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America’s Bittersweet Sugar Policy

by Mark A. Groombridge

Executive Summary

Nowhere is there a larger gap between the U.S. government’s free-trade rhetoric and its protectionist practices than in the sugar program. Through preferential loan agreements and tariff-rate quotas, the U.S. government thwarts price competition to maintain an artificially high domestic price for sugar—a price that can be twice the world market price or higher.

The program benefits a small number of sugar producers, but virtually every governmental and nongovernmental survey concludes that the program results in a net loss of welfare for the U.S. economy, with U.S. consumers suffering the most. Direct costs to consumers due to higher prices could be as much as $1.9 billion a year and the net welfare loss to the U.S. economy nearly $1 billion. Moreover, the U.S. government spends close to $1.68 billion a year buying and storing excess sugar to maintain those artificially high domestic prices.

U.S. sugar consumers would not be the only winners if U.S. price supports and quotas were removed. Poor nations would benefit as well. Freeing just the U.S. market would boost global demand and raise world prices by 17 percent, increasing the annual export earnings of developing nations by $1.5 billion.

America’s sugar quotas pose a threat to multilateral and regional trade negotiations. U.S. trading partners routinely and rightly point to quotas as being inconsistent with U.S. demands for more open markets abroad. The sugar program has become an obstacle to lowering foreign trade barriers to U.S. exports.

The U.S. sugar program is a classic case of concentrated benefits and dispersed costs: a very small number of sugar growers receive enormous benefits, while the costs of providing those benefits are spread across the U.S. economy, specifically to consumers and confectioners. Repealing the sugar quota program will require more vigorous leadership from the president and the many members of Congress who represent far more people who suffer from the U.S. sugar program than who benefit.

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The U.S. sugar program is a failure by every measure except its political support in Congress.

Introduction

The United States has long championed itself as the world leader of the free-trade movement. Recognizing that protectionist trade barriers hurt consumers as well as exporters and import-consuming industries, the United States has been at the forefront of trade liberalization since World War II. But that leadership has been missing in several politically sensitive sectors of the U.S. economy. Despite the economic arguments in favor of free trade, some industries remain highly protected because of the strength of powerful interest groups and the absence of countervailing consumer pressure to reform. Those barriers hurt the domestic economy and undermine U.S. efforts to launch successful multilateral and regional trade negotiations to promote more open markets around the world.

Perhaps there is no more egregious example of the U.S. government's hypocrisy in this regard than its sugar policy. Through policies such as preferential loan agreements and tariff-rate quotas, the U.S. sugar industry is highly effective at keeping foreign sugar out. By guaranteeing a minimum price for sugar, the U.S. government forces the price of sugar in our market to go up substantially.

Who pays the price for our sugar programs? The answer is U.S. industries that rely on sugar as an input and, ultimately, of course, U.S. consumers. Sugar programs raise prices for consumers through restricted competition and impose costs on taxpayers because the U.S. government must buy and store excess sugar to maintain those artificially high domestic prices.

It is not just U.S. consumers that suffer from trade protections in the sugar industry—the foundations of the multilateral trading system suffer as well. A number of countries point to the U.S. policy on sugar as a justification for not lowering their own trade barriers. Given the number of Latin American nations involved in the production of sugar, U.S. sugar policy will likely make it difficult to successfully conclude a free-trade agreement of the Americas (FTAA), which would establish the entire western hemisphere as a free-trade zone. U.S. sugar policy will also complicate efforts to launch a new round of global trade talks through the World Trade Organization.

Advocates of trade barriers in the U.S. sugar industry argue that other countries protect their own sugar industries far more than does the United States. In some cases that is true, but it is a very weak excuse for keeping foreign sugar out of the U.S. market. Lowering trade barriers in the U.S. sugar industry, even unilaterally, is a favor that we can bestow upon ourselves.

Yet the sugar program endures. The U.S. House of Representatives, in February 1996, came within five votes of abolishing the U.S. sugar program; five years later, on October 4, 2001, the House could only muster 177 votes for a modest amendment to cut the sugar loan rate by 1 cent per pound. The U.S. sugar program is a failure by every measure except its political support in Congress.

