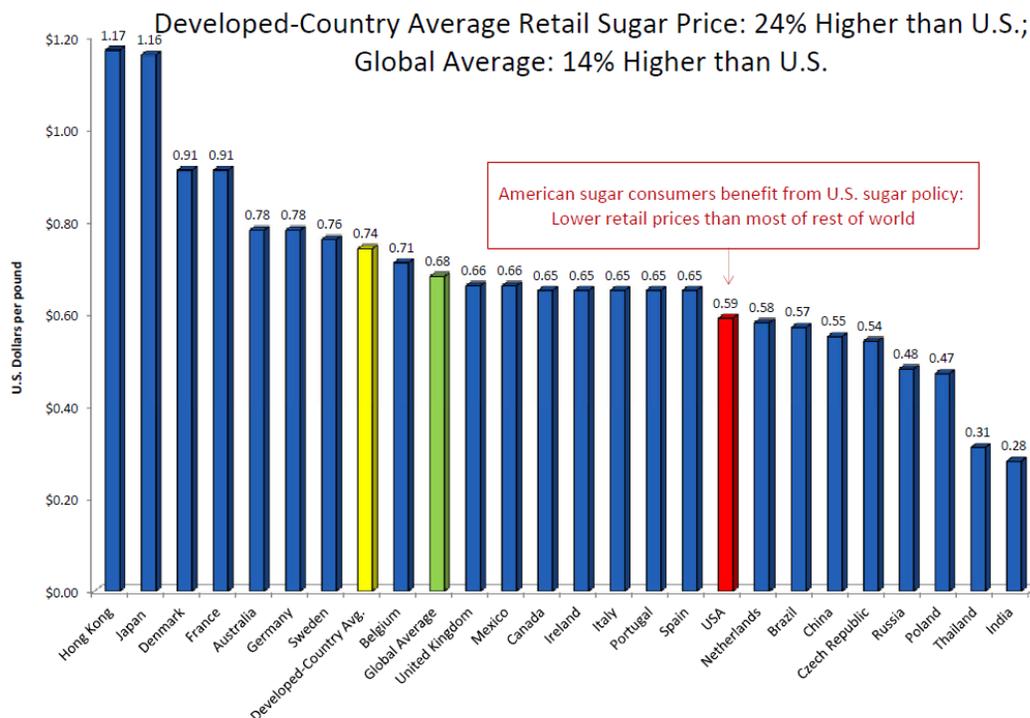


ASA's Imaginary Sugar Price Numbers

Summary: The American Sugar Alliance bar chart purporting to compare national retail sugar prices misses the actual US price by 15%, which calls into question their other claims. Their prices for EU countries also look suspect. The real comparison worth making is the wholesale price paid by food manufacturers and grocery chains. Wholesale prices for refined sugar in the European Union averaged about 36 cents per pound in 2011, according to the European Commission. The US price was 56 cents per pound in 2011 according to information published by USDA - more than 50% higher.

Analysis of retail prices indicates use of obviously false data

US sugar producers are among the most astute analysts of sugar information. They know what the reported prices are and where to find them. Yet the retail sugar price they are using, which a research firm they commissioned prepared, cannot be accurate. The chart that ASA has been circulating, reproduced below, shows a 2011 US retail sugar price of 58 cents. There was not a single month in 2011 when the retail price was below 66 cents, and the average for the year was 68.3 cents according to US Bureau of Labor statistics. That is 15% higher than the inaccurate price ASA is now using.



Source: SIS International Research from Euromonitor, International Monetary Fund, April 2012; 2011 prices. Surveyed countries represent 60% of global sugar consumption. Developed countries include OECD member countries and Hong Kong.

The prices for the other countries are also suspect. The only retail sugar prices reported by the European Commission that we are aware of for member countries are in a series of publications called “Consumer Prices Research.” The latest is available at:

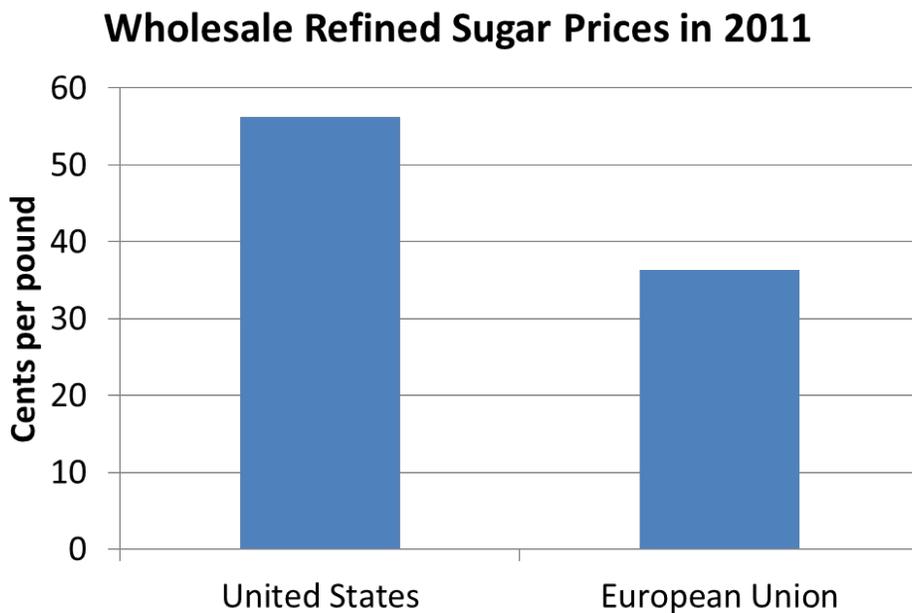
http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/documents_meth/PDMM/Consumer_Prices_Research_2011.pdf

It contains retail sugar prices for June 2010 for 22 of the 27 EU member states. They cover a wide range but 17 of the 22 are between €0.77-0.98 per kilogram. At that month’s exchange rate of \$1.22/euro, the prices translated to 42.6-54.2 cents per pound. The US retail price that month was 62.3 cents, i.e. somewhere between 15% and 46% higher than in the EU. Since wholesale prices in the EU were flat through most of the year after June 2010 (see chart on last page) there was unlikely to be much upward pressure on EU retail prices through most of 2011.

