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U.S. Domestic and International Sugar Policy: How It's Working Today

Jack Roney
Director of Economics and Policy Analysis
American Sugar Alliance

U.S. Sugar Policy: How It's Working

Fine.

U.S. Sugar Policy: How It's Working

Positives since 2008 (Farm Bill or otherwise):

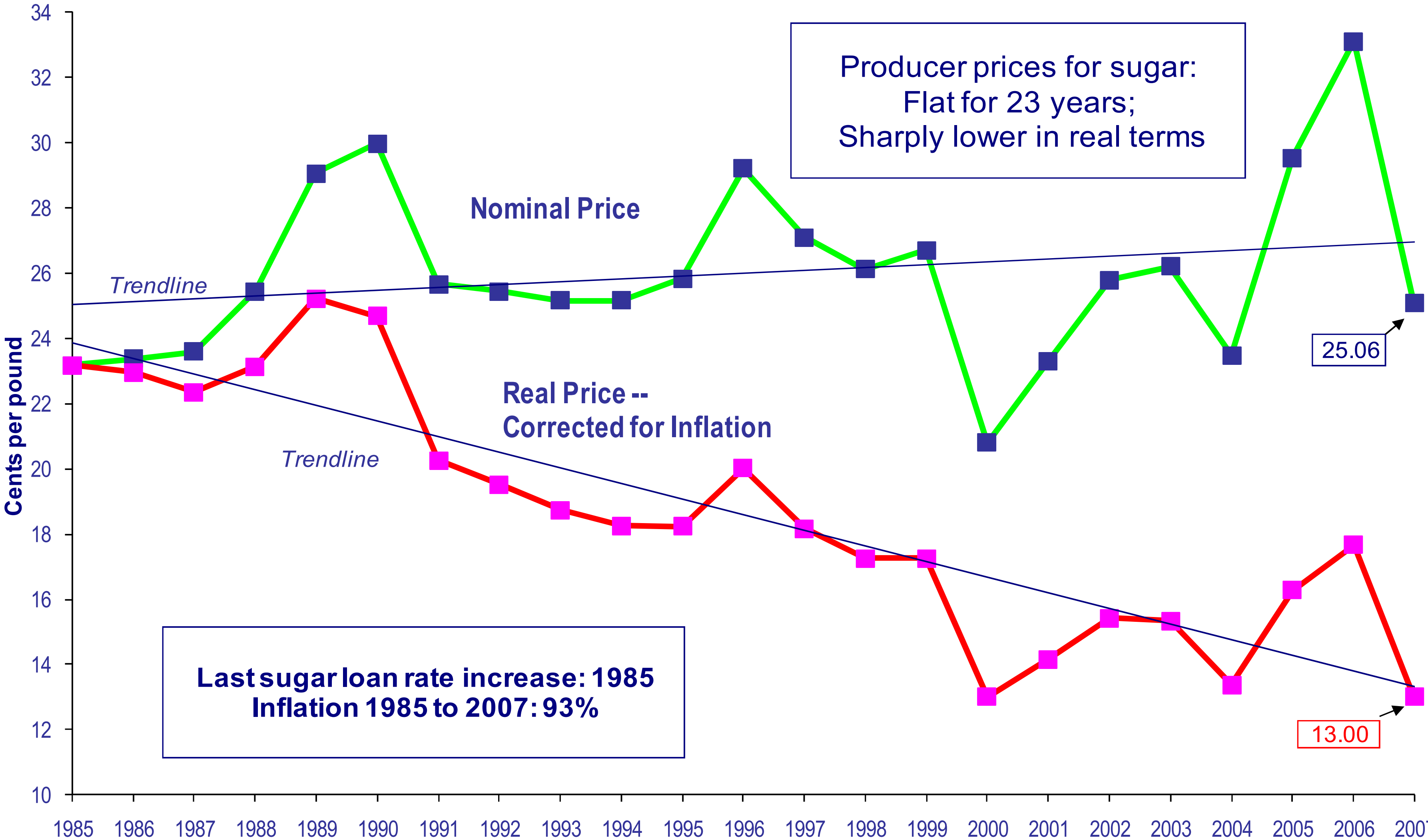
1. Producers. Price recovery: Opportunity to recoup from two decades of flat prices, possibly reduce the rate of industry contraction
   - U.S. price rise induced mainly by world price rise
2. Consumers. Continued dependable, safe, high-quality supplies, despite world price spike
   - Real prices down; lower than in other developed countries
3. Taxpayers. Zero cost: No ethanol program, no loan forfeitures
   - Despite unprecedented surge of imports from Mexico

U.S. Sugar Policy: How It's Working

Price recovery in perspective

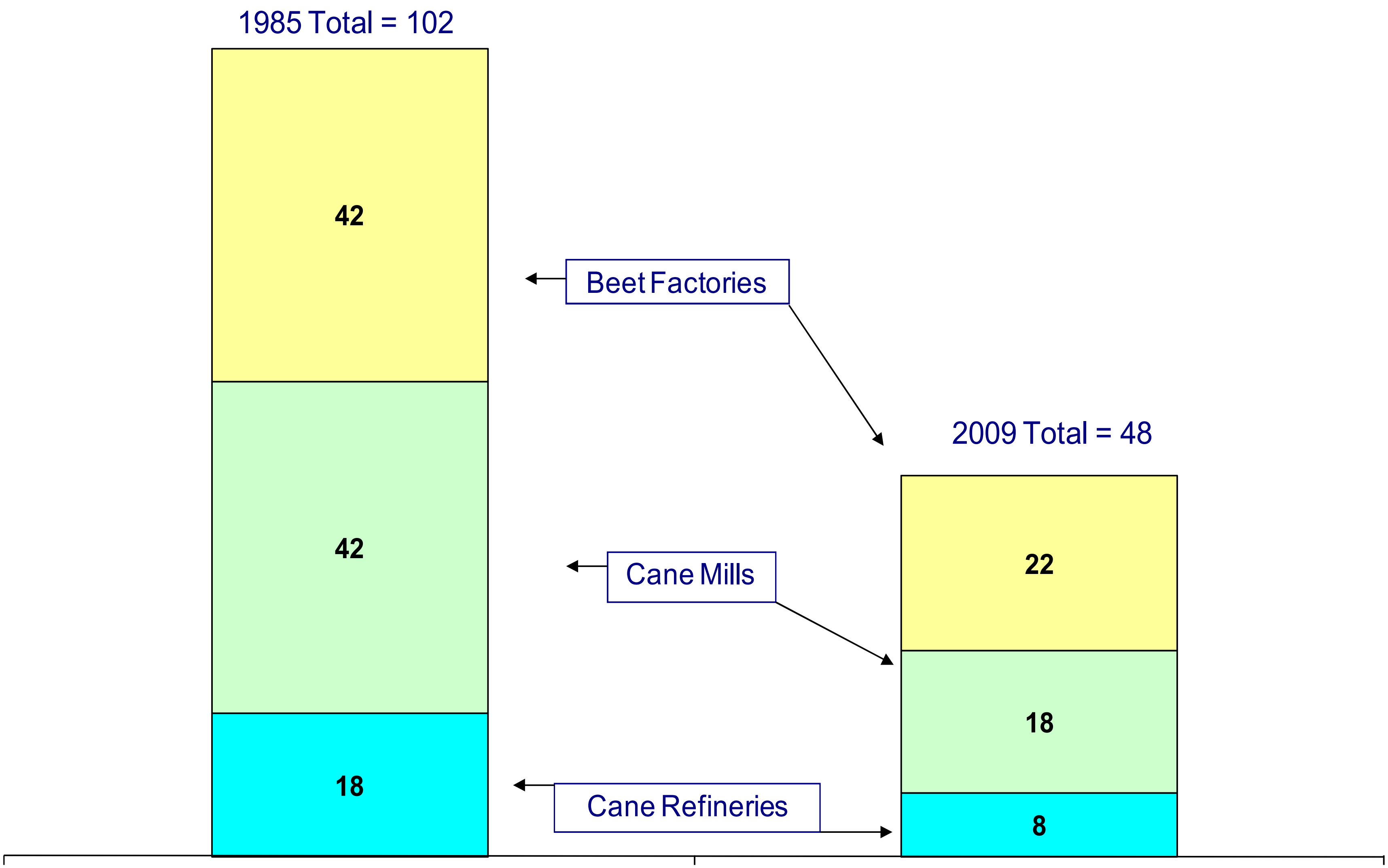
1. Consequences for industry from 20+ years of essentially flat prices: Contraction, consolidation
   – More vulnerable to logistical disasters;
   – More dependent on foreign sugar: Less reliable, lower quality;
   – Can producers *or buyers* tolerate any more contraction?
2. Compare domestic producer price recovery with:
   – General inflation
   – World price rise
   – Other commodity prices
   – Sweetened product prices
   – Spot pricing versus actual contract prices

