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 California, Colorado, Idaho, Michigan, Minnesota, Montana, Nebraska, North Dakota, Oregon, Washington and Wyoming.

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 has cost American consumers and food manufacturers, on average, **$3 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 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 that 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 was used for the first time in FY 2013.

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.

Reform of the current U.S. sugar program is needed to put an end to:

HIGH SUGAR PRICES = COST TO CONSUMERS

- Over a long period of time, since the beginning of the current sugar program in the 1980s, the U.S. refined sugar price has averaged twice the world price. Due to changes made to U.S. sugar policy in the 2008 farm bill, U.S. refined sugar prices ranged from 64 to 92 percent higher than on the world market from 2009 to 2012.
- Under the 2008 farm bill, the refined sugar price averaged 68 percent more than under the 2002 farm bill. 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, in 2011 the 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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Calendar Year	U.S. Price	World Price	U.S. % Higher
2009	38.1¢/lb	22.13¢/lb	72.2%
2010	53.23¢/lb	27.78¢/lb	91.6%
2011	56.22¢/lb	31.68¢/lb	77.5%
2012	43.38¢/lb	26.5¢/lb	63.7%

PLANT CLOSURES AND LOSS OF AMERICAN JOBS = COST TO MANUFACTURERS

- Because U.S. refined sugar prices are higher than world prices, there is a major incentive for manufacturers to import sugar-containing products or move plants and factories off-shore.
- Approximately 132,000 jobs were lost in U.S. sugar-using industries between 1997 and 2014. 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 14 sugar processors and less than 5,000 sugar crop farms in a handful of states benefit from the federal sugar program, and are supported at the expense of thousands of lost food manufacturing jobs. In contrast, there are approximately 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.
- The sugar program cost taxpayers nearly $300 million in FY 2013, and the Congressional Budget Office forecasts additional taxpayer costs of $138 million 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?

Support and co-sponsor sugar policy reform legislation

- **Sugar Reform Act of 2015**
  — **S. 475:** Introduced by Sens. Jeanne Shaheen (D-NH), Mark Kirk (R-IL), Pat Toomey (R-PA), Dick Durbin (D-IL), John McCain (R-AZ) and others on February 12, 2015

  — **H.R. 1714:** Introduced by Reps. Joe Pitts (R-PA), Danny Davis (D-IL), Bob Goodlatte (R-VA) and Jackie Speier (D-CA) on March 26, 2015

Join the Congressional Sugar Reform Caucus

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

Let your colleagues in the House and Senate know the time for sugar policy reform is now!