Carter decides on sugar subsidy

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WASHINGTON — The Carter Administration has decided to help the nation’s sugar farmers with a maximum 2 cents-a-pound subsidy payment, sources said Tuesday.

The direct federal payment, which could cost taxpayers up to $240 million a year, is said to be cheaper than an artificial, government-created rise in sugar prices. One sugar industry estimate says each penny-a-pound increase in prices costs consumers $25 million.

In opting for sugar subsidy payments, the administration also rejected any notion of limiting cheaper imports, thus marking the second time in recent weeks the President has refused to act against imports to protect an American industry.

The subsidy marks a return to federal support of domestic sugar farmers after two heady years of high prices and one year of disastrously low ones. Sugar hit a peak — 57 cents a pound raw and 63 cents a pound retail — in 1974 when worldwide supplies appeared to be short.

But since the old Sugar Act, which expired in 1974, there have been no import restrictions. Agriculture Secretary Bob Bergland had sought to raise prices by restricting imports and by offering farmers loans that guarantee them a minimum.

More recently, however, he supported the current plan after opposition from other administration officials concerned about trade restrictions and higher consumer prices.

In March, the International Trade Commission declared that low-cost imported sugar was a threat to the domestic sugar industry; it urged reductions in imports. The nation currently produces about six million tons of sugar a year and imports four million tons.

The administration plan, as described by knowledgeable sources, calls instead for a maximum 2 cents-a-pound payment to domestic sugar processors when the New York import price of raw (unrefined) sugar is below 13.5 cents a pound. The subsidy would cover the difference between the actual selling price and the 13.2 cents target — up to 2 cents. Thus if sugar traded at, say, 11 cents a pound, the maximum payment would still be 2 cents a pound.

The New York imported price Tuesday was 11.92 cents a pound.

Sugar processors, one source said, would share the subsidy payment with farmers according to their own contracts. Many sugar beet farmers receive about two-thirds of the eventual sales price of processed sugar.