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AGRICULTURE

Sugar industry rides the storms with new program

Hurricanes wreaked havoc on sugar cane fields, but consumers have gotten a break so far. Suppliers cite price stability as proof the sugar program works; big users disagree.

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Refineries out of service, supplies dwindling after a series of walloping hurricanes -- the situation for sugar sounds a lot like the gasoline scenario that has pushed prices to more than $3 a gallon.

But American consumers have dodged a drubbing -- so far -- when they go to buy sugar at the supermarket.

The sugar industry is hailing the price stability as a sign of the effectiveness of the government's sugar program -- which allows flexibility in alloting import quotas. The program protects consumers from abrupt price hikes in sugar by smoothing out supply.

TWO PERSPECTIVES

''If our nation's oil policy worked as well as sugar policy does, we wouldn't see those price spikes at the gas pump,'' said Robert Coker, senior vice president of public affairs at U.S. Sugar.

But big-time sugar users -- candy, cereal and baked goods manufacturers -- insist the supply management isn't working nearly as well as supporters like to crow and that manufacturers are facing higher wholesale sugar prices, which have spiked upwards since Katrina.

Despite the destruction of the Louisiana sugar crop in Hurricane Katrina, which also put the Domino sugar refinery in Chalmette, La., out of service until December, the retail price of sugar -- paid by consumers for bags of sugar at the store -- hovered under 44 cents a pound in September -- little changed over the past 20 years, according to the U.S. Department of Agriculture.

''Here we are months after the initial hurricane and there is no affect on the price for sugar,'' said Jack Roney, director of economics and policy analysis at the American Sugar Alliance, the industry's lobbying group in Virginia.

''It is a tribute to the stability provided by the U.S. sugar program,'' Roney said.

Sugar is the only major commodity that doesn't receive direct government subsidies but instead sees prices kept at around 22 cents to 23 cents a pound by setting import quotas on 42 countries. Sugar users would like to do away with the program, insisting that this would allow them to purchase cheaper sugar at the ''world price'' of 8 cents to 9 cents a pound.

Roughly 80 percent of world sugar is traded at the higher price through quotas and domestic price support, with sugar growers contending that subsidies in Europe and indirect subsidies in Brazil allow other countries to unload their sugar onto world markets below the cost of production.

SUGAR RESERVE

To increase supplies after Katrina, the Department of Agriculture authorized the marketing of 500,000 tons of domestic sugar held in a sugar reserve paid for by the industry. The USDA also increased imports by 600,000 tons. Both measures added around 1.1 million tons of sugar to U.S. supplies.

Sarah F. Thorn, senior director of international trade at the Grocery Manufacturers of America, said the sugar users -- who oppose the U.S. sugar program -- dispute that the program is providing price stability.

''We were in a crisis before Katrina, we were short sugar,'' said Thorn. ''What our guys are finding is a serious crunch in the market place, they are not getting the sugar that they need.''

WHOLESALE PRICE RISES

Industry users, citing Milling & Baking News, a trade publication, say that a pound of sugar at the wholesale level has climbed from 23 cents a pound to 40 cents.

They also warn that consumers will soon face higher prices for candy, cookies and other prepared food.

''It takes a while for any shock to be passed through the system,'' Thorn said.

But the sugar growers counter that the Milling & Baking News numbers are spot prices, reflecting short-term spikes and not necessarily long-term trends.

Hurricane Wilma will also take its toll on Florida's sugar production, with a smaller sugar harvest in the state expected to contribute to lower U.S. sugar output.

Florida sugar growers are still trying to assess the damage to their own sugar fields after Hurricane Wilma battered the state just days after the 2005-2006 harvest began.

''We had substantial damage to the sugar cane crop,'' said Judy Sanchez, spokeswoman for U.S. Sugar, headquartered in Clewiston. ''We are trying to get into some of the fields that are flooded. We also had substantial damage to all the mills.''

The company said the Clewiston refinery should be operating by this week.

In the past week, sugar futures surged 30 percent to almost 12 cents a pound, up from 9 cents a pound for most of 2004. The price was a 10-year high. Sugar traders said the futures price rise came because of market expectations that Brazil might divert more sweetener to its sugar ethanol production as oil prices also rose. Ethanol is used as an alternative fuel in Brazil.

`SO LOW FOR SO LONG'

Roney said that no one can be sure if price spikes, both for wholesale price paid by the big time users and the low world price, will last. But he said that sugar growers would like to receive higher prices to make up for several years of very low prices. ''Producers would like to see prices recover because they have been so low for so long,'' Roney said.

Still, he doubts the U.S. sugar industry is going to see the kind of windfall profits the oil industry is currently earning.