderation
- Emphasize lack of connection between sugar/sweetener consumption and obesity
  - Per capita consumption of sugar/sweeteners not rising, but declining
  - U.S. per capita caloric consumption up sharply, but sweetener share of consumption down

Since 1974: U.S. Child Obesity Has Tripled, Adult Obesity Has More than Doubled

(1974=100%)



Source: Caloric Sweetener (Sugar + High Fructose Corn Syrup) Data -- Economic Research Service/USDA: ttp://www.ers.usda.gov/Briefing/sugar/data.htm
Obesity Data -- Centers for Disease Control and Prevention/HHS.
Note: Official obesity data available only for years shown.

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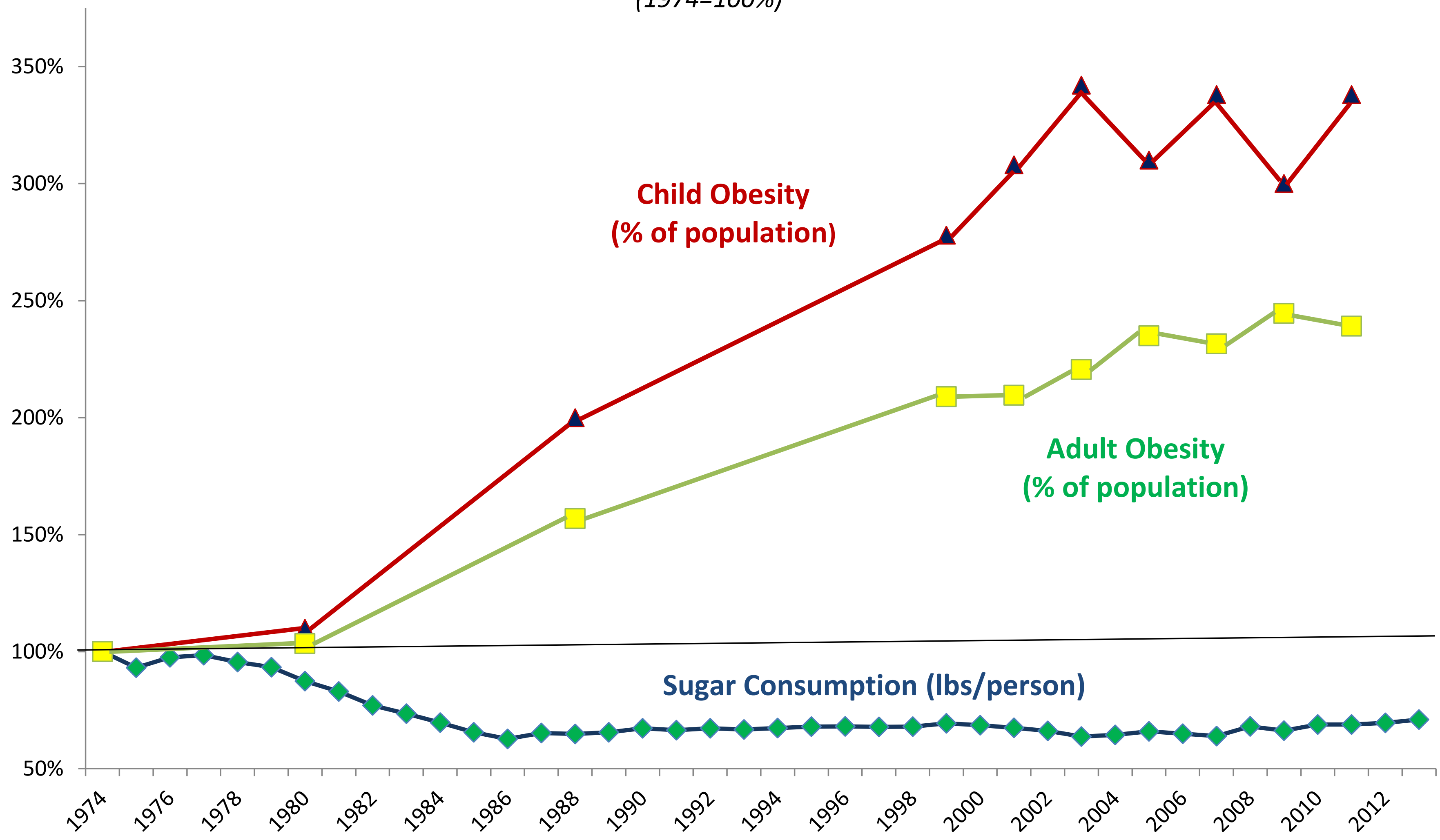
Since 1974: U.S. Child Obesity Has Tripled, Adult Obesity Has More than Doubled; U.S. Per Capita Sugar Consumption Has Fallen by more than a Fourth

(1974=100%)



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Obesity Data -- Centers for Disease Control and Prevention/HHS.
Note: Official obesity data available only for years shown.

