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Nebraska Sugar and the Uruguay Round

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Business in Nebraska

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Nebraska Sugar and the Uruguay Round

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"I have not heard a great deal from our sugar beet producers but GATT surely is a dead end for some of them." Senator J. J. Exon, Congressional Record, December 1, 1994

Nebraska's sugar beet production, generating about \$9.6 million annually in farm income, is an important part of agricultural activity in the Nebraska Panhandle. Figure 1 shows the value of various farm products for 1992 for the Nebraska Panhandle. In addition, sugar refining generates about \$15 million annually in manufacturing payrolls in the Scottsbluff-Bayard-Mitchell areas. These amounts compare with combined 1992 personal income of \$751 million in Morrill and Scottsbluff Counties.

Since passage of the Agriculture and Food Act of 1981 a market stabilization price for raw sugar around 22 cents per pound has been maintained by reducing American sugar imports from 5.0 million tons in 1981 to 1.9 million tons in 1994. (See Figure 2.) A tariff rate quota held the average wholesale price 8 cents higher than the Caribbean price of 14 cents in 1994.

These prices are not strictly comparable, because ocean freight would increase the Caribbean price by a fraction of a cent. European export subsidies and the American tariff rate quota also artificially depress the Caribbean price.

Trade Liberalization Fears

In December 1995, Congress passed legislation to implement the U.S. concessions made in the Uruguay Round of negotiations conducted under the auspices of the General Agreement on Tariffs and Trade (GATT). Despite the artificiality of the low Caribbean sugar price, there has been concern that agricultural trade liberalization in the Uruguay Round agreement would cause a substantial drop in American sugar prices and depress income in the Nebraska Panhandle and other sugar-producing areas of the United States. No similar concern was expressed

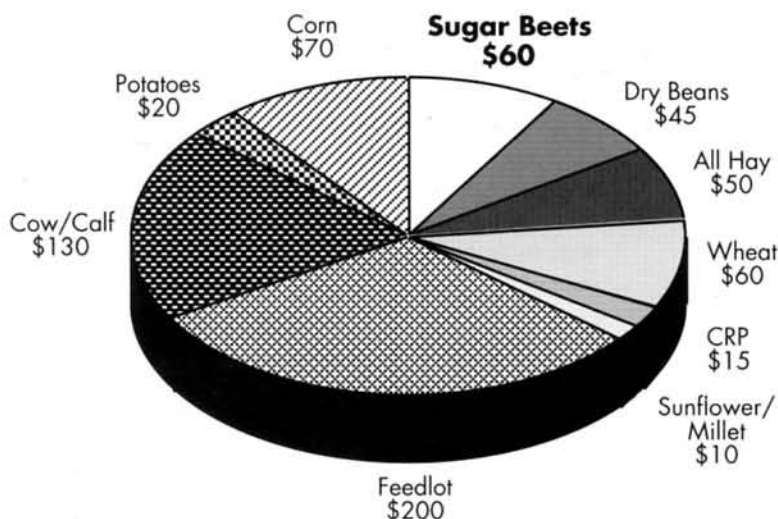
about the new North American Free Trade Area (NAFTA) because Mexico is a net sugar importer and special provisions in the NAFTA agreement would prohibit Mexico from diverting sugar to the United States in the future.

In general, U.S. agricultural concessions in the Uruguay Round provided for:

- Replacement of quotas by tariffs;
- Tariff reductions of 36 percent;
- Cuts of 36 percent in spending on certain subsidies; and
- Cuts of 21 percent in subsidized export quantities.

