

# The U.S. Sugar Program and International Trade

- U.S. sugar policy restricts imports through quotas in order to maintain a premium domestic price, but this protection comes at a cost for U.S. trade policy.
- As a whole, U.S. agriculture is a net exporter and makes a positive contribution to the nation's balance of trade. The U.S. is a world leader in exporting soybeans, corn, wheat, pork, beef and many other commodities.
- However, the United States is a net importer of sugar – and has been since colonial times.
- The primary border measures to regulate sugar imports are tariff rate quotas (TRQs). Although import quotas have a long history, the current quotas date from 1982 and were modified in 1990 in response to a trade complaint from Australia.
- TRQs are established for both raw and refined sugar. Normally, the overwhelming majority of imports are raw cane sugar, which then must be refined before it can be incorporated into food and beverage products. Sometimes in times of very tight supplies, USDA has permitted more refined sugar imports in order to replenish supplies more quickly.
- Independent studies have shown that sugar quotas represent a net economic drag on the U.S. economy. For example, the U.S. International Trade Commission found that the quotas cost society \$1.089 billion per year.
- The U.S. sugar industry favors quotas because this policy permits the U.S. to maintain an internal sugar price that is much higher than the world price of sugar – on average, about twice as high over the past 10 years.
- Among quota-holding countries, views are mixed. Some smaller and perhaps less-efficient exporters favor the quotas because they allow the country to capture a premium price for sugar. Other exporters believe they could increase sales in the absence of quotas, and oppose the restrictions.
- For export-oriented U.S. trade interests, the TRQs hamper trade negotiations because they represent exactly the kind of trade barrier that U.S. negotiators are normally trying to eliminate in other countries so that the United States can sell them more goods. Not only does U.S. sugar policy give other countries talking points about U.S. inconsistency; more significantly, the need to expend bargaining chips on protecting the U.S. quotas may leave negotiators less able to extract concessions that would favor exported crops and livestock – since all trade negotiations are a complex but finite series of trade-offs.
- The trade barriers that allow the U.S. to maintain a high internal sugar price may also cost jobs in the food industry. Especially in the confectionery industry, where sugar is a major portion of total costs, some plants have relocated offshore, in part to obtain cheaper world-priced sugar. Although sugar price comparisons are only one of many factors that enter into business decisions, the U.S. Department of Commerce identified this trend as a cause of some 10,000 job losses.