American Candy Makers, Pinched by Inflated Sugar Prices, Look Abroad

By RON NIXON

READING, Mass. — Inside the Chocolate Truffle candy shop in this Boston suburb are chocolate pizzas, chocolate buffalo wings, even a chocolate wingtip shoe. The owner, Erin Calvo-Bacci, would like to expand her business close to home, but is instead thinking of moving her operations to Canada, where the sugar essential for her products costs far less.

“We are committed to offering locally made affordable products, but the cost of sugar is driving manufacturers out of the country,” Ms. Calvo-Bacci said, echoing other American candy producers, like the maker of Dum Dum lollipops, that are moving jobs to Mexico to take advantage of the lower sugar prices there.

Candy makers say the culprit is the federal sugar program, a combination of import restrictions, production quotas and loan programs dating to the 1930s, all designed to keep the price of American sugar well above that of the world market. Now the program is at the center of an intensifying battle as the House and Senate open formal negotiations this week on a long-delayed farm bill.

The price for one type of sugar, wholesale refined beet sugar, averaged 43.4 cents per pound at Midwest markets last year, the Agriculture Department reported, compared with 26.5 cents per pound for the world refined sugar price.

American sugar producers say the federal program is necessary to keep sugar-producing countries like Brazil, India and Thailand from flooding the American market and driving them out of business. Nick Sinner, the executive director of the Red River Valley Sugarbeet Growers Association in Minnesota and North Dakota, says that the cost of sugar makes up a small percentage of the retail price of candy, and argues that it has little impact on domestic jobs.

Opponents of the program say they hope that the $300 million the federal government will spend this year to buy excess sugar will prompt lawmakers to re-examine it. (A larger-than-expected harvest and the importation of millions of pounds of sugar from Mexico led to a surplus, contributing to a drop in prices, sugar industry officials said.) By law, the government has to buy excess sugar when prices drop below a certain level.
“I’m hoping that members who are meeting to work on a final farm bill will consider that we are paying millions to bail out sugar producers, while doing nothing for small business, which make little sense,” said Senator Jeanne Shaheen, Democrat of New Hampshire, who with Senator Mark Kirk, Republican of Illinois, has sponsored legislation to overhaul the sugar program. “Sugar price supports are an unnecessary market intervention that have no place in our 21st-century economy.”

But sugar producers, bolstered by lawmakers from sugar-beet-producing states like Minnesota and sugarcane states like Florida, have spent an estimated $20 million since 2011 to block efforts to change the program. (Sugar beets account for about 55 percent of American sugar production, and sugar cane for about 45 percent.) Small candy makers, bakers and others who have lobbied Congress for lower prices say that taking on the sugar lobby is like taking on Goliath.

“We were no match for the sugar people,” said Judy Hilliard McCarthy, an owner of Hilliard’s House of Candy, a candy maker just outside Boston. Ms. McCarthy said she had made several trips to Washington to lobby on behalf of the industry.

Government and academic studies support claims by candy makers that the sugar program has had an impact on the industry. A widely cited 2006 study by the Commerce Department and a 2011 Iowa State University study found that the price supports had led to job losses among candy makers.

In particular, the Commerce Department study found that three candy-making jobs were lost for each job growing or processing sugar that was saved by higher prices. The Iowa State study found that eliminating price supports and quotas for sugar would create about 20,000 jobs for American food processors, bakeries and candy makers.

John Beghin, a professor at Iowa State who helped write the university’s report, said new Agriculture Department data added evidence that the sugar program was hurting food makers: The amount of sugar in imported products increased by about 33 percent from 2002 to 2012.

“So clearly, companies are making the decision to move elsewhere to take advantage of lower sugar prices, and then shipping the products back here,” he said.

Candy producers say the real impact of the sugar program can be seen in the empty buildings and job losses in hard-hit towns like Bryan, Ohio, home of the Spangler Candy Company, the maker of Dum Dums. Faced with the high cost of sugar, the company moved about 200 jobs to Juárez, Mexico, where it makes candy canes.

The decision was tied more to the cost of sugar than to labor costs, said Kirk Vashaw, the president and chief executive of the company.

About 420 jobs remain in Bryan, but Mr. Vashaw said the company would have liked to have kept
all of them in Ohio.

“Our company has been based here for generations,” he said. “We don’t want to leave Ohio, but I can get a much better price for sugar in Mexico than I can here.”

Other candy makers have made similar decisions. Adams & Brooks, a Los Angeles-based candy maker that opened in 1932, has shifted about two-thirds of its production to Mexico.

The company has a plant in Tijuana, where lower prices for sugar reduce the cost of producing items like lollipops and its P-Nuttles butter toffee peanuts, said John Brooks, the company’s president.

“It’s really not that much of a choice,” Mr. Brooks said. “You move or you go out of business. I keep hearing sugar producers saying they need a safety net, but what about us? Not one is creating a program for us that guarantees our industry a price for our products.”

Ms. Calvo-Bacci of the Chocolate Truffle said she and her husband had not yet decided whether they should try to move the manufacturing plant across the border.

“But it’s something we have to think about,” she said. “We want to stay, but we just can’t afford to if things don’t change.”