Sugar Policy in the United States

The United States is the world's fourth largest producer of sugar (behind Brazil, India, and China) and the fourth largest importer.[1] Since 1981 the U.S. government has operated a price support program for sugar beet and sugar cane producers and processors. The ostensible goal is to maintain high prices by limiting imports. Unlike other agricultural sectors in the United States, there are no restrictions on domestic sugar production. There were cosmetic changes to sugar policy in the Federal Agriculture Improvement and Reform (FAIR) Act of 1996, but no substantive reforms were made.[2]

Historically, the United States produced about 55 percent of the sugar it consumed and imported 45 percent. Largely as a result of current U.S. sugar protections, today the United States produces 88 percent of domestic consumption and imports only 12 percent.[3]

The U.S. sugar program has two primary facets. The first is price support loans. Unlike other farm loan programs, the U.S. sugar program makes loans available to millers and processors, which are generally corporations or cooperatives, rather than directly to individual farmers. Under a system of "non-recourse" loans, processors agree to pay growers the government-established minimum price based on loan rates for cane and beet sugar, pledging the sugar as collateral. When the loan matures, processors must decide whether to pay off the loan, plus interest, and sell the pledged sugar on the domestic market, or forfeit the sugar and keep the money paid to them by the U.S. government. If domestic sugar prices fall below the loan rate, sugar processors may forfeit up to 10 percent of their sugar to the U.S. government, with a 1-cent per pound penalty, rather than repay the loans.

Of course, if the U.S. sugar market were open to unrestricted imports, the artificially high domestic price would attract lower-priced imported sugar, driving down the domestic price and forcing the government to acquire huge amounts of sugar as processors decided to forfeit their sugar to the U.S. Department of Agriculture. To avoid that scenario, the U.S. government intervenes in the market a second time: through a system of tariff-rate quotas (TRQ).

Tariff-rate quotas for raw cane sugar are allocated on a country-by-country basis among 41 countries in total, while those for refined sugar are allocated on a global first-come, first-served basis. If demand for sugar outstrips supply in the United States, the USDA can alter the quota as needed. Although sugar can enter our market in excess of the TRQ, a prohibitive duty of close to 16 cents per pound is imposed.[4]

Government intervention is somewhat limited by international agreement. In accordance with the 1994 Uruguay Round Agreements (which established the WTO), the United States is committed to importing roughly 1.25 million tons of sugar annually. Similarly, under the North American Free Trade Agreement, the United States must accept an increasing amount of sugar imports from Mexico and grant Mexican producers full access to the U.S. sugar market by 2008.[5] Despite those mild constraints, the U.S. sugar program remains highly interventionist.

Who Pays the Price for Protectionism?

Documenting the exact cost of trade protectionism in any industry is no easy task, and the sugar industry is no exception. Virtually every governmental and nongovernmental survey, however, concludes that the U.S. sugar program results in a net loss of welfare for the U.S. economy, with U.S. consumers suffering the most.

A Huge Consumer Tax

Although there is some fluctuation in price, U.S. consumers over the past 20 or so years have typically paid roughly twice the world market price (Table 1). Currently, the number is higher, with U.S. consumers paying 22 cents a pound for sugar, while the world price (as of October 15, 2001) is just under 7 cents a pound.[6] World market prices will likely remain low as well in light of expanding production. Global sugar production has increased 22 percent in the last six years, with Brazil accounting for the largest gain.[7]

The U.S. General Accounting Office, which does not take a policy position in the debate, estimated in its latest analysis that the sugar program cost domestic sweetener users $1.9 billion in 1998. By "users" the GAO means sugar cane refiners, food manufacturers, and consumers.[8] Complementing the GAO report, the U.S. International Trade Commission concluded that abolishing the U.S. program would result in a net annual welfare gain to the U.S. economy of $986 million.[9]

Other studies have also found that significant economic costs are imposed by U.S. sugar protectionism. One study by the Australian Bureau of Agriculture and Resource Economics concluded that U.S. government support accounts for around 40 percent of American sugar producers' revenue. According to the ABARE study, if the United States unilaterally removed its trade barriers on sugar, U.S. consumers would save an estimated $1.6 billion a year, and the U.S. economy as a whole would gain an additional net $456 million per year.[10]

