



CITIZEN OUTREACH

Putting the Public Back in Public Policy

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TO: UNITED STATES CONGRESS
FROM: Chuck Muth, President
DATE: May 21, 2013
RE: Free Market Sugar

The Not-so-Sweet Side of Sugar Policy

Dear Member,

As the saying goes, there are always two sides to every story...and that's certainly true when it comes to sugar policy as it relates to the current farm bill (S.954).

"Sugar reform is an essential step toward farmers, businesses and markets working without government involvement," said **Sen. Pat Toomey** about his amendment to the farm bill in 2008 as it related to the sugar industry.

But that's the problem. It's government involvement, both here and abroad, that's distorting the market. Indeed, no free-market conservative would object to a hands-off approach to the sugar industry for farmers and businesses...on a level playing.

However, government policy in the U.S. as it relates to cheap Mexican sugar (thanks to NAFTA) and subsidies for sugar production in other foreign countries (particularly Brazil) has America's sugar industry playing the game blindfolded with two hands tied behind its back and lead weights around its ankles.

For the free market to work, the rules have to apply equally to everyone. And if someone refuses to play by the rules, then the resolution should be to kick the offending party out of the game, not penalize those who are playing by the book.

As such, please consider the attached op-ed written by **Mark Flegenheimer** of Michigan Sugar which was published on Monday in the Daily Caller. His "zero-for-zero" proposal makes absolute sense and I urge you to consider it.

Sincerely yours,

Chuck Muth
President
Citizen Outreach

THE DAILY CALLER

Sugar, sugar everywhere

Posted By Mark Flegenheimer
On 10:22 AM 05/20/2013

If you love sugar, here's some good news: America is sitting on a mountain of cheap sugar right now.

If you produce sugar or think a domestic sugar industry is important, here's some terrible news: America is sitting on a mountain of cheap sugar right now.

Through a loophole in NAFTA, Mexico has flooded America with subsidized sugar, sending our surplus stocks to an all-time high of 2 million tons. For context, that is enough unneeded sugar to give every man, woman and child in the United States 14 pounds of sugar on top of what they are already consuming.

With so much excess, it's not surprising that sugar prices are nearing lows not seen since Ronald Reagan sat in the Oval Office.

Unfortunately for grocery shoppers, this hasn't translated to cheaper food, just bigger profits for food manufacturers. And unfortunately for farmers, there's no end in sight to Mexico's subsidize-and-dump approach.

The Mexican government owns and controls about 20 percent of Mexico's sugar industry — enough capacity to produce about 1 million tons of sugar a year. Coincidentally Mexico is now shipping more than 1 million tons of sugar to the United States every year, even if it means intentionally shorting its own market.

As a result of Mexico's policies, sugar prices are a lot higher in Mexico, but Americans are having a hard time breaking into that market. In fact, my company has been unsuccessful in repeated attempts to sell sugar south of the border over the past few months.

It is a case study in the one-sided nature of sugar trading around the world, and right now this inequity is threatening 142,000 U.S. sugar jobs and our nation's ability to grow an essential ingredient here at home.

Whether it's government ownership in Mexico or Brazilians using three decades of subsidization to gain control of 50 percent of global exports, the sugar market is far too distorted.

So how can we address this distortion and help a free market in sugar take hold?

Some have suggested sending U.S. sugar farmers subsidy checks to level the playing field. Sugar, which is currently the only major commodity not to receive subsidy checks, has politely declined these handouts.

Others have advocated letting subsidized sugar overrun America, which would make the U.S. dependent on foreign suppliers. Considering the food security implications with foreign food dependence, this unilateral disarmament idea has gained little traction.

Sugar producers are pushing for a free-market approach known within the industry as the zero-for-zero strategy. Under this concept the U.S. sugar industry has offered to give up its government policies as soon as foreign subsidies can be eradicated.

This isn't the first time the zero-for-zero approach has been brought up. Sugar producers urged the elimination of all global subsidies and border protections 30 years ago when market manipulation was first becoming prominent.

The industry knew then, and knows today, it can thrive in a free market where the best businesspeople, not the most subsidized, win.

The question is, will the idea gain traction this time around at home and abroad? If not, Americans better get used to depending on Mexico and other bad actors around the world.

Mark Flegenheimer is president and CEO of Michigan Sugar, a farmer-owned cooperative that markets the Pioneer and Big Chief brands.