

Chronological: Sugar Club, NYC, Sugar: A Critical Juncture

Senator Daniel K. Inouye Papers
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news from

Senator DANIEL K. INOUE

topic: SPEECH to Sugar Club, New York Hilton, New York City,
New York -- "SUGAR--A CRITICAL JUNCTURE"

date: May 19, 1982

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In 1960, as a freshman Congressman representing a sugar-producing state, I was appointed to serve on the House Agriculture Committee. My most important assignment of that year was to stay close to Chairman Harold D. Cooley of North Carolina, who became an almost legendary sugar supporter, as we prepared for passage of another extension of the Sugar Act. Sugar even then, as you may recall, was not the most beloved agricultural commodity.

The Sugar Act extension was passed by the House in the early morning hours of June 30, 1960, when many members were admittedly half asleep. The bill was a veritable international pork barrel of sugar production quotas, covering a host of countries from the Philippines to Ireland. The new law extended the Sugar Act only for three months. Although the Eisenhower Administration had requested a four-year extension of the Act, a long-term extension was opposed by both domestic and foreign sugar interests, all of whom were desirous of getting increased long-term mandatory quotas for themselves.

The Sugar Act was extended several more times in subsequent years, but not without some difficulty. Aside from various foreign policy-related disputes--and let there be no mistake, sugar quotas were an effective foreign policy instrument--sugar legislation was often hampered by intense struggles within the domestic sugar industry. Although strong support for the sugar program was evident during my early years in Congress, it appeared to me at times that the domestic sugar industry, with its disparate elements, was often its own worst enemy.

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In 1964, three provisions of the 1962 Sugar Act Amendments relating to foreign quotas and import fees were allowed to lapse because domestic sugar beet interests and refiners could not amicably resolve their differences over the market share that foreign producers should be permitted. The beet producers were seeking to increase their long-term market share, while the U.S. refiners, who depended on foreign sources for their raw sugar supplies, opposed reductions in sugar cane imports. The refiners, who had not yet known the experience of idling in gas lines, advanced what now seems a peculiar argument: they feared that the nation would become too dependent on domestic supplies if imports continued to be reduced.

Extensions of the Sugar Act inevitably gave rise to feverish lobbying activity by both domestic sugar interests and U.S.-based lobbyists representing foreign producers. When I first arrived in Congress, the sugar lobby, and the farm lobby in general, were powerful institutions. They had muscle, and were able to get bills passed with relative ease. The familiar motto "One for all, and all for one" was meaningful and operative.

Things had begun to change markedly by the early 1970's. The 40-year-old sugar program was allowed to expire at the end of 1974, after the House rejected legislation which would have extended the program through 1979. Many causes contributed to the program's demise, the most important of which was the increasingly potent opposition of big city Congressmen, liberal consumer advocates and free-market conservatives, who contended that high sugar prices had made the sugar program unnecessary, and that the program would only serve to increase prices to the consumer.

The death of the Sugar Act came as no surprise. The domestic sugar industry, which until the mid-1970's had only to be concerned with disputes within the industry and competition from foreign producers, was faced in that decade with a very substantial threat from without. The once-powerful sugar lobby found in the mid-1970's that it had to reckon with a strong and growing coalition of consumer and labor groups, while at the same time defending the interests of the sugar industry against an encroaching corn sweetener industry.

In 1979, the two-year effort to assist the domestic sugar industry ended with the defeat of a sugar price support bill in the House. Consumer groups, which objected to the bill's anticipated inflationary impact, and labor organizations, which had expressed dissatisfaction with the bill's minimum wage proposals, had strenuously and effectively lobbied against the bill. Members from the Northeast and urban areas were nearly unanimously opposed to the legislation.

During this struggle in 1979, Hawaii's sugar industry defected from the ranks of its former allies because the bill prescribed a limit on payments to a single producer, which would have cost the Hawaiian sugar industry millions. This move was symbolic of the difficulties the domestic sugar industry had begun, and would continue, to face. Cracks had begun to appear in the facade of the once united and powerful sugar lobby. The domestic sugar industry was experiencing greater difficulty in resolving differences among its elements and in presenting a united front to Congress, all at a time when the influence of consumer groups, organized labor, and major industrial users was expanding.

In recent years, especially since the Viet Nam debacle, the erosion of the farm lobby and the sugar lobby has become increasingly evident, as more representatives from urban areas have been elected. Consumer groups have arrived on the Capitol Hill scene, and have been able to compete politically. The demise of the Sugar Act in 1974 and the absence of an affirmative sugar program until 1981 were not surprising developments.

