Lugar Free Sugar Act of 2011

The Senator Dick Lugar (R-IN) Free Sugar Act of 2011 would create a free market in sugar, free small businesses and consumers from paying government-inflated food prices, and free sugar producers from the commands of Washington.

Current sugar policy substitutes the federal government for the private sector in basic economic decisions about buying and selling, supply and price. Current policy is designed to guarantee that growers and processors of sugar beets and sugarcane receive a minimum price, which is higher than world market prices. If market prices were to collapse, the U.S. taxpayer would be left footing the bill to big sugar.

Far from being "no cost" as proponents claim, every American pays for the current sugar program through higher food and beverage prices. U.S. businesses – from small bakers and confectioners, to restaurants, to U.S. manufacturing facilities of multinationals – are penalized by not having access to low-cost ingredients, putting jobs at risk. The program is blatantly protectionist with both quotas and high tariffs for imports above quota.

The U.S. sugar program, on the books in some form since the New Deal, is a stark example of unnecessary, intrusive, and wasteful federal intervention. **The Lugar Free Sugar Act of 2011 repeals the sugar program.**

<u>Section-by-Section</u>

Section 1 Free Sugar Act of 2011 (title)

Section 2 REPEALS the mandatory "loan" program to sugar processors

- Lugar repeals the current law, which mandates a "loan" program with sugar prices set by Congress that serves to establish a minimum price support for domestic sugar, regardless of world prices. If market prices fall below this effective price support level, then a processor can forfeit (turn over the physical sugar pledged as loan collateral) when the loan comes due, leaving the federal government owning sugar stocks less valuable than the loan price they are paying.

Section 3(a) PROHIBITS further price supports

- Lugar prohibits future price supports such as a voluntary loan program and prevent funds of the Commodity Credit Corporation to be used for price support purposes.

Section 3(b) ELIMINATES federal mandates and quota controls

- Lugar eliminates the current system of "marketing allotments" through which USDA determines projected demand, guarantees domestic suppliers 85% of that demand, and then imposes a limit on each sugar processor of the amount of sugar it is permitted to sell each year, with hefty fines to insure compliance. Lugar also repeals the authority of the Secretary of Agriculture to establish quotas for imports (also in Section 2d).

Section 3(c) REPEALS various price support provisions

- Lugar repeals several mechanisms that could be used to further inflate domestic sugar prices:
    - Lugar Section 3(c)(1) excludes sugar from categories of commodities eligible for price support to encourage exports;
    - Lugar Section 3(c)(2) removes authority of the Commodity Credit Corporation to provide price support for sugar;
    - Lugar Section 3(c)(3) repeals direction to the Secretary of Agriculture to provide sugar price supports to encourage domestic consumption;
    - Lugar Section 3(c)(4) eliminates funding through the Commodity Credit Corporation to store sugar that is forfeited under the mandatory loan program (also repealed, Section 1, above);
    - Lugar Section 3(c)(5) removes preferential treatment of sugar;
    - Lugar Section 3(c)(6) removes Commodity Credit Corporation loan authority to give loans to sugar processors for storage facilities.
    - Lugar Section 3(c)(7) repeals the mandatory sugar-to-ethanol program (Feedstock Flexibility Program), created in 2008. The program mandates that in times of surplus, the government must buy sugar and re-sell it to ethanol plants at a loss, at taxpayer expense. The aim is to take surplus sugar out of domestic food markets.

Section 3(d) Clarifies no change in liability for actions preceding this legislation

Section 4 ELIMINATES sugar tariffs and over-quota tariff rates

- Lugar eliminates current "tariff-rate quotas" on imports that set limits on how much sugar can be shipped to the United States every year from each of 40 countries. Imports above this level are currently subject to an extremely high tariff that is prohibitive in normal market conditions. Under this section, complete free trade in sugar would be allowed except for countries under other sanction-type restrictions such as Cuba and North Korea.

Section 5 REPEALS are effective beginning with the 2012 crop year.

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