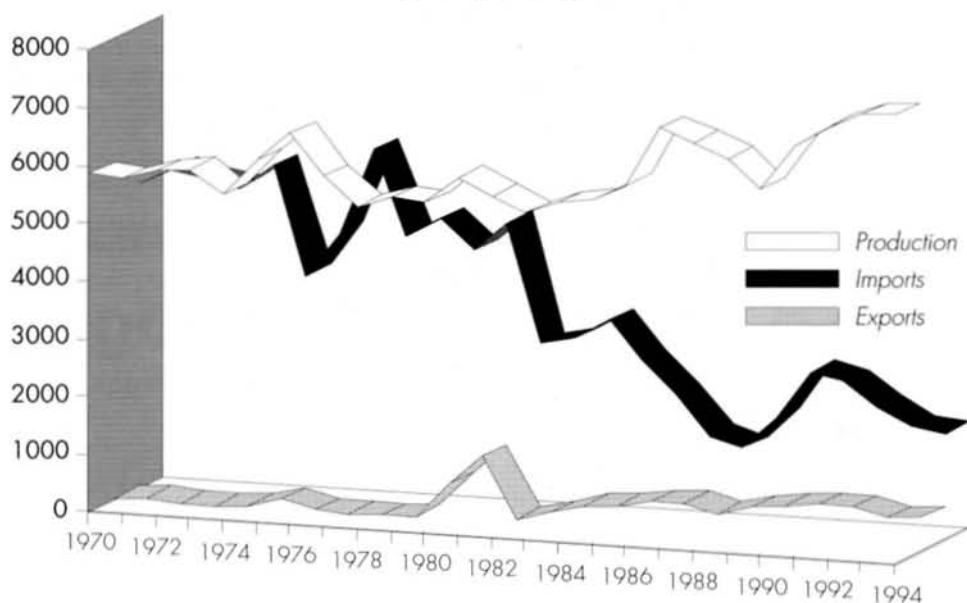
These cuts are averages, however, and they do not apply specifically to sugar.

Figure 1
Nebraska Panhandle Agriculture Value of Production
((\$millions))



Source: Daryl E. Ellis, *Agriculture in the Nebraska Panhandle*, July, 1994, IANR, University of Nebraska

Figure 2
U.S. Raw Sugar Exports, Imports, and Production
(000s of short tons)



Sugar Policy in Perspective

Sugar is a unique commodity—110 countries produce it and 70 of them export it. Almost all countries in the world distort sugar markets with special taxes, tariffs, subsidies, or quotas. The U.S. has a long history of intervention, dating back to 1789. From 1934 to 1974 and from 1982 through 1989 the U.S. protected domestic producers with import quotas that were reduced over the latter period in order to maintain the market stabilization price.

In 1988, however, Australia complained that the U.S. quota violated Article X of the GATT. A GATT dispute panel ruled in favor of Australia, and the U.S. agreed to convert its quota to a tariff rate quota. The tariff rate quota allows a variable amount of at least 1.25 million tons to enter at a minimal tariff rate of 0.625 cents per pound. The quota is adjusted periodically by the President in order to maintain the market stabilization price. Any sugar imports in excess of the quota incur an additional duty of 17 cents per pound in 1995, a duty that is prohibitive because it raises import prices to uncompetitive levels.

The only impact that the Uruguay Round has on this U.S. policy is to require the tariff to be reduced gradually to 14.45 cents by 2001. At the 1994 Caribbean price of 14 cents, there will be no downward pressure on U.S. sugar prices because sugar imported in excess of the quota would have

duty-paid prices of 31 cents in 1995 or 28.45 cents in 2001—prices far above the U.S. price of 22 cents.

The Outlook for Prices

This analysis of zero impact from the Uruguay Round assumes that the Caribbean price would stay at 14 cents. As Figure 3 shows, however, the foreign price has fallen below 5 cents as recently as 1985. A price that low would make the tariff rate quota ineffective in preserving the market stabilization price of 22 cents after 1996.

What are the chances of the foreign price falling so low? The Economic Research Service (ERS) of the United States Department of Agriculture thinks the probability is negligible because of several factors that the ERS expects will drive prices up:

- Higher incomes in less developed countries will enable their consumers to buy more sugar;
- Many other countries have agreed to liberalize their sugar imports in the Uruguay Round, enabling their consumers to purchase more; and
- Some countries, notably South Africa and members of the European Union (EU), have agreed to reduce export subsidies. (The EU equivalent of the market stabilization price has been 26 cents/pound in recent years.)

Some of these expectations may not be realized. Higher incomes can be reversed by recessions,

and the foreign price could fall in dollar terms because of appreciation of the U.S. currency in foreign exchange markets. These events, however, would be temporary.