Last year Congress was finally persuaded of the critical need for a sugar program, and approved a modest sugar provision as Title IX of the Agriculture and Food Act of 1981. Inclusion of the sugar price support program in the Farm Bill required monumental effort. While it was a significant achievement, it had all the earmarks of a last hurrah, where for a brief moment it was again "One for all, and all for one." The farm lobby had held the different commodity interests together through some very difficult periods just long enough to achieve passage of the bill. We again saw sugar Senators voting for tobacco, and tobacco Senators voting for sugar.

It became evident fairly soon after passage of the bill that the modest help that the sugar price support program was intended to provide the domestic sugar industry was not being rendered. The Secretary of Agriculture had been unsuccessful in maintaining the prescribed market stabilization price. Primarily because of previous widespread dumping of foreign government-subsidized sugar on the world market, the so-called world price of sugar had dropped so low that import duties and fees were insufficient to raise the domestic price to the market stabilization level prescribed by the Secretary. The imposition of a sugar import quota system became necessary to permit the effective administration of the price support program and to prevent the further weakening of the domestic sugar industry, which was already in precarious condition.

Since the passage of the sugar price support program, the recent increase in import duties and fees, and the imposition of quotas, criticism of the sugar program has become increasingly severe, especially in the media. You will find little support for the sugar program in the editorial pages and news reports. The major newspapers of influence in Washington, such as the WASHINGTON POST and the NEW YORK TIMES, have never been complimentary or supportive. I have been dismayed that the criticism leveled at the program has been largely uninformed.

I believe that despite the passage of the sugar legislation last year, supporters of the sugar program have failed to convince enough people that a sensible sugar program is in the national interest, and the best interests of producers, industrial users, and consumers alike. During the floor debate on the sugar provision, I indicated that I was deeply disturbed that many of the misconceptions and inaccuracies which had characterized the debate on the sugar program had continued to persist, and I expressed my hope that these misconceptions would be dispelled as the facts regarding the sugar program were brought to light. The great difficulty with which the sugar provision was finally shepherded through Congress, and the criticism of the program which has not since abated, have demonstrated to me that the facts concerning the sugar program have never been fully understood, and that misconceptions still prevail. In the interest of promoting a more balanced and accurate assessment of the merits of the sugar program, I would like to briefly address some of the more major concerns which have surrounded the sugar program.

Perhaps the most serious concern expressed has been over the potential budgetary and economic impacts of the sugar program. It has been, and still is, argued that the sugar program will fuel the budget deficit and also impose tremendous costs on the sugar consumer. I believe that if the sugar program is properly and sensibly administered as intended, the program will cost the government nothing, and, just as importantly, will not be costly to the sugar consumer.

I think it is important to recognize that the sugar program could well result in significant revenues to the government. During the term of the original Sugar Act of 1937, and its subsequent extensions, the government consistently experienced net earnings. There were no net outlays on the part of the government. The loan program which was in effect during 1977 and 1978 resulted in a net gain to the government on forfeitures of \$67 million. The sugar program was the most stable commodity program in the United States, and throughout this period the price of sugar at the consumer level remained relatively stable while other commodity prices fluctuated, usually upward.

The potential impact of the program on the sugar consumer has been exaggerated. Although the sugar consumer may be required to pay a higher price for sugar under the program at times when the world price of sugar is depressed, the moderating and stabilizing effect of the sugar program will actually benefit rather than cost the sugar consumer over the intermediate and long-term. Consumers did not benefit from the unhindered operation of "free market" forces after the expiration of the Sugar Act of 1974. Consumers were probably hurt more by high prices in the years of world shortages of sugar than they were benefited by low prices which prevailed in years when the sugar market was depressed. Further, when prices of products which use sugar as a factor of production have risen because of high sugar prices, those prices generally have not fallen with the lowering of sugar prices.

The sugar price support system had a major beneficial impact on consumer prices in 1980. Excess sugar from the 1977 and 1978 crops had been stored by the government for producers, and when world market prices increased from 9.7 to 42 cents per pound because of a drop in production in late 1979 and 1980, the government put about a half million tons of sugar onto the market. This action prevented the 1980 price from increasing more than it did.

Another major concern which has been expressed frequently is that the sugar program serves to protect and subsidize a narrow segment of producers and processors, which fosters inefficiency. It has been urged that pure free market economics must be allowed to operate, no matter at what expense.

