Sweet Deal: The Case Against the Sugar Program

By Anna Little

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Sweet Deal: The Case Against the Sugar Program

Federal intervention in the sugar industry creates a sweet deal for sugar growers, but a massive ripoff and job-killing mess for everyone else. Please join my partner and me as we affirm that The United States federal government should substantially reform its agriculture and/or food safety policy in the United States.

OBSERVATION 1. We offer the following DEFINITIONS.

**Policy**: “a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/policy*](http://www.merriam-webster.com/dictionary/policy))  
  
**Substantial**: “large in amount, size or number” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/substantially*](http://www.merriam-webster.com/dictionary/substantially)*)*

**Agriculture:** “the science, art, or practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/agriculture*](http://www.merriam-webster.com/dictionary/agriculture))

**SCP –** Sugar Containing Products

OBSERVATION 2. INHERENCY, the structure of the Status Quo. One simple FACT

The U.S. sugar program – a policy of federal intervention to raise the price of sugar

Mark A. McMinimy 2016 (Analyst in Agricultural Policy, Congressional Research Service)  “U.S. Sugar Fundamentals”, April 6, 2016 <https://www.fas.org/sgp/crs/misc/R43998.pdf>]

The U.S. sugar program provides a price guarantee to producers of sugar beets and sugarcane and to the processors of both crops. The U.S. Department of Agriculture (USDA), as program administrator, is directed to administer the program at no budgetary cost to the federal government by limiting the amount of sugar supplied for food use in the U.S. market. To achieve both objectives, USDA uses four tools—as reauthorized without change by the 2014 farm bill (P.L. 113-79) and found in chapter 17 of the Harmonized Tariff Schedules of the United States— to keep domestic market prices above guaranteed levels.

OBSERVATION 3. The PLAN, to be implemented by Congress and the President

1. Congress votes to abolish the sugar program, including trade barriers and all other federal intervention in the US sugar market.  
2. Funding and enforcement through existing agencies and existing budgets.   
3. Plan takes effect 2 days after an affirmative ballot.  
4. Affirmative speeches may clarify

OBSERVATION 4. The JUSTIFICATIONS

JUSTIFICATION 1. Consumer costs

A. $3 billion. US consumers pay twice the world price for sugar – a $3 billion per year ripoff

Dr. Veronique De Rugy 2015(PhD economics; senior research fellow at the Mercatus Center at George Mason University and a nationally syndicated columnist; has testified numerous times in front of Congress on the effects of fiscal stimulus, debt and deficits, and regulation on the economy) “The Federal Sugar Racket Should Be Broken Up”, December 9, 2015 <http://mercatus.org/publication/federal-sugar-racket-should-be-broken>

The [stated goal](http://www.ers.usda.gov/topics/crops/sugar-sweeteners/policy.aspx) of federal sugar policy is to artificially inflate the price of sugar in order to protect the uneconomical US sugar industry. The federal government does so through a combination of preferential loans to the industry and limits on the domestic supply of sugar through marketing allotments and tariff-rate quotas for imported sugar. The result, as the first chart shows, is that US consumers have been paying, on average, twice the world price for sugar.

**END QUOTE. Dr. De Rugy then goes on elsewhere in the same context to conclude QUOTE:**

Economist Mark Perry [calculates](https://www.aei.org/publication/marco-rubios-continued-defense-of-the-economically-indefensible-us-sugar-program/) that the inflated price of sugar will cost Americans more than $3 billion this year.

B. Plan solves. Abolishing the sugar program reduces consumer sugar prices

Prof. John C. Beghin and Amani Elobeid 2013 (Beghin - former director of Food and Agricultural Policy Research Institute, Trade and Agricultural Policy Division at Center for Agriculture & Rural Development (CARD); professor of International Agricultural Economics at Iowa State Univ. Elobeid -B.S. in economics from the University of Khartoum, Sudan, and an M.S. in economics from Iowa State Univ.) “The Impact of the US Sugar Program Redux”  May 2013 <http://www.card.iastate.edu/products/publications/pdf/13wp538.pdf>

We analyzed the consequences of eliminating all components of the U.S. sugar program, paying special attention to welfare, trade and employment. The elimination of the U.S. sugar program and the associated import quotas and tariffs beginning with the 2012/13 marketing year would result in significant decreases in domestic sugar prices and a resulting increase in use and reliance on sugar imports. U.S. sugar production would decline by about 10% during the first half of the projection period and then recovers to the 2011/12 level by 2020/21. Impacts on world market prices are moderate.

JUSTIFICATION 2. Jobs

A. Businesses leave. Manufacturing industries that use sugar relocate to countries where it’s not as expensive

Dr. Veronique De Rugy 2015(PhD economics; senior research fellow at the Mercatus Center at George Mason University and a nationally syndicated columnist; has testified numerous times in front of Congress on the effects of fiscal stimulus, debt and deficits, and regulation on the economy) “The Federal Sugar Racket Should Be Broken Up”, December 9, 2015 <http://mercatus.org/publication/federal-sugar-racket-should-be-broken>

This “hidden tax” also hurts American companies that use sugar in the production of their products. One result has been that companies making sugar containing products (SCPs) have moved factories and jobs to other countries where sugar is cheaper. Indeed, the government itself acknowledged this in a [2006 report](http://www.trade.gov/media/publications/pdf/sugar06.pdf) produced by the Department of Commerce’s International Trade Administration. The report stated that “Many U.S. SCP manufacturers have closed or relocated to Canada where sugar prices are less than half of U.S. prices and to Mexico where sugar prices are about two-thirds of U.S. prices.”