More disturbing for the long-term foreign price outlook are the following items:

- Sugar exports subsidized by South Africa only amount to 2 percent of world trade;
- The EU may not have to cut its export subsidies because of exceptions written into the Uruguay Round agreement; and
- EU sugar exports are expected to increase as EU farmers switch to sugar beets after losing subsidies on other crops.

Nevertheless, the long-term probability for increasing foreign sugar prices looks fairly high.

The 1995 Farm Bill

In the final analysis, the market stabilization price for sugar may be affected more by the 1995 farm bill being drafted by the Senate Agricultural Committee than by the Uruguay Round. Congressional budget cutters have targeted agricultural subsidies. Although sugar producers receive no explicit payments from the U.S. Treasury, there may be pressure to reduce price supports for all commodities.

American sugar policy received critical scrutiny in formulation of the 1990 farm bill. In a report requested by Congressional Representative Charles Schumer, the General Accounting Office estimated

that the sugar quota cost sweetener users about \$1.4 billion annually over the 1989-1991 period while sugar producers received \$561 million annually in benefits. Political action committees representing sugar producers, however, made Congressional campaign contributions of \$3.3 million from 1983 to 1990, and the market stabilization price of 22 cents survived the 1990 farm bill.

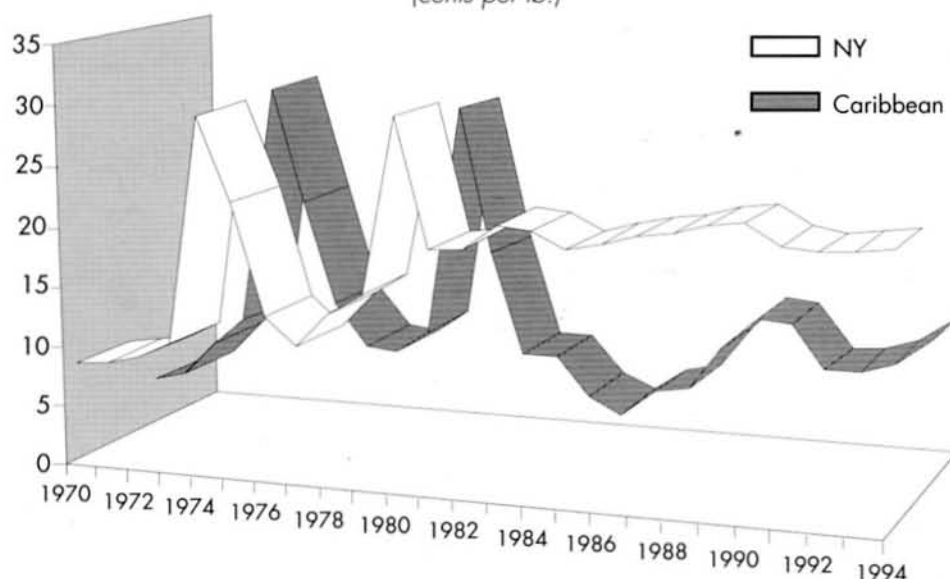
Implications of Liberalization

What would happen if the tariff rate quota and market stabilization price were eliminated? The impact on Nebraska sugar beet growers would be noticeable, but not severe. I previously have estimated that elimination of the U.S. quota on imported sugar would lower domestic prices by two-thirds of the current difference between the market stabilization price and the Caribbean price. (*Business in Nebraska*, November/December 1989)

Updated to 1994, these estimates would imply that prices of sugar beets would fall 24 percent. Because the prices of other crops either would rise or not fall as much, growers would plant fewer acres of sugar beets and the gross value of sugar beet production would fall 32 percent.

The effects on net farm income would be much less, however, because growers already rotate their plantings among alternative crops and because sugar beet production is more costly. Extrapolating the 1989 estimates, the fall in net farm income from sugar beet production after a hypothetical elimina-

Figure 3
Raw Sugar Prices
(cents per lb.)



tion of the market stabilization price and tariff rate quota would be less than 10 percent. Moreover, farmers probably could replace about two-thirds of that income by growing alternative crops. To put these changes in perspective, one should note that the average annual variation in the net income of Nebraska farmers over the 1980s and 1990s was nearly 20 percent per year.

Conclusion

The Uruguay Round will have no adverse consequences on sugar beet producers in Nebraska.

