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**“Consumer Benefits from U.S. Sugar Policy”**

**Consumer Federation of America**  
**Washington, D.C.**  
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**False Premise: US sugar policy harms American consumers**

**In Fact: Consumers benefit – safe, dependable supplies, responsibly produced, at affordable prices, well below prices in rest of world**

**1. Price comparison**

- Retail prices in rest of developed world 11% higher than USA
  - During most of past two decades: Developed country average 30-35% higher
- Affordability compared with all of world:
  - Minutes of work to buy one pound: Among five lowest in world; 70% below world average
  - Sugar expenditures as a % of per capita GNP: USA lowest in world; 60% below world average
  - Sugar is still free in restaurants
- Would consumers benefit as US producer prices fall? NO – history proves little or no passthrough of lower commodity prices along to consumers
  - Example -- from 1990 to 2007:
    - Producer prices for refined sugar *fell* 20%
    - Consumer prices for refined sugar *rose* 20%
    - Consumer prices for sweetened products (candy, ice cream, cereal, cookies) *rose* 30-60%

**2. Quality comparison: Safety, responsibility --**

- America producers comply with world’s highest standards for
  - Worker health and safety and benefits;
  - Environmental protection: land, air, water;
  - Food safety

- Alternative: Reliance on developing countries with far lower standards for all
  - Many with labor, environmental practices long banned in this country
- American consumers care about how their products are made and should have some right to choose products made responsibly

### 3. Jobs comparison:

- American sugar producers generate 142,000 jobs in 22 states
  - Not immune to job loss: Lost 110,000 jobs since early 1990's due to low prices, mill closures
  - Survivors proud of their efficiency: 20<sup>th</sup> lowest cost of 95 countries; US beet producers #1 – while complying with world's highest standards for worker and environmental and consumer protection
- Candy company job loss: Regrettable, but *not* attributable to US sugar policy
  - Allegation: Job loss because candy companies are not faring well
  - Reality: U.S. candy production rising, not falling – up 8.6% since 2004
    - = Job loss due to cost cutting, mechanization
      - Admirable technology gains, but don't blame American sugar farmers
    - We're happy our customers are doing well – frequent press reports of high demand, new plant openings or expansions, excellent profits
    - Most likely real reason for past job flight: \$19 hour union wages, plus benefits, in USA vs non-union 51 cents/hour, minimal benefits, in Mexico

### 4. Policy comparison: Absent US sugar policy, US economy and consumers lose –

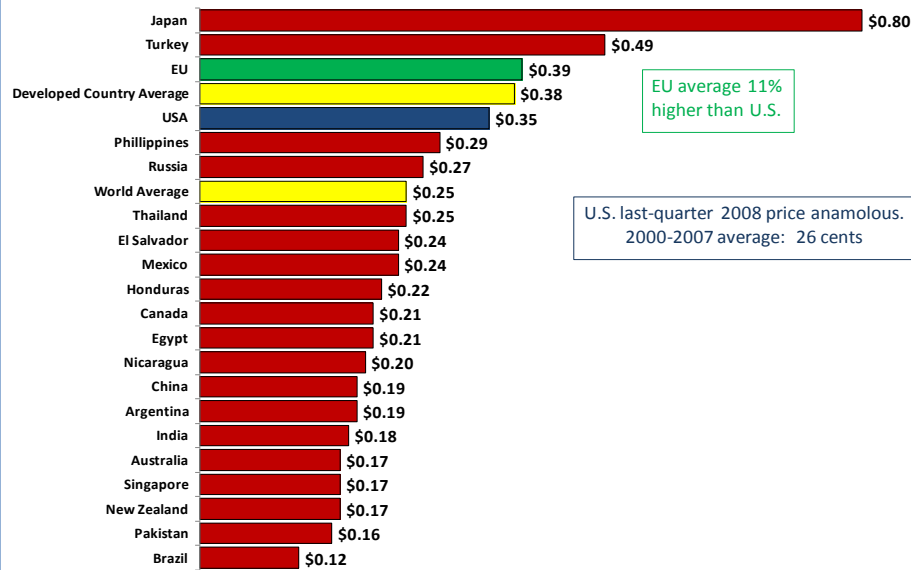
- Major job loss, collapse of some rural communities;
- Consumers more dependent on sugar less reliable, less responsible; price more volatile, more likely to rise above US levels
- EU as cautionary tale: Since 2005 reform –
  - Producer prices and production down sharply
  - Developing countries expected to fill the gap have not done so
  - Consumer prices *rise*, not fall; shortages/rationing reported.

