Testimony of the American Sugar Alliance to the United States International Trade Commission
Investigation No. 333-325
"The Economic Effects of Significant U.S. Import Restraints: Eighth Update"
March 19, 2013

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1. The ITC's steady progress
2. Challenging some base assumptions of analyses that suggest net cost:
   a. Jobs
   b. Passthrough
   c. Sugar-product demand
3. Calculating consumer cost/benefit of sugar policy
   a. Invalid: Comparison to world dump market price
   b. Valid: Comparison of actual retail prices
4. Conclusion

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1. The ITC has made steady progress toward recognizing the net benefit to U.S. economy from U.S. sugar policy and import restraints

USITC: Net U.S. Economic Benefit from Removal of U.S. Sugar Import Restraints
(Investigation No. 333-325)

		Million Dollars
Fourth Update, 2004		$1,089
Fifth Update, 2007		$811
Sixth Update, 2009		$514
Seventh Update, 2011		$49

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2. Challenging some base assumptions of analyses that suggest net cost
   a. **Jobs**. The ITC estimate of the number of jobs threatened by the loss of U.S. sugar import restraints is far too low.

Jobs in U.S. sugar-producing industry: Direct jobs only

DOC study (2006)[1]	2,260
ITC (2011)	16,781
LMC (2011)[2]	39,958

[1] Not a DOC calculation but derived from a 1994 report by sugar-policy critics. See Alexander Triantis, University of Maryland, "*Commentary on 2006 U.S. Department of Commerce report entitled 'Employment Changes in U.S. Food Manufacturing: The Impact on Sugar Prices'*", September 2012.
[2] Including indirect and induced jobs: Total of 142,457. Based on periodic, exhaustive surveys of U.S. beet and cane growers and processors. LMC International Ltd, "*The Economic Importance of the Sugar Industry to the U.S. Economy – Jobs and Revenues*." Oxford England, August 2011.

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Confectionery industry job loss: Due to increased efficiency, automation

- Confectionery production *rising*, not falling; industry is flourishing, expanding
  - Up 9%, 2004 - 2010
- Census data show a 4% rise in value of sales in 2011 (volume no longer reported)

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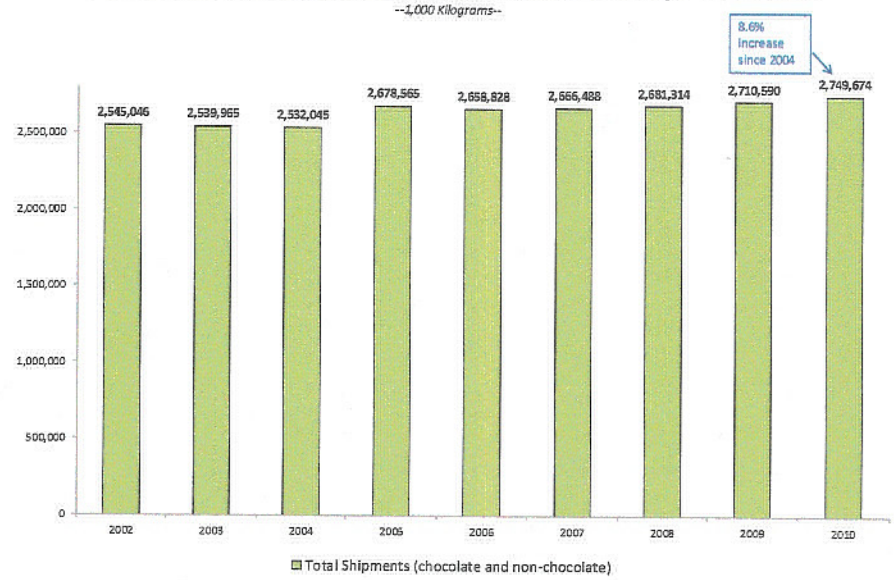
U.S. Chocolate and Non-Chocolate Confectionery Production

--1,000 Kilograms--



Souce: U.S. Census, June 2011. http://www.census.gov/manufacturing/cir/historical_data/ma311d/index.html

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2. Challenging some base assumptions of analyses that suggest net cost
   b. Passthrough: Past analyses of the consumer cost of U.S. sugar policy assume that if U.S. producer prices fall, food manufacturers and retailers would pass 100% of their savings along to consumers.
   - There is *no* evidence this would occur; nor is there evidence *any* passthrough at all would occur.
   - Examine two extended periods of producer price decline: 1990 – 2007 and 2010 to present.

