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PRESS RELEASE

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DR-CAFTA Threatens U.S. Sugar Program, New Report

End of Program Would Hurt U.S. and Developing Country Sugar Farmers

Minneapolis – Increased sugar imports required by the proposed Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) will threaten the viability of the U.S. sugar program, finds a new report by the Institute for Agriculture and Trade Policy (IATP). The end of the U.S. sugar program would be devastating to sugar and sugar beet farmers in the U.S., and would hurt sugar farmers in many developing countries, which are currently guaranteed a share of the U.S. sugar market at a higher than global price.

The report, *Sweet or Sour: The U.S. Sugar Program and the Threats Posed by the Dominican Republic-Central American Free Trade Agreement* by IATP's Dennis Olson, examines the impact of DR-CAFTA on the delicate balance between supply and demand that is central to the sugar program which maintains fair market prices and requires no government subsidies. The full report can be read at: iatp.org.

The Bush Administration has negotiated DR-CAFTA with six other countries: the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. DR-CAFTA is viewed as crucial to regaining momentum for the stalled negotiations over the Free Trade Area of the Americas (FTAA) and at the World Trade Organization (WTO).

"The USDA and Bush administration have not been straight about the impact of DR-CAFTA on U.S. sugar," said IATP's Dennis Olson, lead author of the report. "When combined with NAFTA commitments made with Mexico and other trade agreements on the table, the passage of DR-CAFTA would seal the fate of U.S. sugar growers, and lower prices for sugar growers in poor countries as well."

Major Findings:

- *DR-CAFTA Will Lead to Major Disruptions to the U.S. Sugar Program* – Imports from DR-CAFTA would bring U.S. sugar supplies perilously close to a Congressionally mandated "trigger level" that would disrupt the entire program. When combined with Mexico's right to export unlimited amounts of sugar into the U.S. under NAFTA starting in 2008 and several pending trade agreements that include sugar-producing countries, the U.S. will face a flood of sugar imports in the near future.

- *DR-CAFTA Could Turn Sugar's No Cost Program Into Big Bill For Taxpayers.* An increase in the supply of sugar would dramatically depress sugar prices to the point where the Sugar Program could be transformed from a no cost program to just one more expensive farm commodity program.

- *DR-CAFTA Will Lead to a Price Drop for Sugar Farmers in U.S. and Many Developing Countries.* DR-CAFTA would jeopardize the current Congressional mandates to ensure that U.S. farmers participating in the sugar program receive a fair price from the marketplace.

- *DR-CAFTA Will Result in Lower Sugar Prices for Farmers in Developing Countries.* If U.S. sugar prices drop, it would negatively impact the 41 countries, including some of the world's poorest that now export sugar to the U.S. under the current program.

- *DR-CAFTA Will Turn Sugar Into a Dumped Commodity on International Markets.* Unlike other major U.S. commodity programs, the Sugar Program actually prevents dumping on the world market at below the cost of production. The Sugar Compensation Mechanism in the DR-CAFTA allows the U.S. government to either pay DR-CAFTA countries in cash or sugar to compensate for blocked imports. This unsound provision could quickly turn the U.S. Sugar Program from a non-dumping into a dumping program.

"For decades now, the U.S. Sugar Program has offered a sound policy model that has successfully created market stability at little public expense, while avoiding the structural over-production that leads to dumping onto international markets," said Olson. "While not perfect, it provides important lessons on how to design an agriculture program that benefits farmers and taxpayers. The passage of DR-CAFTA would be a nail in the coffin of this successful program."

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The Institute for Agriculture and Trade Policy works globally to promote resilient family farms, communities and ecosystems through research and education, science and technology, and advocacy.