### Conclusion: Don't let this happen here

- Support the no-taxpayer-cost US sugar policy: Defend American jobs and American consumers

### Actual Wholesale Refined Sugar Prices Worldwide

--Cents per pound, refined--

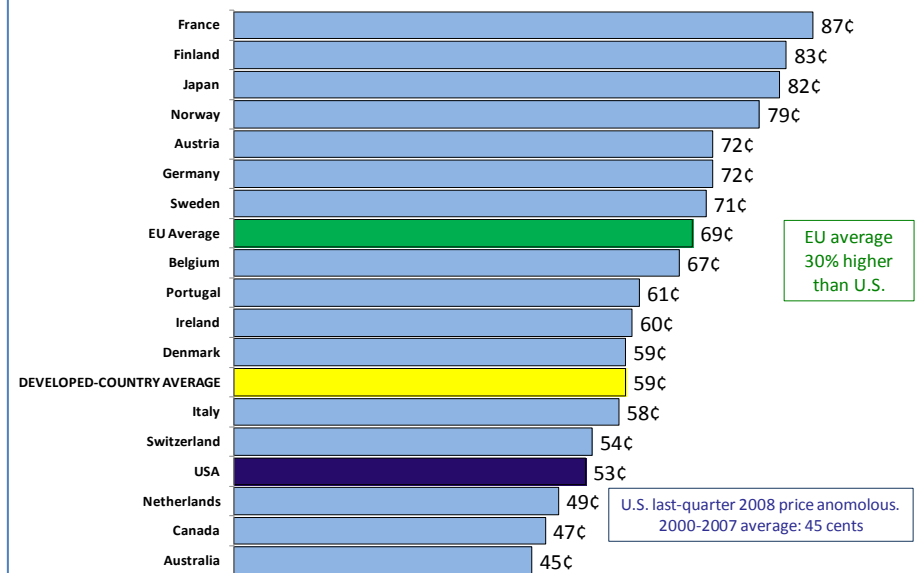


U.S. last-quarter 2008 price anomalous.  
2000-2007 average: 26 cents

Source: LMC International Ltd. Oxford, England, June 2009; last-quarter 2008 prices.  
Developed-Country Average represents the weighted average of 29 foreign developed countries.

### Developed Countries' Average Retail Sugar Prices: 11% Higher Than USA

-- Cents per pound, refined --

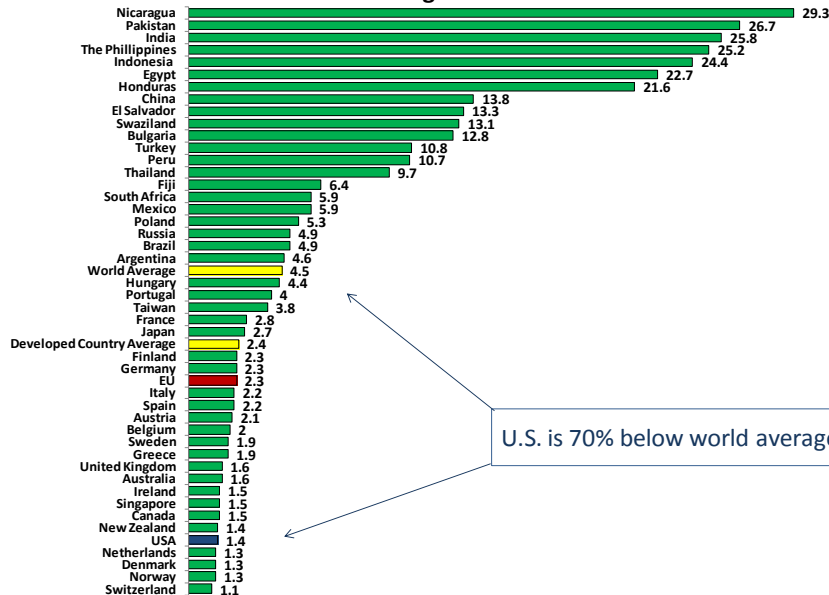


U.S. last-quarter 2008 price anomalous.  
2000-2007 average: 45 cents

Source: LMC International Ltd. Oxford, England, June 2009; last-quarter 2008 prices.  
Developed-Country Average represents the weighted average of 29 foreign developed countries.