Price Changes

	Wholesale	Retail	
	Refined Sugar	Refined Sugar	Sweetened Products
1990 - 2007	-17%	+20%	+40 - 60%
2010 - 2013	-52%	+13%	+7 - 17%

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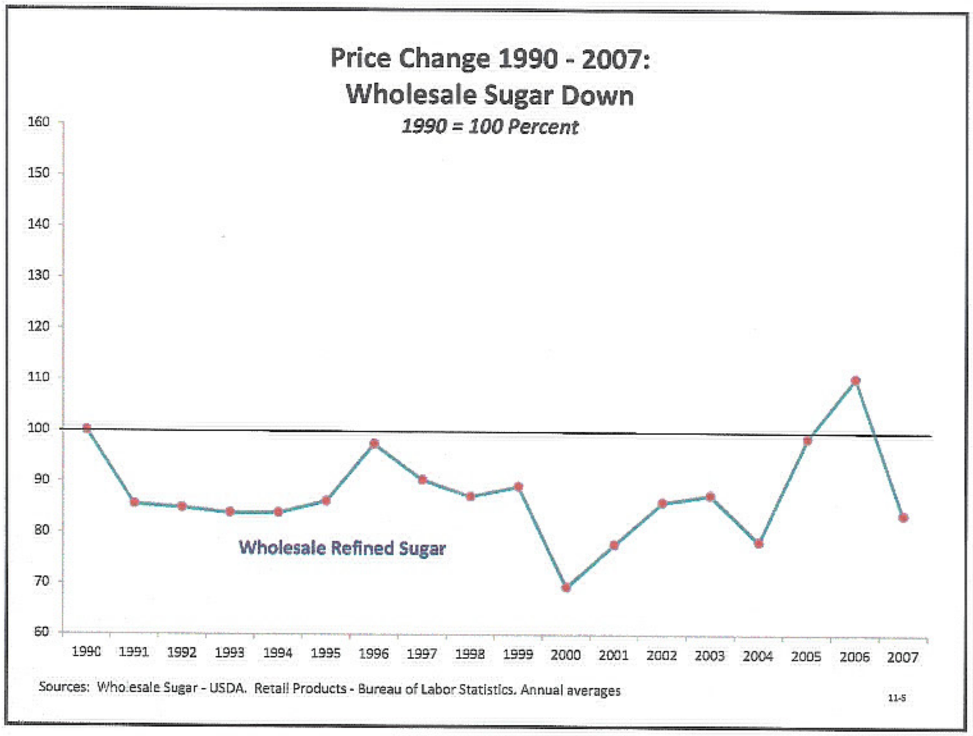
Price Change 1990 - 2007:
Wholesale Sugar Down
1990 = 100 Percent
160
150
140
130
120
110
100
90
80
70
60
Wholesale Refined Sugar
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
Sources: Wholesale Sugar - USDA. Retail Products - Bureau of Labor Statistics. Annual averages
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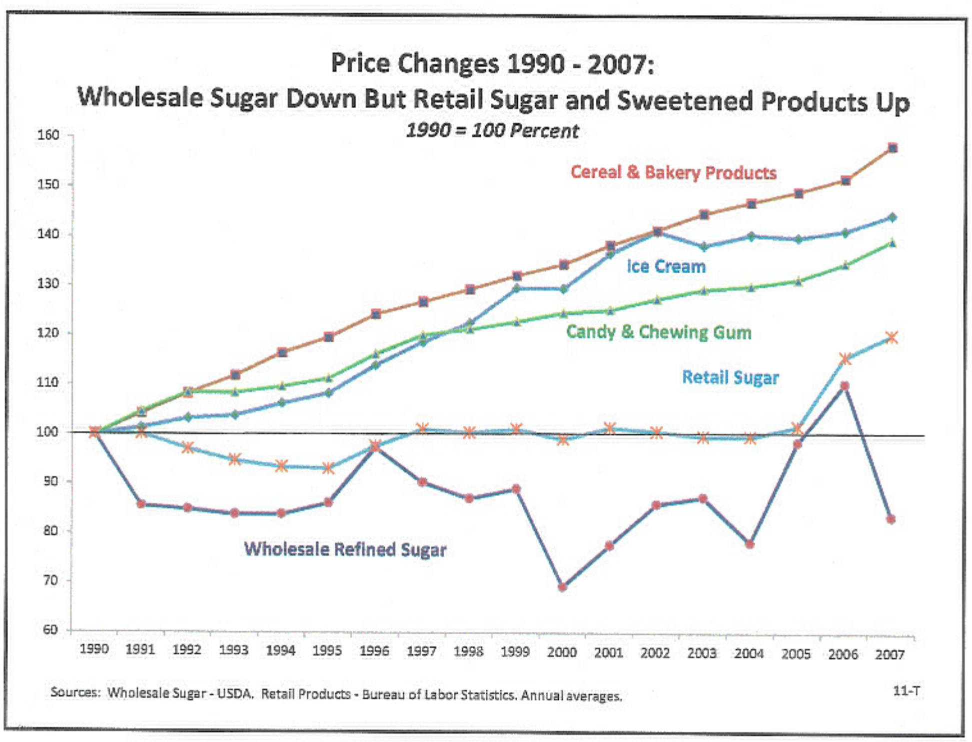
Price Changes 1990 - 2007:
Wholesale Sugar Down But Retail Sugar and Sweetened Products Up
