NATIONAL POST

Sweet deal for sugar industry

June 10, 2013

Luther Markwart will undoubtedly go down as a god in the annals of U. S. lobbying history.

The chairman of the American Sugar Alliance was a driving force behind one of the sweetest feats of protectionism ever to come out of Washington, probably the world.

Mr. Markwart managed to clinch an agreement that guarantees U. S. producers 85% of the domestic U. S. sugar market, part of a U. S. farm bill that passed last month. There are only 146,000 people involved in the entire U. S. sugar industry.

The farm bill, enacted by Congress over a presidential veto, is a US$300-billion extravaganza of protectionist insanity that increases farm spending by $20-billion at a time of record crop prices and income.

With Canada continuing to resist any changes to its own protectionist farm marketing boards and Europe steadfastly trying protect its farm interests, any meaningful reform of global agricultural policy remains a pipe dream as crunch time looms on global trade talks this summer.

In an interview, Mr. Markwart was modest about his accomplishment.

"Until you get reforms in international production and trade, you simply have to have it," he said.

Trade experts had other words for it, such as "illegal."

"I'm not a trade lawyer, but my reading of world trade law would suggest that is illegal," said Sallie James, a policy analyst with the Washington-based Cato Institute's Center for Trade Policy Studies.

No way, Mr. Markwart says.

"It doesn't violate anything under NAFTA, CAFTA any of our other bilateral trade agreements or WTO," he said, pointing out that the United States is the world's second-biggest importer of sugar after Russia.

The deal is nifty. The United States will not restrict imports. The government will simply buy up the surplus and sell it at auction to ethanol producers, likely at a loss.

Cost to U. S. taxpayers? Double the world price for sugar, or about US$1.6-billion, according to Ms. James.

In keeping with the refrain of trade protectionists everywhere, Mr. Markwart says the U. S. sugar industry will not get rid of its protections until other countries get rid of theirs.

"We cannot see in the foreseeable future that countries are willing to do that, and we are not willing to sit here and commit economic suicide because other countries will not reform," he said.

The Sugar Alliance says trade-distorting policies include export subsidies in India, government ownership of sugar industry segments in Mexico and Cuba, marketing monopolies in Thailand, and state trading enterprises in Australia.

Curiously, all it could come up with for Brazil -- the world's largest sugar producer and exporter -- is a subsidized ethanol program (ditto for the United States), debt forgiveness and persistent currency devaluations, which have obviously ended since the economy and currency have both been on a tear .

"What does he mean by unfair trade practices?," asks Michael Hart, professor of trade policy at Carleton University and former trade negotiator for Canada. "People who are able to produce sugar at a lower price than the United States? Brazil, Cuba and Australia are all highly efficient producers that are not subsidized, that could easily land sugar at a cheaper price in the United States. Nobody can sell sugar to those countries because they are super-competititve, just like we don't import a lot of wheat."

The sugar deal was only a fraction of a bill that also sees subsidy rates increase for 15 crops, and earmarks payouts to special interests across the nation, including US$170-million for salmon farmers, millions to turn national forest lands into a ski resort in Vermont, US$250-million to buy up land in Montana and US$382-million for a watershed program.

Under the bill, married couples who have gross income of US$1.5-million can still qualify for subsidies.

"It was really a disgrace, especially given the circumstances under which it was written and passed," said Ms. James. "Agriculture is doing so well, prices are high, net income is up, the average farmer is far wealthier and earns more annual income than the average American household, but it's an election year and Democrats want to hold on to gains made in rural congressional seats."

Lest Canadians do too much tuttutting, the Conservative government is defending Canada's supply-management boards at World Trade Organization negotiations.

The boards shut out virtually all imports of dairy and poultry, and fleece consumers with effective tariffs on chicken amounting to about 230%.

How is this possible?

"It's very simple arithmetic," Mr. Hart said. "There are about 15,000 to 16,000 [dairy] farmers left. They'd all be angry. There's 33 million consumers who are ignorant of all that. If you could marshall them, the equation would change. Good luck. It's never been done."

Meanwhile, France and Ireland, with big farm interests, are accusing Brussels of offering too many farm concessions without getting access from developing countries on industrial goods ahead of negotiations this summer to conclude a WTO trade deal already years delayed.

And round and round it goes. Food, the sacred cow, remains distorted by endless protectionist policies as farmers hold consumers to ransom and politicians chase the farmer vote with breathtaking cynicism. The result: higher prices for everyone.