



U.S. Sugar Policy Is Not So Sweet

Valentine's Day would be just a bit sweeter if the U.S. stopped distorting the sugar market.

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Today, millions of Americans will give boxes of candy to their valentines. Seeking to strengthen loving relationships is a very good thing; what is not so good is that the candy will cost more than it should because of U.S. sugar policy. The sugar program should be reformed to make sweetness and romance more affordable.

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.

A [2011 study](#) by economists at Iowa State University estimated that consumers would save up to \$3.5 billion per year (depending on the size of the gap between U.S. and world prices), if the United States ended all market-distorting sugar policies. Given that the 2007 Census of Agriculture was able to count only 4,714 sugar farmers (4,022 producing beets and 692 producing cane), that amounts to a consumer cost of about \$740,000 per farmer. Perhaps it's not surprising that sugar growers have been willing to live with the program's restrictions in order to enjoy its benefits.

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](#) 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.

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.

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.

Would ending the U.S. sugar program in 2015 guarantee that all Americans would revel in Valentine's Day bliss a year from now? Unfortunately, no. Reform of U.S. sugar policy won't fulfill the desires of every heart. However, it would provide significant benefits to consumers, as well enhancing the stature of the United States as a country that is willing to work toward an open, competitive, and growing global economy. And that's not a bad way to show some sweetness and love to mankind.

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