1990 = 100 Percent
160
150
140
130
120
110
100
90
80
70
60
Cereal & Bakery Products
Ice Cream
Candy & Chewing Gum
Retail Sugar
Wholesale Refined Sugar
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
Sources: Wholesale Sugar - USDA. Retail Products - Bureau of Labor Statistics. Annual averages.
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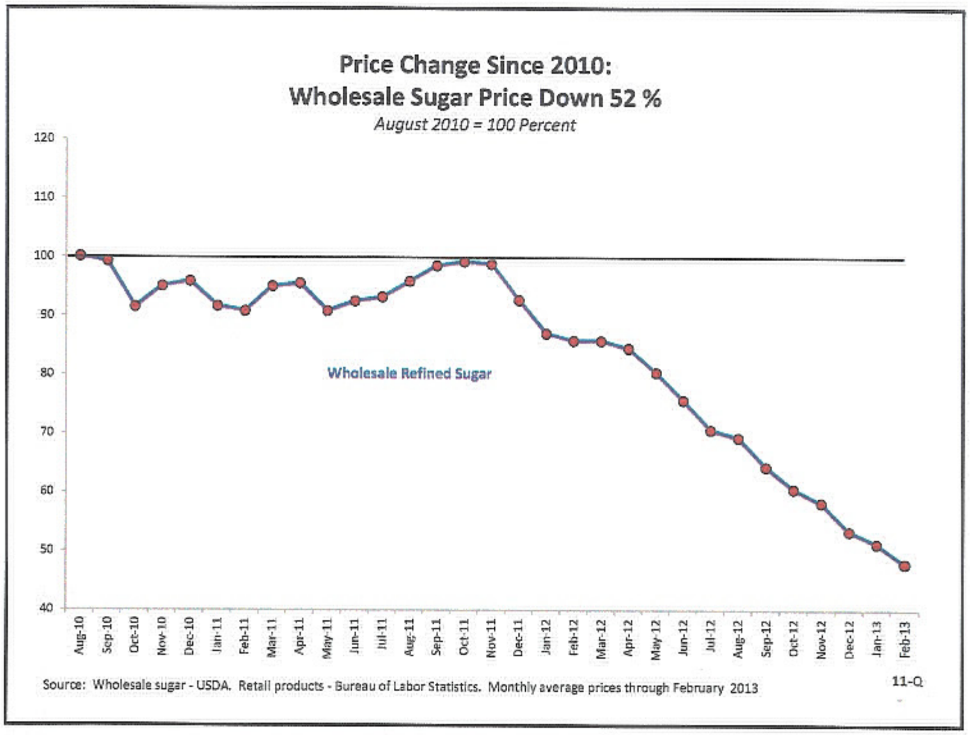
Price Change Since 2010:
Wholesale Sugar Price Down 52 %
August 2010 = 100 Percent
Wholesale Refined Sugar
Source: Wholesale sugar - USDA. Retail products - Bureau of Labor Statistics. Monthly average prices through February 2013
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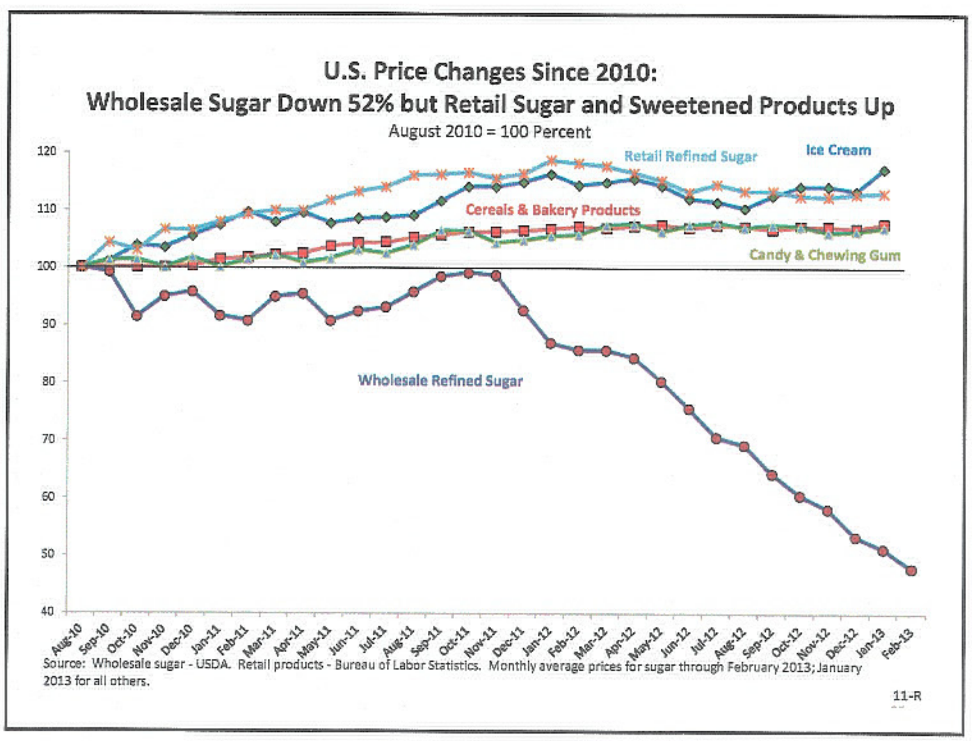
U.S. Price Changes Since 2010:
Wholesale Sugar Down 52% but Retail Sugar and Sweetened Products Up
August 2010 = 100 Percent
Retail Refined Sugar
Ice Cream
Cereals & Bakery Products
Candy & Chewing Gum
Wholesale Refined Sugar
Source: Wholesale sugar - USDA. Retail products - Bureau of Labor Statistics. Monthly average prices for sugar through February 2013; January 2013 for all others.
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2. Challenging some base assumptions of analyses that suggest net cost
   c. **Sugar-product demand**. Past analyses of the consumer cost of U.S. sugar policy assume that a decline in sweetened products price will boost demand for those products

