



THE DKT LIBERTY PROJECT

The Foundation For Democracy In AFRICA

Date: July 17, 2007

To: **Members of the House Agriculture Committee**

We, as representatives of consumer, taxpayer, public policy, and humanitarian groups, are writing to express our opposition to the Sugar Program in the 2007 Farm Bill – Chairman's Mark.

The current program under the 2002 Farm Bill already has significant negative effects: It increases consumers' food costs, adds to taxpayers' burden, leads to significant job losses, harms the environment, and restricts the ability of sugar producers in developing countries to compete.

The Chairman's Mark would worsen this situation in three primary areas:

1. Higher loan rates – estimated to cost consumers an additional \$200 million per year
2. Further import constraints – that would eliminate the Secretary of Agriculture's discretionary ability to increase quarter-by-quarter import limits
3. Use of sugar for ethanol – would add an additional burden to taxpayers.

First, the mark would increase sugar price support loan rates from 18 cents to 18.5 cents per pound of raw cane sugar and from 22.9 cents to 23.5 cents per pound of refined beet sugar. According to the economics firm Promar International, that would cost an additional \$200 million a year for consumers in higher prices. Poor American families would suffer the most since they spend a larger share of their earnings on food. Promar International also estimates that the higher loan rates would cost taxpayers an additional \$100 million.

Furthermore, the increased support would encourage surplus production by domestic sugar producers, which would aggravate the Sugar Program's negative impact on the

environment, especially in ecologically fragile areas. For example, the Everglades ecosystem in Florida is already polluted with phosphorous and other contaminants due to excess production in adjacent sugar plantations. The increased prices would also lead to significant job losses in industries in which large amounts of sugar are used for production.

Second, the proposed legislation would encourage sugar producers to increase their production of sugar for ethanol at the expense of sugar for food. That would decrease the food sugar supply, create an artificial increase in demand for sugar overall, and thus inflate prices for consumers even higher. Furthermore, ethanol production from U.S. sugar is very costly and inefficient, and would thus demand even more subsidies from taxpayers. The inflated prices created by the sugar-for-ethanol mandate would also lead to more job losses in sugar dependent industries.

Third, the proposal would impose further import constraints by mandating limits on how much sugar can be imported during specific periods. Until now, the Secretary of Agriculture has had a discretionary ability to allow for more imports when necessary. That ability would be suspended by the new provisions, which would result in further disruption of the supply of sugar on the U.S. market, and thus lead to even higher food prices for consumers and increase the number of lost jobs in sugar related industries.

The Sugar Program is already one of the most egregiously harmful government programs to the American people; by adopting the Chairman's Mark, Congress would further increase consumers' and taxpayers' burden. Thus, we urge you to oppose the changes in the program proposed in the Chairman's Mark for the 2007 Farm Bill under consideration by the Agricultural Committee and to undertake true reform of the Sugar Program.

Sincerely,

Dennis Avery
Center for Global Food Issues
Hudson Institute

Philip D. Harvey
DKT Liberty Project

Frances B. Smith
Competitive Enterprise Institute

Fred Oladeinde
Foundation for Democracy in Africa

Tom Schatz
Council for Citizens
Against Government Waste

Matt Kibbe
Freedom Works

Mark Silbergeld
Consumer Federation of America

John Berthoud
National Taxpayers Union