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Table 1
U.S. and World Prices for Raw and Refined Sugar, 1985–98 (cents per pound)

Year	U.S. Raw Cane Sugar[a]	U.S. Wholsale Refined Beet Sugar	U.S. Retail Refined Sugar	World Raw Sugar[b]	World Refined Sugar[c]
1985	20.34	23.18	35.34	4.04	6.79
1986	20.95	23.38	35.08	6.05	8.47
1987	21.83	23.60	35.28	6.71	8.75
1988	22.12	25.44	36.60	10.17	12.01
1989	22.81	29.06	40.03	12.79	17.16
1990	23.26	29.97	42.78	12.55	17.32
1991	21.57	25.65	42.80	9.04	13.41
1992	21.31	25.44	41.53	9.09	12.39
1993	21.62	25.15	40.54	10.03	12.79
1994	22.04	25.15	39.99	12.13	15.66
1995	22.96	25.83	39.83	13.44	17.99
1996	22.40	29.20	41.79	12.24	16.64
1997	21.96	27.09	43.26	12.06	14.33
1998	22.06	26.12	42.98	9.68	11.59

Source: Economic Research Service, USDA, *Sugar and Sweetener Situation and Outlook* (Washington: USDA September 1999); and the New York Coffee, Sugar, and Cocoa Exchange, as displayed in U.S. General Accounting Office, "Sugar Programs: Supporting Sugar Prices Has Increased Users' Costs While Benefiting Producers," June 2000, p. 14.

Note: U.S. and world prices are in nominal dollars.

[a]U.S. prices are based on futures contract prices for number 14 raw cane sugar on the New York Coffee, Sugar, and Cocoa Exchange.

[b]World prices are based on bulk spot contracts for number 11 raw cane sugar on the New York Coffee, Sugar, and Cocoa Exchange (free on board stowed Caribbean port, including Brazil). To compare the world and U.S. prices, 1.5 cents per pound needs to be added to the world price to account for the cost of transporting raw sugar from the Caribbean to New York.

[c]World prices are based on spot contracts for number 5 refined sugar, London daily price (free on board Europe).

The U.S. sugar program makes the confection industry less profitable, hurting its shareholders and workers alike.

Regardless of the exact cost to U.S. sugar refiners, food manufacturers, and, most important, U.S. consumers, it is naive to think that there is not at least some cost imposed. The entire rationale underpinning trade protectionism is to raise domestic prices by limiting supply—in this case from overseas markets. Obviously, that cost is passed on to consumers and sugar-using producers. And although dismantling the U.S. sugar program may or may not lead directly to lower prices for consumers (evidence on this is mixed), the bulk of the data shows that it will slow price increases.[11] At a minimum, the U.S. sugar program results in a misallocation of investment in the confection industry. It creates artificial distortions by forcing confectioners to allocate more money for one of their most important inputs. That makes the industry less profitable, hurting its shareholders and workers alike.

U.S. sugar consumers and sugar-consuming industries are not the only losers. Sugar producers in poor nations also pay a price for U.S. policy. Freeing just the U.S. sugar market would result in an increase in world prices of 17 percent, increasing the annual export earnings of developing nations by $1.5 billion.[12]

The "It Could Be Worse" Argument

Proponents of the status quo argue that U.S. sugar protections are justified in light of protectionism in other countries. It is true that sugar is one of the most highly protected commodities in the world. Nearly 40 percent of world production is highly subsidized, and over 90 percent of world sugar supplies are sold at prices above world spot market prices.[13] It is also true that U.S. retail sugar prices are lower by 20 and 50 percent than prices in Western Europe and Japan, respectively.[14]

It is disingenuous, though, to argue as some people do that this "saves" Americans $2 billion per year.[15] Proponents of sugar protectionism use sugar prices in Western Europe and Japan as benchmarks and argue that, since our sugar prices are lower, this constitutes a savings. That is ridiculous on its face. The benchmark should be the world market price. That Western Europe and Japan have even worse sugar programs in place than does the United States is a poor excuse for continuing to protect the U.S. market.