BUT:

- Sugar share of product cost extremely small
- Even with 100% passthrough, change in retail price is negligible

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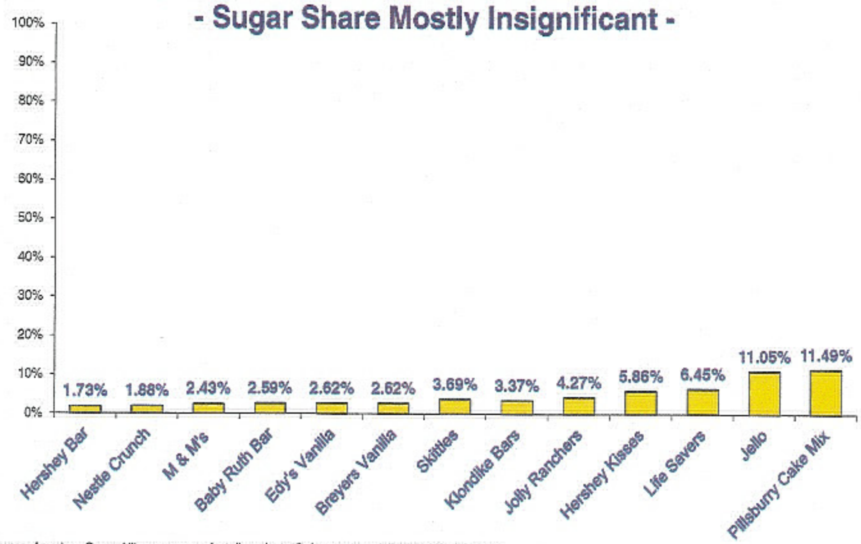
Sugar Cost as % of Retail Product Price*
- Sugar Share Mostly Insignificant -



Source: American Sugar Alliance survey of retail products, Safeway store, Arlington, VA, July 2012.
*Sugar content computed from nutrition label. Assumes USDA-reported January - June 2012 average wholesale refined sugar price of 49.47 cents per pound.
February 2013 wholesale sugar price: 28.50 cents per pound.

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Sweetened-product price change, based on ITC predicted wholesale sugar price drop and 100% passthrough *[July 2012 Safeway retail price and wholesale sugar price of 50 cents/lb; current price 28.50 cents/lb]*

Chocolate bar:	**$1.3900**
Wholesale cost of sugar in that bar:	$0.0240
Wholesale cost at ITC-predicted 4.6% lower sugar price:	$0.0229
Savings to chocolate manufacturer, per bar:	$0.0011
Chocolate bar price *with 100% passthrough*:	**$1.3889**

Calls into question:

- ITC prediction of $36 million in increased household consumption of sweetened products
- Sweetener Users' (Iowa State) prediction of 20,000 added sweetened-product production jobs.
  - See Alexander Triantis, University of Maryland, "*Commentary on 'The Impact of the U.S. Sugar Program, (November 2011 report for the Sweetener Users' Association)*," September 2012.

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There is no justification for this ITC conclusion:

"Confectioners, benefitting from the decline in refined sugar prices, would increase production and exports (page xiii)."

Production:

- Savings on cheaper sugar are *not* passed along to consumers;
- Even if they were, the consumer-product price difference would be insignificant

Exports:

- The U.S. sugar re-export program already provides U.S. cane sugar refiners and food manufacturers access to world dump market raw sugar for the manufacture of refined sugar and sweetened products for export
- *Removal of U.S. sugar import restraints is not relevant to U.S. food manufacturers' ability to export products competitively to the world market.*

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3. Consumer cost calculations:

   a. **Invalid**: Comparison of U.S. raw and wholesale refined prices with world market prices:

      - Consumers do not purchase raw or wholesale-priced sugar
      - The world market price is *not* a reliable indicator of:
        - the global cost of producing sugar
        - the wholesale prices for which sugar actually sells around the world.
      - The world average cost of producing sugar averaged 51% more than the world price during 1989-2008; after anomalous period of higher prices during 2009-2011, world price dipping again to below average cost of production in 2013
      - World average wholesale prices averaged 61% more than the world price during 2003-2012.

