Senate Votes to Continue Sugar Subsidies

Despite the efforts of a coalition of free-market supporters to persuade Senators to pass an amendment to the farm bill to reduce sugar subsidies, the Senate voted it down on Wednesday, 54-45. The coalition, including the Club for Growth, Americans for Prosperity, the Competitive Enterprise Institute, and Americans for Tax Reform, stated in a letter to senators that the present sugar subsidy program is nothing more than a cartel directed by the Department of Agriculture:

> Under this program, the federal government makes all the decisions about supply and demand and pricing. It looks into its crystal ball and tells producers how much they can grow to meet users' needs; it decides how much and when imports of sugar are needed; it determines the price that domestic sugar is sold.
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> And, when supply and demand are out of alignment, the sugar-for-ethanol program kicks in.

Because the free market isn't allowed to make these determinations, unelected bureaucrats, often influenced more by lobbyists than free-market principles, allocate quotas to the 5,000 sugar beet farms and 950 sugar cane farms in the United States. By limiting supply, the price of sugar predictably has historically been twice to three times higher in the United States than in the world markets. This costs the consumer in two ways: "Americans are hit with higher prices on a vast array of foodstuffs while at the same time shouldering the cost of a massive regulatory bureaucracy."

Andrew Roth, writing for the Club for Growth, said:

> The federal sugar program is a prime example of the federal government wrongly picking winners and losers in the private sector. It dislocates jobs, increases prices for consumers and businesses, and includes a protectionist quota that stifles freer trade.

It's been doing this for decades, with government trying to prop up an industry which, in turn, rewards many of those senators voting for subsidies with campaign contributions and other perks. The industry is huge, employing an estimated 142,000 people. But what is unseen are those no longer employed elsewhere due to the high cost of sugar. According to the Commerce Department, for every sugar industry job "saved" nearly three food manufacturing jobs are lost. Companies that use sugar, such as Fannie May and Brach's, have either closed down some facilities or moved them to Canada or Mexico. Kraft Foods moved its Michigan facility to Canada, as did Hershey Foods, closing its plants in Pennsylvania, Colorado, and California.

Senator Tom Coburn (R-Okla.), one of those who voted for the amendment, said:

> It's ridiculous. We're losing candy manufacturers in America because the price of sugar is four to six times higher here than it is anywhere else in the world.

Not only is the subsidy a wealth transfer mechanism, where taxpayer funds are paid to producers to keep them profitable, inflated sugar prices cost shoppers an extra $3.5 billion a year. But those shoppers are widely dispersed and the impact on a family budget is insignificant – some estimates show a family of four paying about $150 a year more because of the sugar subsidy program. The beneficiaries, on the other hand, are highly concentrated. Of the approximately $25 billion the government hands out to the farm industry, about three-quarters of it goes to just 10 percent of the nation's farms. And they can greatly influence public policy because of their concentrated political clout.

Dan Griswold of *Reason* magazine spelled out the free-market case for ending farm subsidies, including sugar:

• It would reduce food prices for families;

• It would reduce the cost of government that grants the subsidies;

• It would lower the costs of companies using sugar, making them more competitive both locally and internationally.

Besides, not all commodities are subsidized. For example, American farmers have been growing lettuce, celery, cauliflower, potatoes, almonds, pistachios, apples, pears, cherries, melons, blueberries, and grapes for years without subsidies from the federal government.

But politics overrides common sense and simple free-market principles. Both senators from North Dakota (which produces a large amount of sugar beets), John Hoeven (R) and Heidi Heitkamp (D), voted against the amendment, using specious arguments to explain why. Said Heitkamp, "This [sugar] program is critical to the compromise of the farm bill itself. Let the bill stay intact." Besides, she added, "We can compete if the playing field is level, but it is not level in sugar. Other countries have subsidized their sugar for years." And Hoeven added that if the sugar subsidies ended, there would be "volatility in the global sugar market."

There it is: Political pressure from beet growers in North Dakota is no doubt letting their senators know that any reduction in the subsidies would have political consequences. No amount of persuasion about free-market principles will cause them to vote against those special interests.

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