U.S Wholesale Refined Sugar Prices, Nominal and Real, 1985-2007



Data sources: BLS -- CPI-U. USDA - wholesale refined beet sugar, Midwest markets; Annual averages 1985-2007.

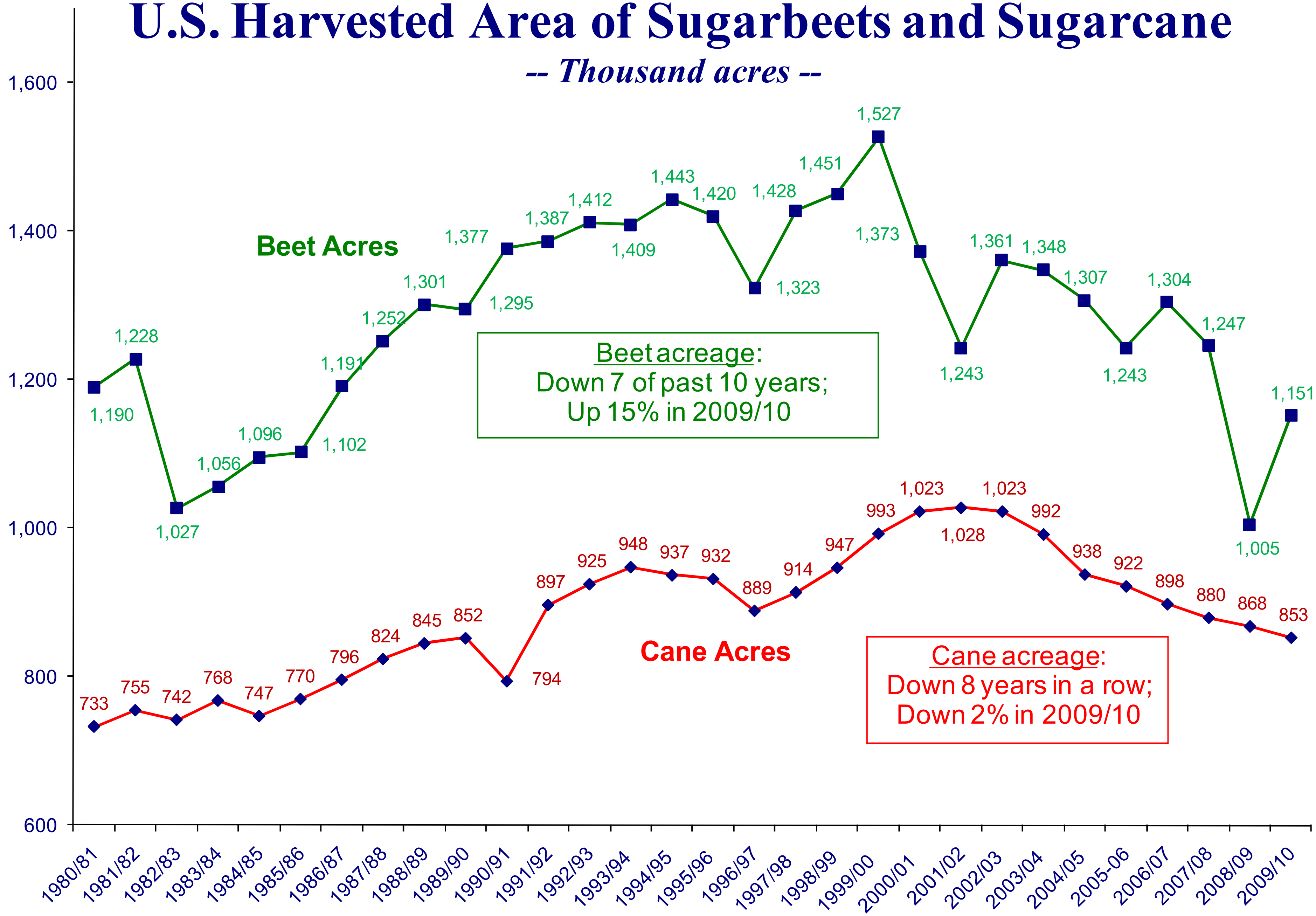
Since Last Sugar Loan Rate Increase in 1985: More Than Half of U.S. Sugar-Producing Operations Have Shut Down



