Does the EU's Sugar Liberalization Show the Dangers of Reforming U.S. Sugar Policy?

The American Sugar Alliance is touting a paper by the European sugar analyst Patrick H. Chatenay as evidence that **market-oriented reforms won't work and will only benefit big food companies**. But the European sugar industry's predicament is complex and **has at least as much to do with weather and continued subsidies as it does with reforms.**

Chatenay's paper is more objective and nuanced than the ASA's typically hyperventilating press releases make it seem. But the unwary reader can still get the idea that **the European Union's decision to end production quotas led directly to economic harm.** The truth is that several other factors were in play; EU sugar prices fell after the reforms for a number of reasons, and the end of sales quotas was only one.

- The liberalization coincided with **good weather** that made possible a large crop that depressed prices.
- **World sugar prices fell** for many reasons unrelated to the EU (e.g., excessive production in India), exacerbating European farmers' and processors' distress.
- Whereas the EU had assumed that marginal sugar-producing areas would exit production, this did not happen in many cases because EU member states **continued to provide subsidies**.

So, if ASA was looking for a refutation of free-market economics and a defense of heavy-handed government interference — which characterizes the U.S. sugar policy that ASA supports — the Chatenay paper does not really deliver it. Indeed, Chatenay makes clear that a major reason for the initial surplus and low prices was **continued subsidization**, precisely the opposite of a transition to market economics.

Since the abolition of sugar quotas and the initial market reaction, the EU sugar situation stabilized, and, indeed, the EU became a net importer of sugar in 2018/19. **If ASA's charge is that ending quotas created huge surpluses, that is hard to square with being a net importer.**

Beyond the EU situation, **comparisons between the EU reforms and proposals to reform the U.S. sugar program are simplistic at best.**

- Legislative proposals favored by U.S. sugar users would leave price supports and import quotas in place. The reform agenda **does not involve removing all support from U.S. sugar farmers**.
- EU production quotas evidently held production in check before they were abolished, **but U.S. sugar marketing allotments (our form of production quotas) do not.**
    - In 2008, the sugar lobby got Congress to write into law that sugar allotments **can never be less** than 85 percent of U.S. domestic demand for sugar;
    - But, the U.S. sugar industry **does not produce this much** and almost never has.
    - For that reason, the U.S. market allotments **are not binding** on U.S. production, which is instead constrained by existing plant capacity.
- **If marketing allotments do not constrain production, how could getting rid of them cause a surplus?** It could only do so if the allotments act as a barrier to new entrants — and the sugar lobby adamantly claims they do not.

Overall, the Chatenay paper is a good overview of recent EU sugar policy experience and makes some important points. **What it does not do — not even close — is refute the case for reforming U.S. sugar policy. That case remains strong and urgent.**