The 1995 farm bill, on the other hand, could pose difficulties, depending on how it is finally written. Even total abandonment of price supports, however, would not change net farm income any more than it has varied in recent years.

Acknowledgments

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Recent Migration in the Midwest and Nebraska

The average American makes 11.7 moves in a lifetime. Most moves are local. Whites have a lower overall rate of moving than either Blacks or persons of Hispanic origin.

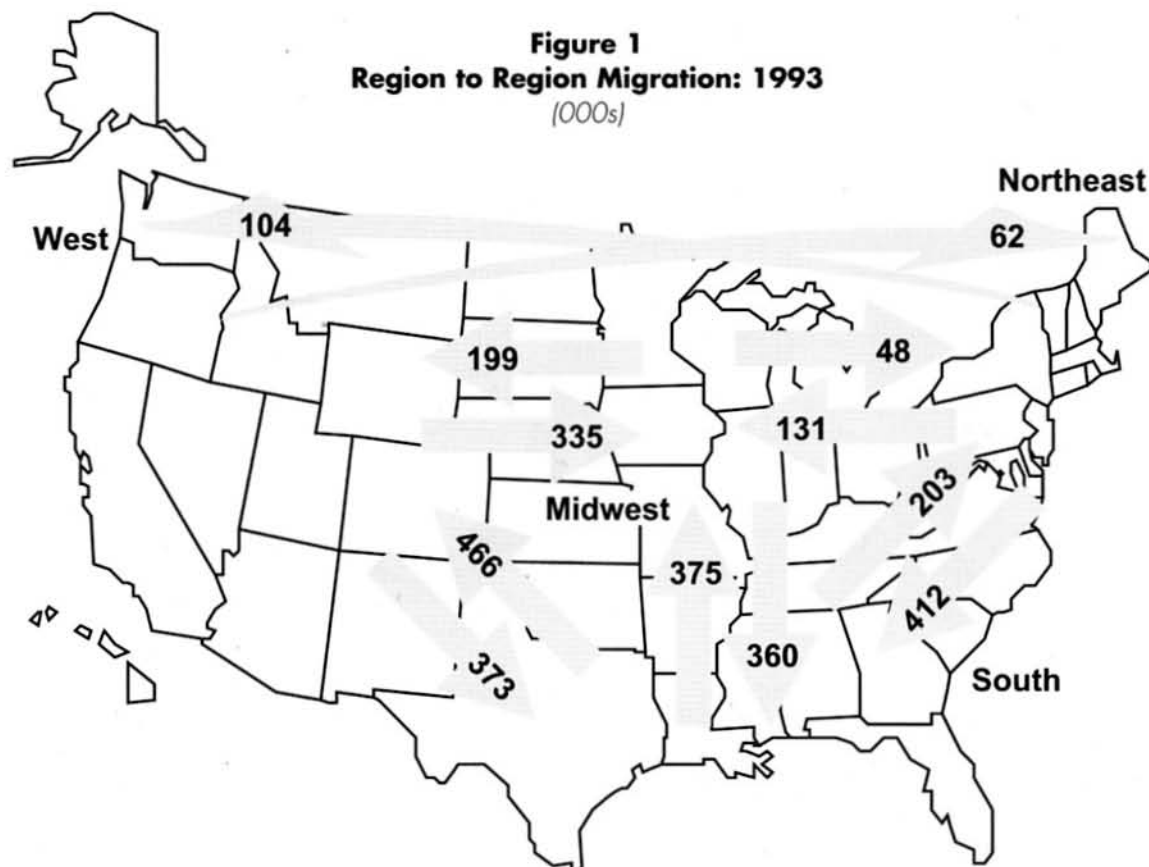
Average American is a statistical term developed by the Bureau of the Census to monitor lifetime mobility. The term is used in a recent report by the Census Bureau entitled *Geographical Mobility: March 1992 to March 1993*.

Figure 1 shows interregional migration for 1993. In 1993, the Midwest gained an estimated 841,000 persons (335,000 from the West, 375,000 from the South, and 131,000 from the Northeast) and lost

607,000 (48,000 to the Northeast, 199,000 to the West, and 360,000 to the South) for a net gain of 234,000. These estimates are based on sample data, and therefore, they are subject to sampling error.