What the U.S. sugar industry does not want people to know is that a number of countries are expanding their sugar production capabilities at a relatively low cost with little to no subsidies. Countries such as Australia and Thailand have doubled their production and exports at the world market price.[16] The reason for their expanded production is relatively straightforward—comparative advantage stemming from favorable climatic conditions and lower labor costs.

Jobs Lost and Jobs Gained

Proponents of the U.S. sugar program advance the specious argument that reform of the program would jeopardize 420,000 American jobs, but that number is wildly exaggerated.[17] According to the USITC, only about 16,400 American workers were employed in raw cane sugar, beet sugar, and cane sugar refining in 1996.[18] Of those workers, fewer than 3,000 would lose their jobs if quotas were repealed—a miniscule number in an economy of 140 million workers. The USITC model also predicts that an equal number of jobs would be created in other sectors of the economy that would benefit from lower sugar prices.[19]

Most of the jobs supposedly jeopardized by opening the sugar market are not involved in producing sugar at all, but in producing other sweeteners. Of the 420,000 figure cited by defenders of the sugar program, 250,000 are employed in corn sweetener production in the Midwestern farm belt.[20] Corn growers benefit from the U.S. sugar program because inflated sugar prices create an artificial incentive for confectioners, soft drink makers, and the like to switch to corn syrup, which serves as a substitute for sugar.[21] But the 250,000 figure contrasts with some 520,000 workers in the food processing industry who would benefit from repeal of sugar protectionism. Cities such as Chicago, which have a large number of confection industries, are feeling the pinch, prompting Chicago's mayor, Richard M. Daley, to release a statement condemning U.S. sugar policy.[22] Daley noted that the confection industry had lost 11 percent of its Chicago-based jobs since 1991 and that, "the continuation of domestic sugar price supports . . . is a key reason these companies [confectioners] are considering leaving Chicago and relocating their facilities outside of U.S. borders."[23] The U.S. sugar program is protecting jobs in the sugar and related industries only by destroying jobs in sugar-using industries.

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The Cost to Taxpayers and the Environment

The cost of the sugar program is more than higher prices at the grocery store. An artificially induced oversupply of domestic sugar has forced the U.S. government to store sugar or in some cases to have sugar fields plowed under. Because of new technologies, preferential government policies, and favorable weather conditions for much of the 1990s through the present, production of U.S. sugar has surged ahead of demand. In the late 1990s production increased, on average, 6 percent per year, while demand grew at less than 2 percent per year.[24] In 1999 a record 8.5 million tons of sugar were produced, pushing domestic prices to their lowest levels in 20 years (although they remain far above the world price). Oversupply problems have continued into 2001 (Figure 1).

In response to this oversupply averaging 1 million tons per year, USDA took two further steps in 2000 to boost U.S. prices. First, it

Figure 1
U.S. Sugar Production (in millions of short tons), Fiscal Years 1990–2000

Source: U.S. General Accounting Office, "Sugar Program: Supporting Sugar Prices Has Increased Users' Costs While Benefiting Producers," June 2000, p. 15.

The sugar program affects the environment by encouraging sugar production in such ecologically sensitive places as the Florida Everglades.

bought a record amount of sugar in May 2000 and stuck it in a warehouse at the cost of $1.4 million a month.[25] Originally, USDA planned to allow the stockpiled sugar to be sold for processing into ethanol, but the agency was forced to retreat on that policy when ethanol producers argued that they would be adversely affected.

Second, in August 2000, USDA actually paid sugar growers to plow under some of their sugar beet crop in order to reduce output. Neither action succeeded in raising prices sufficiently high to allow producers to pay back all of their loans. Consequently, USDA had to pay out significant sums for the sugar program for the first time since 1986.[26] These payouts are likely to continue given estimates of future production trends. USDA estimates the program will cost the government an additional $2 billion over the next 10 years.[27] Currently, roughly 9 percent of the 1999-2000 domestic crop (some 793,000 tons) is sitting in warehouses, paid for by the U.S. government, or more to the point, U.S. taxpayers.[28]

The U.S. sugar program also affects the environment by encouraging sugar production in such ecologically sensitive places as the Florida Everglades. In 2000 Congress passed a $7.8 billion Everglades restoration package in an attempt to reverse the damage caused in large part by sugar farming. Sugar production in southern Florida has disturbed the fragile Everglades ecosystem by disrupting water flow and dumping pollutants such as phosphorus into the waterways.[29] Attempts to shift from sugar to other crops have failed because of the guaranteed high price for sugar. It is contradictory, to say the least, for the U.S. government to establish a fund to protect the Everglades and at the same time encourage the region's destruction through the U.S. sugar program.