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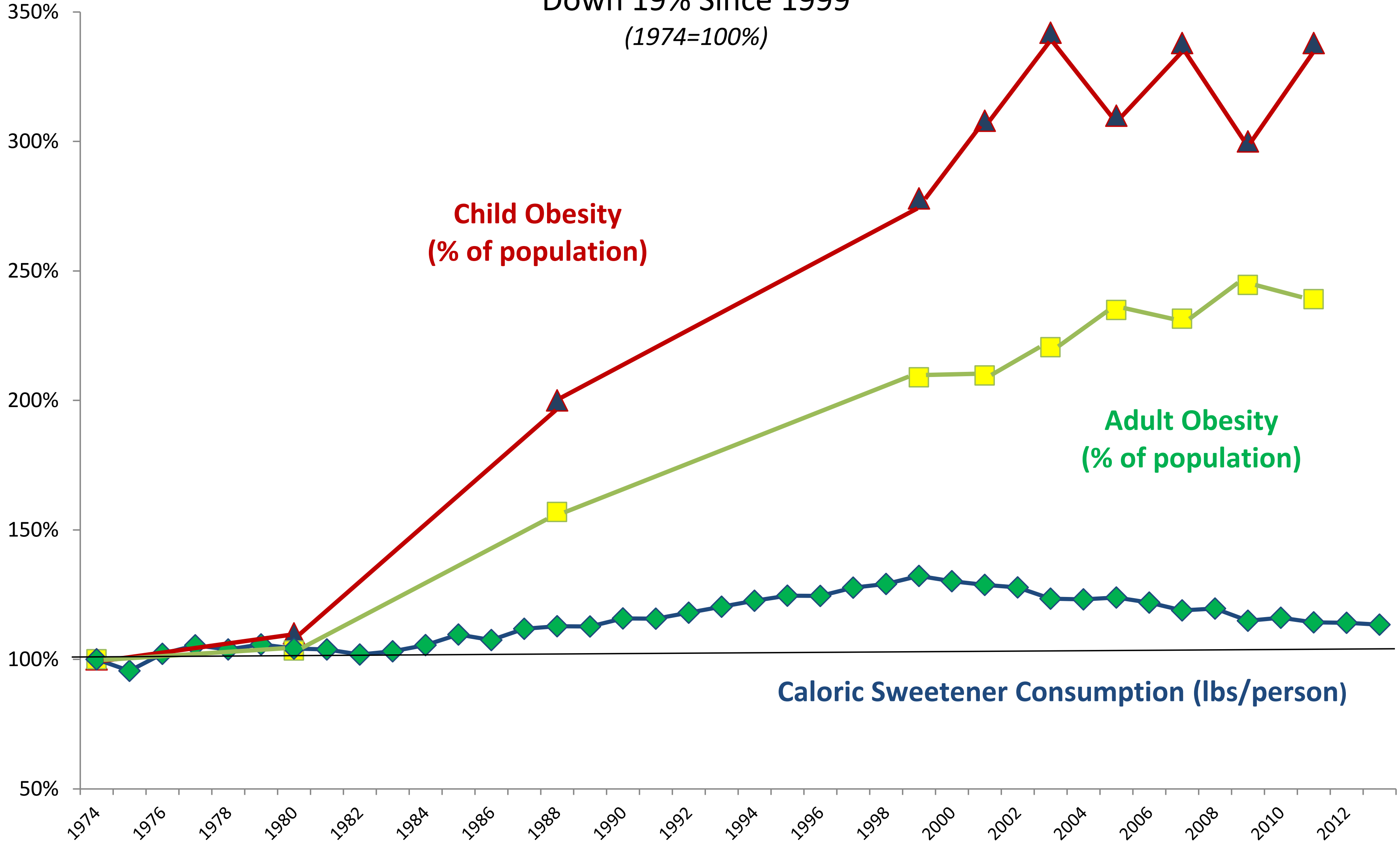
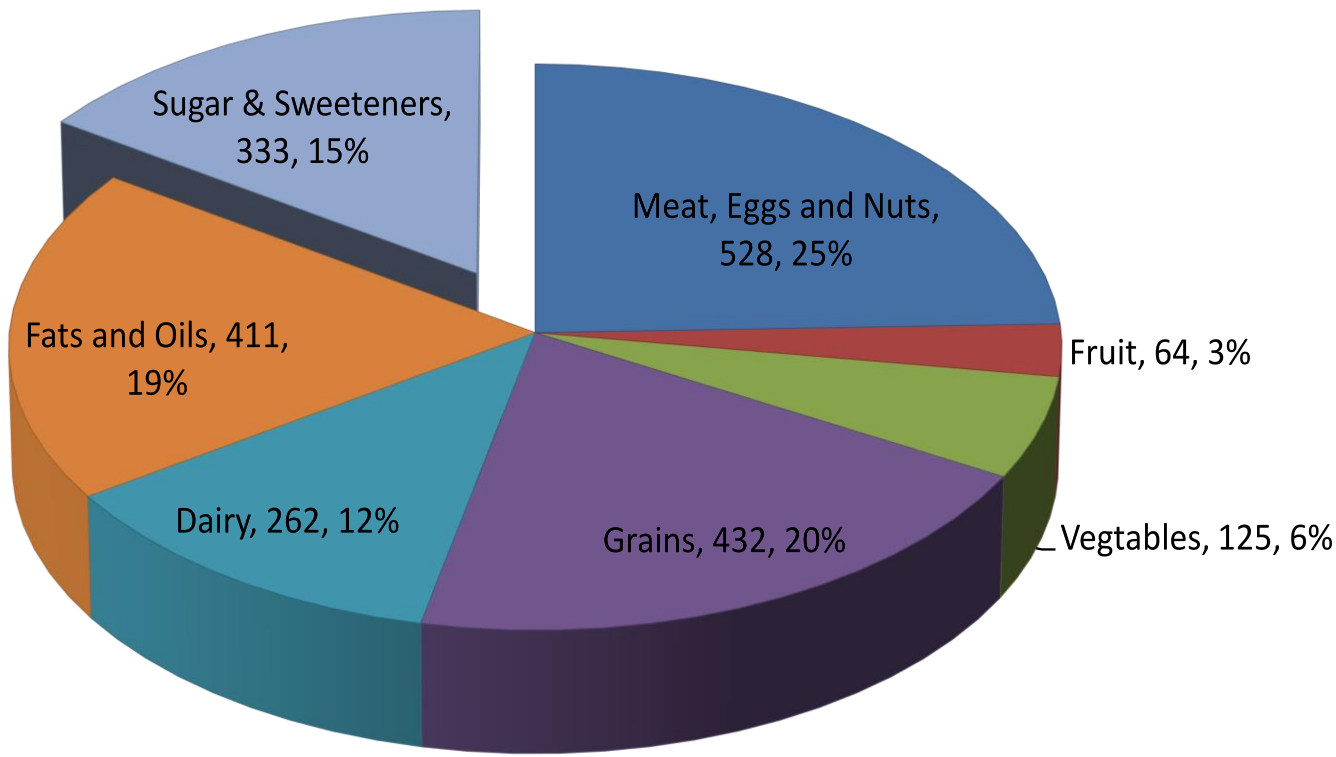
Since 1974: U.S. Child Obesity has Tripled, Adult Obesity more than Doubled; U.S. Per Capita Caloric Sweetener Consumption up Only Slightly, Down 19% Since 1999

