THE ORANGE COUNTY REGISTER

Editorial: Washington's role in imperiling Twinkies

Sugar policies helped sink Hostess; other manufacturers shift to Mexico, Canada.

THE ORANGE COUNTY REGISTER – November 20th, 2012

Protectionist tariffs and quotas on imports hurt not just consumers, who pay more for goods. The trade barriers also hurt American companies who must pay more for the "protected" raw materials they use.

The latest example is Hostess Brands, which last week announced it was shutting down and laying off all 18,500 employees. A federal bankruptcy judge ordered Hostess into mediation with its unions, putting the demise of the bakery giant on hold.

Reported the Wall Street Journal, "Hostess's 372 collective-bargaining agreements required the company to maintain 80 different health and benefit plans, 40 pension plans and mandated a $31 million increase in wages and health care and other benefits for 2012.

"Union work rules usually required cake and bread products to be delivered to a single retail location using two separate trucks. Drivers weren't allowed to load their own vehicles, and the workers who loaded bread weren't allowed to load cake," the Journal said.

Union contracts weren't the only drag on the drowning company. A major ingredient in Twinkies and other Hostess products is sugar. And because of lobbying by the U.S. sugar industry, import quotas and domestic production limits boost sugar prices up to three times what's paid outside the U.S.

The sugar industry maintains that the quotas and price supports are needed to combat foreign countries' cheap labor and production subsidies. But U.S. sugar price supports have consequences.

A potential buyer of the Hostess formulas and brands is Mexico-based Grupo Bimbo. Reported the Christian Science Monitor, "[P]roduction may go the way of the Brach's and Fannie May candy concerns: south of the border. With U.S. sugar tariffs set artificially high to protect Florida sugar-growing concerns, a nonunionized shop with access to lower-priced sugar in Mexico could be the Twinkie lifeline, economists suggest."

Florida, of course, is an electoral swing state. That means no presidential candidate would suggest ending sugar subsidies.

Sally James, an agricultural trade expert with the libertarian Cato Institute, told us that food companies also have moved to Canada, which has labor costs roughly equal to those in America. But Canada, like Mexico, has no sugar protectionism. Ms. James mentioned Kraft, which moved its LifeSavers factory to Quebec, costing 600 U.S. jobs.

And in 2001, the Hershey Co. shuttered three U.S. plants and moved production to Canada.

Sugar price manipulations began in 1934 as a "temporary" measure to help farmers during the Great Depression. "Like sugar, protectionism is addictive," Ms. James said.

This past June, Sen. Pat Toomey, R-Pa., led a bipartisan movement to eliminate the sugar subsidies by passing Senate Amendment 2433 to the Farm Bill, S 3240. Candy maker Hershey, of course, is located in Hershey, Pa. Opposed heavily by the sugar lobby, the amendment lost June 20 by a vote of 46-53.

We encourage Congress again to take up freeing the price of sugar. With the economy visibly slowing again, we just can't keep losing jobs to sour policies.