Suffice it to say, the bar chart above purporting to compare international retail prices lacks credibility.

Analysis of wholesale prices shows US prices much higher than in the EU

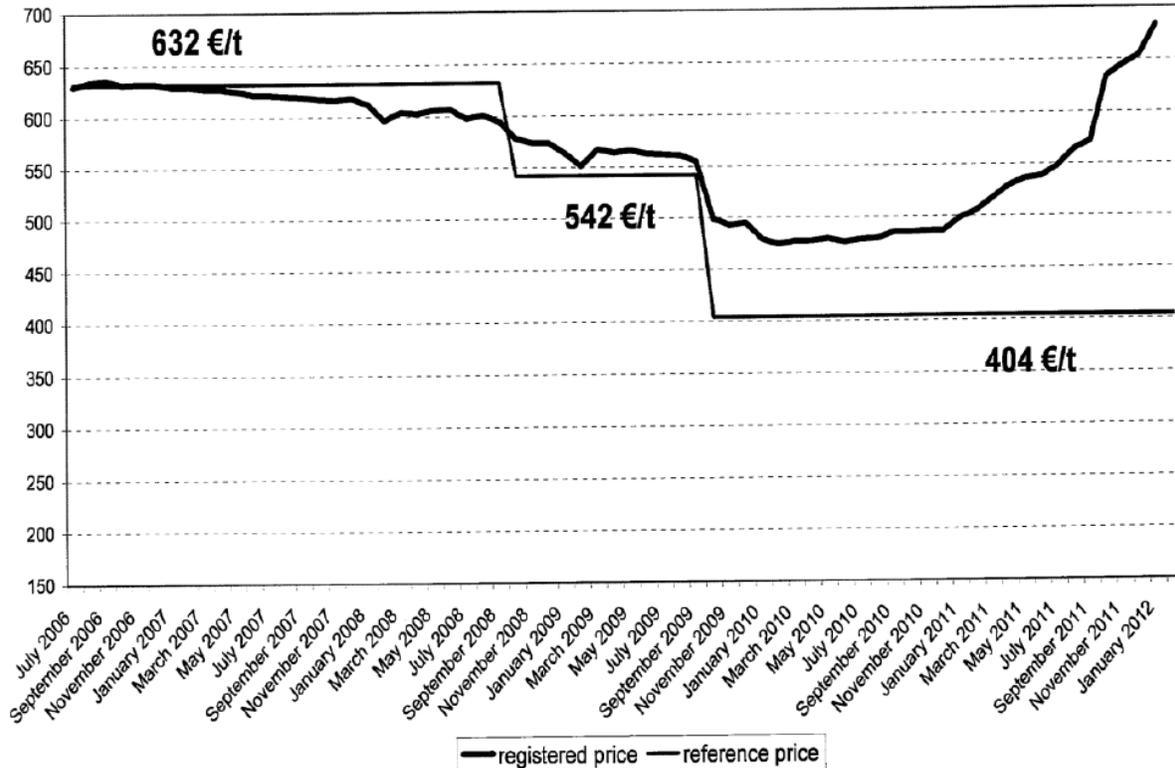
The goal of the sugar program has been to support prices received by US sugar producers and sugar crop growers. The battle on sugar in the 2012 farm bill is about whether that support has been excessive. Because the industry is almost entirely vertically integrated, the best indicator of what sugar producers receive is the wholesale price of refined sugar, i.e., the price at the beet factory or cane sugar refinery. In 2011, the average US refined price was 56.2 cents/pound. The average in the European Union, which accounts for about two-thirds of the “developed countries”, to which the sugar producers like to make comparisons, was about 36.3 cents, i.e., 35% lower.



Sources: USDA and European Commission

The EU information is available in chart form in the latest Foreign Agricultural Service attaché report on the EU market, from which the chart below is reproduced. The chart is updated periodically on the European commission website at http://ec.europa.eu/agriculture/sugar/presentations/index_en.htm. US price information is available on the ERS website in tables 5 and 6 at: <http://www.ers.usda.gov/Briefing/Sugar/data.htm>.

Reference price and market price for white sugar on the EU market



Source: European Commission

It is not surprising that EU prices are lower, since they reformed their sugar policy and cut the refined sugar support level from €632 per metric ton to €404 or about 23 cents per pound at the current exchange rate.

In 2011, the EU refined sugar price ranged from €500 to €650 per ton, as one can see in the chart. Even if the average for the year were as high as the midpoint of that range, it only converts to the 36.3 cent price shown in the preceding chart (using an average exchange rate of \$1.39/€ for 2011). US wholesale sugar prices are clearly much higher than in most other developed countries.