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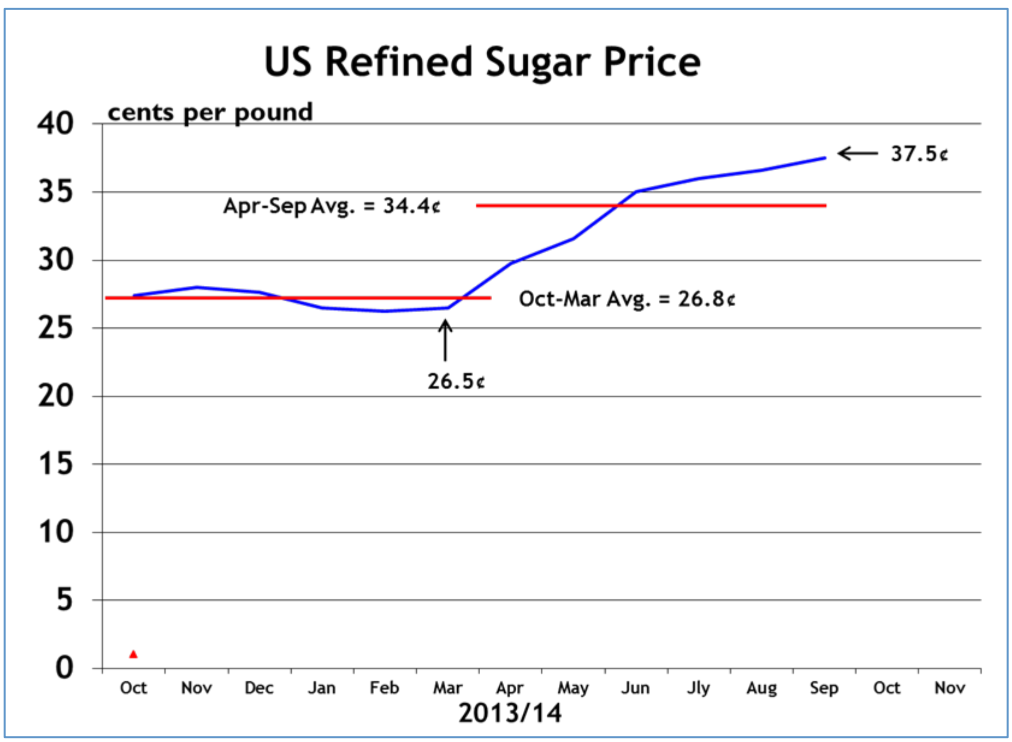
Consumers Are Paying the Price
For the Sugar Producers' Trade Case vs. Mexico

The U.S. sugar program is a bad deal for consumers at the best of times. It is even worse when U.S. sugar companies try to compel the government to further reduce sugar imports. In late March they filed trade cases with the U.S. International Trade Commission accusing Mexican sugar producers of dumping and the Mexican government of illegally subsidizing its domestic sugar industry. These complaints about foreign subsidies come from a U.S. industry that benefits enormously from a government price support program, government supply management, and stringent barriers against imports of lower-cost sugar from other countries.

Filing of the trade cases has driven refined sugar prices up by more than 40 percent -- from 26.5 cents per pound in March to 37.5 cents in September. If prices remain at 37.5 cents, **that extra 11 cents per pound will cost consumers an additional $2.4 billion** over the course of the fiscal year that just started on October 1.



And that is on top of the additional costs already incurred. For the six months following the filing of the trade cases, U.S. refined sugar prices have averaged 7.6 cents per pound higher than in the prior six months. About half of annual sugar consumption occurs between April and September. With annual consumption of refined sugar estimated by USDA at 11 million tons,

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that extra 7.6 cents works out to $837 million in additional consumer costs over the last six months, above and beyond the costs already imposed by the sugar program.

The table below compares what food manufacturers paid during the last six months to what they paid in the prior six months. The price is applied to the volume of refined sugar consumed in the United States each semester (which is converted from the raw sugar basis in which statistics are kept by dividing by 1.07).

In the first half of 2013/14, the consumer cost measured at the wholesale level was just under $3 billion. In the second half, as a result of the trade cases, it rose to almost $3.8 billion. The difference between the two periods due to the filing of the trade cases was $837 million.

Consumer Cost of the US Sugar Program in 2013/14

		Oct-Mar 2013/14	Apr-Sep 2013/14	Difference
		cents per pound		
A	**US wholesale refined price**	26.8	34.4	7.6
		million short tons		
F	**Consumption: raw**	5.9	5.9	
G	**Consumption: refined**	5.5	5.5	
		million dollars		
H	**Consumer cost**	2,958	3,795	837

The Commerce Department will announce the antidumping duties it has calculated by October 24, and the combination of antidumping and countervailing duties could put further upward pressure on U.S. sugar prices. Even if the United States and Mexico work out some agreement to restrict Mexico's sugar exports to the United States in the coming months, the implicit shorting of the market and uncertainty about how our supply deficit will be met is expected to keep U.S. sugar prices much higher than they would have been otherwise. U.S. sugar producers will have succeeded in extracting a couple of billion dollars of annual revenue from U.S. consumers. Not bad for an industry that was never really injured in the first place.