Undermining Free Trade Worldwide

In a host of sectors, the United States has lowered trade barriers unilaterally, regardless of the actions of other countries. In terms of multilateral liberalization, the United States has been the principal architect of the global trading system in the post-World War II era, first with the General Agreement on Tariffs and

Trade and then with the WTO since 1995. That system, based on the principles of free trade, has strengthened the world economy by encouraging nations to realize the productivity gains to be had from international trade.

Most countries protect at least some sectors of their economy from foreign competition, and the United States is no exception. Traditionally, agriculture has been one of the most highly subsidized and regulated sectors in the U.S. economy. The 1996 farm bill mentioned earlier was an important step forward in reducing government interference in the farm sector. While there was some backsliding, the United States has done a better job in opening its farm sector to global competition than have Europe and Japan.[30]

Despite agricultural subsidies and barriers overseas, the U.S. agricultural sector remains competitive in global export markets. According to USDA, during the first half of fiscal year 2001 agricultural exports increased almost $2 billion more than in the same period the previous year.[31] Forecasts for the next 10 years support continued growth as well.[32] That other agricultural sectors have competed effectively both domestically and on global markets, even with barriers overseas, undermines the argument of the U.S. sugar industry that U.S. government protections are necessary to create a "level playing field."

A more disturbing consequence of the U.S. sugar program is its impact on advancing the broader U.S. free trade agenda. Other countries routinely point out the hypocrisy of the U.S. sugar policy. The United States is engaged in a series of negotiations aimed at lowering trade barriers in sectors in which the United States is highly competitive, notably services and knowledge-based industries. Countries that are less competitive in such sectors (and maintain monopolies in many cases) argue that the United States protects its own "sensitive" industries as well. It is not uncommon to hear criticisms, such as those leveled by Australian ambassador Michael Thawley, that the United States "talks out of both sides of its mouth" with regard to agriculture policy.[33]

U.S. policymakers agree, commenting that the sugar program is "the Achilles heel of U.S. trade policy" and that it "stands as one of the principal impediments to our hopes for continuing agricultural trade liberalization."[34] Even U.S. trade representative Charlene Barshefsky remarked that the United States will have to tackle some of its own "Achilles' heels, such as textiles and sugar,"[35] if it is serious about new trade talks.

For decades now the United States has been the leader in building a multilateral trading system based on the principles of free trade. The U.S. sugar program is a mockery of those principles. By undermining America's broader agenda of trade expansion, sugar quotas have reduced the chance of successfully negotiating bilateral agreements with such trading partners as Australia, or an FTAA, or a new agreement with other members of the WTO. Unilaterally dismantling our sugar program and protections would put the United States in a much more powerful position to advance the free-trade agenda that has served our economic interests so well.

Resistance to Change

In light of the overwhelming evidence that the U.S. sugar program creates serious economic distortions and hurts U.S. consumers, it seems reasonable to ask: Why does the U.S. government continue to support such a bad policy? Despite the obvious flaws of the U.S. sugar program, substantial obstacles stand in the way of its removal—notably, the powerful and well-funded sugar lobby.

The U.S. sugar program is a classic case of concentrated benefits and diffused costs. Put differently, a very small number of sugar growers receive enormous benefits, while the costs of providing those benefits are spread across the U.S. economy, specifically, to consumers and confectioners. Consequently, U.S. sugar producers have a very strong incentive to lobby and fund campaigns of U.S. policymakers. And they have done so.

