

TESTIMONY OF  
U.S. SENATOR JOHN BREAUX  
SUBMITTED TO  
THE SENATE COMMITTEE ON AGRICULTURE,  
NUTRITION & FORESTRY'S  
HEARING ON THE FEDERAL SUGAR PROGRAM  
JULY 26, 2000

MR. CHAIRMAN, thank you for calling today's hearing. Thank you, too, for the opportunity to testify.

If we are here today to focus only on sugar and to determine whether we need a sugar program, then the answer is simple and straightforward, yes. As a nation, we need a sugar program, just as we need programs for other commodities.

Our policy and program should be fair and reasonable and provide stability.

Overall, the sugar program serves the nation and its consumers well. On behalf of Louisiana's sugar industry, including its nearly 700 growers, its 18 mills, its nearly 32,000 industry-supported jobs and its estimated direct economic value of more than \$2.0 billion, I proudly and strongly support the sugar program.

If we are here today to learn how the sugar program operates, then that, too, is a simple, straightforward answer. The sugar program for cane and beet growers is a commodity loan program. Commodity loans also are authorized for cotton, rice, wheat and feed grains.

Please let me repeat that our national farm policy for sugar is to have an authorized commodity loan program--that's all--nothing more. The sugar program has no AMTA payments.

As part of the sugar loan policy, Congress has legislated an 18 cent loan rate and has held the rate steady at 18 cents since 1985.

Like other commodities, cane and beet growers may borrow from the government at harvest, sell their crop in the market to pay back the loan or, if market prices are too low, forfeit the crop as loan payment. This is known as a non-recourse loan.

But, policy changes in the 1996 farm act brought new features to the sugar loan program which are not imposed on other commodities. These features include a one-cent reduction in the loan rate if sugar put under loan is forfeited. Also, if sugar imports fall below the 1.5 million

ton level, then forfeiture is not an option and the loan must be repaid in full in dollars, regardless of the market price, plus interest and administrative costs. The non-forfeiture program is known as a recourse loan.

Under another policy and a prior administrative action, there is in effect a tariff rate quota for raw sugar imports which has been in effect for many years. Some 40 nations participate in the program. This TRQ policy and practice is GATT legal. In addition, we have under GATT a 1.256 million ton minimum raw sugar import quota.

If we are here today to determine whether the sugar industry contributes to the economy, then the answer is simple and straightforward, yes. The industry has an estimated annual national economic impact of \$26 billion and it also provides some 420,000 direct and indirect jobs in 42 states.

As important, the industry has paid \$280 million to the federal treasury from 1991 to 1999 as part of a budget deficit assessment on growers. With the treasury now in a surplus position, the assessment

has been suspended, and fairly so, for Fiscal Years 2000 and 2001.

If we are here today to determine whether elimination of the sugar program or a reduction in its loan rate will benefit consumers, then the answer is simple and straightforward, no.

It is a flawed hypothesis to think that elimination of the sugar program or a reduction in its loan rate will benefit the consumer. Such thinking must never be the basis for developing our national policy.

Why will consumers not benefit? Recent history, over the past year, answers the question. Over the past year cane and beet prices have dropped by about 25 percent and 30 percent respectively. Have prices for candy, cookies and cakes, cereal and ice cream fallen that much in the past year?

Furthermore, look at what has happened to prices since passage of the 1996 farm act. Let's look at the chart which I have brought, which is based on USDA estimates. The prices on it compare, since passage of the 1996 farm act, the price for raw cane sugar and the wholesale refined beet sugar price with those for candy, cookies and cakes, cereal,

ice cream, and the retail price for a pound of refined sugar.

Raw cane sugar prices have fallen 14.6 percent and the beet price has dropped by almost 32 percent since passage of the 1996 act.

But, look at where consumer prices for sugar and sugar-containing products have headed since passage of the 1996 act—nowhere but up:

--- the retail price for a pound of refined sugar, up one half of one percent.

---candy, up by 6.4 percent;

---cookies and cakes, up by 6.6 percent;

---cereal, up by 8.3 percent;

---ice cream, up by 9.8 percent;

Look at these increases and, at the same time, recall that the past year's price history has shown that consumer prices for sugar containing products still haven't dropped by the corresponding amounts that raw sugar and wholesale refined beet prices have dropped nor is it likely that they would they drop by those amounts.

We do know that if we eliminate the sugar program or reduce the

loan rate, then we will put family farm operations out of business, that their local economies will be hurt and that the allied industries which serve them will be hurt. That much we do know.

If we are here today to determine if cane and beet growers need relief from the market losses which they've been experiencing over the past year, then the answer is simple and straightforward, yes.

Cane and beet growers are experiencing market price declines like other commodity growers. They, too, need relief from these market losses and are deserving of it.

Congress has approved the release of some \$22 billion for market loss payments and disaster losses for other commodities, which I have strongly supported. But the sugar program per se is not eligible for market loss payments because the sugar program is a loan program only and is not authorized for AMTA payments.

To assist growers, I have joined with a number of other Senators to urge USDA and OMB to purchase sugar from the market, as USDA has the authority to do and which it has done for other commodities.

As we know, USDA announced the purchase of 132,000 tons of sugar to try to assist growers, but that has not been sufficient. More help is needed because prices continue to decline.

The price situation is very serious, having persisted for a year, with no indication of any significant reversal in the near future.

I will continue to work with other Senators from cane and beet states to urge USDA and OMB to use authorities available to them from Congress to halt the price decline and restore price stability

In addition, I and other Senators are committed to legislating an end to the practice of exporting sugar into the United States in the form of stuffed molasses. This product has no commercial purpose in the form in which it is shipped. It is nothing more than a business deception which avoids our nation's tariff rate quota by a scheme analogous to bait and switch. The tariff rate quota should apply to this type of product.

By mixing molasses and water together, bringing it into the United States, then spinning out the sugar from that product, the GATT-legal tariff rate quota is circumvented. More sugar is added to the domestic

supply, contributing to the decline in prices to growers.

Consumers, of course, do not benefit from the blatant violation of the U.S. quota, but our family farmers definitely are hurt by it.

With regard to legislation, Congress has cast two strong votes in the past two years to table appropriations floor amendments which would have withheld funding to operate the sugar program. The amendments were tabled by votes of 65 to 32, last week, and by 66 to 33, in August 1999. Those votes are much, much appreciated by all of us who represent cane and beet states.

MR. CHAIRMAN, the United States needs a domestic sugar industry. There is no question about it. We must not let our cane and beet industry disappear or become so weak as to be ineffective. We know from history that consumers won't benefit from such a calamity, but growers, their families, their communities and the allied industries which serve them will suffer severely.

That's why we need the domestic sugar loan program and that's why relief is needed at this time for the industry. There's no question

about it. That's why we also must use Congressionally-authorized administrative programs to restore and maintain price stability.

Stability must be the bedrock of U.S. farm programs and policy, especially at this juncture when market losses and natural disasters are crippling growers. Stability is the key for growers, for consumers and for the economy. Farm families, their communities and their service industries depend on that stability.

I urge the Committee to listen to growers and to the conditions which they are experiencing. Please be responsive to them and support them with a fair, reasonable policy which maintains stability.

Thank you, MR. CHAIRMAN, and members of the Committee for holding today's hearing and for allowing me to testify. This concludes my testimony.