

Why GAO Did This Study

The U.S. is among the world's largest sugar producers and consumers. The Agriculture and Food Act of 1981 contained provisions to support the price of U.S. sugar and, according to USDA, established the current structure of the U.S. sugar program. The program was reauthorized most recently in 2018.

GAO was asked to review the effects of the U.S. sugar program. This report examines (1) the benefits of the U.S. sugar program and groups likely to benefit, (2) the costs of the U.S. sugar program and groups likely to bear the costs, (3) how agreements with Mexico on sugar affect imports and the overall U.S. economy, and (4) how other trade agreements affect the U.S. sugar program, and how they are implemented.

GAO reviewed agency documents and data and interviewed federal officials, academics, and industry stakeholders including groups representing sugar producers and sugar using industries. GAO also conducted a literature review on the effects of the U.S. sugar program on the economy and trade.

What GAO Recommends

GAO is recommending that (1) USDA evaluate the effectiveness of the current method and alternative methods for allocating raw sugar tariff-rate quotas, (2) USTR evaluate alternative allocation methods for consistency with U.S. law and international obligations, and (3) USTR use the results of these evaluations to validate or change its quota allocation method. USDA and USTR concurred with our recommendations.

View [GAO-24-106144](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or gianopoulosk@gao.gov.

SUGAR PROGRAM

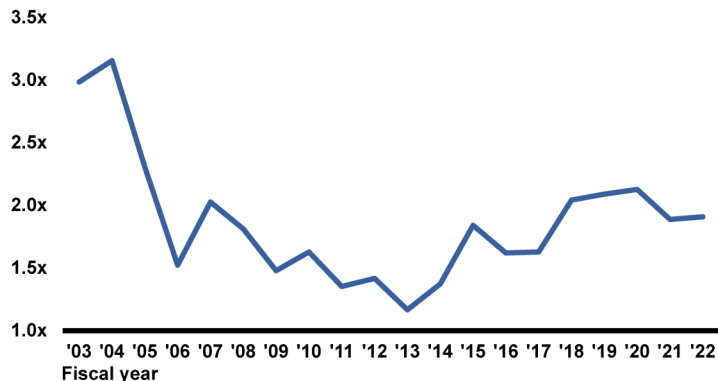
Alternative Methods for Implementing Import Restrictions Could Increase Effectiveness

What GAO Found

The U.S. sugar program, administered by the U.S. Department of Agriculture (USDA), provides substantial benefits to sugar producers. Because the program guarantees relatively high prices for domestic sugar, sugar farmers benefit significantly, and sugar farms are substantially more profitable per acre than other U.S. farms. Research GAO reviewed suggests the U.S. sugar program results in an increase in domestic sugar production and higher profits for farmers, totaling an estimated \$1.4 billion to \$2.7 billion in additional benefits annually.

The U.S. sugar program creates net costs to the economy, because higher sugar prices created by the program cost consumers more than producers benefit, according to research GAO reviewed. According to some studies, the program costs consumers an estimated \$2.5 billion to \$3.5 billion per year, yielding net costs to the economy of approximately \$1 billion per year. Other studies estimate that the program leads to declines in U.S. employment in industries that rely heavily on sugar, such as confectionery manufacturing. In 2022 U.S. consumers, including food manufacturers, paid twice the world price for sugar.

Difference between U.S. and World Raw Sugar Prices, 2003 to 2022
Multiple



— Domestic price as a multiple of world price

Source: GAO analysis of USDA data. | GAO-24-106144

Nearly half of U.S. imports of sugar come from Mexico, and according to studies these imports have a significant effect on the U.S. market. Beginning in 2008, sugar imported from Mexico became duty-free and quota-free. In 2014, the U.S. and Mexico agreed to set a minimum price and quantity limits on Mexican imports. Subsequently, imports of Mexican sugar fell and prices rose, benefiting U.S. sugar producers but increasing the cost to consumers and the economy.

Almost half of U.S. sugar imports are subject to trade commitments made through the World Trade Organization (WTO) and free trade agreements. The U.S. Trade Representative (USTR) allocates WTO tariff rate quotas, with input from USDA, among sugar-importing countries using a method based on 40-year-old data. In practice, this has led to fewer sugar imports than planned and delays in obtaining sugar. USDA and USTR have not considered alternatives to their allocation method. Without considering new methods, USDA and USTR may be missing opportunities to make sugar allocations more effective and efficient.