B. Massive job loss. 10,000 jobs lost per year and 127,000 lost between 1997 and 2011

National Confectioners Association 2015 (The National Confectioners Association is the trade organization representing the $35 billion U.S. confections industry) “Reforming the US Sugar Program” September 15 2015 <http://www.candyusa.com/advocacy/sugar-reform-key-issues/>

There are 600,000 people employed in direct manufacturing in the sugar using industry that are negatively impacted by this program and 18,000 growers that are benefiting. Additionally, the sugar program has contributed to the loss of nearly 10,000 jobs per year in the U.S. food industry. Nearly 127,000 jobs were lost in U.S. sugar-using industries between 1997 and 2011 and the U.S. Department of Commerce estimates that for every one sugar-growing job saved by high U.S. sugar prices, approximately three American manufacturing jobs are lost.

C.  Plan solves. Referring in context to abolishing the sugar program, Prof. John Beghin and Amani Elobeid in 2013 said:

Prof. John C. Beghin and Amani Elobeid 2013 (Beghin - former director of Food and Agricultural Policy Research Institute, Trade and Agricultural Policy Division at Center for Agriculture & Rural Development (CARD); professor of International Agricultural Economics at Iowa State Univ. Elobeid -B.S. in economics from the University of Khartoum, Sudan, and an M.S. in economics from Iowa State Univ.) “The Impact of the US Sugar Program Redux”  May 2013 <http://www.card.iastate.edu/products/publications/pdf/13wp538.pdf>

Employment would grow with the expansion of activities in the food processing sectors. In aggregate, the 12 sectors show an expansion of between 17,000 and 20,000 new jobs depending on the year projected. The net effect on the sugar complex would be modest from - 0.5% to +5.4% changes in labor use depending on the year.

JUSTIFICATION 3. Health Risk

A. More Corn Syrup. Increased sugar prices increase high fructose corn syrup substitution

Bryan Riley 2014 (Heritage Foundation’s Center for Trade and Economics; senior analyst in trade policy). “US Trade Policy Gouges American Consumers”, June 5, 2014 (brackets in original) <http://www.heritage.org/research/reports/2014/06/us-trade-policy-gouges-american-sugar-consumers>

Many Americans can recall when soft drinks were sweetened with sugar instead of corn syrup. According to one report: [F]urther distorting the marketplace for sugar, in 1934, the U.S. government went on to impose sugar import quotas. So by the time 1984 rolled around, sugar had become an exorbitantly expensive sweetener in the United States and corporations like Coca Cola and PepsiCo were tired of paying the inflated price for this product ingredient. So in a consolidated effort to manage costs, both corporations announced in November 1984 that they were going to replace high priced sugar with cost-saving high fructose corn syrup in their beverages. It was an unprecedented move that not only rocked the sugar industry, but also dramatically changed the history of food.

B. Impact & Solvency: Corn syrup raises human health risks, but declines significantly with our Plan

Prof. [Michael K. Wohlgenant](http://www.usnews.com/topics/author/michael-k-wohlgenant) 2014 (contributor for the American Enterprise Institute’s agricultural policy research program and is Professor of Agricultural & Resource Economics at North Carolina State Univ.) “Sugar Price Supports are Not So Sweet” 5 Sept 2014 <http://www.usnews.com/opinion/economic-intelligence/2014/09/05/sugar-price-supports-have-hidden-costs-for-economy-consumers>

The high-fructose corn syrup industry did not exist prior to the early 1970s, when the current sugar price support program was implemented. The industry came into existence only because of the high sugar prices created by the program. Now, however, the high-fructose corn syrup industry accounts for about half of all sugar consumed in the U.S., much of which is used by the soft drink industry. Increasingly, questions have been raised about the possible health effects of high-fructose corn syrup, including its relationship to obesity, diabetes and liver damage. If the program were eliminated, sugar prices would fall and the proportion of high-fructose corn syrup in our diets would decline significantly.

JUSTIFICATION 4. Third World Poverty

Sugar trade restrictions increase poverty & decrease investment in poor countries trying to export to the US

Gillian Virata 2004 (masters degree in International Policy & Practice from Elliott School of International Affairs, George Washington Univ.) “Effects of US Sugar Policy on Developing Countries,” 4 Aug 2004 <http://internationalecon.com/virata/Effects%20of%20US%20sugar%20policy%20on%20developing%20countries.pdf>

The US sugar policy is anti-development. Investors in developing countries trying to add value to export products are penalized by a system of escalating tariffs in the US: 2% for raw sugar imports, 5.5% for intermediate (semi-processed) sugar, 20.1% for final (fully processed or refined) sugar. Diversification into higher-end products is discouraged. Like other policies that distort global trade in agricultural products, the US sugar policy keeps poor farmers in developing countries poor. Poverty in developing countries is disproportionately affected by growth or nongrowth in the agriculture sector -- particularly agricultural exports. Sixty-three percent of the population and 73% of the poor live in the rural areas. In least-developed countries, the poverty rate in rural areas is about 82%.