I believe the facts put the lie to this notion as well. While the domestic sugar industry needs support, it is not because the industry is inefficient. The domestic sugar industry is as efficient as any in the world. The Hawaiian sugar industry, for example, produces the highest average yield per acre in the world, and produces sugar using the lowest number of manhours per unit of output than anywhere else in the world. In spite of this, the industry lost \$83.5 million last year. The trouble the domestic sugar industry finds itself in is due largely to the fact that it has had to compete in a world market which under any definition cannot be classified as free...a market where sugar heavily subsidized by foreign governments is dumped. We should recall when Mr. Castro of Cuba and the Soviet Union decided to manipulate the so-called world market in one year and by playing around with their tonnages were able to raise the world market prices three times.

The sugar program has not provided and will not provide incentive for increased production even for those domestic producers and processors who are more efficient than average. It will merely keep efficient producers in business in periods of low prices on the world market. The program certainly provides no incentive for increased production to inefficient producers. Had the sugar program not been enacted when it was, it is fairly clear that most Hawaiian producers would have gotten out of the business. It has been estimated that enactment of the sugar program will only serve to cut the Hawaiian sugar industry's losses by about half. The program has not been a windfall to producers, as some have argued. Even with the program, the Hawaiian sugar industry is expected to cut back its production from the present level of about 1,050,000 tons to not more than 900,000 tons, and the domestic beet industry has reduced its acreage by approximately 10 percent below last year's level.

I believe that a strong domestic sugar industry is important to our Nation, and that the national interest will be served by having an assured and stable supply of sugar in the future. I further believe that we would be making a critical mistake by allowing our country to become heavily reliant on foreign sources for this basic commodity.

The economic and social consequences of permitting our domestic sugar industry to collapse would be severe. It is important to realize that this is not a small industry confined to a limited section of our country. Sugar beets or sugarcane are produced in 17 states, spanning almost every geographic region of our country. In each of these states, sugar is an important economic and agricultural factor.

The potential consequences of the demise of our sugar industry can be illustrated by the situation I know best, that of my State of Hawaii. A healthy Hawaiian sugar industry is critically important to the economy, the people, and the environment of Hawaii. Sugar is the third largest source of income in Hawaii's economy. The jobs of almost 30,000 of Hawaii's citizens are dependent, directly or indirectly, on the continued existence of the sugar industry. It has been estimated that every \$1 of income to the sugar industry in Hawaii generates \$1.15 of personal income to Hawaii residents. About 220,000 acres of land, or almost three-fourths of the State's agricultural land, are planted in sugar. History has shown that the land used in Hawaii to grow sugar cannot feasibly be converted to another agricultural crop. The collapse of Hawaii's sugar industry would have a disastrous effect on the State in terms of employment, personal income, and tax revenues.

The sugar program will come up for consideration again within five years. I wish I could confidently predict that a new program will be approved with little difficulty. I will continue to do my utmost to preserve a healthy domestic sugar industry, but my best may not be good enough five years from now.

My somewhat guarded outlook will change only if during the interim the importance of a stable and prosperous domestic sugar industry to the national interest can be more successfully conveyed to the diverse elements connected with the sugar industry--producers, refiners, industrial users--and to consumers. If the message that a healthy domestic sugar industry is vital to our national interest can be gotten across, sugar may once again become a strong and viable part of our economy. I think the domestic sugar industry, although it achieved a significant victory with the enactment of the sugar price support program last year, is poised at a critical juncture, and cannot rest. A greater effort to reconcile the concerns of those with interests in, or who are affected by, the sugar program must be made or we may witness the passing of the domestic sugar industry into history, to the detriment of us all.

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Sugar - - a critical question

Less Cops
New York City

DRAFT SPEECH TO SUGAR CLUB -- May 19

in August of

I arrived in Congress ^{in August of} 1950, and over the years I have watched the changing fortunes of the domestic sugar industry with keen interest. ~~It~~ It thrived in some very prosperous years, and survived through some very tough years. Today, let me share with you some of my thoughts about the future of the domestic sugar industry, based on my observations of its relatively recent past.

In 1960, as a freshman Congressman representing a sugar producing state, I was appointed to serve on the House Agriculture Committee. My most important assignment of that year was to stay close to Chairman Harold D. Cooley of North Carolina, who became an almost legendary sugar supporter, as we prepared for passage of another extension of the Sugar Act. Sugar even then, as you may recall, was not the most beloved agricultural ~~community~~ ^{community}.

