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Commentary

Obama cuts sour deal on sugar

Daniel Griswold

President Barack Obama has kept a campaign promise to the sugar lobby at the expense of American families struggling to pay their grocery bills and U.S. manufacturing workers fighting to keep their jobs.

With global sugar prices at record highs, a coalition of sugar-using industries petitioned the administration to lift quotas on imported sugar to bring more competition and lower prices to the U.S. market. In a letter dated Aug. 7, the coalition pleaded that "Without a quota increase, consumers will pay higher prices, food manufacturing jobs will be at risk and trading patterns will be distorted. Please act now in the interest of all Americans."

Bowing to the American Sugar Alliance, the powerful lobby for sugar growers that Obama courted during the presidential campaign, the U.S. Department of Agriculture decided instead to keep the quotas at their current restrictive level. So much for change.

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Since the early 1980s, the domestic U.S. sugar industry has enjoyed cartel-like control of the domestic market. A system of price supports and import quotas virtually guarantees domestic beet and cane growers an 80 percent market share. At times, this has forced American families and sugar-consuming industries to pay prices two or three times the spot world price.

This has been bad news for families, who must pay higher prices at the grocery store, but equally bad for a segment of American workers. Artificially high domestic sugar prices raise the cost of production for refined sugar, candy and other confectionary products, chocolate and cocoa products, chewing gum, bread and other bakery products, cookies and crackers, and frozen bakery goods. Higher costs cut into profits and competitiveness, putting thousands of jobs in jeopardy.

In a 2006 report, the U.S. Commerce Department confirmed that the sugar program is not such a sweetheart deal for the U.S. food manufacturing industry. When U.S. companies are forced to pay two to three times the world price for wholesale refined sugar, as they have for the past 25 years, it erodes their competitiveness and profitability.

For makers of confectionary products and breakfast cereals, for example, sugar accounts for 20 to 30 percent of the total cost of production. As a consequence, "Many U.S. (sugar-containing product) manufacturers have closed or relocated to Canada

where sugar prices average less than half of U.S. prices and Mexico where sugar prices average about two-thirds of U.S. prices."

The Commerce report surveys the damage: Ferrara Pan Candy in Forest Park, Ill., closed its domestic facilities and eliminated 500 jobs while opening one plant in Mexico and two in Canada. Long a hub for the confectionary industry, the Chicago area lost 4,000 jobs in the industry from 1991 to 2001, including 1,000 jobs at Brachs facilities.

Elsewhere in the country, Kraft Inc. announced in 2002 that it was closing a Lifesavers candy factory in Holland to relocate production to Canada, where the company could buy sugar at world-market prices. Hershey Foods closed plants in Pennsylvania, Colorado and California while moving production to Canada. The number of sugar refineries in the United States has dropped from 23 to eight in large part because of the high costs of domestic raw sugar.

In each of those cases, company representatives cited the high price of domestic sugar as a major reason for the exodus of productive capacity and employment from the United States. In all, 6,400 workers in the sugar-processing industry have lost their jobs because of their own government's deliberate policy to drive up the cost of their major input. According to the U.S. International Trade Commission, the sugar program "saves" only 2,200 jobs in the sugar growing and harvesting industry. So our sugar policy eliminates three jobs for every one it saves.

The Commerce report concluded that "eliminating sugar quotas and tariff rate quotas and allowing sugar to freely enter the United States duty free would result in economic gains in the form of increased domestic food manufacturing production and U.S. exports, gains for consumers, taxpayer savings and a net positive effect on U.S. employment."

If Obama wants to stand up to special interests, put money in the pockets of working families and defend American manufacturing jobs, he should order the Department of Agriculture to reconsider its recent decision to uphold the unjust status quo of the sugar program.

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