Table 1 shows selected migrant characteristics for the Midwest. The age range for most outmigrants is 20 to 44 years. The age range for most immigrants includes the 20-to-44 year old group plus children age 1 to 14 years.

Table 2 provides population estimates and components of change for recent time periods for Census regions and selected Midwest states. Col



umn 6 of Table 2 shows that for the period July 1, 1992 to July 1, 1993 Nebraska's population increased an estimated 7,000 persons. During the period there were 23,000 births (column 7) and 15,000 deaths (column 8), for a natural increase of 8,000 persons. During the same period Nebraska picked up 2,000 persons from abroad (columns 9 and 10). The state's potential population growth was 10,000 persons (8,000 + 2,000 = 10,000). But Nebraska's estimated population growth was 7,000 (column 5). The difference is net migration of -3,000 persons (column 11).

A report on Nebraska population projections to 2010 is available from the Bureau of Business Research. The report contains county level projections by age category. The cost is \$12.50 per copy, including postage and handling. ☐☐

Table 1
Midwest Migrations by Selected Characteristics,
March 1992-March 1993
(000)

	Inmigrants	Outmigrants	Net Migration
All Races			
Total, 1 year and over	841	608	233
1 to 14 years	174	86	88
15 to 19 years	51	32	19
20 to 24 years	142	117	25
25 to 29 years	130	119	11
30 to 44 years	198	127	71
45 to 64 years	102	87	16
65 to 74 years	27	37	-10
75 years and over	16	2	14
Educational Attainment			
Total, 25 years old and over	473	373	101
Less than 9th grade	20	14	6
9th to 12th grade, no diploma	31	23	7
High school graduate	153	110	43
Some college or associate degree	112	80	32
Bachelor's degree	116	90	26
Graduate or professional degree	42	55	-14
Percent high school graduates	89.3	90.0	(X)

(X) = Not applicable

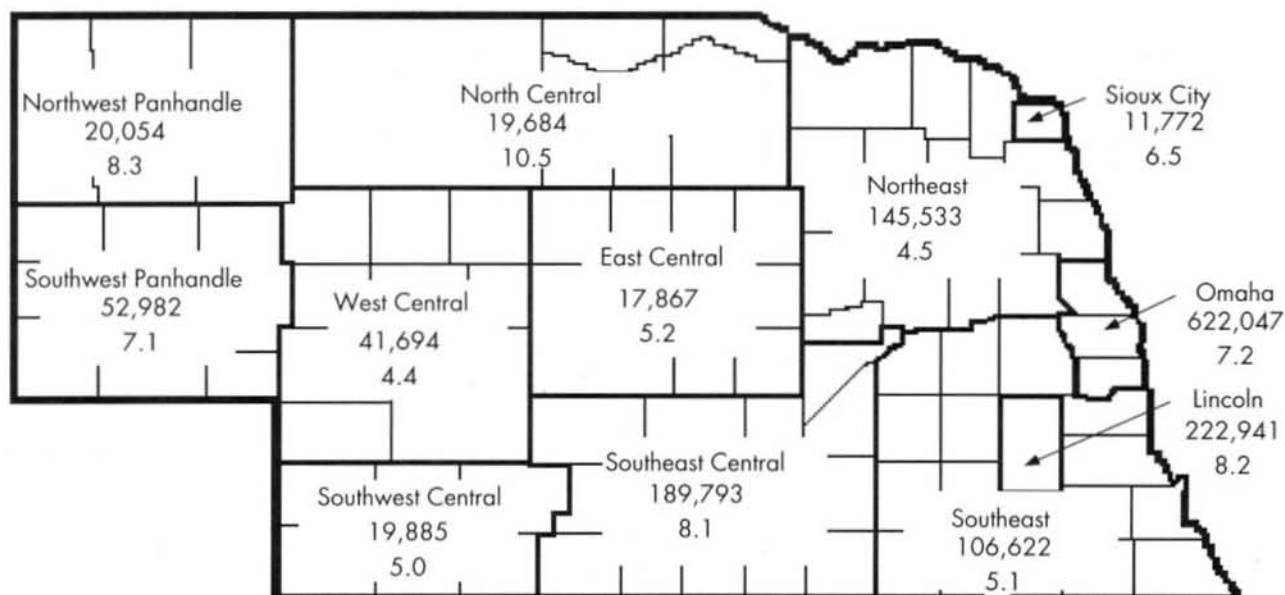
Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census

