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Sugar growers battle customers

By John Harper

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A think tank meeting held earlier this month in Washington, D.C., brought to the surface a tension that has long held the gaze of sugar cane producers in Louisiana.

Sugar cane farmers, as well as mills, processors and beet farmers have long been embroiled in a political war with their biggest and most reliable customers. On June 13, the customers were again on the offensive.

“Since 2000, sugar prices in the United States have been about on average 85 percent greater than the world average price, and that is adversely impacting consumers. It’s reduced their buying power,” said Daniel Ikenson, director of trade policy at the Cato Institute, the libertarian think tank that hosted the discussion.

Sugar users, represented nationally by the Sugar Users Association, also known as the Coalition for Sugar Reform, have long called for the end of the U.S. sugar price support system. They have also spoken out against U.S. International Trade Commission and Department of Commerce investigations into alleged dumping — the government-sponsored export of goods into another country, with the aim of forcing down prices — by Mexico.

But for the sugar farmers in south Louisiana, the price differential between the United States and the rest of the world is a critical, life-sustaining foothold.

“Our policy is different than most other ag policies because sugar is the most heavily subsidized commodity in the world,” said Jim Simon, president of the American Sugar Cane League in Thibodaux. ”In most of those countries there are millions of cane growers. They protect that work. They subsidize that production to make sure these millions of farmer remain employed.”

Jack Roney, an economist for the American Sugar Alliance, which represents sugar beat growers, cane farmers and processors, said most sugar in the world is produced far below cost.

“The world price for sugar has barely been on average about half of the world average cost of producing sugar,” Roney said. “That seems on the face of things impossible, but the reason there is a world sugar industry is the fact that within the countries where sugar is produced, the government maintains prices that are above the world dump market price and are sufficient for producers.”

To help make sure there is a stable market for sugar in the United States, the U.S. Department of Agriculture maintains a price floor, a point at which the price of sugar is not allowed to drop.

This is accomplished through a loan program that allows sugar farmers to receive government credit for sugar to help make up price differences.

From 2003 until last year, the program essentially paid for itself through the gradual repayment of short-term loans. But in 2013, there was a tremendous surplus on the market, forcing prices down and forcing the government to begin buying up extra sugar at taxpayer expense to maintain the price floor.

This March the sugar alliance announced it was filing the anti-dumping charges against Mexico. Roney says Mexico dumped an extra 1.5 million tons of sugar into the U.S., nearly 10 percent of the national supply.

The idea behind all the price controls is to make sure that, even when there are surpluses, farmers can remain in business and keep domestic sugar production at a steady level.

The luxury of having local sugar farmers is one the sugar users claim consumers cannot afford.

There is a succinct difference in interests between the lobby groups representing Hershey, Coca Cola and the farmers in south Louisiana who, for generations, have grown the nation's sugar supply.

Ike Brannon, a fellow at the George W. Bush Institute, was even more virulent in attacking those who grow and mill sugar.

"Sugar is a raw material for all kinds of things … and we can't produce those things in a cost-effective basis in the United States anymore because of high sugar prices," Brannon said. "So who's benefiting? If it's not the workers, if it's not the consumers, it's a very small group of people who have sizable agricultural investments in producing sugar."

Sugar grower advocates caution that just because an open sugar market would lower costs for candy and food makers, that doesn't mean the cost at the cash register would be any lower.

"In 1985 the cost of a candy bar was 39 cents. The cost of the sugar in that candy bar was 1-3 cents," Roney said. "Today the cost of a candy bar is $1.39, yet the cost of that sugar remains still 1-3 cents. The sugar users have never demonstrated a clear intention to pass savings onto the consumer."

If the trade commission and Department of Commerce find against Mexico, the U.S. could impose a tariff, or tax, on the import of Mexican sugar to make it more expensive for Mexico to send its sugar into the United States.

That would encourage the country, currently the only in the world with the freedom to sell unlimited amounts of sugar in the U.S. under the North American Free Trade Agreement, to send its sugar elsewhere and keep American prices comfortably high for sugar farmers.

The downside, at least for the companies that use sugar, is that prices for one of their largest imports will not drop.

Sugar growers have thus far held off lobbying efforts to end the price control program, but the sugar users up their ante each year.

“They are constantly campaigning against our sugar program. It doesn’t stop,” Simon said. “They are consistently and constantly trying to reduce our ingredient costs, and they are consistently trying to target the U.S. program.”

The upside, according to Simon and Roney, is that the U.S. consumer will have a reliable supply of sugar. Sugar was rationed during World War II when foreign sugar growers in Cuba and the Philippines were cut off from supply routes.

More recently the European Union ended sugar subsidies and lowered the price to global levels, with backfire results that Roney said should serve as a cautionary tale.

“By 2010-2011 we had shortages of sugar in Europe and rationing was reported in Germany. To attract more sugar from abroad, the price had to rise, and it did,” Roney said. “By 2012, sugar prices in Europe were higher than they were before the reform, consumer prices were higher and producer prices were higher.”