

# **SWEETENER USERS ASSOCIATION**

ONE MASSACHUSETTS AVE. NW • SUITE 800 • WASHINGTON, DC 20001 • (202) 842-2345 • (202) 408-7763 FAX

---

## **How American Sugar Policy Works**

Current sugar policy supports a minimum price for sugar in the United States using *price supports*, *marketing controls*, and *import quotas*.

### ***Price Supports***

- The government sets a floor under market prices by offering sugar processors nine-month price support loans at 18¢ per pound of raw cane sugar and 22.9¢ per pound of refined beet sugar, with sugar serving as collateral.
- If processors are unable to sell their sugar on the open market at a price higher than the loan rate, they can repay the price support loan by turning the sugar over to the government (“forfeiture”).

### ***Marketing Controls***

- The Department of Agriculture limits how much sugar processors are allowed to sell by setting an overall allotment for the entire country and then assigning a portion to each processor (“allotment”).
- Processors are not allowed to sell sugar in excess of their allotment and must store any excess at their expense (“blocked stocks”).

### ***Import Quotas***

- The “tariff-rate quota” (TRQ) allows a maximum of 1,117,195 million metric tons of raw sugar and 22,000 metric tons of refined sugar to be imported into the United States at a low or zero duty. Imports above the quota are subject to a prohibitive tariff.
- Since the United States is a net importer of sugar import prices usually are bid up to the domestic price level.

## **How American Sugar Policy Is Different**

- Unlike price support programs for most other commodities, such as corn, cotton, and soybeans, which use “marketing loans” that permit market prices to move freely even if they fall below the loan rate, the sugar program sets a price floor,
- Because most American commodity price support programs do not rely on import restrictions, domestic prices for most commodities are near the world price, while American sugar prices are about twice as high as the world market price.

- Unlike the sugar program, most other American commodity price support programs have abandoned most production controls.
- Unlike many other American commodity price support programs, the World Trade Organization, considers the American sugar program to be trade-distorting.