2A Evidence: Sugar

OPENING QUOTES / AFFIRMATIVE PHILOSOPHY

Federal sugar program is “corporate welfare,” enriching a few at the expense of many

Dr. Veronique De Rugy 2015(PhD economics; senior research fellow at the Mercatus Center at George Mason University and a nationally syndicated columnist; has testified numerous times in front of Congress on the effects of fiscal stimulus, debt and deficits, and regulation on the economy) “The Federal Sugar Racket Should Be Broken Up”, December 9, 2015 <http://mercatus.org/publication/federal-sugar-racket-should-be-broken>

Americans have become increasingly aware of the detrimental role of cronyism—in their lives and the economy in general—where certain industries extract privileges from the federal government. That means that the federal sugar racket, which clearly benefits the few at the expense of many, should be a prime target of policymakers looking to chip away at “corporate welfare.”

INHERENCY

Sugar prices supported by tariffs that restrict imports and by govt. guarantee of minimum prices

Prof. [Michael K. Wohlgenant](http://www.usnews.com/topics/author/michael-k-wohlgenant) 2014 (contributor for the American Enterprise Institute’s agricultural policy research program and is Professor of Agricultural & Resource Economics at North Carolina State Univ.) “Sugar Price Supports are Not So Sweet” 5 Sept 2014 <http://www.usnews.com/opinion/economic-intelligence/2014/09/05/sugar-price-supports-have-hidden-costs-for-economy-consumers>

Sugar prices are also supported through restricting imports by a tariff rate quota system. A prohibitive tariff on imported sugar is established for imports in excess of the moderate amount allowed under the quota. When the sum of domestic production plus the imports allowed under the quota system, the total amount of sugar supplied to the U.S. market, is large enough to reduce domestic prices below their targeted level, the government operates a price-support scheme through a loan-rate program. This program guarantees a minimum price to producers, ensuring that the government may effectively end up being repaid by processors in sugar rather than dollars. The world price is typically much lower than the price the domestic market clears when the quota is in place. Thus, a floor is established for the domestic price.

Big Sugar uses quotas to control market

Prof. Mark J. Perry 2015 (scholar at American Enterprise Institjute and a professor of economics and finance at Univ. of Michigan's Flint campus) “Marco Rubio’s Continued Defense of  the Economically Indefensible Sugar Program” 9 Nov 2015, <https://www.aei.org/publication/marco-rubios-continued-defense-of-the-economically-indefensible-us-sugar-program/>

Due to quotas, Americans were only allowed to purchase 3.1 metric tons (6.94 billion pounds) of world sugar, or about 29% of the total sugar consumed. Domestic sugar producers (“Big Sugar”) are allowed to control more than 70% of the sugar market every year through protectionist sugar trade policies that limit foreign competition.

Complicated federal intervention in sugar: Import quotas, market controls, USDA purchasing

Dan Pearson 2015 (senior fellow in the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies and a former chairman of the U.S. International Trade Commission) “US Sugar Policy is Not So Sweet”, February 14 2015, <http://www.usnews.com/opinion/economic-intelligence/2015/02/14/valentines-day-would-be-sweeter-without-us-sugar-subsidies>

The sugar program has become increasingly complicated and market distorting since import quotas were re-established in the early 1980s. Today, no other agricultural commodity faces such a stultifying collection of laws and regulations. The government controls how much sugar American sugarcane and sugar beet farmers are allowed to sell in the U.S. market. The 40 countries allowed to export sugar to the United States are limited by quota amounts established more than 30 years ago. The U.S. Department of Agriculture acquired surplus sugar in 2013 in an effort to keep the price high, and then spent more than $250 million of taxpayer funds to convert that sugar into relatively lower-value ethanol.

Import tariffs and quotas raise the price of US sugar far above world price

Bryan Riley 2014 (Heritage Foundation’s Center for Trade and Economics; senior analyst in trade policy). “US Trade Policy Gouges American Consumers”, June 5, 2014 <http://www.heritage.org/research/reports/2014/06/us-trade-policy-gouges-american-sugar-consumers>

Americans pay a big surcharge for sugar because the federal government guarantees a minimum price for sugar. To maintain this minimum price, the government restricts low-priced imports by establishing a quota that limits the amount of sugar Americans can import at relatively low tariff rates. Any imports above this quota are subject to prohibitively high tariffs. Based on 2013 world sugar prices, the average above-quota tariff rate was 88 percent for raw sugar and 73 percent for refined sugar.

