



Sugar Program Proposals for the 2012 Farm Bill

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Summary

The sugar program is structured to operate at no cost to the federal government—an objective that has been achieved over the last decade primarily using two tools: marketing allotments that limit the amount that sugar processors can sell, and import quotas that restrict the quantity of foreign sugar allowed to enter the U.S. market. Since the program records no outlays, its future did not receive attention among the proposals submitted to the House and Senate Agriculture Committees for revising the farm safety net and reducing farm program spending.

Producers of sugar beets and sugarcane, and the processors of these crops into sugar, favor retaining the current program without change. They highlight the jobs and economic activity created by the domestic sugar sector. Two general farm organizations and a coalition of some developing countries that benefit from selling against their shares of the U.S. sugar import quota also support continuing the current sugar program.

Food manufacturing firms that use sugar in their products advocate program elimination or a transition toward a free market in sugar in the United States. In support of these changes, they point to the higher wholesale refined sugar prices paid since the 2008 farm bill provisions took effect (twice the level compared to the previous 2002 farm bill period). Consumer, trade advocacy groups, and general business organizations that favor freer trade support their position.

The Senate Agriculture Committee's reported farm bill (S. 3240) would reauthorize the current sugar and sugar-to-ethanol programs without any changes through crop year 2017. The American Sugar Alliance, representing sugar producers and processors, applauded the committee's decision to continue the "no-cost" U.S. sugar policy. The Coalition for Sugar Reform, representing sugar-using food manufacturing firms and their allies, expressed disappointment that the committee extended what they call an "outdated and anticompetitive" program. The House Agriculture Committee plans to consider its version of a farm bill in late June.

Congressional opponents of current U.S. sugar policy have stated their intent to seek changes to the program in Senate floor action and House committee markup. Introduced bills and other proposals form the basis for amendments expected to be offered. S. 25 would phase out sugar loan rates in stages through the 2014 crops, and eliminate all price support beginning in 2015. The text of this bill was offered as an amendment during Senate floor debate on June 13, and tabled (i.e., rejected) on a 50-46 vote. Other pending bills, S. 685/H.R. 1739; Title I, Subtitle C, of identical bills S. 1658/H.R. 3111; H.R. 1385; and Section 521(a) of identical bills H.R. 408/S. 178, would repeal all sugar price support provisions immediately or starting with the 2013 crops.

All eight introduced bills would repeal all statutory authorities pertaining to sugar marketing quotas and allotments, payments made to processors to store sugar forfeited to the U.S. Department of Agriculture (USDA), storage facility loans, and the feedstock flexibility program for bioenergy producers (i.e., the sugar-to-ethanol) program. However, they differ in changes proposed to the sugar import quota. Some bills would require that each year's import quotas for raw cane sugar and refined sugars be set to ensure "an adequate supply of sugar at reasonable prices in the United States." By contrast, the other measures would go further and completely eliminate all U.S. tariffs on sugar imports as well as the quota-setting authority administered by USDA and the U.S. Trade Representative. Pending S.Amdt. 2433 to S. 3240 would return price support loan rates to 2008 levels, and require USDA to administer the sugar import quota and marketing allotments to provide "adequate supplies of sugar at reasonable prices."

Contents

Overview of Sugar Program	1
Supporters of Sugar Program.....	1
Opponents of Sugar Program.....	2
Legislative Activity in the 112 th Congress	2
Senate Farm Bill Activity	2
House Farm Bill Activity.....	3
Bills Introduced by Program Opponents	4

Contacts

Author Contact Information.....	5
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Overview of Sugar Program

The U.S. sugar program is up for renewal this year as Congress considers the future of all farm commodity programs in the context of the omnibus 2012 farm bill. As now structured, the sugar program provides a price guarantee to producers of sugar beets and sugarcane and to the processors of both crops. The U.S. Department of Agriculture (USDA) further is directed to administer the program at no budgetary cost to the federal government by limiting the amount of sugar supplied for food use in the U.S. market. To achieve both objectives, USDA has four available tools—authorized by the 2008 farm bill (Food, Conservation, and Energy Act of 2008, P.L. 110-246, Subtitle D of Title I) and Chapter 17 of the Harmonized Tariff Schedules of the United States—to keep domestic market prices above guaranteed levels. These are:

- extending price support loans at specified levels (the basis for the price guarantee);
- setting marketing allotments to limit the amount of sugar each processor can sell;
- establishing import quotas to restrict the amount of sugar allowed to enter the U.S. market; and
- making a sugar-to-ethanol backstop available if marketing allotments and import quotas are insufficient to prevent a sugar surplus from developing.

