COALITION FOR
SUGAR REFORM

U.S. SUGAR POLICY 101:

An Overview of the Current U.S. Sugar Program and the Need for Reform

Where Does Sugar Come From?

Sugar is derived from two different crops:

- **Sugarcane** is grown in Florida, Louisiana, Texas, and Hawaii
- **Sugar beets** are grown in Minnesota, North Dakota, Idaho, Michigan, Nebraska, Colorado, Montana, Wyoming, and California

After harvest, sugarcane is milled into raw sugar and then refined. Sugar beets are processed directly into refined sugar. Cane and beet sugar are generally indistinguishable.

The United States has never been self-sufficient in sugar production, and must import a portion of its needs each year. Most imports come from developing countries in South America, Central America, Asia, Africa, and the Caribbean, and are in the form of raw cane sugar—which must be refined for use in making foods and beverages or for sale directly to consumers.

How Does the Current Program Work?

The current U.S. sugar program costs American consumers and food manufacturers an additional **$3.5 billion annually.** This policy consists of four basic components:

1. **Price supports**, which enforce a minimum price for sugar in the U.S. domestic market. This makes the domestic price substantially higher than the world market price.
2. **Marketing allotments**, which are aimed at preventing surplus supplies in the domestic market. Each beet processor and cane mill is under a **government-imposed and legally-binding limit** on the amount of sugar it is permitted to sell each year.
3. **Import quotas (also called Tariff Rate Quotas, or TRQs)** set limits on how much sugar can be shipped to the U.S. every year from each of 40 countries, who exported sugar to the U.S. 30–35 years ago. Imports above this level are subject to an extremely high tariff.
4. **The Feedstock Flexibility Program**, established in 2008, mandates that in times of surplus, the government must buy sugar and re-sell it to ethanol plants at a loss. This comes at the expense of taxpayers, who as consumers are already paying more for sugar than they should. NOTE: The program has not been used because of shortages of sugar, but the Congressional Budget Office forecasts hundreds of millions in taxpayer costs in the years ahead.

Why is There a Need for Reform?

A growing number of lawmakers — including Democrats and Republicans from both the House and Senate — are working to enact a comprehensive reform of the U.S. sugar program that will allow buyers and sellers to conduct business in a competitive marketplace, without unnecessary and costly government intrusion.

In the 2012 Farm Bill, reform of the current U.S. sugar program is needed to put an end to:

HIGH SUGAR PRICES = COST TO CONSUMERS

- U.S. sugar prices are at an all-time high, and are 50% or more above the world price.
- In 2010, world refined sugar prices averaged less than 28 cents per pound, but U.S. prices were over 53 cents a pound. In fact, last year's U.S. price was more than twice its 2007 level.
- Unlike other farm programs, U.S. sugar policy is designed to impose its costs on U.S. consumers, making it, in essence, a hidden tax on food and beverages.

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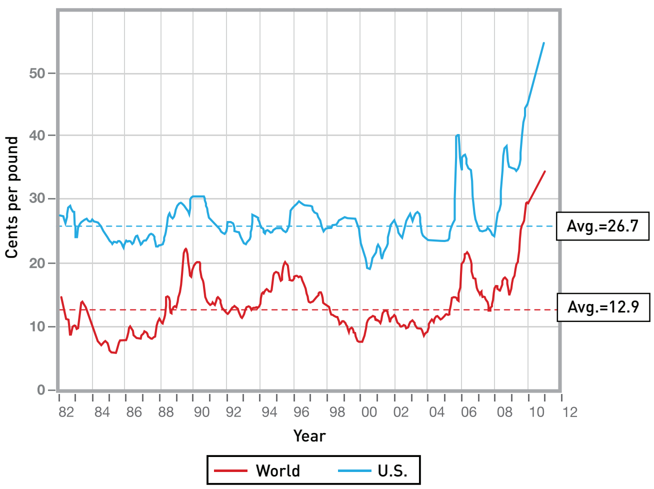
Wholesale Refined Sugar Prices
U.S. vs. World



Sources: U.S. Department of Agriculture; London International Financial Futures and Options Exchange (LIFFE); and Milling & Baking News.

PLANT CLOSURES AND LOSS OF AMERICAN JOBS = COST TO MANUFACTURERS

- Because U.S. sugar prices are much higher than world prices, there is a major incentive for manufacturers to import sugar-containing products or move plants and factories off-shore.
- An estimated 125,000 jobs were lost in U.S. sugar-using industries between 1997 and 2010.

  — The U.S. Department of Commerce estimates that for every sugar growing job saved through high U.S. sugar prices, approximately three manufacturing jobs are lost.

- Only 4,700 sugar farms benefit from the federal sugar program, and are supported at the expense of thousands of lost food manufacturing jobs. In contrast, there are more than 600,000 U.S. jobs in food industries that use sugar.

GOVERNMENT INTRUSION AND RESTRICTIONS = COST TO TAXPAYERS

- The government controls domestic production by giving each sugar processor an "allotment"—it is illegal for the processor to sell more than that amount of sugar, regardless of supply and demand conditions.
- According to the Congressional Budget Office, the government will buy surplus sugar and sell it to ethanol plants at a loss, leading to $374 million dollars in taxpayer costs over the next 10 years.
- No other current U.S. farm program imposes government controls on how much of a commodity can legally be sold.

TAKE ACTION:

How Can Members of Congress Support Reform?

Join the Congressional Sugar Reform Caucus

- Co-chaired by Senators Jeanne Shaheen (D-NH) and Mark Kirk (R-IL), Rep. Joe Pitts (R-PA) and Rep. Danny Davis (D-IL)
- Opportunity for bi-partisan dialogue and education on developments regarding legislative, regulatory, and trade issues affecting sugar programs and policy

Co-sponsor sugar policy reform legislation

The SUGAR (Stop Unfair Giveaways and Restrictions) Act of 2011 (S. 25)

- Introduced by Sen. Jeanne Shaheen (D-NH), Sen. Mark Kirk (R-IL) and Sen. Dick Durbin (D-IL) on January 25, 2011

Free Sugar Act of 2011

- S. 685: Introduced by Sen. Richard Lugar (R-IN) on March 30, 2011
- H.R. 1739: Introduced by Rep. Robert Dold (R-IL), Rep. Earl Blumenauer (D-OR), and Rep. Jim Moran (D-VA) on May 5, 2011

Free Market Sugar Act (H.R. 1385)

- Introduced by Rep. Joe Pitts (R-PA) and Rep. Danny Davis (D-IL) on April 6, 2011

Let leaders of the House and Senate Agriculture Committees know the time for reform is now!