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IMPORTS

CAFTA may ruin U.S. sugar

A think tank warns the sugar imports under the proposed Central American Free Trade Agreement could disrupt the U.S. sugar program.

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An independent think tank warned Thursday that increased sugar imports required by the proposed Central American Free Trade Agreement could threaten the U.S. sugar program and turn it into a major burden on taxpayers.

In *Sweet or Sour: The U.S. Sugar Program and the Threats Posed by the Dominican Republic-Central American* Free Trade Agreement, the Minneapolis-based Institute for Agriculture and Trade Policy argued that the yet-to-be-ratified CAFTA could end up wiping out the majority of U.S. sugar production if the sugar program is disrupted.

The report said that if sugar acreage was abandoned, it raised the question of what kind of government subsidies would be required to support the substitute crops. Most U.S. commodities received taxpayer subsidies but the sugar program operates at virtually no cost to taxpayers.

The report, prepared by the IATP's Dennis Olson, said increased sugar imports required under CAFTA, along with unlimited Mexican sugar exports starting in 2009, would bring U.S. sugar supplies close to the level that triggers an end to the program.

The result would be a drop in prices for U.S. sugar growers from Florida's cane fields to the Midwest, as well as for growers in many of the 41 developing countries that export the higher-priced sugar to the United States, the report said.

The IATP said the sugar program, unlike other U.S. commodity programs, actually prevents dumping of sugar into the international markets at below the cost of production, a practice that wipes out farmers in poor countries.

''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,'' Olson said. ``The passage of DR-CAFTA would be a nail in the coffin of this successful program''

Opposition to the agreement from U.S. sugar growers has been one of the big stumbling blocks to congressional approval for the trade treaty whose members would be the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, along with the United States.