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Statement of Senator Craig Thomas

Senate Agriculture Committee
Oversight Hearing on the U.S. Sugar Program
July 26, 2000

Thank you Mr. Chairman and Members of the Committee for allowing me to testify today. This hearing is certainly timely given the recent attention on the Senate floor that was devoted to our U.S. sugar policy.

A sound sugar policy is critically important, as there are several factors at play which unfairly pit U.S. producers against the world market. In my home State of Wyoming, sugar beets are one of the largest cash crops and sugarbeet factories provide the economic base for three cities. Sugar production is a key component to Wyoming's economy.

Much of the criticism around the sugar program targets the prices consumers pay for sugar and sweetened products. Considering that U.S. sugar prices are 20% below the developed-country average, I fail to understand how that argument is relevant. Only two countries, Canada and Australia, have lower sugar prices than what we enjoy in the United States.

Unfortunately, there is another side of the story that rarely receives media attention -- what U.S. producers are paid for their product. Since the 1996 Farm Bill, the price of raw and wholesale refined sugar has

dropped -- over the last year, prices have literally plummeted -- yet, retail prices do not reflect the market. Retail refined sugar prices have remained almost constant since 1990, but sweetened products such as cookies, candy and ice cream have risen by 7-9%. Once again, I fail to understand why attention is concentrated around what consumers pay for sugar. The argument is unbalanced.

U.S. producers are economically efficient, even when considering the labor and environmental standards that they must operate under. Out of 96 production areas world wide, the U.S. ranks 18th in cost of production and in sugarbeets. In fact, we are the world's least expensive sugar producer.

Mr. Chairman, until we resolve trade issues which highly influence U.S. prices, eliminating or phasing out the sugar program will only serve to further harm producers without helping producers. First, U.S. producers compete directly against foreign subsidies and because of these subsidies we have a world price for sugar that is a dumped market price -- roughly 8 cents per pound, far below the cost of production. Second, our Canadian neighbors have invented a product which circumvents import quotas. Stuffed molasses has no commercial value, but is being imported in massive quantities effectively displacing domestic sugar in its own market. Lastly, we are still grappling with the Mexican government challenging the authenticity of the sugar side letter to the North American Free Trade Agreement (NAFTA).

In closing, I would urge my fellow colleagues to focus on two issues during your oversight hearing: the lack of pass-through from retailers to consumers and the trade obstacles faced by sugar producers. Without considering both points during the discussion on U.S. sugar policy, I believe you miss the reasons why we need a sugar program.

Thank you again for allowing me to testify.