The Federal Sugar Program is a Cartel

Dr. Veronique De Rugy 2015(PhD economics; senior research fellow at the Mercatus Center at George Mason University and a nationally syndicated columnist; has testified numerous times in front of Congress on the effects of fiscal stimulus, debt and deficits, and regulation on the economy) “The Federal Sugar Racket Should Be Broken Up”, December 9, 2015 <http://mercatus.org/publication/federal-sugar-racket-should-be-broken>

It would seem odd that federal policymakers would pursue policies that hurt consumers and the broader economy in order to protect the relatively smaller US sugar industry. The US sugar industry, however, is dominated by a small number of companies, as the second chart shows. The top five sugar processors received 63 percent of the total allotted amount for FY 2016. The allotments, which are intended to help keep prices artificially high by controlling the overall supply of domestically produced sugar, are largely based on the processors’ production histories. The result is essentially a cartel in which a handful of processors dominate.

SOLVENCY / ADVOCACY

Elimination of trade quotas alone would save consumers $1.8 billion

Prof. Mark J. Perry 2015 (scholar at American Enterprise Institjute and a professor of economics and finance at Univ. of Michigan's Flint campus) “Marco Rubio’s Continued Defense of  the Economically Indefensible Sugar Program” 9 Nov 2015, <https://www.aei.org/publication/marco-rubios-continued-defense-of-the-economically-indefensible-us-sugar-program/>

If sugar quotas were eliminated, and American consumers and business had been able to purchase 100% of their sugar in 2014 at the world price (20.05 cents per pound average) instead of the average U.S. price of 30.72 cents, they would have saved about $1.8 billion collectively. In other words, by forcing Americans to pay 30.72 cents per pound for inefficiently produced domestic sugar instead of 20.05 cents per pound for more efficiently produced world sugar, Americans were forced to pay an additional 10.67 cents per pound for the 16.91 billion pounds of American sugar produced annually, which translates to $1.8 billion in higher costs for American consumers and sugar-using businesses.

Sugar program loses billions of dollars and over 127,000 jobs and needs to be eliminated

Mario Loyola 2014 (Senior Fellow at the Texas Public Policy Foundation and was a Visiting Fellow at the Classical Liberal Institute of New York University School of Law) 17 July 2014 “Sugar Shakedown: How Politicians Conspire with the Sugar Lobby to Defraud America’s Families”

The sugar program, a government-created cartel administered by the U.S. Department of Agriculture (USDA), costs consumers an estimated $3.5 billion annually and has reduced employment by more than 127,000 jobs since 1997. Through production and import controls, the USDA shifts the cost of the program in the form of higher prices to consumers, which also allows supporters in Congress to claim that the program costs nothing to the federal budget. Congress should reform or eliminate the sugar program and require the Congressional Budget Office to assess the real economic costs and benefits of all price-support programs.

US sugar program should be ended as soon as possible. Quick and simple solution would bring big benefits

Dan Pearson 2015 (senior fellow in the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies and a former chairman of the U.S. International Trade Commission) “US Sugar Policy is Not So Sweet”, February 14 2015, <http://www.usnews.com/opinion/economic-intelligence/2015/02/14/valentines-day-would-be-sweeter-without-us-sugar-subsidies>

The path to reform is straightforward. The U.S. sugar program should be ended as soon as is legislatively possible. Unilateral reform would be quick, simple, entirely within the scope of U.S. policymakers, and would provide substantial benefits to consumers and the broader economy. It would free sugar growers to respond to opportunities in the marketplace instead of needing to seek permission from regulators in Washington. Liberalization also would provide moral authority for the United States to push for sugar reform in other countries via negotiations under the auspices of the World Trade Organization.

80 years of “temporary” sugar protection is enough

Bryan Riley 2014 (Heritage Foundation’s Center for Trade and Economics; senior analyst in trade policy). “US Trade Policy Gouges American Consumers”, June 5, 2014 <http://www.heritage.org/research/reports/2014/06/us-trade-policy-gouges-american-sugar-consumers>

Will Rogers was right: “If a business thrives under a protective tariff, that doesn’t mean that it has been a good thing. It may have thrived because it made the people of America pay more for the object than they should have, so a few have got rich at the cost of the many.” Congress should make the 80th year of temporary protection for the sugar industry the last.

JUSTIFICATIONS

Consumer Prices

US Sugar Prices Fall With Removal of Sugar Program

Prof. John C. Beghin and Amani Elobeid 2013 (Beghin - former director of Food and Agricultural Policy Research Institute, Trade and Agricultural Policy Division at Center for Agriculture & Rural Development (CARD); professor of International Agricultural Economics at Iowa State Univ. Elobeid -B.S. in economics from the University of Khartoum, Sudan, and an M.S. in economics from Iowa State Univ.) “The Impact of the US Sugar Program Redux”  May 2013 <http://www.card.iastate.edu/products/publications/pdf/13wp538.pdf>

As the sugar program is removed and borders opened, U.S. imports of sugar increase and U.S. sugar prices, raw and refined, fall to their world levels. Simultaneously, the increase in imports slightly increases world prices of sugar. U.S. sugar prices fall despite higher world prices.