Source: American Sugar Alliance, January 2010

U.S. Harvested Area of Sugarbeets and Sugarcane

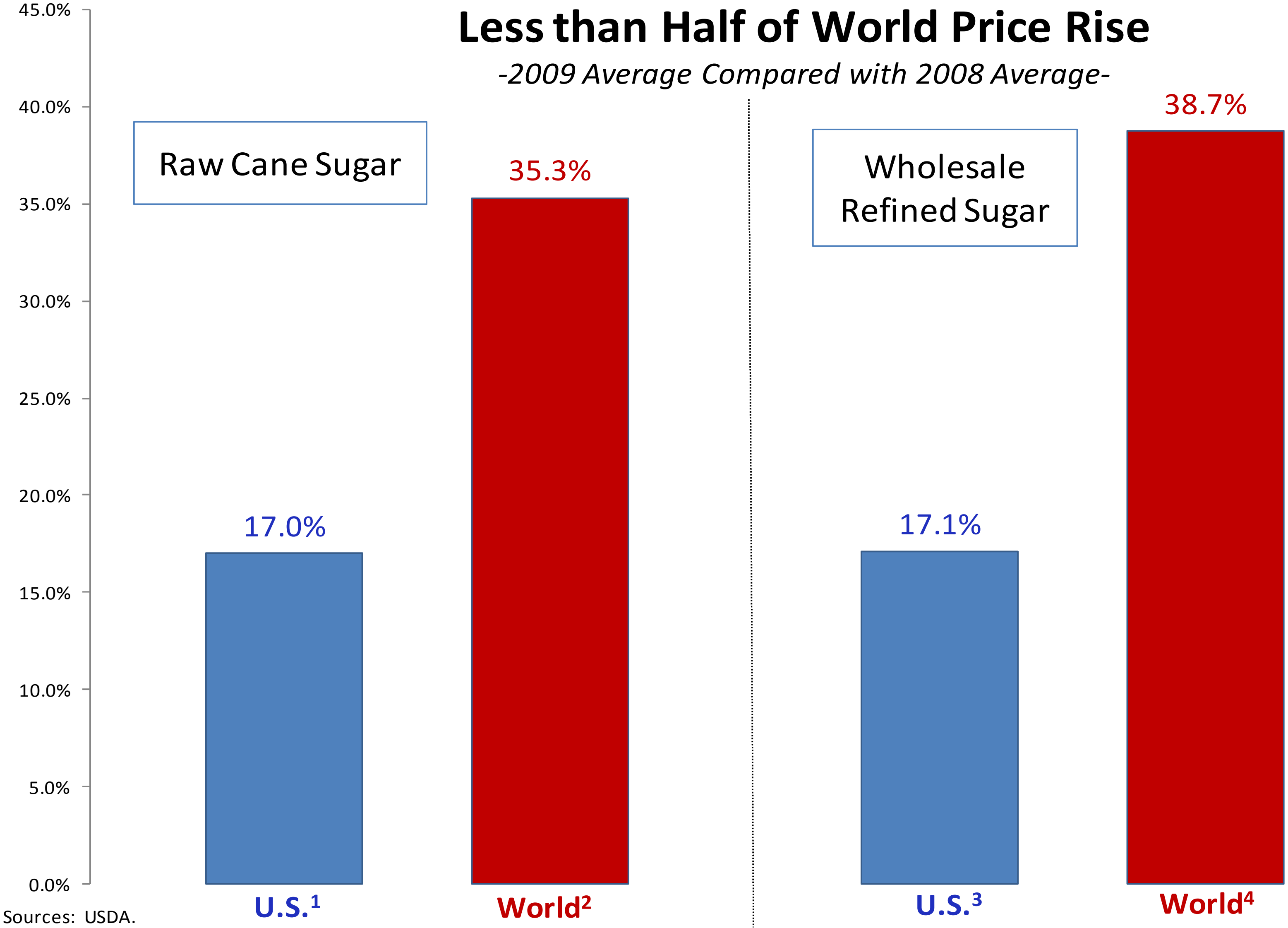
-- Thousand acres --



Data source: ERS, USDA..

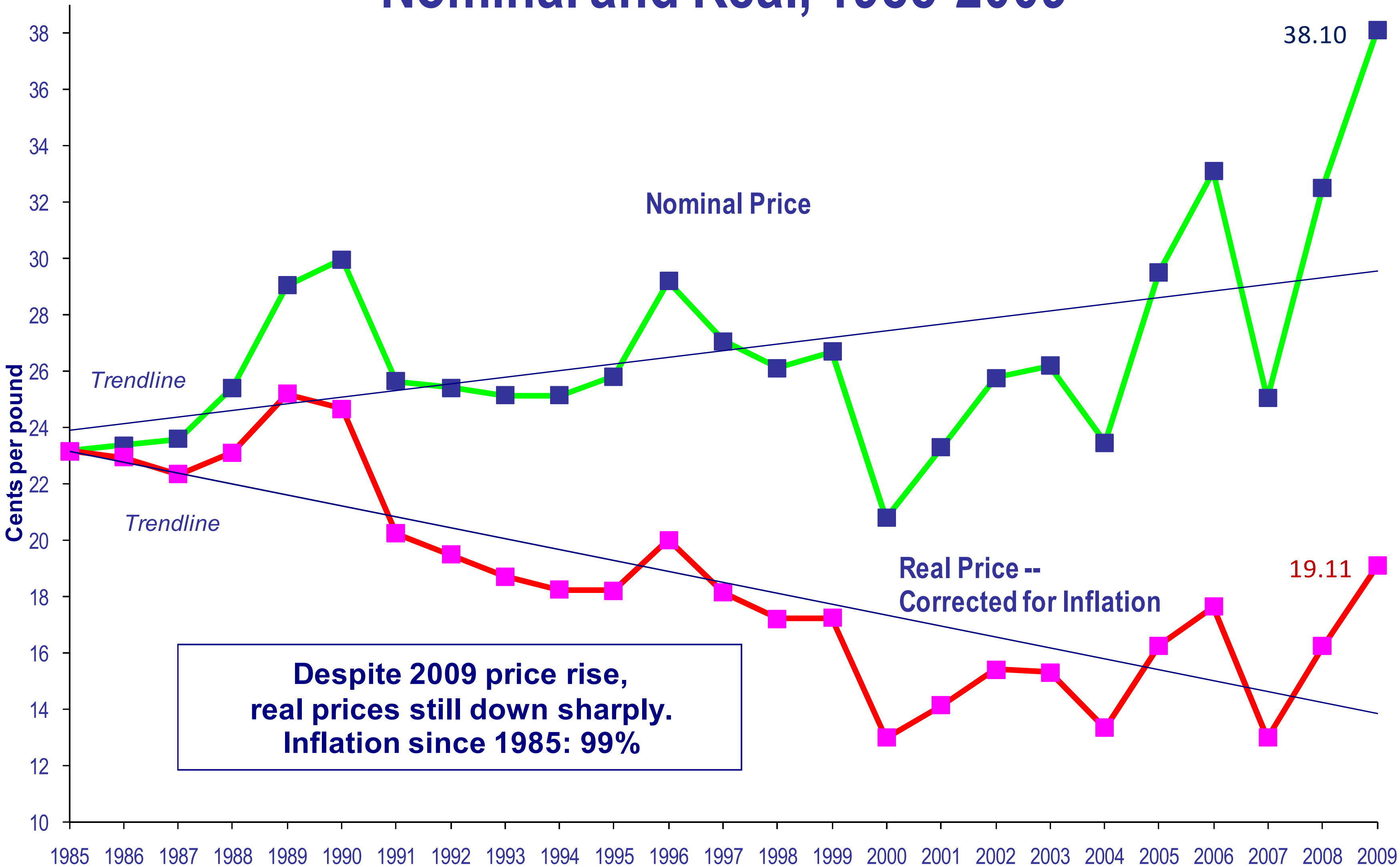
U.S. Sugar Price Rise in 2009: Less than Half of World Price Rise

-2009 Average Compared with 2008 Average-



Sources: USDA.
[1]ICE, #14 or #16 contract, duty fee paid New York.
[2]ICE, #11 contract, f.o.b. Carribbean ports.
[3]Midwest Markets.
[4]LIFFE, #5 contract, f.o.b. Europe.