Dominated largely by two companies in Florida (Flo-Sun and U.S. Sugar), the sugar lobby has been a major financial contributor to incumbent politicians. In the 2000 election

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cycle, for example, Flo-Sun contributed $690,750 in "soft money" contributions to both the Democrats and the Republicans and $78,200 in direct funds to candidates and the parties.[36] By the time the committees began to consider the 1996 farm bill, the campaigns of 49 members of the House Agriculture Committee had received an average of $16,000 apiece in sugar campaign money in the preceding five years. Much of that money came from Florida's two big growers.[37] Overall, the U.S. sugar industry contributed $7.2 million to political action committees and $5.7 million in soft money donations, for a total of $13.0 million.[38]

That is not an argument to further control lobbying or political speech through restrictions on campaign finance. Sugar producers have a right to lobby the government to protect what they perceive to be their interests. But elected officials have an offsetting duty to protect the public interest and the principles of limited, constitutional government against those who would disregard them in pursuit of their own private gain. Standing up to the sugar lobby will require more vigorous leadership from the president and many members of Congress who represent far more people who suffer from the U.S. sugar program than who benefit. It will also require journalists to shine a light on this program because "sunshine is the best disinfectant." It is simply bad policy to force the mass of U.S. consumers to pay higher prices at the grocery store to make a small number of sugar farmers richer.

Conclusion

In many sectors the United States has championed free trade by unilaterally dismantling its own barriers and standing as a strong advocate for change at the multilateral level. In the sugar sector, however, it has not, and the payoff for sugar companies has been huge. As one consumer group representative noted, "Sugar is the only major agriculture program that hasn't taken a hit."[39]

It is true that the U.S. sugar program is not the world's most egregious, but it ranks within the top three (behind those of the European Union and Japan).[40] That other countries' policies are worse, however, is a poor excuse for saddling our consumers with higher food costs. And, given the upward trend in global sugar production, those costs are only going to rise.

On its face, the U.S. sugar program is an easy target for ridicule. The U.S. government protects the domestic sugar market from foreign competition, and it is now paying farmers to not grow sugar and is buying sugar only to store it indefinitely in a warehouse. Of course, it is not the U.S. government that is ultimately picking up the tab but U.S. consumers and taxpayers. These expenditures will only rise given future production trends—and it is American families that will pay. And by compromising America's free-trade leadership, the sugar program stands as a barrier to market access abroad for U.S. exports.

U.S. sugar policy does not serve the national interest. It benefits a small group of sugar producers at the expense of American families, sugar-using industries and their workers, and a broad swath of U.S. exporters. It is time for our rhetoric on free trade to be reflected in all of our policies, even those dominated by powerful lobbies.

Notes

1. American Sugar Alliance, "Sugar Policy," 2001, www.sugaralliance.org/sugarpolicy/index.htm.

2. Specifically, the authority of the secretary of agriculture to impose domestic marketing allotments, which would allow more domestic production if imports fell below 1.5 million tons, was repealed. The agreement terminates marketing allotments and implements a 1-cent penalty on forfeited sugar. In the past, the secretary could assign allotments whereby U.S. farmers would make up the shortfall. See Mel Skold, Agriculture and Business Notes, *The Federal Agriculture Improvement and Reform Act of 1996: Title by Title—Summary of Major Provisions of the Conference Agreement*, September 21, 2001, www.colostate.edu/Depts/ CoopExt/NWR/ABM/ abm.htm.

3. Remy Jurenas, "IB95117: Sugar Policy Issues," Congressional Research Service Issue Brief for Congress, April 13, 2001, www.cnie.org/nle/ag-27.html.

4. Coalition for Sugar Reform, "How the

Government's Sugar Program Works," July 2001, www.sugar-reform.org/myths.htm.

5. Andrea Mandel-Campbell, "Debt Mountain Threatens Mexican Sugar," *Financial Times*, June 28, 2001, www.ft.com.

6. The world market price for raw cane sugar is published daily in the *Wall Street Journal*. See, for example, "Cash Prices: Food," *Wall Street Journal*, October 15, 2001, p. C11.

7. International Trade Data System, *Sugar Industry*, July 3, 2001, www.itds.treas.gov/Sugar_Industry .html.

8. U.S. General Accounting Office, "Sugar Program: Supporting Sugar Prices Has Increased Users' Costs While Benefiting Producers," GAO/RCED-00-126, June 2000, p. 5. Despite the fact that the study was peer reviewed by leading academics and submitted for prior review to USDA, the GAO study was criticized sharply by both USDA and the American Sugar Alliance, which represents sugar cane and sugar beet growers. Those criticisms and responses are reprinted in the final report.

