SWEETENER USERS ASSOCIATION

Sugar Program Reform Can Help Prevent Costly High-Tier Sugar Imports

Congress Can Address Causes of Over-Quota Imports in the Farm Bill

Federal sugar policy provides sugar growers with special protections compared to other farm producers, which come at the expense of U.S. food companies facing record-high sugar prices that lead to job loss and higher food costs for consumers.[1]

Congress has an opportunity to enact smart reforms in the next farm bill that would make the U.S. sugar program work for all stakeholders. One such reform is to avoid "high-tier" sugar imports, as they are not consistent with U.S. sugar policy. High tariffs on sugar imports were originally designed to serve as prohibitive tariffs to keep imports from entering the U.S. market, but now they are being perversely used to avoid shortages in an increasingly tight domestic sugar market.

U.S. Sugar Policy Was Designed to Discourage High-Tier Imports

U.S. sugar policy allows specific amounts of imports from 40 countries at a low- or zero-rate of duty, while imposing extremely high tariffs on imports above these levels. Imports that require these duties are called "high-tier" or "over-quota" imports.

In addition to paying the high-tier duty, U.S. sugar policy requires high-tier sugar importers to pay the world sugar price and transportation costs to a U.S. location.

In other words, U.S. sugar policy was designed to make the costs of importing high-tier sugar substantially higher than domestic sugar prices to control imports and maintain domestic sugar prices above world prices.

Tight Sugar Markets and Government Inaction Have Defeated the Policy's Purpose

Until recent years, the program worked as designed. High-tier imports were quite small, as they did not make economic sense, and such imports only increased during specific events that drove U.S. prices above their normal level, such as hurricanes or industrial accidents at sugar refineries.

In recent years, however, U.S. sugar prices have skyrocketed far above normal levels and even further past world prices. The lack of reasonably priced sugar supplies in the domestic market means that sugar-using food companies have been forced to turn to high-tier imports. Consequently, high-tier imports have increased to 212,000 short tons in 2020/21, 390,000 short tons in 2021/22 and 455,000 short tons in 2022/23. In 2023/24, the U.S. Department of Agriculture (USDA) forecasts high-tier imports will reach 715,000 short tons.

The sheer physical availability of sugar for food companies has also been an issue in recent years. The beet sector has been forced to make four separate *force majeure* declarations since 2019, which has meant U.S. sugar buyers have been unable to receive sugar for which they already contracted.

Furthermore, the USDA's persistent reluctance to increase raw sugar tariff-rate quotas (TRQs) has compelled some refiners to import high-tier sugar to keep their operations running.

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[1] "Sugar Program: Alternative Methods for Implementing Import Restrictions Could Increase Effectiveness," U.S. Government Accountability Office, 31 October 2023: https://www.gao.gov/products/gao-24-106144.

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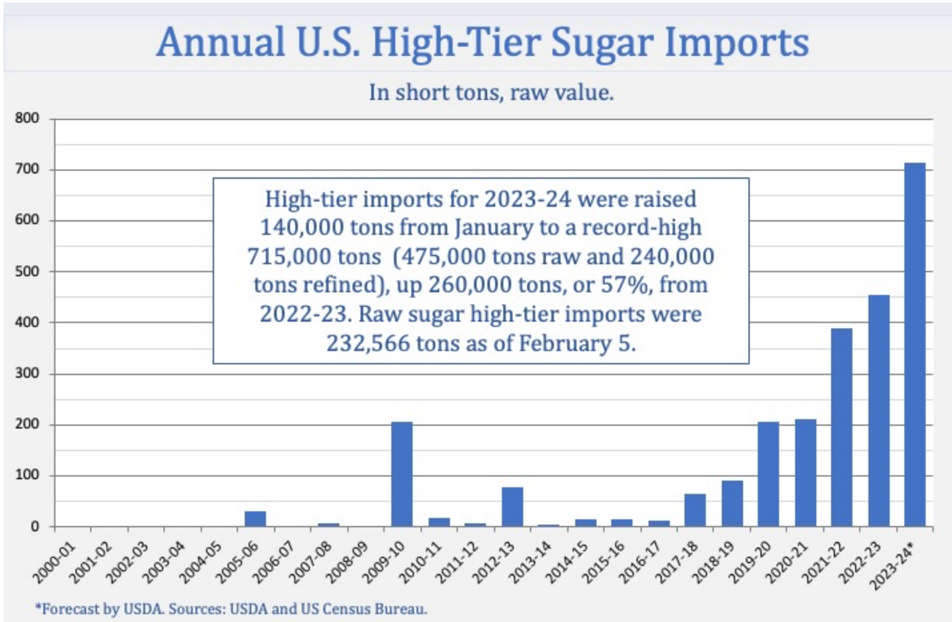

We have reached a point where excessive reliance on high-tier sugar imports is not consistent with U.S. sugar policy and is unsustainable for maintaining sugar-using food manufacturing jobs in the United States. More and more sugar-using plants and jobs are being located across the border in Canada and other countries that can access sugar at much lower world prices. Fortunately, Congress can include simple fixes in the farm bill to address this problem.

Congress Can Enact Simple Fixes to Restore the Purpose of U.S. Sugar Policy

Congress can put in place a mechanism for ensuring there is a firm, unequivocal declaration that high-tier imports are not consistent with U.S. sugar policy and should be avoided by:

- Stating the intent of Congress that, in addition to avoiding loan forfeitures, sugar policy must be administered in such a way as to avoid large quantities of high-tier imports; and

- Providing mechanisms for action in the event high-tier imports of sugar become chronic.

- The Secretary of Agriculture would still have the obligation to prevent taxpayer costs by avoiding government takeovers of sugar under the domestic price support program.

Congress should take advantage of the opportunity to modernize the U.S. sugar program as it works to reauthorize the farm bill to avoid further erosion of U.S. food manufacturing jobs.

The Sweetener Users Association (SUA) represents American food companies that use sugar to make the products U.S. consumers know and love — from sweet treats to everyday staples like bread, pasta sauce, yogurt and peanut butter. Sugar-using companies employ hundreds of thousands of Americans across the United States, including bakers, confectioners, factory workers and more.

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