For an explanation of how these tools operate together, see CRS Report R42535, *Sugar Program: The Basics*.

Supporters of Sugar Program

Producers of sugar beets and sugarcane, and the beet refiners and raw sugar mills that process these crops into refined sugar and raw cane sugar, respectively, advocate extending the U.S. sugar policy that Congress adopted in the 2008 farm bill. Spokesmen argue that the program has succeeded in ensuring “reliable supplies of high-quality, safe, responsibly-produced sugar at reasonable prices” for consumers, and provided producers “an economic safety net.” They emphasize that these objectives have been achieved at “zero cost to American taxpayers.”¹ Sugar crop producers and processors are represented by the American Sugar Alliance (ASA).

Two large general farm organizations support continuing the current sugar program. The American Farm Bureau Federation states that while other commodities will be faced with reduced government support in the next farm bill, “the sugar program should be left intact as efforts to generate savings would require convoluted policy structures.” The National Farmers Union supports continuing the sugar program and “encourages Congress to work with ... sugar producers to adopt a strong sugar program in future farm bills.” Also, a coalition of 17 developing countries that benefit from preferential quota access to the U.S. sugar market favor continuing current U.S. sugar policy, arguing that it “provides a guaranteed level of access ... at fair, predictable prices.”²

¹ American Sugar Alliance, statement submitted to the House Agriculture Committee’s Subcommittee on General Farm Commodities and Risk Management, hearing on “Formulation of the 2012 Farm Bill: Commodities & Crop Insurance,” May 17, 2012, accessed at <http://www.sugaralliance.org/images/stories/PapersAndTestimony/ASA-HAC-testimony-5-12.pdf>.

² American Farm Bureau Federation, “Policy Recommendations for the 2012 Farm Bill,” September 28, 2011, p. 5, (continued...)

Opponents of Sugar Program

Sugar users (i.e., manufacturers of sugar-containing food products and beverages) are proposing changes to the U.S. sugar program. In their view, the sugar program “was made worse by the 2008 farm bill” and operates as “a textbook example of the consequences of excessive government intrusion in the marketplace.” They argue that the program, “by overly restricting the supply of sugar in the U.S. market,” has kept U.S. market sugar prices “far above” world sugar prices. This development, they contend, has resulted in U.S. consumers and food manufacturers paying more for sugar than foreign users do, encouraged the relocation of food processing jobs offshore, led to the elimination of thousands of U.S. jobs, and created a “dramatic inequity of the benefits provided to sugar growers over other agricultural producers” supported by other commodity programs.³

Sugar users are primarily represented by the Coalition for Sugar Reform (CSR). CSR includes the food and beverage companies that use sugar (e.g., confectionery firms, bakeries, cereal manufacturers, beverage makers and dairy companies, and the trade associations for these industries), consumer and trade advocacy groups, and business organizations. Two trade associations representing food manufacturing firms where sugar is a principal input have placed U.S. sugar policy at the top of their legislative agenda. They are the American Bakers Association and the National Confectioners Association.⁴

Legislative Activity in the 112th Congress

Senate Farm Bill Activity

The Senate Agriculture Committee, in approving its farm bill (S. 3240) on April 26, 2012, reauthorized the current sugar program without any change through crop year 2017 (Section 1301 of the Agriculture Reform, Food, and Jobs Act of 2012). The committee also reauthorized the sugar-to-ethanol program in the bill’s Energy title (Section 9009). Senate leadership has indicated that this bill will be considered on the Senate floor in June.