Food prices of Sugar Containing Products (SCP) drop after sugar program is eliminated

Prof. John C. Beghin and Amani Elobeid 2013 (Beghin - former director of Food and Agricultural Policy Research Institute, Trade and Agricultural Policy Division at Center for Agriculture & Rural Development (CARD); professor of International Agricultural Economics at Iowa State Univ. Elobeid -B.S. in economics from the University of Khartoum, Sudan, and an M.S. in economics from Iowa State Univ.) “The Impact of the US Sugar Program Redux”  May 2013 <http://www.card.iastate.edu/products/publications/pdf/13wp538.pdf>

With the sugar program removal, several SCP imports decrease and SCP exports increase because of the new parity between U.S. and world sugar prices; and, domestic food demand increases through lower food prices. The sum of the three effects gives the expansion of output in each of the 12 NAICS industries (other than sugar industries) analyzed in the investigation.

US sugar is 2 to 3 times the world price

US Department of Commerce & The International Trade Commission 2006 (International Trade Administration is an agency in the US Dept of Commerce that promotes exports of nonagricultural U.S. services and goods) “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices” February 2006 <http://trade.gov/media/publications/pdf/sugar06.pdf>

Over the last 25 years, the U.S. price of wholesale refined sugar has on average been two to three times the world price, and in 2004, the world refined price was 10.9 cents per pound compared to the U.S. price of 23.5 cents per pound. U.S. food manufacturers pay a significantly higher price than many of their foreign competitors, currently more than double, which puts them at a competitive cost disadvantage.

US consumers pay a lot more for sugar compared to other countries

Bryan Riley 2014 (Heritage Foundation’s Center for Trade and Economics; senior analyst in trade policy). “US Trade Policy Gouges American Consumers”, June 5, 2014 <http://www.heritage.org/research/reports/2014/06/us-trade-policy-gouges-american-sugar-consumers>

Since the turn of the millennium, Americans have paid an average of 79 percent more for raw sugar and 87 percent more for refined sugar compared to the average world price. Although the gap between U.S. and world sugar prices has narrowed some in recent years, U.S. consumers still pay a significant premium. In April, the price of raw sugar in the United States was 43 percent higher than the average world price. The price of refined sugar was 39 percent higher in the United States than in other countries.

Sugar tariffs protect inefficient industry at the expense of consumers

Prof. Mark J. Perry 2015 (scholar at American Enterprise Institute and a professor of economics and finance at Univ. of Michigan's Flint campus) “Marco Rubio’s Continued Defense of  the Economically Indefensible Sugar Program” 9 Nov 2015, <https://www.aei.org/publication/marco-rubios-continued-defense-of-the-economically-indefensible-us-sugar-program/>

The cost of most trade protection is largely invisible and hard to calculate, but the cost of sugar protection is directly visible and measurable, since wholesale prices for both high-cost domestic sugar and low-cost world sugar are reported regularly by the USDA and other sources (futures markets). Like all protection, sugar tariffs exist to protect an inefficient domestic industry (sugar beet farmers) from more efficient foreign producers (cane sugar farmers), and come at the expense of the US consumers and the American companies using sugar as an input, and make our country worse off, on net.

Poorest consumers hardest hit by

Karl T. Muth and Katheryn R. DeVelvis 2016 (lecturers at Northwestern University. Muth is a Lecturer, Pritzker School of Law. Lecturer in Economics, Law, Organizational Behavior, Public Policy, and Statistics, Northwestern University. Develvis is a guest Lecturer, Pritzker School of Law, Lecturer in Statistics, Northwestern Univ) Virginia Policy Review, Spring 2016 <http://www.virginiapolicyreview.org/uploads/5/5/9/2/55922627/vprspring2016.pdf#page=86>

Schemes that create deadweight losses by allowing monopoly or cartel pricing inevitably operate at a disadvantage — inefficiency, productivity, and net profits — relative to free market activity. The consumer loses (by overpaying for sugar relative to the equilibrium price) but the producers fail to capture the full value of this overpayment. In other words, everyone loses, with the consumer — including 46 million Americans living below the poverty line — footing the bill for a program that costs between $3 billion and $4 billion each year.

Jobs / Corporate Relocation

US Sugar Program Causes Corporate Flight, Example: Oreos

Bryan Riley 2015 (senior analyst in trade policy, Heritage Foundation). The Daily Signal “How US Sugar Policies Just Helped America Lose 600 Jobs”  August 18, 2015 <http://dailysignal.com/2015/08/18/how-us-sugar-policies-just-helped-america-lose-600-jobs/>

The manufacturer of Oreo cookies recently [announced](http://www.chicagotribune.com/business/ct-nabisco-mondelez-plant-0730-biz-20150729-story.html) plans to move production of Oreos from Chicago to Mexico, resulting in a loss of 600 U.S. jobs. This should be a wake-up call to defenders of the U.S. sugar program and other job-destroying trade barriers. The leading [ingredient](http://www.snackworks.com/products/product-detail.aspx?product=4400003202) in Oreos is sugar, and U.S. trade barriers currently require Americans to pay [twice](http://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables.aspx) the average world prices for sugar. Sugar-using industries now have a big incentive to relocate from the United States to countries where access to their primary ingredient is not restricted. If the government wants people making Oreo cookies and similar products to keep their jobs, a logical starting point would be to eliminate the U.S. sugar program, including barriers to imported sugar.