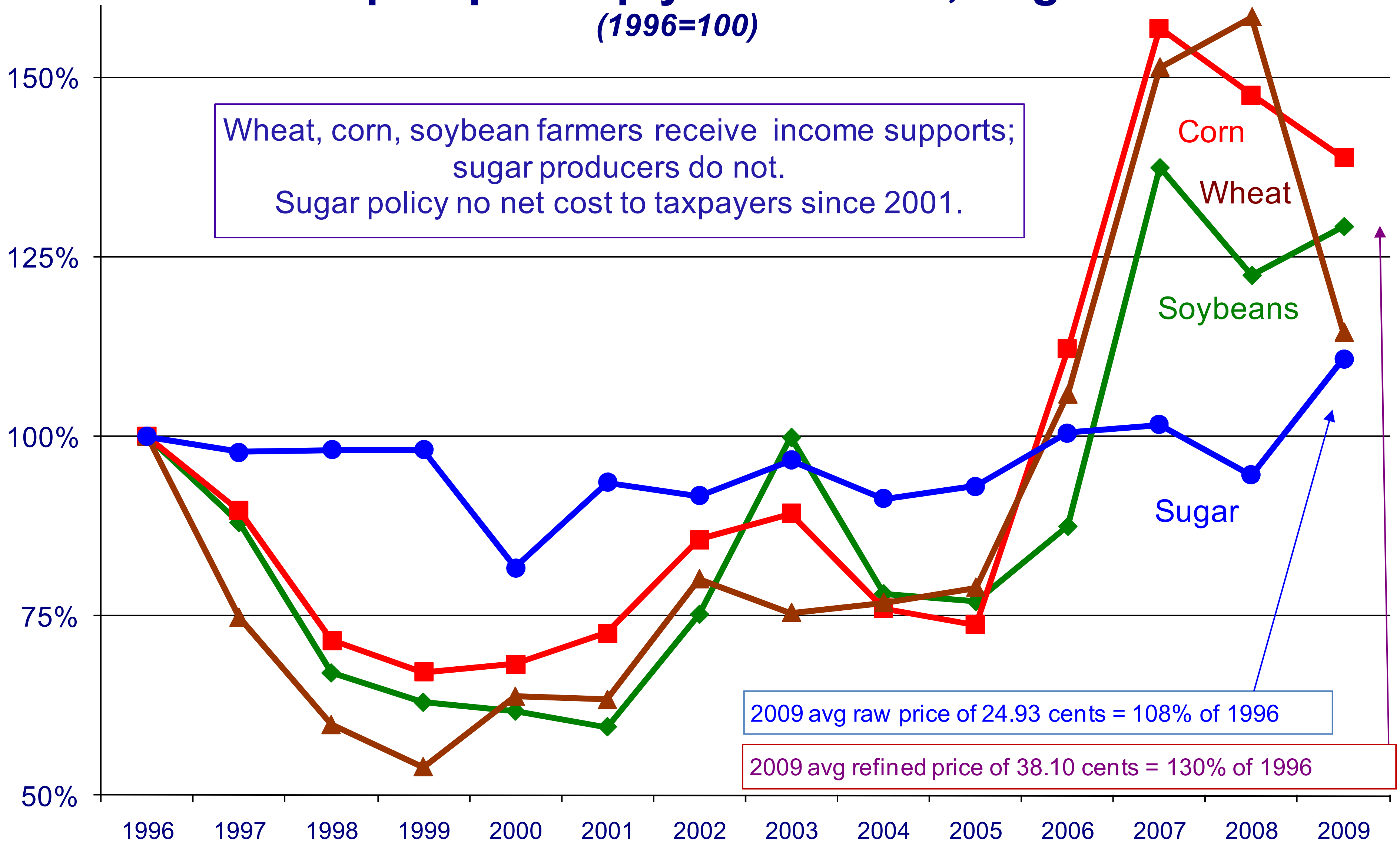
U.S Wholesale Refined Sugar Prices, Nominal and Real, 1985-2009



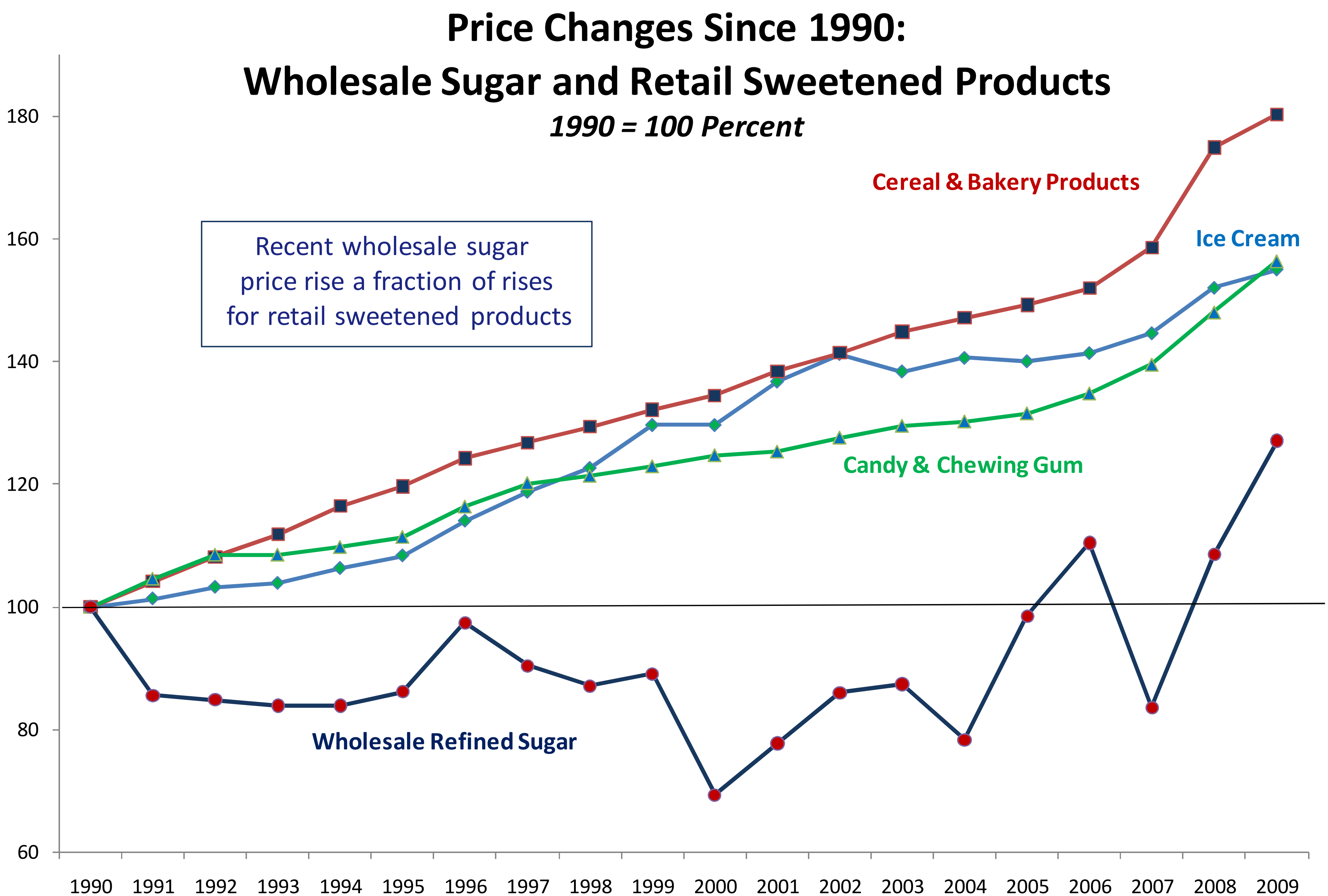
Data sources: BLS -- CPI-U. USDA - wholesale refined beet sugar, Midwest markets; annual averages 1985-2009.