(1974=100%)



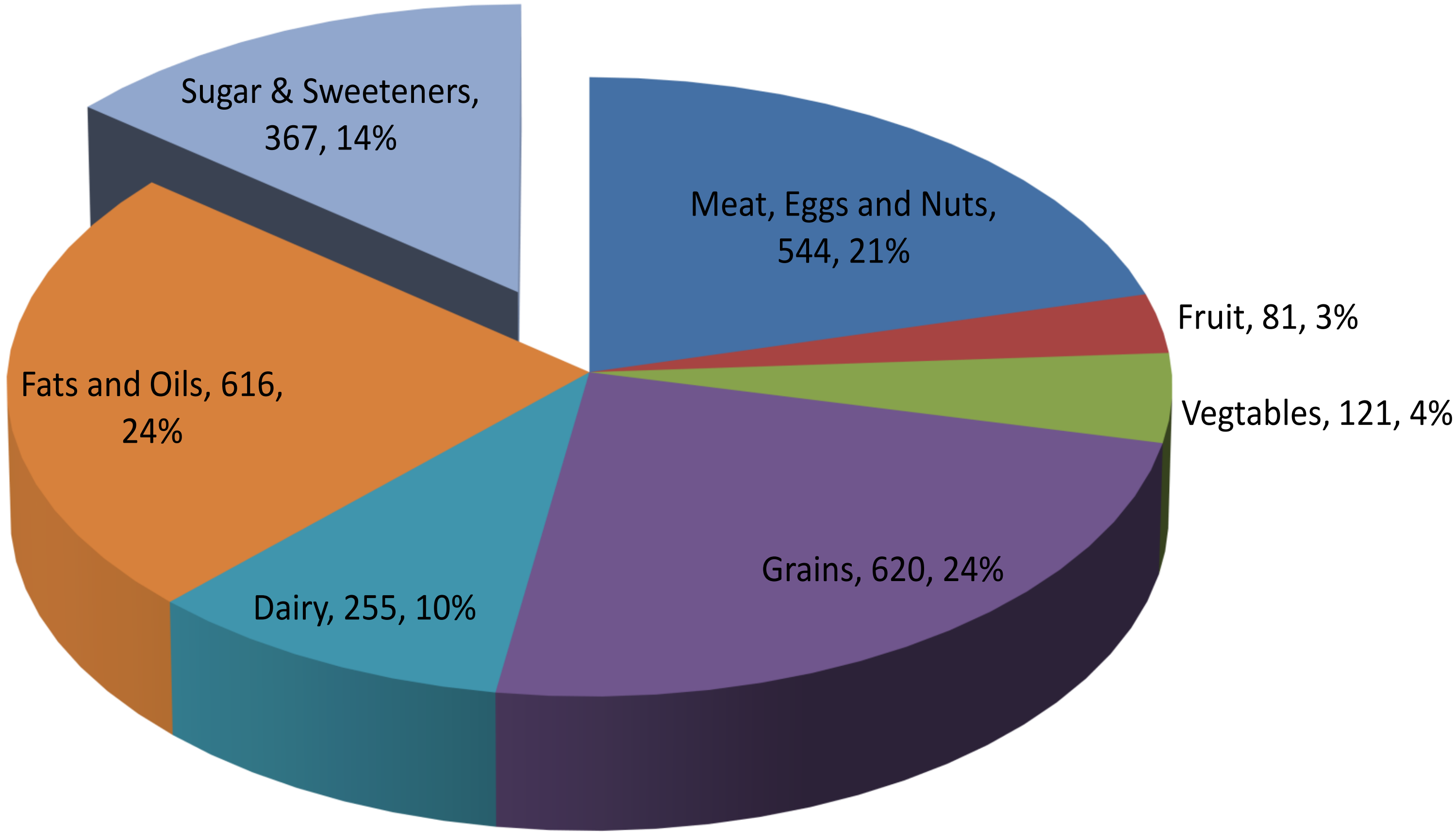
Source: Caloric Sweetener (Sugar + High Fructose Corn Syrup) Data -- Economic Research Service/USDA: http://www.ers.usda.gov/Briefing/sugar/data.htm
Obesity Data -- Centers for Disease Control and Prevention/HHS.
Note: Official obesity data available only for years shown.

1970 U.S. Per Capita Daily Caloric Consumption; Sugar & Sweeteners' Share 15%



1970: Total calories: 2,155

<u>2010</u> U.S. Per Capita Caloric Consumption Up 21% from 1970; Sugar & Sweeteners' Share Drops to 14%



2010: Total calories: 2,604

Source: USDA/ERS; http://www.ers.usda.gov/data-products/food-availability-%28per-capita%29-data-system.aspx