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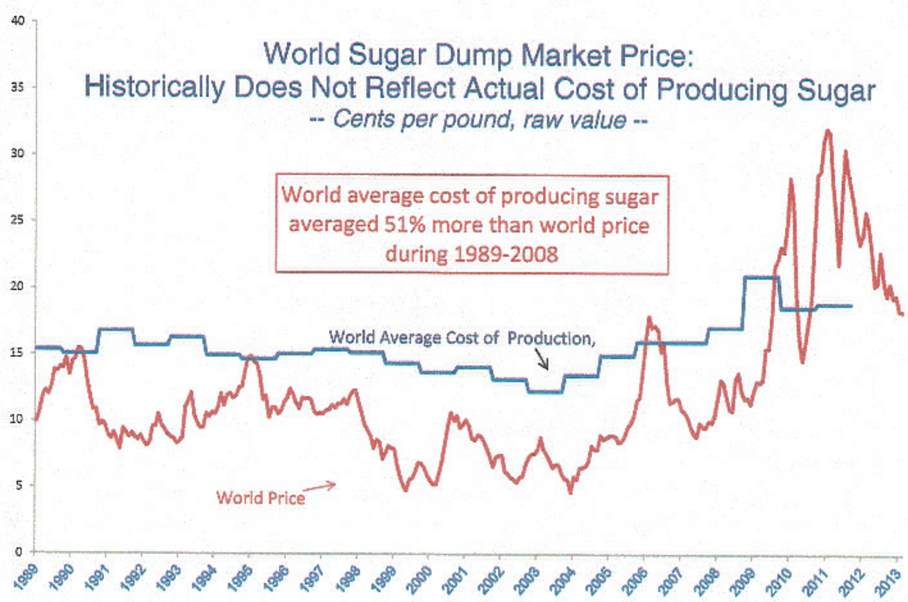

Sources: Price - USDA, New York Board of Trade/ICE, Contract #11, raw cane sugar, stowed Caribbean port; Monthly avg prices through Feb.2013. Cost of Production - "Sugar Production Costs, Global Benchmarking 2011 Report," LMC International, Oxford, England, September 2011.

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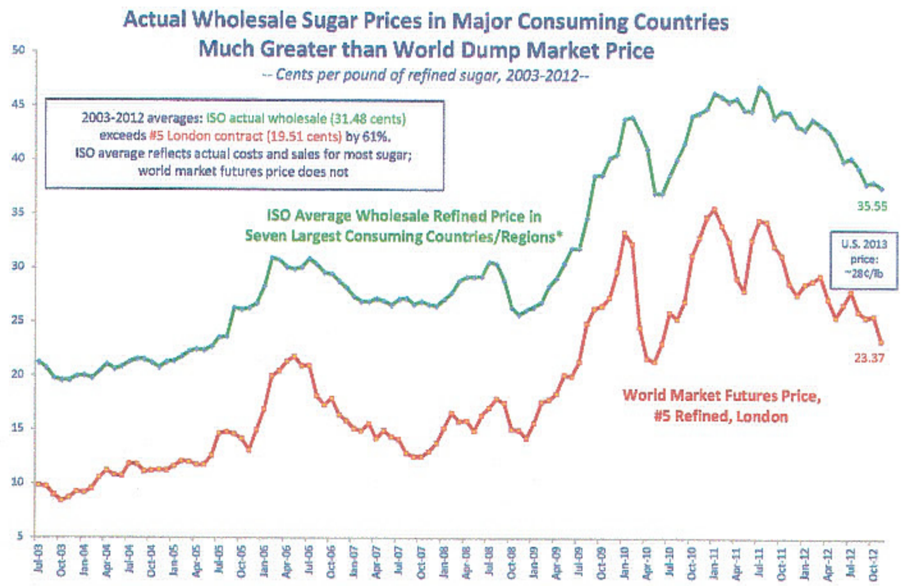