Changes in U.S. Commodity Prices Since 1996: Other Crops Up Sharply Since 2005; Sugar Flat

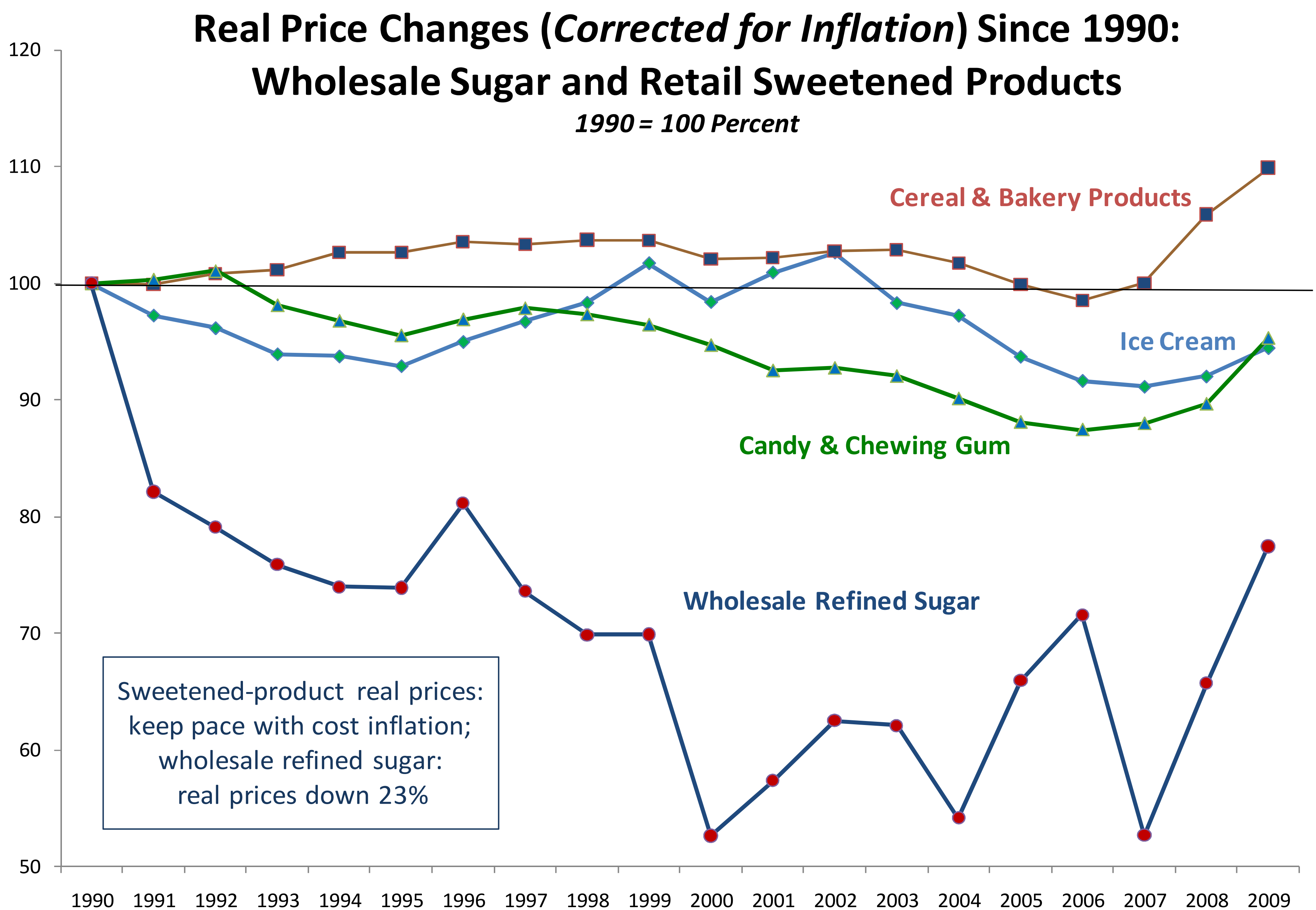
(1996=100)