### Minutes of Work Required to Buy One Pound of Sugar:

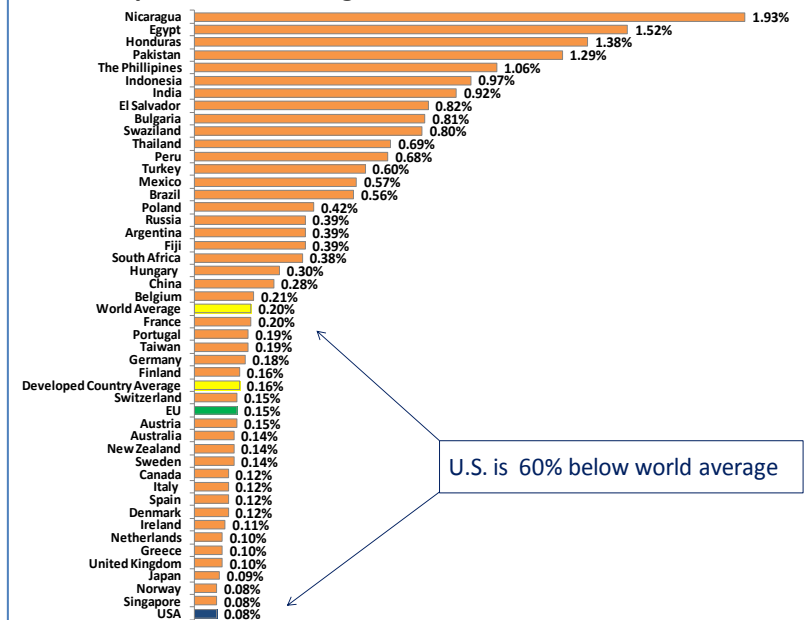
USA Among Lowest in World



U.S. is 70% below world average

Source: LMC International Ltd., 2009. Calculations assume that the average person is paid for 2,080 hours of work per year and earns that country's average gross national income. Developed country average represents the weighted average of 29 foreign developed countries.

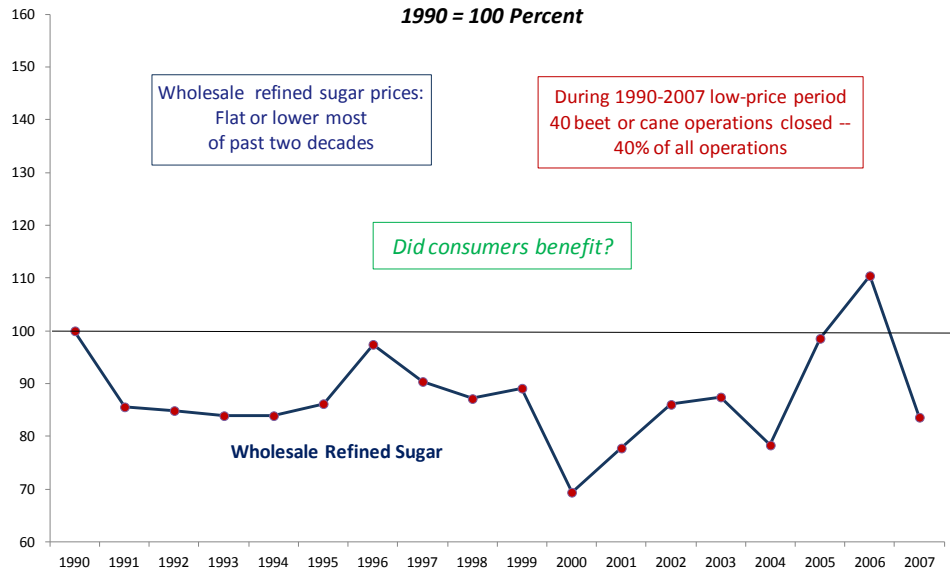
### Expenditures on Sugar as a % of GNP: USA Lowest in World



U.S. is 60% below world average

Source: LMC International Ltd., 2009. Developed country average represents a the weighted average of 29 foreign developed countries.

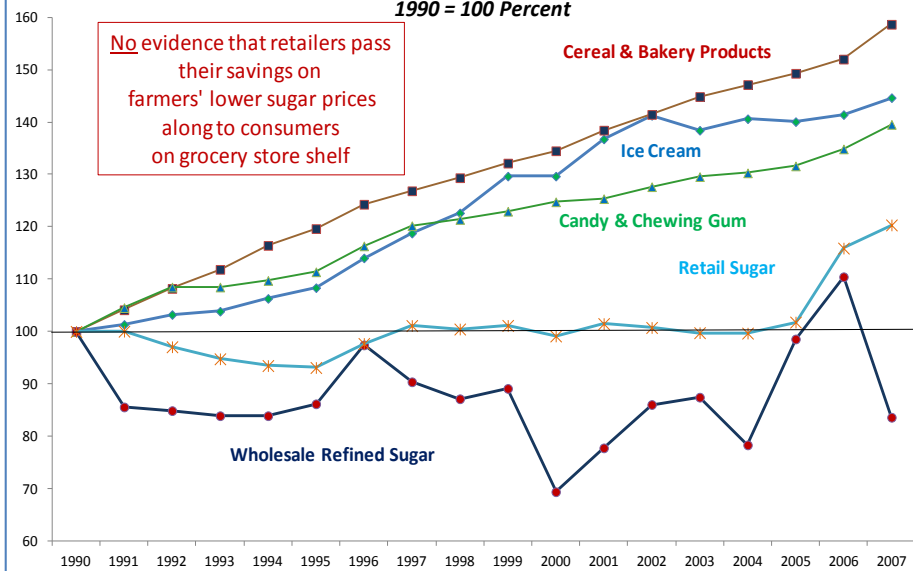
### Price Change 1990 - 2007: Wholesale Sugar Down 1990 = 100 Percent



