Vickie R. Myers
Executive Director
E-mail: vickie@sugaralliance.org
Jack Roney
Director of Economics
and Policy Analysis
E-mail: jack@sugaralliance.org
Phillip W. Hayes
Director of Media Relations
E-mail: phillip@sugaralliance.org

AMERICAN SUGAR ALLIANCE

BACKING AMERICA'S BEET AND CANE FARMERS

2111 Wilson Boulevard
Suite 600
Arlington, VA 22201
Tel: (703) 351-5055
Fax: (703) 351-6698
www.sugaralliance.org

December 7, 2016

Michael Lucci
Vice President of Policy
Illinois Policy Institute
190 South LaSalle St., Suite 1500
Chicago, IL 60603

Dear Mr. Lucci:

Your December 4 post on global sugar prices and U.S. sugar policy was alarmingly misleading and factually incorrect. If this is an issue that you plan to follow in the future, America's sugar producers thought it would be instructional to explain the inaccuracies and provide you with better context of the current political debate.

- **Confectioners do not purchase raw cane sugar:** Despite this simple fact, your column only compared prices of raw cane sugar, which must be further refined before it is fit for human consumption. Future analysis should cite wholesale refined prices to give readers a true sense of what food makers are paying domestically and abroad.

- **Global sugar prices exclude shipping costs, whereas U.S. prices include them:** By failing to take this into account, your piece assumes that global suppliers will ship for free, which they will not. To arrive at a true apples-to-apples price comparison, it is important to add 6 cents per pound to global prices, which is the average cost of delivering refined sugar from the world market to the United States.

- **U.S. prices are currently cheaper than global prices:** U.S. wholesale refined sugar prices (what confectioners pay) averaged 28.5 cents per pound in November, according to the USDA's Sugar and Sweeteners Yearbook – an unbiased, government source of global pricing information. Conversely, world price plus freight was 30.93 cents per pound, or 9% more expensive than U.S. sugar.

- **U.S. prices are cheaper than Mexican sugar prices:** To claim Mondelez moved from Chicago to Mexico for cheap sugar is nonsensical because food makers pay more for sugar in Mexico than the United States. Current Mexican prices are 33.5 cents per pound – 18% higher than U.S. wholesale refined prices. This tells us that labor, tax, and regulatory advantages were far more likely culprits for the relocation, as with the many other U.S. manufacturing-company moves to Mexico.

- **Inefficient Mexican producers are not free traders:** Mexico is not a nirvana of free trade in sugar as you insinuate. Mexico blocks sugar imports with high tariffs. It also uses unfair trade practices to boost exports and expand production, which violates U.S. trade law and international rules set by the World Trade Organization. In fact, the U.S. International Trade Commission found Mexico guilty of breaking U.S. trade law by dumping subsidized sugar onto the U.S. market to give its industry an unfair advantage and harm U.S. producers.

- **U.S. prices are declining, not increasing:** The price that U.S. sugar companies must pay for the raw sugar they refine is up because of Mexico's controversial trade actions. But, the price that U.S. food manufacturers pay for refined sugar has fallen 24% over the past two years. In fact, sugar is as cheap today as it was in the 1980s. Today, there's only 12 cents worth of sugar in a $2.99 package of Mondelez Oreos.

- **Confectioners' U.S. footprint is expanding, not shrinking:** While Mondelez moved one manufacturing line to Mexico, dozens of food companies (including Mondelez) have expanded manufacturing in the United States – in some cases moving operations from Mexico and Canada. We have compiled a list of these expansions, available here, which has more than 130 entries since 2012. That explains why U.S. Census data show job growth, not contraction, in the U.S. confectionery sector.

Despite the factual problems with your article, we do agree with your objective to replace U.S. sugar policy with a global free-market approach to business.

America only has a sugar policy because foreign subsidies and trade abuses have so distorted the marketplace. That is why U.S. sugar producers have publicly pledged to support the elimination of its policy in exchange for other countries doing the same – essentially a subsidy cease fire that would enable the most efficient businesses in the world to thrive.

This concept, known as the Zero-for-Zero sugar policy, has been endorsed by numerous conservative lawmakers and think tanks as the only true free-market approach to sugar policy. In fact, the candy lobby is one of the few groups to oppose it, choosing instead to favor foreign subsidization to artificially deflate prices.

If we can be of assistance as you study this issue moving forward, please feel free to contact us at 703-351-5055.

Sincerely,

Jack Roney
Director, Economics and Policy Analysis
American Sugar Alliance