A HISTORY OF SUGAR MARKETING THROUGH 1974

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ABSTRACT

The quota system of regulating the production, importation, and marketing of sugar in the United States through 1974 was an outgrowth of Government regulation of the sugar trade dating from colonial times. Similar systems have developed in most other countries, particularly those which import sugar. The U.S. Sugar Quota System benefited domestic sugar producers by providing stable prices at favorable levels. These prices also encouraged the production and use of substitute sweeteners, particularly high fructose and glucose sirup and crystalline dextrose in various industries. But sugar is still the most widely used sweetener in the United States, although its dominant position is being increasingly threatened.

KEYWORDS: Sugar, quota, preference, tariff, refined, raw, sweeteners, corn sweeteners, world trade.

PREFACE

This report was written in 1975 by Roy A. Ballinger, formerly an agricultural economist in the Economic Research Service. It supersedes *A History of Sugar Marketing*, AER-197, also by Ballinger, issued in February 1971 and now out of print.

On January 1, 1978, three USDA agencies—the Economic Research Service, the Statistical Reporting Service, and the Farmer Cooperative Service—merged into a new organization, the Economics, Statistics, and Cooperatives Service.

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SUMMARY

It took about about 2,000 years for the production of sugar, which originated in India, to move westward across much of Asia and North Africa and become established in islands controlled by Spain and Portugal in the Atlantic Ocean off the coast of Africa. But establishing sugar production in these islands shortly before the discovery of America facilitated the speedy introduction of sugarcane to the New World. The development of sugar production in the Western Hemisphere, more than any other event, marked the beginning of present-day methods of sugar production and trade.

Except for precious metals, sugar was the first commodity shipped in commercial quantities to European countries from colonies in the New World, thus, sugar colonies became valuable possessions of European countries controlling them. Since each country attempted to control trade with its colonies to the benefit of its European nationals and not the colonists, disputes became fairly common and much smuggling developed. This was particularly notable with respect to English colonies. Those on the mainland of North America—where little or no sugar was produced—were anxious to trade surplus products for sugar and molasses produced in the Caribbean in Spanish and French as well as English colonies. Tariffs and other trade restrictions established by England were greatly resented in the mainland colonies and were a factor leading to the Revolutionary War.

Ironically, one of the first acts of the U.S. Congress, after the adoption of the Constitution, was to place an import duty on sugar as a means of raising revenue for the Government. Following the Louisiana Purchase, the tariff also had the effect of protecting the newly established sugar industry in southern Louisiana. During the 40 years or so before the Civil War, Louisiana supplied a substantial part of the relatively small quantity of sugar consumed in the United States.

The most important new feature of the sugar industry in the 19th century was the development of beet sugar in Europe, largely as a result of sugar shortages during the Napoleonic wars. The new source of sugar greatly reduced the market for cane sugar and led to economic depression in many sugarcane-producing areas throughout the world.

The structure of the U.S. sugar industry was altered greatly by events following the Spanish-American War. Sugar from the Philippines and Puerto Rico was allowed duty-free entry into the United States, and imports from Cuba were granted a 20-percent reduction from the rate applicable on sugar from other nations.

Sugar shortages during World War I led to a large increase in output in countries exporting cane sugar, particularly Cuba. England shifted from a free trade position in sugar to one of protection for its domestic industry and preference for its colonies. The United States doubled its import duty on sugar and, in 1934, followed this with a quota system. An international sugar agreement was adopted in 1937, following a series of earlier efforts to establish some international control over the sugar trade. The U.S. quota system ended in December 1974.

In most years until the end of 1974, this protection led to somewhat higher sugar prices in the United States and most other sugar-importing nations. It had also encouraged the production of nonsugar sweeteners and of attempts to produce sugar from sources other than sugarcane and sugarbeets. The most important of these competitors until about 1974 were the starch sweeteners, commonly known in this country as corn glucose sirup and dextrose. The noncaloric sweeteners—saccharin and, for a few years, cyclamate—also increased in importance; however, current and proposed restrictions are expected to restrict their use. And recently methods have been developed for producing fructose from starch in the form of a sirup containing enough fructose to make a product considerably sweeter than ordinary corn sirup. These methods appear to be of great potential economic importance.