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Major Global Sugar Policies and Future Expectations

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Global Sugar Market Review



- Pre-1975: Colonial past; few free markets
- 1976-81: Two world price spikes
- 1981-1995: World price low under \$110/t, high \$350/t
- 1995: Uruguay Round & WTO, tariff-rate quotas replace absolute quotas
- 2000-2011: EU reform

U.S. Sugar Market



- Pre-1975: Sugar Act, fixed import & domestic shares
- 1981-1995: Farm Bill, minimum sugar price above US high fructose corn syrup cost: HFCS industry rapid growth
- Sugar “inside U.S.” is freely traded and produced; marketing allotments do not prevent restructuring
- 1995-2005: US tariff, TRQs bound in WTO
 - US HFCS and sugar equal shares of market
- 2000: US per capita HFCS equals sugar, since then slow decline, now about 75 percent of sugar

Global Sugar Price Overview

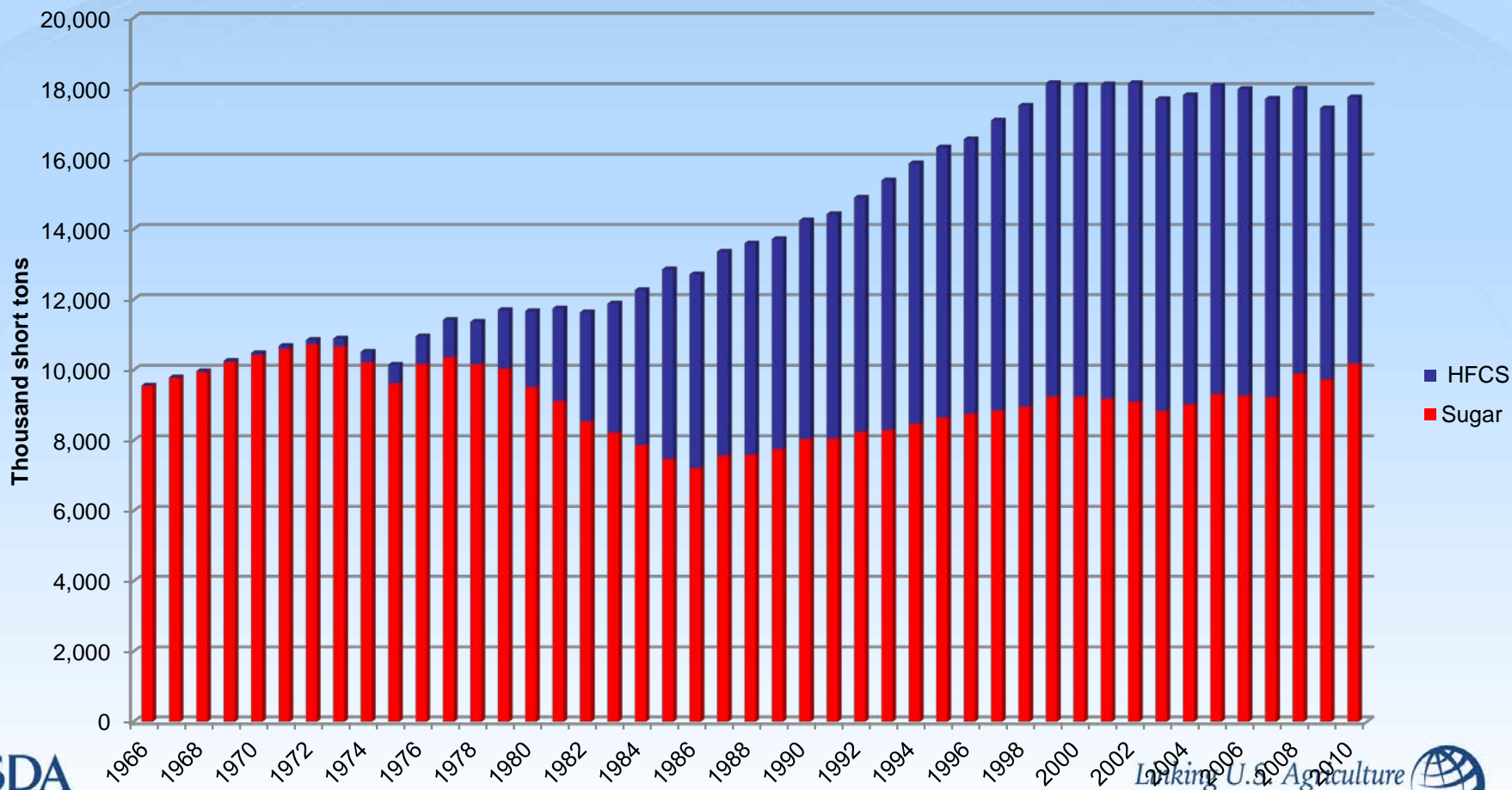


- Pre-1995: Volatility exceeds other agricultural prices
- Preferential trade widespread
- Post-1995: Reduced volatility of global sugar market price
- Post-2005: Sugar price now linked to oil price through Brazil ethanol demand, further reducing sugar price volatility

U.S Sugar and HFCS Use



United States Consumption of Sugar and HFCS, 1966-2010



U.S. HFCS and Sugar



- Producing below capacity dramatically increases fixed costs (sugar and HFCS)
- Rationalization has occurred in both sugar and HFCS industries over time
- Share of agriculture in GDP decline contributes to economic growth, as does efficiency, “produce more with less”

Where Are We Now?



Thank you, questions?