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

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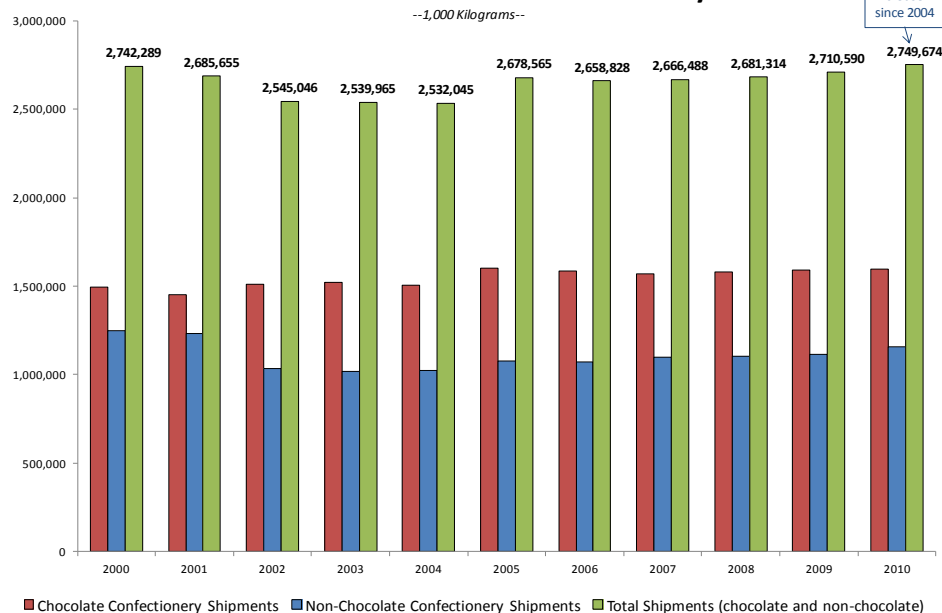
### Price Changes 1990 - 2007: Wholesale Sugar Down But Retail Sugar and Sweetened Products Up 1990 = 100 Percent



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

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### U.S. Chocolate and Non-Chocolate Confectionery Production



Source: U.S. Census, June 2011. [http://www.census.gov/manufacturing/cir/historical\\_data/ma311d/index.html](http://www.census.gov/manufacturing/cir/historical_data/ma311d/index.html)

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### Operational Costs for Confectionery Industries In North America

Items	Unit	United States Middle Atlantic States <sup>1/</sup>	Canada Ontario-Quebec	Mexico Border with United States
Hourly Wages <sup>2/</sup>	\$/hr	\$18.78	\$10.20	\$0.51
Commercial Facility Rental <sup>3/</sup>	\$/sq/ft/yr	\$5.00	\$6.38	\$4.65
Health Care -- Employer cost	\$/yr/worker	\$7,680	\$1,551	\$258
Taxes, Total <sup>4/</sup>	%	19.10%	36.30%	26.60%
Electricity <sup>5/</sup>	cents/kWh	6.6	3.0	8.0
Sewage	\$/1,000 gal	\$7.04	\$3.27	\$1.00
Sugar <sup>6/</sup>	cents/lb	28	21	23

<sup>1/</sup> Focus on Reading, Pennsylvania; Chicago costs substantially higher -- rentals at \$80/sq/ft; taxes at 42%.

<sup>2/</sup> Wages only. Workers in all countries receive additional benefits such as health insurance and paid vacations. Government mandated benefits in Mexico increase effective wages to an estimated \$1.08/hour.

<sup>3/</sup> Includes property taxes, insurance and maintenance fees.

<sup>4/</sup> Total of federal, state or provincial, and local. Percent of income. Services provided by the government for taxes in Mexico minimal compared with U.S. and Canada.

<sup>5/</sup> Cents per kilowatt hour. Canada rate low because of government subsidization and investment in hydroelectric power.

<sup>6/</sup> Average prices of past several years; current prices somewhat higher. Mexico maquiladora (free trade zone) price; Mexican market actual prices much higher, at about 30 cents.

Source: Buzzanell & Associates, Inc., "The Confectionery Industries in the U.S., Canada, and Mexico: Trends in Structure, Domestic Production and Use, Trade and Cost Comparisons," August 2009