Eliminating sugar program would create additional $1 billion of economic growth

Prof. [Michael K. Wohlgenant](http://www.usnews.com/topics/author/michael-k-wohlgenant) 2014 (contributor for the American Enterprise Institute’s agricultural policy research program and is Professor of Agricultural & Resource Economics at North Carolina State Univ.) “Sugar Price Supports are Not So Sweet” 5 Sept 2014 <http://www.usnews.com/opinion/economic-intelligence/2014/09/05/sugar-price-supports-have-hidden-costs-for-economy-consumers>

The largest costs of the sugar program's higher prices fall on consumers (most of whom are taxpayers), confectioners and bakers. On average, these costs have been about [$2.4 billion annually](http://www.americanboondoggle.com/american-boondoggle-fixing-the-2012-farm-bill/sweets-for-the-sweet/) with an annual gain to producers of roughly $1.4 billion. The difference of $1 billion represents a loss of real goods and services due to the resource waste generated by the program. In other words, without the program, resources would be used in a more efficient manner so that an additional $1 billion  of goods and services would be produced by the U.S. economy. At a time when the economy is struggling and jobless rates remain high, this represents an amount we can hardly afford to lose.

$3.5 billion consumer benefit and 17,000-20,000 jobs gained with removal of sugar program

Prof. John C. Beghin and Amani Elobeid 2013 (Beghin - former director of Food and Agricultural Policy Research Institute, Trade and Agricultural Policy Division at Center for Agriculture & Rural Development (CARD); professor of International Agricultural Economics at Iowa State Univ. Elobeid -B.S. in economics from the University of Khartoum, Sudan, and an M.S. in economics from Iowa State Univ.) “The Impact of the US Sugar Program Redux”  May 2013 [EEE](http://www.card.iastate.edu/publications/dbs/pdffiles/13wp538.pdf)

The removal of the sugar program would increase U.S. consumers' welfare by $2.9 to $3.5 billion each year and generate a modest job creation of 17,000 to 20,000 new jobs in food manufacturing and related industries.

SCP industries have lost over 10,000 jobs

US Dept of Commerce & The International Trade Commission 2006 (International Trade Administration is an agency in the US Dept of Commerce that promotes exports of nonagricultural U.S. services and goods) “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices” February 2006 <http://trade.gov/media/publications/pdf/sugar06.pdf>

Employment in the SCP industries decreased by more than 10,000 jobs between 1997 and 2002 and stood at approximately 987,810 total jobs as of 2002.3 This is in contrast to the non-SCP food manufacturing industries in which employment expanded by more than 31,000 jobs. Non-chocolate confectionery, chocolate and chocolate confectionery, and breakfast cereal account for more than half of these job losses.

US Sugar Prices linked closely with corporate flight

US Dept of Commerce & The International Trade Commission 2006 (International Trade Administration is an agency in the US Dept of Commerce that promotes exports of nonagricultural U.S. services and goods) “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices” February 2006 <http://trade.gov/media/publications/pdf/sugar06.pdf>

In spite of increased demand and production, many domestic SCP firms are closing down and relocating operations abroad. Others are expanding offshore rather than expanding domestically. A comprehensive review of press reports over the past five years, where actual job loss numbers are reported, suggests that plant closings and relocations abroad alone have accounted for 6,400 or nearly two-thirds of the 10,000 job losses in SCP industries.

Specific examples of companies that left the US because of higher sugar prices, moved to Mexico & Canada

US Dept of Commerce & The International Trade Commission 2006 (International Trade Administration is an agency in the US Dept of Commerce that promotes exports of nonagricultural U.S. services and goods) “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices” February 2006 <http://trade.gov/media/publications/pdf/sugar06.pdf>

For example, Ferrara Pan Candy reported closing several domestic facilities while opening one plant in Mexico and two in Canada, resulting in a domestic employment loss of 500 jobs. In addition, more than 1,000 Brach’s candy employees lost their jobs when the company closed its Chicago plant and started outsourcing abroad. Hershey Foods also closed plants in Pennsylvania, Colorado, and California, relocating them to Canada, resulting in more than 1,000 job losses. Access to lower-priced sugar was cited as a significant contributing factor in all of these relocation decisions.

High sugar prices inhibit competitiveness of US confectionary industry, blocking growth

US Dept of Commerce & The International Trade Commission 2006 (International Trade Administration is an agency in the US Dept of Commerce that promotes exports of nonagricultural U.S. services and goods) “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices” February 2006 <http://trade.gov/media/publications/pdf/sugar06.pdf>

The United States Department of Agriculture cites the high price of domestic sugar as a main factor hindering competitiveness of the U.S. confectionery industry, and notes that sales in this industry have shown little growth over the past couple of years.