Data Sources: International Sugar Organization, U.S. Department of Agriculture. Monthly average prices through November 2012.
* Brazil, China, European Union, India, Mexico, Russia, United States -- represent approximately half of world sugar consumption.

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3. Consumer cost calculations:

   b. Valid: Comparison of actual retail prices around the world – the prices consumers really pay:

   - Developed-country average: 24% higher than U.S. price
   - World average: 14% higher than U.S. price

Conclusion: American consumers *benefit* from U.S. sugar policy and import restraints

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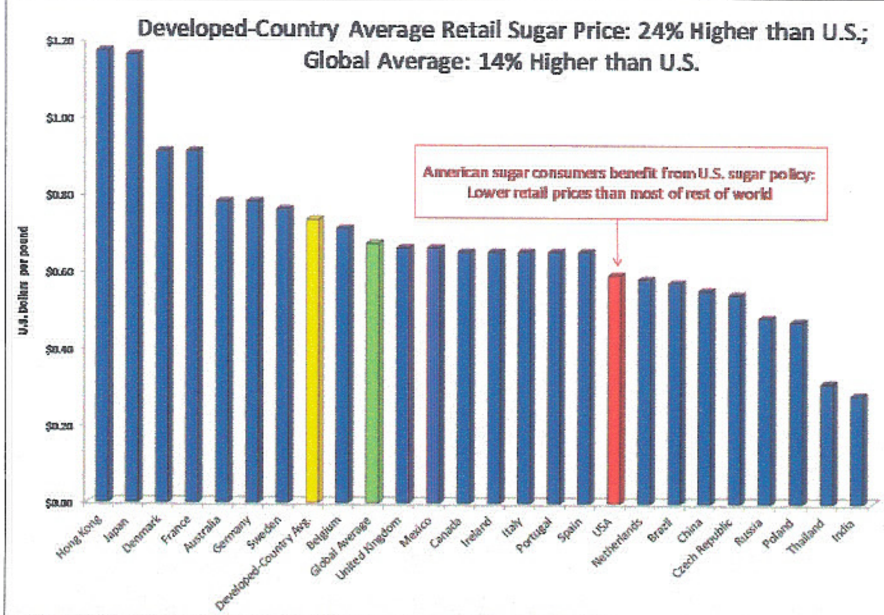

Source: SIS International Research, "*Global Retail Sugar Prices*," May 2012, from Euromonitor, International Monetary Fund; 2011 prices.
Surveyed countries represent 60% of global sugar consumption. Developed countries include OECD member countries and Hong Kong.

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Conclusion:

1. The ITC has made steady progress toward recognizing the net benefit to the U.S. economy from U.S. sugar policy and import restraints

2. But still some troubling base assumptions
   a. **Jobs**:
      - Number of U.S. sugar-producing jobs that might be lost *underestimated*
      - Number of confectionery-industry job that might be gained *overestimated*

   b. **Passthrough:**
      - Food manufacturers and retailers do *not* passing savings on lower sugar prices along to consumers;
      - Even 100% passthrough would *not* yield discernible difference in retail product prices

   c. **Sugar Demand**: Insignificant drop in retail prices would *not* spur demand sweetened products; would not cause production and job growth in sweetened-product industry

3. Calculating the consumer cost or benefit from U.S. sugar policy:
   a. World price is *not* a valid indicator of cost of producing sugar or of actual wholesale sugar prices around the world
   b. Most straightforward indicator of consumer cost or benefit from U.S. sugar policy: Retail price comparison -- substantial savings for American consumers

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