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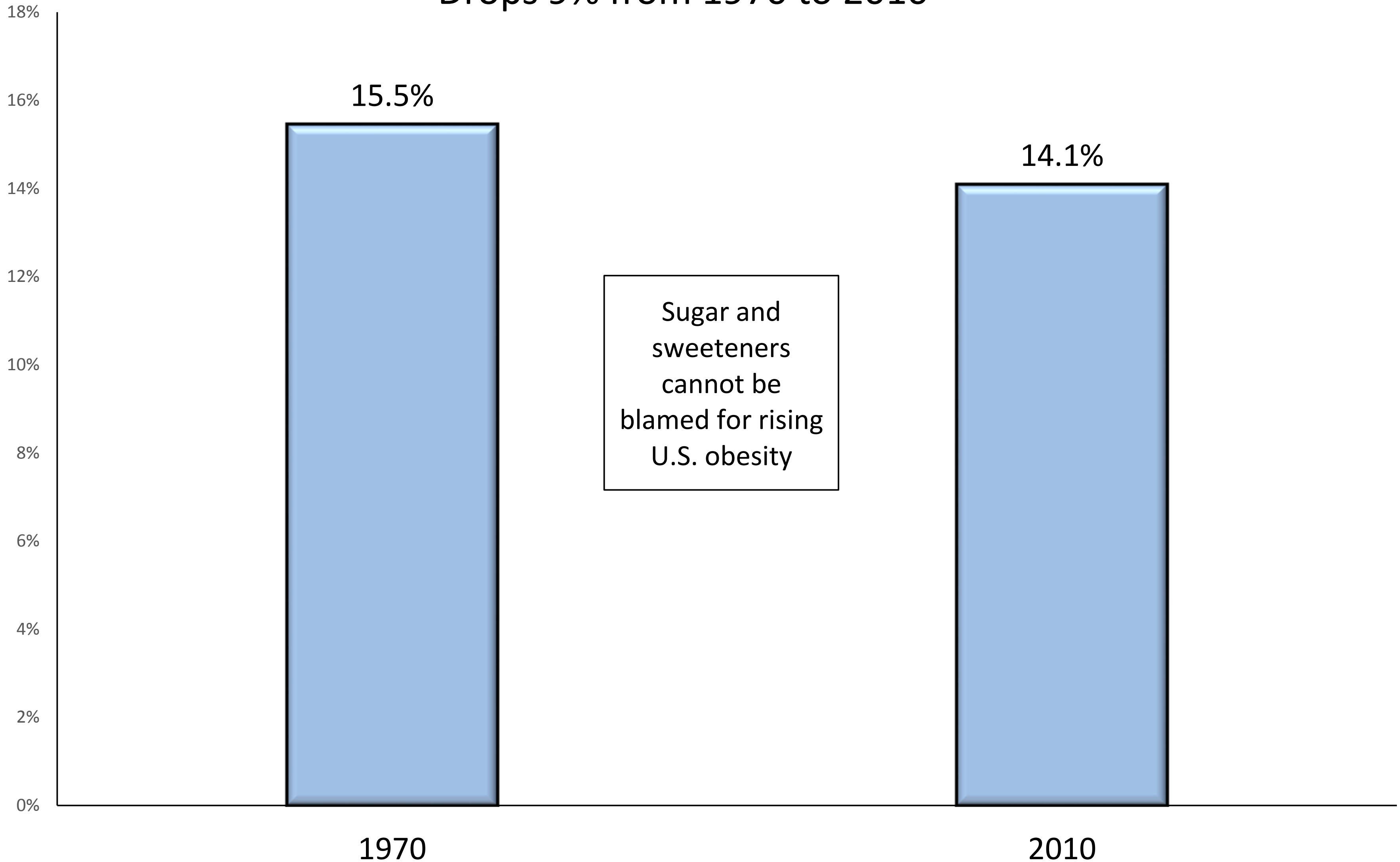
Sugar and Sweeteners' Share of U.S. Caloric Consumption Drops 9% from 1970 to 2010



Source: USDA/ERS; http://www.ers.usda.gov/data-products/food-availability-%28per-capita%29-data-system.aspx

Conclusions

1. Like all other sugar-producing countries, the U.S. needs a buffer to the distorted world dump market
   - Comparisons to world dump market price are meaningless and misleading
2. U.S. sugar policy is working well for food manufacturers and consumers, but low prices have harmed sugar producers and more are going out of business
3. Producers and Users should work together toward genuine global free trade in sugar and to counter wrongheaded attacks on sugar and sweetened-product consumption

33RD INTERNATIONAL
SWEETENER Symposium

July 29-August 3, 2016

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Coeur d'Alene, Idaho

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