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FARM BILL SUGAR PROVISIONS BAD FOR EVERYONE, STUDY SAYS
Proposed Sugar Policy Will Be More Costly to Taxpayers, Drain Job Market

Washington, D.C. – February 22, 2008 – The Sugar Policy Alliance (SPA) today released an economic analysis that shows the sugar provisions in the proposed 2008 farm bill will tap taxpayers for \$5.4 billion and lead to an acceleration of U.S. job loss in the sugar-using industry.

The analysis, conducted by Promar International, says that the House and Senate provisions within the new farm bill would increase sugar price support loan rates, put additional restrictions on sugar imports and guarantee U.S. sugar growers 85% of the domestic market regardless of market needs and taxpayer costs. Additionally, the bill would create an expensive and uneconomic program to divert surplus sugar into production of fuel ethanol without regard to taxpayer costs.

“The existing sugar program already represents a flawed policy that costs American jobs by encouraging import substitution and by hampering the competitiveness of U.S. food manufacturing,” said Larry Graham, President of the National Confectioners Association. According to Promar, these provisions, taken as a whole, will raise US market prices for sugar by an average of two cents per pound for the five-year period of the bill, costing consumers \$400 million per year or \$2 billion over the life of a five-year bill.

The taxpayer costs of the sugar programs are roughly \$1.3 billion over ten years, according to Congressional Budget Office (CBO) estimates. Yet Promar’s study puts this figure closer to \$5.4 billion – primarily because CBO underestimated the cost of diverting sugar to ethanol, which would require the government to sell surplus sugar to ethanol plants at a loss. A USDA study last year demonstrated that producing ethanol from sugar would cost more than twice the current cost of using corn.

Both bills also place at risk thousands of jobs in the U.S. food and beverage industries. It is estimated that from 1997 to 20505 more than 75,000 jobs were lost in the food processing sector as a direct result of the current sugar program, according to Promar’s analysis of U.S. Commerce Department figures.

Another concern is that both bills guarantee U.S. sugar growers an 85% share of the domestic sugar market. To the extent that imports threaten the 85% share reserved for growers, taxpayers will be required to absorb the cost of removing surplus sugar from the market and divert it into ethanol production. The cost of doing so is estimated to be more than \$5 billion over ten years. Sugar program reform advocates urge the conferees to eliminate the 85% provision and give USDA the tools to operate the sugar program at no cost to taxpayers, freeing up money to devote to other worthy programs in need of additional funding.

SPA members advocate a healthy domestic sugar-producing and sugar-processing industry that can deliver an ample supply to refiners, industrial users, and consumers, but believe sugar policy should support producer incomes without distorting the market.

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