Table 2
Estimates of Resident Population of States: July 1, 1992 and July 1, 1993
Components of Change
(Includes Armed Forces Residing in Each State)
(000s)

Region, Division, and State (1)	April 1, 1990 Census (2)	July 1 1992 (3)	July 1, 1993 (4)	Change July 1, 1992 to July 1, 1993		Births (7)	Deaths (8)	Components of Change		
				Popula- tion Change (5)	Percent Change (6)			Net Movement From Abroad		Residual Change (11)
								Interna- tional Migra- tion (9)	Federal U.S. Citizen (10)	
United States	248,710	255,078	257,908	2,830	1.1	4,037	2,223	894	122	—
New England	13,207	13,196	13,230	34	0.3	188	119	35	3	-72
Middle Atlantic	37,602	37,925	38,125	199	0.5	567	367	206	4	-211
East North Central	42,009	42,719	43,017	298	0.7	649	380	81	4	-56
West North Central	17,660	17,92	18,054	133	0.7	257	165	17	5	19
South Atlantic	43,567	45,092	45,738	646	1.4	676	413	112	44	226
East South Central	15,176	15,532	15,717	185	1.2	233	151	7	7	89
West South Central	26,703	27,561	27,983	422	1.5	467	229	85	14	75
Mountain	13,659	14,379	14,776	396	2.8	243	105	28	8	221
Pacific	39,127	40,753	41,269	515	1.3	748	293	322	32	-292
West North Central										
Minnesota	4,375	4,468	4,517	49	1.1	65	36	6	—	14
Iowa	2,777	2,803	2,814	11	0.4	38	27	2	—	-1
Missouri	5,117	5,191	5,234	43	0.8	75	51	4	1	15
North Dakota	639	634	635	1	0.1	9	6	—	1	-3
South Dakota	696	708	715	7	1.0	11	7	—	—	2
Nebraska	1,578	1,601	1,607	7	0.4	23	15	1	1	-3
Kansas	2,478	2,515	2,531	15	0.6	37	23	3	2	-4

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census

December 1994 Regional Retail Sales and Percent Change from Year Ago
(\$000)



Price Indices

	February 1995	% Change vs Year Ago	YTD % Change vs Year Ago
Consumer Price Index - U* (1982-84 = 100)			
All Items	150.9	2.9	2.8
Commodities	135.4	2.4	2.4
Services	166.7	3.2	3.2

U* = All urban consumers

Source: U.S. Bureau of Labor Statistics

Employment in Nebraska

	Revised December 1994	Preliminary January 1994	% Change vs. Year Ago
Place of Work			
Nonfarm	812,280	797,316	5.4
Manufacturing	112,400	112,008	8.2
Durables	54,061	53,981	8.7
Nondurables	58,339	58,027	7.7
Mining & Construction	33,400	30,443	2.7
TCU*	50,089	49,754	5.8
Trade	206,613	200,899	4.6
Retail	153,947	148,998	1.4
Wholesale	52,666	51,901	5.7
FIRE**	51,811	51,805	2.9
Services	205,640	204,221	10.3
Government	152,327	148,186	-0.2
Place of Residence			
Civilian Labor Force	862,688	864,990	-1.3
Unemployment Rate	2.4	2.9	

* Transportation, Communication, and Utilities

** Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

**City Employment
November 1994
Percent Change from Year Ago**

The State and Its Trading Centers	Employment (1)
NEBRASKA	1.3
Alliance	1.3
Beatrice	3.2
Bellevue	-0.5
Blair	-0.5
Broken Bow	5.7
Chadron	2.0
Columbus	2.8
Fairbury	2.7
Falls City	1.9
Fremont	2.9
Grand Island	1.7
Hastings	1.8
Holdrege	4.7
Kearney	3.3
Lexington	3.5
Lincoln	-0.6
McCook	2.2
Nebraska City	3.9
Norfolk	3.3
North Platte	1.9
Ogallala	4.5
Omaha	-0.5
Scottsbluff/Gering	3.6
Seward	2.4
Sidney	2.3
South Sioux City	-1.3
York	4.0

(1) As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used.