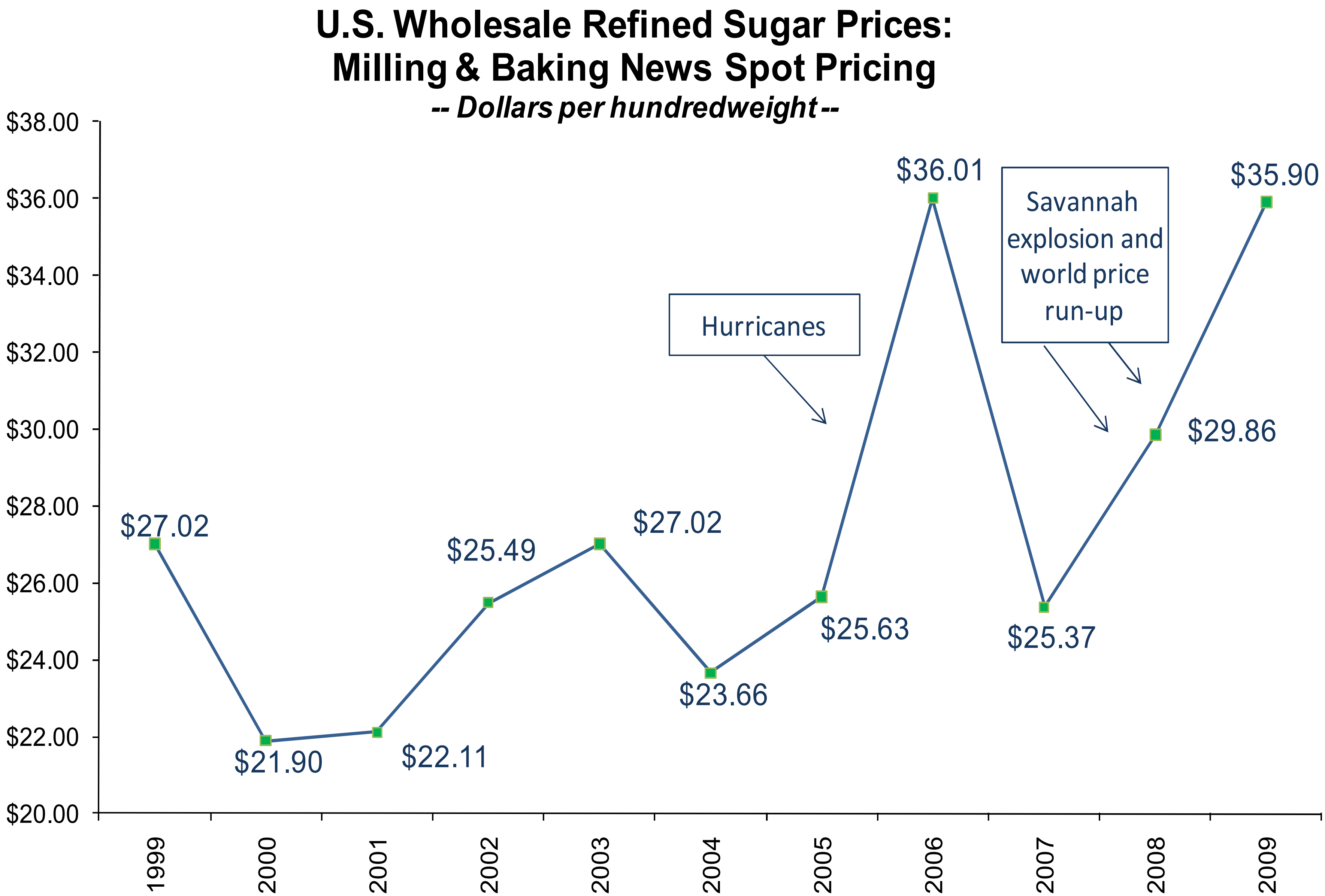
Sources: ERS, USDA; Annual averages prices received by farm, No. 2 yellow corn, all wheat, soybeans, raw cane sugar (#14 futures contract).



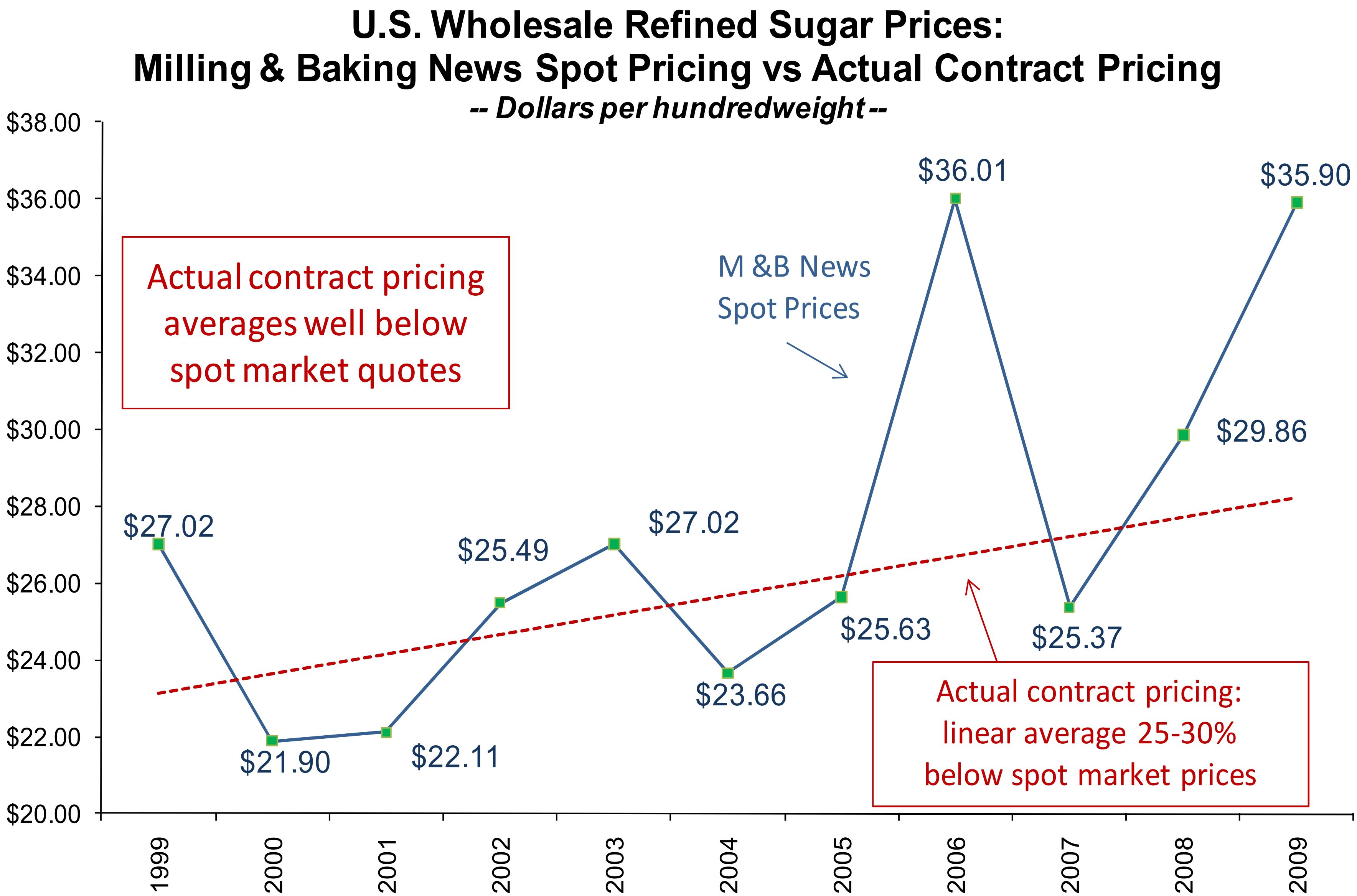
Sources: Wholesale Sugar - USDA. Retail Products - Bureau of Labor Statistics. Annual averages.



Sources: Wholesale Sugar - USDA. Retail Products - Bureau of Labor Statistics. Annual Averages.



Data sources: USDA and Milling & Baking News, wholesale refined beet sugar, Midwest markets.