The Sugar Act extension was passed by the House in the early morning hours of June 30, 1960, when many members were admittedly half asleep. The bill was a veritable international port^k barrel of sugar production quotas, covering a host of countries from the Philippines to Ireland. The new law extended the Sugar Act only for three months. Although the Eisenhower Administration had requested a four-year extension of the Act, a long-term extension was opposed by both domestic and foreign sugar interests, all of whom were desirous of getting increased long-term mandatory quotas for themselves.

The Sugar Act was extended several more times in subsequent years, but not without some difficulty. Aside from various foreign

policy-related disputes -- and let there be no mistake, sugar quotas were an effective foreign policy instrument -- sugar legislation was often hampered by intense struggles within the domestic sugar industry, ~~as I had observed in 1960 during my first experience with sugar legislation.~~ During my early years in Congress, ^{although strong support for the sugar program was evident,} ~~it appeared to me at times that the domestic sugar industry, with its disparate elements, sometimes having inconsistent interests,~~ ^{it appeared to me at times that the domestic sugar industry, with its disparate elements, sometimes having inconsistent interests,} was often its own worst enemy.

In 1964, three provisions of the 1962 Sugar Act Amendments relating to foreign quotas and import fees were allowed to lapse because domestic sugar beet interests and refiners could not amicably resolve their differences over the market share that foreign producers should be permitted. The beet producers were seeking to increase their long-term market share, while the U.S. refiners, who depended on foreign sources for their raw sugar supplies, opposed reductions in sugar cane imports. The refiners, who had not ^{yet} known the experience of idling in gas lines, advanced what now seems ^{a peculiar} ~~an interesting~~ argument: they feared that the nation would become too dependent on domestic supplies if imports continued to be reduced.

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passed with relative ease. The familiar motto "One for all, and all for one" was meaningful and operative.

Things had begun to change markedly by the early 1970's. The 40-year old sugar program was allowed to expire at the end of 1974, after the House rejected legislation which would have extended the program through 1979. Many causes contributed to the program's demise, the most important of which was the increasingly potent opposition of ^{big city congressmen, liberal} ~~these~~ consumer advocates and free-market conservatives, who contended that high sugar prices had made the sugar program unnecessary, and that the program would only serve to increase prices to the consumer.

The death of the Sugar Act came as no surprise. The domestic sugar industry, which until the mid-1970's had only to be concerned with disputes within the industry and competition from foreign producers, was faced in that decade with a very substantial threat from without. The once-powerful sugar lobby found in the mid-1970's that it had to reckon with a strong and growing coalition of consumer and labor groups, while at the same time defending the interests of the sugar industry against an encroaching corn sweetener industry.

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strenuously and effectively lobbied against the bill. Members from the Northeast and urban areas were nearly unanimously opposed to the legislation.

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I believe that despite the passage of the sugar ^{legislation} ~~program~~ last year, supporters of the sugar program have failed to convince enough people that a sensible sugar program is in the national interest, and the best interests of producers, industrial users, and consumers alike. During the floor debate on the sugar provision, ~~last year~~, I indicated that I was deeply disturbed that many of the misconceptions and inaccuracies which had characterized the debate on the sugar program had continued to persist, and I expressed my hope that these misconceptions would be dispelled as the facts regarding the sugar program were brought to light. The great difficulty with which the sugar provision was finally shepherded through Congress, and the criticism of the program which has not since abated, has^{ve} demonstrated to me that the facts concerning the sugar program have never been fully understood, and that misconceptions still prevail. In the interest of promoting a more balanced and accurate assessment of the ^{merits of the} sugar program, I would like to briefly address some of the more major concerns which have surrounded the sugar program.

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The potential impact of the program on the sugar consumer has ~~also~~ been exaggerated. Although the sugar consumer may be required to pay a higher price for sugar under the program at times when the world price of sugar is depressed, the moderating and stabilizing effect of the sugar program will actually benefit rather than cost the sugar consumer over the intermediate and long term. Consumers did not benefit from the unhindered operation of "free market" forces after the expiration of the Sugar Act in 1974. Consumers were probably hurt more by high prices in the years of world shortages of sugar than they were benefited by low prices which prevailed in years when the sugar market was depressed. Further, when prices of products which use sugar as a factor of production have risen because of high sugar prices, those prices generally

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