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**Contact: Christy Moran
(202) 355-6309**

FARM BILL MISSES CHANCE TO REFORM SUGAR PROGRAM

Washington, D.C. – April 29, 2008 – The Sweetener Users Association (SUA) voiced disappointment in the 2008 farm bill and said lawmakers not only missed an opportunity to reduce consumer costs in the outdated and unworkable sugar price support program, but added new costs that will be borne by the taxpayer.

The new farm bill, if it becomes law, will encourage costly surplus production by limiting the Agriculture Department's ability to manage domestic sugar supplies. This change – which effectively reserves 85% of the U.S. market for domestic producers – not only places taxpayers at risk but may not comply with U.S. international trade obligations.

The farm bill also features a three-quarter cent increase in sugar price support loan rates. According to SUA, an increase in price support levels will increase the cost of the program and encourage surplus production in both the United States and Mexico, now that the North American market is fully integrated.

Additionally, the bill would create an expensive and uneconomic program to divert surplus sugar into production of fuel ethanol without regard to taxpayer costs. Earlier estimates by the Congressional Budget Office (CBO) put taxpayer costs of the sugar program at roughly \$1.3 billion over ten years. Yet an independent economic research firm, Promar International, points out that CBO grossly underestimated the cost of diverting sugar to ethanol, which would require the government to sell surplus sugar to ethanol plants at a loss, so that taxpayer costs may be \$4 billion or more. A USDA study demonstrated that producing ethanol from sugar would cost more than twice as much as making the fuel from corn.

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. The new 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 an additional \$400 million per year or \$2 billion over the life of a five-year bill.

SUA 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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