A History of the U.S. Sugar Program

The U.S. sugar program has been in existence for most of the past 88 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1890: A little over 100 years later, the import duty was repealed.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: Realizing that America couldn't compete with international sugar, 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.

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

1100 NEW JERSEY AVENUE, SE • SUITE 910 • WASHINGTON, DC 20003
(202) 842-2345 • (202) 408-7763 FAX • WWW.SWEETENERUSERS.ORG

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.

- GATT Case: Following a formal complaint by Australia, a panel of the General Agreement on Tariffs and Trade (GATT) found the administration of the U.S. sugar program to be in violation of Article IX of the GATT. The U.S. subsequently converted sugar import quotas from absolute quotas to tariff-rate quotas in October 1990.

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 Marketing allotments were repealed, and marketing assessments were increased to 0.25 cents a pound.

2008: President George W. Bush vetoed the *Food, Conservation, and Energy Act* Farm Bill, but the House and Senate overrode his veto. The 2008 farm bill put in a tangled web of sugar policy and 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 a pound for refined beet sugar. The raw cane rate increased to 18.25 cents a 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 raw cane rate, which was 24.09 cents a pound for 2011 and 2012.

- Overall Allotment Quantity (OAQ). The U.S. Department of Agriculture (USDA) sets an OAQ for the nation and then divides it among sugar processors. It cannot be less than 85 percent of estimated domestic consumption. Cane deficits are allocated for raw sugar 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. The Secretary of Agriculture can only increase the TRQs prior to April 1 if there is an “emergency shortage” of sugar. 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 Commodity Credit Corporation (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.

2013: Processors turn over surplus sugar to the government rather than repay their price-support loans, a process called “loan forfeitures” that leaves taxpayers liable for sugar surpluses.

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

- AD/CVD Cases: U.S. growers, processors and refiners file anti-dumping (AD) and countervailing duty cases (CVD) against imports of sugar from Mexico. Ultimately, agreements are reached to suspend AD and CVD duties, in exchange for limits on Mexican access to the U.S. market and minimum export prices for Mexican sugar.

- Suspension Agreements. The U.S. and Mexican governments negotiated agreements to enforce minimum prices and maximum sales of sugar from Mexico, effectively creating a managed trade regime that has forced U.S. sugar prices higher than the levels mandated by Congress. These “suspension agreements” — signed in December 2014 and then amended in 2017 and 2019 — create an unnecessarily high floor price for both raw and refined

sugar imports from Mexico, as well as burdensome volume restraints on sugar imports.

2017: The suspension agreements are amended to channel more sugar to U.S. coastal refineries and increase minimum export prices.

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 a pound for raw cane sugar and 25.38 cents a pound for refined beet sugar) — effectively imposing more costs on U.S. food and beverage manufacturers and American consumers.

2023: The 118th Congress has the opportunity to modernize the U.S. sugar program as it works to reauthorize the farm bill in 2023. Congress can reform the most egregious aspects of the current program by establishing more balanced goals for administration of sugar policy, so it works for all stakeholders, including consumers and food and beverage companies. The worst parts of current policy are those that artificially constrain supplies even in tight markets by restraining the ability of USDA to respond to market needs.

1100 NEW JERSEY AVENUE, SE • SUITE 910 • WASHINGTON, DC 20003
(202) 842-2345 • (202) 408-7763 FAX • WWW.SWEETENERUSERS.ORG