Sugar Program eliminated 89,000 jobs from 2003-2013

CSD Staff, quoting National Confectioners Association (NCA) President Larry Graham in 2013 (Convenience Store Decisions (CSD) We help advertisers penetrate the appealing multi-unit c-store market, connecting their brands and products with executive level and category decision makers who consistently read Convenience Store Decisions. Larry Graham - is the President of the NCA) “NCA Welcomes Sugar Reform Act”, February 15 2013, <http://www.cstoredecisions.com/2013/02/15/nca-welcomes-sugar-reform-act/>

“The U.S. sugar program artificially limits the supply of refined sugar available to domestic confectioners, making it difficult for them to obtain supplies at a reasonable cost,” continued Graham. “The program also creates a competitive advantage for foreign confectioners who pay a significantly lower world price for sugar and import their products into the U.S. market. The tight market generated by these policies threatens the overall supply, jeopardizing smaller U.S. companies and putting jobs at risk. Over the last 10 years the program has eliminated more than 14,000 confectionery jobs and more than 75,000 food manufacturing jobs.”

Confection food industry can’t compete because the cost of sugar in the US is so high. They’re moving to Canada

CSD Staff, quoting National Confectioners Association (NCA) President Larry Graham in 2013 (Convenience Store Decisions (CSD) - We help advertisers penetrate the appealing multi-unit c-store market, connecting their brands and products with executive level and category decision makers who consistently read Convenience Store Decisions. Larry Graham - is the President of the NCA, “NCA Welcomes Sugar Reform Act”, February 15 2013, <http://www.cstoredecisions.com/2013/02/15/nca-welcomes-sugar-reform-act/>

“Our biggest obstacle to growing is the fact that we have to pay so much more for sugar than our competitors who are stationed right across the border in Canada,” said George Stege, president of Ford Gum & Machine Co. Inc. “How do you compete when your most abundant product is 46% more in cost? It’s no wonder that our competitors have gone to Canada.” Industry is not the only segment affected by the program; estimates show the current program has cost consumers approximately $3.5 billion per year by restricting domestic output and limiting access to competitive supplies.

Sugar Policy benefits large companies and harms everyone else

CSD Staff, quoting National Confectioners Association (NCA) President Larry Graham in 2013 (Convenience Store Decisions (CSD) - We help advertisers penetrate the appealing multi-unit c-store market, connecting their brands and products with executive level and category decision makers who consistently read Convenience Store Decisions. Larry Graham - is the President of the NCA, “NCA Welcomes Sugar Reform Act”, February 15 2013, <http://www.cstoredecisions.com/2013/02/15/nca-welcomes-sugar-reform-act/> (brackets in original)

“In the past several years [sugar] has more than quadrupled in price and we find it hard to have to pass this on to our customers,” said Susan Karl, president and CEO of Annabelle Candy Co., Inc. “It’s getting harder and harder for people to afford even the simple pleasures, and of course candy is one of them in moderation.” “By artificially increasing the cost of sugar, the administration sacrifices the interests of not only small businesses and people employed in sugar-using industries, but also consumers themselves,” said Graham.  “Large sugar sellers benefit, while everyone else loses.”

High Fructose Corn Syrup (HFCS) Health Risks

HFCS linked to rising obesity rates

Daniel Engber 2009 (columnist for Slate, daily magazine on the Web) Dark Sugar: The Decline and Fall of High Fructose Corn Syrup, April 28 2009, <http://www.slate.com/articles/health_and_science/science/2009/04/dark_sugar.html>

Our fear of high-fructose corn syrup seems to have arisen from some very real concerns over the health effects of fructose, one of its principal components. The ingestion of glucose, another basic sugar, is known to stimulate the release of body chemicals that regulate food intake. Fructose, on the other hand, does little to suppress your appetite, and it seems to be preferentially associated with the formation of new fat cells. A growing body of research has led some scientists to wonder whether the increased consumption of fructose over the past few decades might be [responsible for rising rates of obesity](http://www.ajcn.org/cgi/content/full/79/4/537?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=1&author1=bray&andorexacttitle=and&andorexacttitleabs=and&andorexactfulltext=and&searchid=1&FIRSTINDEX=10&sortspec=relevance&resourcetype=HWCIT).

Journal of Clinical Investigation: HFCS causes obesity, high cholesterol, and insulin sensitivity

Daniel Engber 2009 (columnist for Slate, daily magazine on the Web) Dark Sugar: The Decline and Fall of High Fructose Corn Syrup, April 28 2009, <http://www.slate.com/articles/health_and_science/science/2009/04/dark_sugar.html>

More damning evidence against fructose emerged just last week in an [important study](http://www.jci.org/articles/view/37385) from the Journal of Clinical Investigation. Researchers in California recruited volunteers to drink a glass of Kool-Aid with every meal for 10 weeks; half took their soft drinks sweetened with fructose, the other half with glucose. By the end of the study period, both groups had put on weight, but the subjects getting fructose had more visceral fat—the kind that adheres to our organs and is associated with heightened risk for atherosclerosis, cardiovascular disease, and type 2 diabetes. The fructose group also showed higher levels of [LDL cholesterol](http://www.americanheart.org/presenter.jhtml?identifier=180) and lower [insulin sensitivity](http://en.wikipedia.org/wiki/Insulin_resistance).