The American Sugar Alliance noted that the committee “overwhelmingly agreed that America’s popular no-cost sugar policy should be continued.” It added: “This is great news” for those employed in the sugar sector, for U.S. food security, and for taxpayers who will benefit from an “ample and affordable” sugar supply without government cost.⁵

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accessed at <http://www.fb.org/issues/FarmBureauRecommendations110928.pdf>; National Farmers Union, *2012 NFU Policy*, adopted by delegates at their March 2012 convention, accessed at <http://www.nfu.org/policy-nfu/218-article-i/973-e-commodities#anchor5>; ASA, “Developing Nations Reaffirm Sugar Policy Support, Praise Farm Bill,” May 21, 2012, accessed at <http://www.sugaralliance.org/newsroom/developing-nations-reaffirm-sugar-policy-support-praise-farm-bill.html>.

³ Coalition for Sugar Reform, statement submitted to the House Agriculture Committee’s Subcommittee on General Farm Commodities and Risk Management, hearing on “Formulation of the 2012 Farm Bill: Commodities & Crop Insurance”, May 17, 2012, accessed at <http://sugarreform.org/wp-content/uploads/2011/06/CSR-House-Ag-Testimony-May-17-2012-FINAL-.pdf>.

⁴ American Bakers Association, “Sugar Program Reform,” accessed at <http://americanbakers.org/issues/sugar/>; CSR, “Message from the Chairman”—President, National Confectioners Association, accessed at <http://sugarreform.org/about/message-from-the-chairman/>.

⁵ ASA, “Senate Agriculture Committee Continues No-Cost Sugar Policy,” April 26, 2012, accessed at (continued...)

The Coalition for Sugar Reform expressed “disappointment” that the committee extended the “outdated and anticompetitive U.S. sugar support program.” It views the program as forcing “U.S. sugar-using industries to pay 50 percent or more above the world price for sugar, at the direct expense of U.S. consumers and jobs.”⁶

Senator Lugar had signaled that he would offer an amendment on the sugar program during committee markup, but subsequently announced that he will instead offer an amendment when the farm bill comes up for Senate floor debate.⁷ He since has joined other Senators who plan to offer an amendment to modify current program authority during that debate.

On June 13, 2012, the Senate tabled S.Amdt. 2393 to S. 3240, offered by Senator Reid for Senator Shaheen, on a 50-46 vote. It would have phased out the sugar program within three years and required USDA to administer the sugar import quota to ensure an adequate U.S. sugar supply “at reasonable prices” and a “robust and competitive” sugar processing sector. This amendment’s text is virtually identical to that found in S. 25 (see below for details).

Two other sugar amendments to the Senate farm bill are expected to be considered, now that Senate leadership has secured unanimous consent on how to proceed to debate 73 pending amendments. S.Amdt. 2433 to S. 3240, offered by Senators Toomey, Shaheen, and Lugar, would retain but modify the sugar program’s price support, marketing allotment, and import quota provisions. Loan rates would be lowered from current FY2012 levels (18.75 ¢/lb. for raw cane sugar, 24.09 ¢/lb. for refined beet sugar) to about the levels in effect in FY2008 (18.0 ¢/lb. for raw cane sugar, and 22.9 ¢/lb. for refined beet sugar). Other changes would require USDA to administer marketing allotments in ways that ensure that supplies of sugar (including imports) result in “reasonable prices.” It would grant USDA discretionary authority to suspend or modify any marketing allotment provision, taking into account the interests of consumers, those employed in the food production sector, businesses, and agricultural producers. This proposal also would require USDA to exercise discretion in administering the sugar import quota—for example, by allowing for adjustments in quota levels to provide for adequate sugar supplies at reasonable prices. Another provision would require USDA to set the ending sugar stocks-to-use ratio at about 15.5%, but with authority to adjust this target to prevent “unreasonably” high prices or loan forfeitures. Another provision would repeal the sugar-to-ethanol program. S.Amdt. 2340 filed by Senator Chambliss would allow USDA to decide earlier in the year whether to increase the quantity of foreign raw sugar allowed to enter the U.S. market under an import quota, by advancing the window to do so from April 1 to February 1.