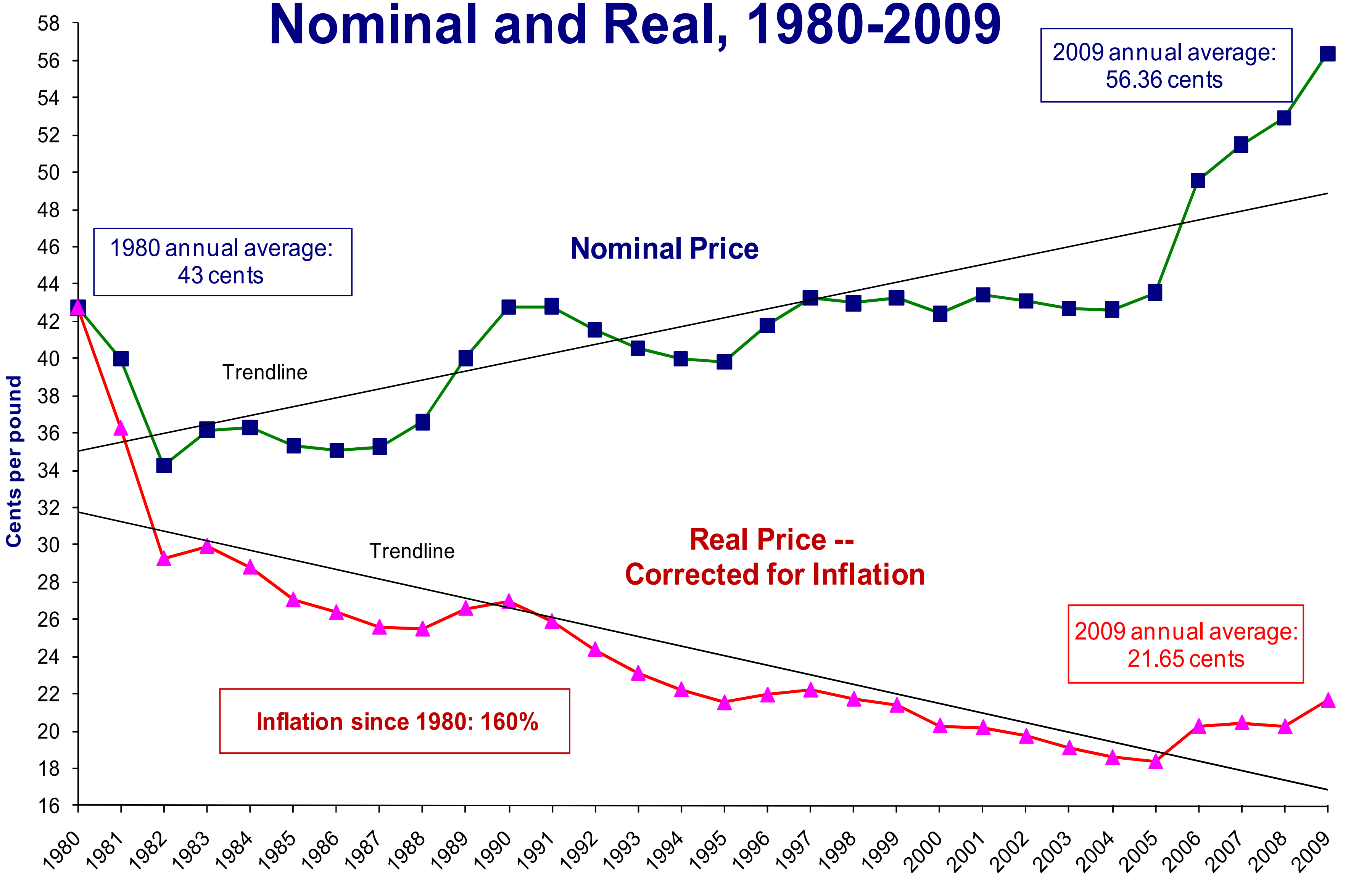
Data sources: USDA and Milling & Baking News, wholesale refined beet sugar, Midwest markets; Western Sugar.

U.S. Sugar Policy: How It's Working

Consumer supplies

1. Remain high-quality, safe, dependable: Just in time delivery; over 40 specifications
   – 2008/09 ending stocks to use level of 13.5% more than adequate
2. Long-term real price decline: both wholesale and retail

U.S. Retail Sugar Prices, Nominal and Real, 1980-2009



Data source: Retail sugar prices -- USDA, annual averages. Inflation -- Bureau of Labor Statistics -- Consumer Price Index (CPI-U).

