A History of the U.S. Sugar Program

The U.S. sugar program has been in existence for most of the past 80 years, yet it has never before been as harmful to American consumers, workers and food and beverage manufacturers as it is today.

The sugar program benefits from being one part of a broad farm bill that appeals to multiple constituencies, giving added support to a program that cannot stand on its own merits.

Additionally, because sugar policy works by driving up market prices rather than sending out federal checks, its supporters have often been able to sell it as “cost-free.” This couldn’t be further from the truth.

America’s sugar policy has been twisted and spun many times – mostly to win political favor among rival politicians and causes. Starting in 1789 through today, this timeline outlines some of the nation’s most important events in the twisted tale of American sugar policy.

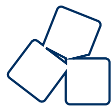
1789: A young America imposed a duty on imported sugar to raise revenue for the struggling country.

1890: A little over 100 years later, the import duty was repealed. Instead, domestic sugar farmers were paid a bounty of two-cents per pound of sugar they produced.

1894: The import tax was reinstated, and the bounties paid to sugar farmers ended.

1934: During the Great Depression, the government took over sugar policy. *The Sugar Act of 1934* named sugar beets and sugarcane basic commodities, and put quotas on domestic sugar segments, foreign imports, and included marketing allotments and labor provisions. Sugar farmers were also paid a direct subsidy of one-half cent per pound of sugar they produced.

1942-
1947: World War II breaks out, and sugar rationing for industrial, institutional users and American citizens was imposed. As the economy improved, sugar rations ended in 1947.



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1974-
1976: *The Sugar Act* officially expired, having been in effect since 1934. This ended 40 years of government control of the sugar market. President Ford then played politics with the sugar program, tripling the import tax on sugar in an effort to win the state of Louisiana (home to many American sugarcane farmers). President Ford lost the state, nonetheless.

1977: The International Trade Commission found that sugar imports were threatening the domestic sugar industry and recommended that President Carter establish a quota on the amount of foreign sugar coming into the United States. President Carter rejected the recommendations and instead, developed a payment program to sugar farmers.

1982: President Ronald Reagan reintroduced country-by-country import quotas in order to keep market prices above the increased sugar price support levels included in the 1981 farm bill (*The Agriculture and Food Act of 1981*).

1985: President Reagan signed the 1985 farm bill, *The Food Security Act*, but cited the sugar program as one of the three "objectionable features that must be changed."

1990: President George H. W. Bush approved the *Food, Agriculture and Trade Act of 1990*, imposing marketing allotments and marketing assessments on sugar.

1996: President Clinton signed the *Federal Agriculture Improvement and Reform Act* – freezing the refined beet sugar loan rate at 22.9 cents per pound and the raw cane sugar loan rate at 18 cents per pound. Marketing allotments were repealed, and marketing assessments were increased to 0.25 cents a pound.

2008: President George W. Bush vetoed the Farm Bill, but the House and Senate overrode his veto. The *2008 Farm Bill* added a tangled web of sugar policy features that imposed many new import restrictions and other market-shorting schemes.

- Loan Rates. Loan rates remained the same for the 2008 crop, namely 18 cents a pound for raw cane sugar and 22.9 cents for refined beet sugar. The raw cane rate increased to 18.25 cents per pound for 2009, 18.5 cents for 2010, and 18.75 cents for 2011 and 2012. The refined beet rate was set at 128.5 percent of the cane rate, which is 24.09 cents per pound for 2011 and 2012.

- Overall Allotment Quantity (OAQ). A permanent OAQ was established. It cannot be less than 85 percent of estimated consumption. Cane deficits are allocated for raw and not refined sugar.

- Tariff-Rate Quotas (TRQs). At the beginning of the quota year, the Secretary of Agriculture is required to set the TRQs for raw and refined sugar at the WTO minimum, namely 1,231,484 short tons raw value (strv) and 24,251 strv, respectively, even if the U.S. sugar market needs much more sugar.

- OAQ and TRQ adjustments. There must be an emergency shortage of sugar before April 1, before the Secretary of Agriculture can increase the TRQs. The TRQ increase is only for raw sugar, unless the marketing of domestic sugar and refining capacity are fully utilized. In that case, the refined sugar quota can be increased. On or after April 1, the TRQs can be increased if it will not threaten to result in CCC loan forfeitures.

- Sugar to Ethanol. In order to avoid loan forfeitures, USDA is required to purchase any surplus sugar for ethanol production at a significant cost to taxpayers. The sugar is to be domestic allotment sugar and counts against a producer's allotment.

2012: The 112th Congress extended the sugar program until September 30, 2013.

2014: The 113th Congress passed the *Agricultural Act of 2014*, a five-year farm bill, which left the sugar program unchanged.

2018: The 115th Congress passed the *Agriculture Improvement Act of 2018*, a five-year farm bill that not only left the harmful provisions of the 2008 farm bill in place, it made the program worse by raising the loan rates on sugar (to 19.75 cents per pound for raw cane sugar and 25.38 cents per pound for refined beet sugar) – effectively imposing more costs on U.S. food and beverage manufacturers and American consumers.