House Farm Bill Activity

The House Agriculture Committee concluded its farm bill hearings on May 18, and reportedly will mark up its farm bill in June. The committee chairman and ranking Member have stated their support for continuing the sugar program without any change and their desire to move quickly in light of the expiration of most farm bill programs in 2012.

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<http://www.sugaralliance.org/newsroom/Senate-Agriculture-Committee-Continues-No-Cost-Sugar-Policy.htm>.

⁶ CSR, “Costly Sugar Policy Receives Rubber Stamp Approval by Senate Agriculture Committee,” April 26, 2012, accessed at <http://sugarreform.org/wp-content/uploads/2011/07/CSR-Release-Senate-AG-Markup-FINAL-4-26-12.pdf>.

⁷ Press release issued by Senator Lugar, “Lugar Vows to Offer Sugar Program Amendment on Senate Floor,” April 26, 2012, accessed at <http://www.lugar.senate.gov/record.cfm?id=336640&>.

Two House Members have signaled that if the Agriculture Committee “fails to undertake significant reform of the sugar program,” they “will be left with no other option than to offer House floor amendments to the farm bill to achieve sugar policy reform.”⁸

Bills Introduced by Program Opponents

To date, Members have introduced eight measures that would make significant changes to U.S. sugar policy. **S. 25** (Stop Unfair Giveaways and Restrictions Act of 2011, introduced by Senator Shaheen) would phase out in stages the loan rates for the 2012-2014 crops from sugar beets and sugarcane. Price support would not be available for the 2015 and subsequent crop years. Price support during the three-year transition period would only be available in the form of “recourse” loans, meaning cash repayment irrespective of the market price (even if lower than the loan rate) when repaid. **S. 685/H.R. 1739** (Free Sugar Act of 2011, introduced by Senator Lugar and Representative Dold, respectively) would repeal all sugar price support provisions, effective with the 2012 crops. Title I, Subtitle C, of **S. 1658/H.R. 3111** (Rural Economic Farm and Ranch Sustainability and Hunger [REFRESH] Act, a comprehensive farm bill proposal introduced by Senator Lugar and Representative Stutzman, respectively) would repeal all sugar price support provisions, effective with the 2013 crops. One amendment that Senator Lugar considered offering during Senate Agriculture Committee markup is virtually identical to the sugar program repeal provisions in S. 1658. **H.R. 1385** (Free Market Sugar Act, introduced by Representative Pitts) and Section 521(a) of **H.R. 408/S. 178** (introduced by Representative Jordan and Senator DeMint, respectively) would immediately repeal all sugar price support provisions.

All eight bills would repeal all statutory authorities pertaining to sugar marketing quotas and allotments, payments made to processors to store sugar forfeited to the USDA, storage facility loans, and the feedstock flexibility program for bioenergy producers (i.e., sugar-to-ethanol) program. However, they differ in the changes proposed to the sugar import quota.

S. 25, H.R. 1385, and Section 521(b) of H.R. 408/S. 178 would require USDA to establish each year’s import quotas for raw cane sugar and refined sugars to ensure “a robust and competitive sugar processing industry in the United States” and “an adequate supply of sugar at reasonable prices in the United States.” To meet these objectives, USDA is directed to consider five factors that take into account U.S. food demand for sugar, sugar production, carryover stocks from the previous year, the “quantity of sugar that would provide for reasonable carryover stocks” at the end of the marketing year, and U.S. import obligations made under trade agreements. By contrast, S. 685/H.R. 1739 and S. 1658/H.R. 3111 would go further and completely eliminate all U.S. tariffs on sugar imports as well as the quota-setting authority administered by USDA and the U.S. Trade Representative. In other words, the United States would no longer restrict imports of sugar from foreign countries granted most-favored-nation trade status.

⁸ Rep. Joe Pitts and Rep. Danny Davis, “Sugar Caucus Co-Chairs Submit Joint Testimony—Urge Agriculture Committee to Change Sugar Program,” May 17, 2012, accessed at http://davis.house.gov/index.php?option=com_content&task=view&id=325&Itemid=1.

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