Third World Poverty

Eliminating the Sugar Program Solves For Trade Barriers

Bryan Riley 2014 (Heritage Foundation’s Center for Trade and Economics; senior analyst in trade policy). “US Trade Policy Gouges American Consumers” June 5, 2014 [www.heritage.org/research/reports/2014/06/us-trade-policy-gouges-american-sugar-consumers](http://www.heritage.org/research/reports/2014/06/us-trade-policy-gouges-american-sugar-consumers)

In contrast to trade negotiators, economists are very clear about what kind of policy the United States should pursue. According to Jagdish Bhagwati: “The fact that trade protection hurts the economy of the country that imposes it is one of the oldest but still most startling insights economics has to offer.” Milton Friedman observed that: “There are so many stupid things that government is doing that, clearly, it would be in the self-interest of the public at large to have repealed. Who would—who can really on logical grounds defend sugar quotas? There’s no way of defending sugar quotas.” Options for reform by Congress include: Eliminating the sugar program, including trade barriers that protect sugar producers from international competition.

DISAVANTAGE RESPONSES

A/T “Sugar industry collapse” – USDA study finds sugar industry would still be viable

Dan Pearson 2015 (senior fellow in the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies and a former chairman of the U.S. International Trade Commission) “US Sugar Policy is Not So Sweet”, February 14 2015, <http://www.usnews.com/opinion/economic-intelligence/2015/02/14/valentines-day-would-be-sweeter-without-us-sugar-subsidies>

Other countries also have policies that distort sugar production and trade. Because of those subsidies, the U.S. sugar industry has long argued that it could not survive without government support. Many policymakers have accepted that argument, which has helped to prevent reform measures from moving forward. However, a 2015 publication by the U.S. Department of Agriculture [casts serious doubt](http://www.ers.usda.gov/publications/sssm-sugar-and-sweeteners-outlook/sssm-309.aspx#.U8A1jbHVcSk) on that presumption by presenting a study of global sugar production costs. That analysis clearly suggests that the sugar industry would remain viable, even in the absence of U.S. import restrictions and domestic supports.

A/T “Sugar industry collapse” – Canada model proves US could survive the same way

Dan Pearson 2015 (senior fellow in the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies and a former chairman of the U.S. International Trade Commission) “US Sugar Policy is Not So Sweet”, February 14 2015, <http://www.usnews.com/opinion/economic-intelligence/2015/02/14/valentines-day-would-be-sweeter-without-us-sugar-subsidies>

The proposition that all or most of the U.S. sugar industry would remain economically successful is supported by the example of Canada. That country has no sugar import restrictions or domestic supports. Despite those free-market conditions, sugar beets are produced commercially in Alberta. Defenders of the U.S. policy status quo have yet to explain why the American industry would die from exposure to open competition, while the Canadian industry lives on. Canada may have a clear advantage in some pursuits (ice hockey comes to mind), but it is not at all obvious that Canada is better suited to sugar production than is the United States.

No evidence of any consumer benefit from the US sugar program

Karl T. Muth and Katheryn R. DeVelvis 2016 (lecturers at Northwestern University. Muth is a Lecturer, Pritzker School of Law. Lecturer in Economics, Law, Organizational Behavior, Public Policy, and Statistics, Northwestern University. Develvis is a guest Lecturer, Pritzker School of Law, Lecturer in Statistics, Northwestern Univ) Virginia Policy Review, Spring 2016 <http://www.virginiapolicyreview.org/uploads/5/5/9/2/55922627/vprspring2016.pdf#page=86>

In the sugar market there is no evidence that customers receive any benefit from higher prices. In fact, the effect is a simple value transfer: consumers pay more money to obtain fewer pounds of sugar. Viewed through a lens of taxation, taxing food is one of the most regressive policy decisions possible, as everyone consumes food and impoverished households spend the highest percentage of their incomes on food. As a result, the sugar program is most damaging to the households that can least afford the additional costs it imposes, while it is most beneficial to large sugar producers that are allowed to benefit from government enforced, supernormal prices.

A/T “Lost jobs in sugar cane refining industry” – Non-unique: SQ is losing cane sugar jobs. Turn: Losing them because of high prices!

US Dept of Commerce & The International Trade Commission 2006 (International Trade Administration is an agency in the US Dept of Commerce that promotes exports of nonagricultural U.S. services and goods) “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices” February 2006 <http://trade.gov/media/publications/pdf/sugar06.pdf>

The cane refining sector has also experienced employment losses as well as a decline in the number of refineries. In 2003, there were 2,845 cane refining jobs, according to Promar International, compared to 3,891 jobs in 1997, according to Census, representing a loss of 1,046 jobs. The Sugar Alliance reports that there were seven remaining refineries in operation as of 2005, down from 11 in 1996. Job loss in cane refineries is tied to the declining demand for refined sugar for food and beverage usage, and an increase in production costs of refined cane sugar over refined beet sugar in the United States. This is largely due to the price of raw sugar in the United States that is kept high as a result of the sugar price support program. This results in decreased profitability for cane refiners.

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