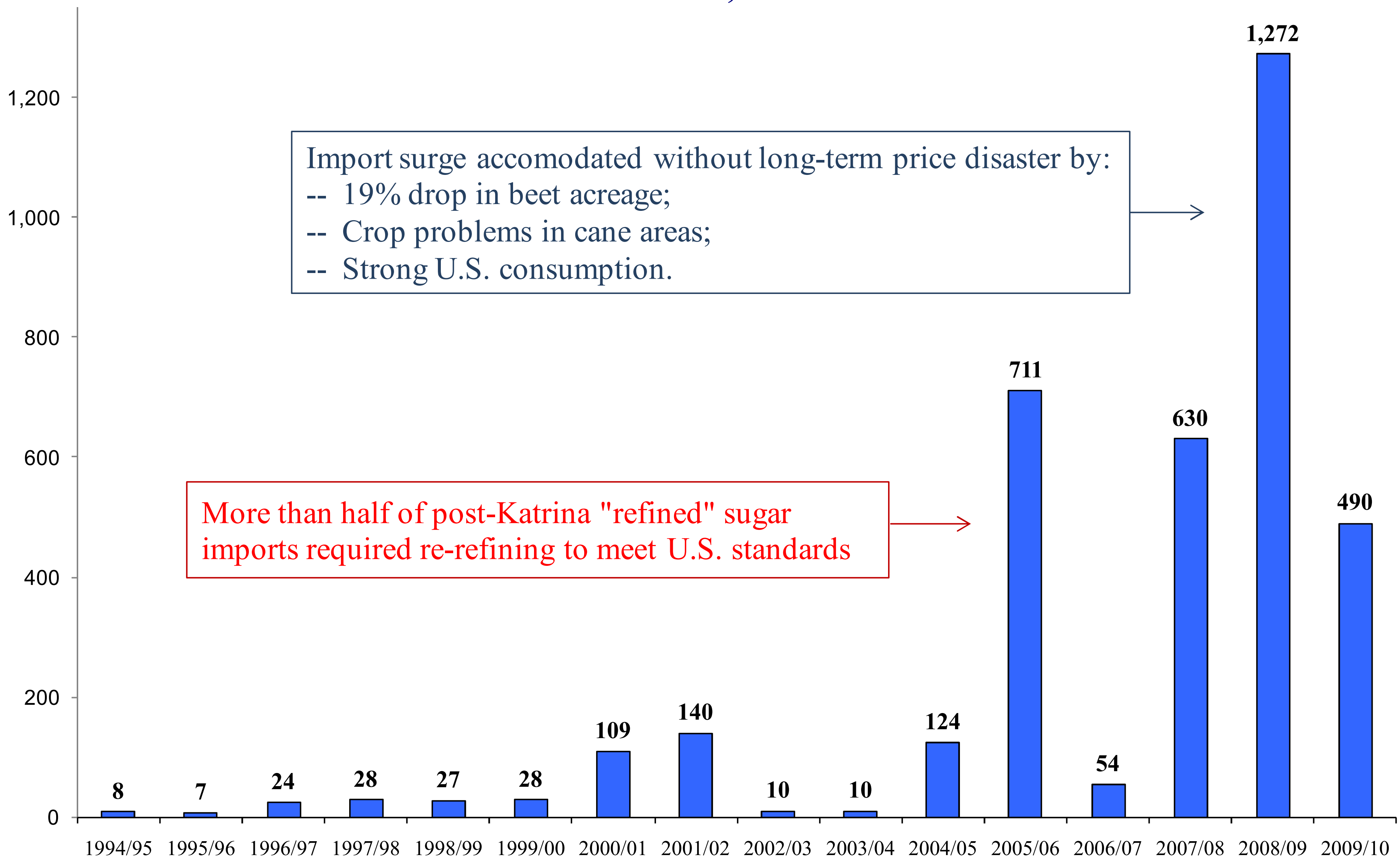
U.S. Sugar Policy: How It's Working

Taxpayer benefits

1. Prior to 2008 Farm Bill: Projected 10-year cost of sugar policy was $1.3 billion
   – Disposal of excess imports from Mexico
2. New USDA budget projection (Feb. 2010): Zero cost through 2020
   – No triggering of sugar-to-ethanol provision
   – No loan forfeitures

U.S. Sugar Imports from Mexico, 1994/95-2009/10

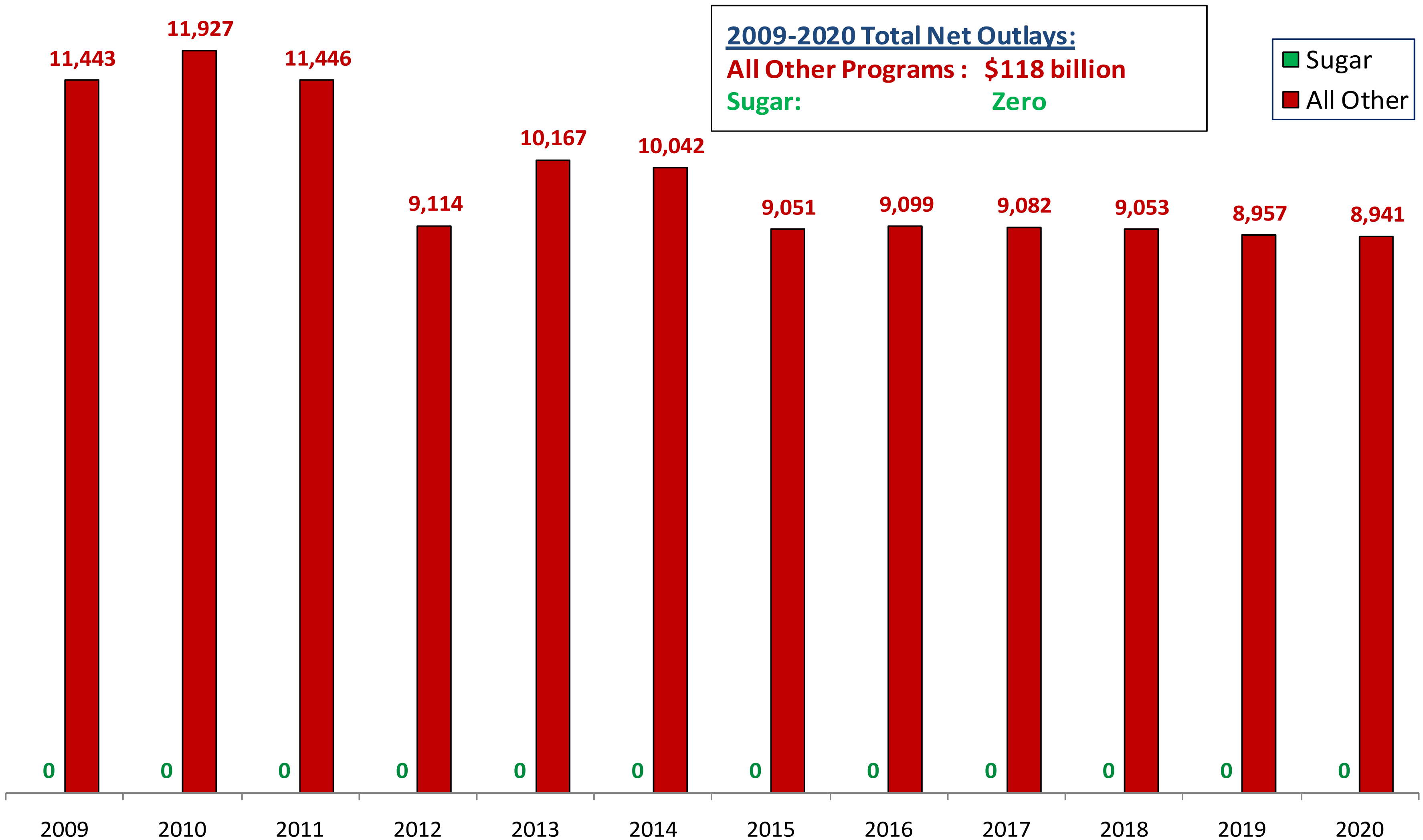
- Thousand metric tons, raw value -



Source: USDA, WASDE. 2009/10 = forecast. Unlimited access under NAFTA began January 1, 2008.

Government Net Outlays for Sugar and All Other Commodity Programs, 2009-2020

- Million dollars -



Source: USDA/FSA, Budget Division, Commodities Estimates Book for FY 2010 President's Budget, Output 9, CCC Net Budgetary Expenditures and Other Financial Data, Major Commodity Program Summary, February 2010.

U.S. Sugar Policy: How It's Working

Conclusion

1. Sweetener Users have expressed concern that U.S. sugar industry remain dynamic, not shrink further.
   – We appreciate that view and are grateful you recognize the value of our industry.
   – Recent price recovery a critical step toward avoiding more sugar mill closures.
2. Consumers can depend on ample, safe supplies.
3. Taxpayers bear no burden.

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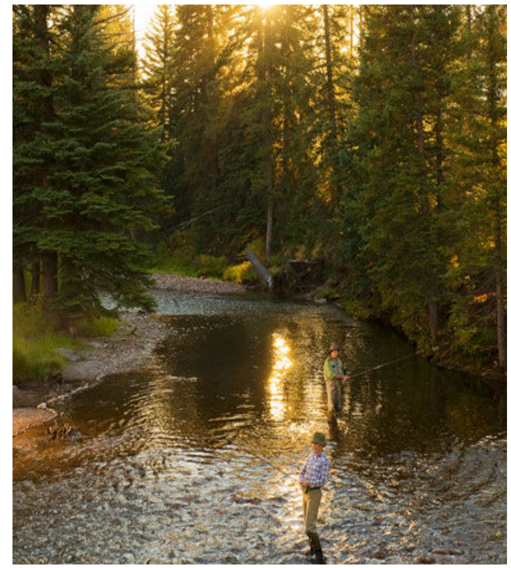

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