9. U.S. International Trade Commission, "The Economic Effects of Significant U.S. Import Restraints: Second Update," Investigation no. 332–325, publication 3201, May 1999, p. 65.

10. Terry Sheales et al., "Sugar: International Policies Affecting Market Expansion," Australian Bureau of Resource and Agricultural Economics Research Report 99.14, 1999, p. 3.

11. In 1990 and 1994, for example, when raw sugar prices declined 6 percent, retail sugar prices also declined 6 percent. Other years do not show decreases, but increases have not taken place either. (See Coalition for Sugar Reform.) That a decrease in raw sugar prices does not directly translate into a decline in retail prices for such items as candies or sodas is not surprising. Consumers are unlikely to switch brands of sugar over relatively small price differences, but the data suggest lower input prices do give an incentive to processors and refiners of sugar not to raise prices.

12. Sheales et al., p. 2.

13. Brent Borell and David Pearce, "Sugar: The Taste Test of Liberalisation," Center for International Economics Report, 1999, p. 3.

14. Ibid., p. 4.

15. See Rep. Patsy T. Mink (D-Hawaii), Testimony before the Senate Agriculture Committee, 106th Cong., 2d sess., July 31, 2000, www.house.gove/apps /list/press/hi02_ming/sugar73100.html.

16. Borrell and Pearce, p. 6.

17. Coalition for Sugar Reform, "Myths vs. Reality," July 2001, www.sugar-reform.org/ myths.htm.

18. USITC, p. 60.

19. Ibid., pp. 66–67.

20. Larry Lipman, "New Battle Is Brewing over U.S. Sugar Program," Cox Washington Bureau, June 17, 2001, www.coxnews.com/washingtonbureau/staff /lipman/061701SUGAR17.html.

21. Kelly Whitman, "Who's Your Sugar Daddy?" *Dismal Scientist*, June 2, 2000.

22. Dave Carpenter, "Sweet-Talking Mayor Bitter over Sugar," *Oregonian*, June 6, 2001, p. C3.

23. Quoted in Lipman.

24. Ira S. Shapiro, Coalition for Sugar Reform, Testimony before the Senate Committee on Agriculture, 106th Cong., 2d sess., July 26, 2000.

25. David Barboza, "Free Trade Frontier: U.S. Sugar Policy," *International Herald Tribune*, May 7, 2001, p. 11.

26. Jurenas.

27. Lipman.

28. Jurenas.

29. Green Scissors, *A Sweet Deal: Sugar Program*, 2000, www.greenscissors.org/agriculture/sugar.htm.

30. Brink Lindsey et al., "Seattle and Beyond: A WTO Agenda for the New Millennium," Cato Institute Trade Policy Analysis no. 8, November 4, 1999, p. 11.

31. USDA, "U.S. Ag Trade Surplus up Significantly During First Half of FY 2001," News Release No. 0119.01, www.usda.gov/news/releases/2001/07/01 19.htm.

32. Economic Research Service, USDA, Baseline Projections, February 2001, www.ers.usda.gov/ briefing/baseline/.

33. Quoted in Evelyn Iritani, "Payback Time As Countries Protest U.S. Trade Policies," *Los Angeles Times*, January 25, 2001, www.wtowatch.org.

34. Shapiro. See also, David Barboza, "Sugar Rules Defy Free-Trade Logic," *New York Times*, May 7, 2001, p. 28A.

35. Quoted in Iritani.

36. Lipman.

37. PBS Online Newshour, “Sugar Daddy,” *Money Trail*, March 25, 1997, www.pbs.org/newshour/bb/congress/march97/sugar_3-25.html.

38. Common Cause, “The $1 Billion PB&J Sandwich,” *Pocketbook Politics: How Special-Interest Money Hurts the American Consumer*, 1998, www.commoncause.org/publications/pocketbook5.htm.

39. Center for Responsive Politics, “White Gold: The Politics of Sugar,” 1998, www.opensecrets.org/pubs/cashingin_sugar/sugar01.html.

40. Borell and Pearce, p. 3.

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