Sources: Nebraska Department of Labor

Nonmotor Vehicle Net Taxable Retail Sales in Nebraska Cities

	December 1994 (\$000)	% Change vs Year Ago		December 1994 (\$000)	% Change vs Year Ago
Omaha	518,670	7.5	Henderson	935	40.8
Lincoln	204,634	9.4	Pierce	930	18.9
Grand Island	60,691	8.7	Rushville	915	25.0
Kearney	35,114	13.9	Waverly	909	39.6
Norfolk	34,691	9.9	Arapahoe	875	18.9
Scottsbluff	26,590	6.7	Madison	870	-6.8
North Platte	26,466	3.5	Gibbon	859	9.4
Hastings	26,276	6.9	Doniphan	857	38.4
Fremont	25,714	6.3	Oakland	824	4.7
Columbus	23,963	-3.7	Osceola	815	4.9
Bellevue	20,599	10.9	Wisner	791	11.6
Beatrice	12,725	4.0	Battle Creek	780	-12.0
McCook	11,727	4.1	Benkelman	759	22.8
York	10,277	12.1	Pender	757	9.9
La Vista	9,756	9.6	Loup City	756	3.3
Lexington	9,052	2.1	Stanton	754	9.1
South Sioux City	9,036	5.3	Humphrey	731	7.3
Sidney	7,405	1.1	Cambridge	706	4.3
Alliance	7,279	6.7	Oshkosh	705	22.0
Blair	7,025	6.8	Elgin	686	29.9
Seward	6,464	-22.8	Scribner	684	15.7
Nebraska City	6,215	12.1	Friend	681	17.8
Ogallala	5,818	6.4	Franklin	674	0.7
Holdrege	5,734	-6.1	Fullerton	673	-5.2
O'Neill	5,420	2.2	Shelton	662	-14.6
Broken Bow	4,856	4.5	Wilber	654	11.2
Papillion	4,852	3.6	Humboldt	640	9.4
Gretna	4,758	9.8	Weeping Water	628	-28.8
Chadron	4,748	21.5	Chappell	618	26.4
Crete	4,459	0.3	North Bend	586	0.3
Valentine	4,435	10.3	Blue Hill	578	21.9
Gering	4,269	8.6	Bayard	576	12.5
Fairbury	4,122	-1.7	Ponca	569	9.4
West Point	4,002	1.5	Bassett	550	7.8
Wayne	3,923	-4.5	Randolph	549	22.3
Plattsmouth	3,811	23.7	Tilden	536	-6.3
Falls City	3,504	9.6	Oxford	528	13.5
Cozad	3,444	11.9	Elwood	524	-17.0
Aurora	3,305	19.1	Wymore	519	9.3
Auburn	3,239	10.1	Clarkson	516	14.2
Wahoo	3,033	1.8	Osmond	502	-21.8
Ralston	2,725	2.8	Crawford	496	1.8
Ord	2,573	1.1	Dakota City	492	18.0
Gothenburg	2,547	6.3	Lyons	490	8.4
Gordon	2,529	2.8	Laurel	473	-12.4
Schuyler	2,519	-3.4	Crofton	467	27.6
Ainsworth	2,465	5.2	Morrill	462	8.2
Hartington	2,336	8.2	Wood River	460	6.2
Kimball	2,328	14.8	Dodge	454	32.0
Albion	2,188	7.0	Sutherland	453	12.4
Hebron	2,133	1.1	Wakefield	452	-11.4
Elkhorn	1,989	5.0	Deshler	446	45.8
Geneva	1,968	1.5	Pawnee City	437	11.5
Superior	1,943	10.5	Wauneta	435	26.5
Imperial	1,926	4.7	Emerson	426	1.2
Minden	1,898	-0.6	Arnold	408	35.1
Central City	1,839	16.5	Hooper	406	3.8
David City	1,796	18.9	Eagle	405	33.7
Neligh	1,683	21.4	Shelby	400	14.0
Ceresco	1,533	41.2	Clay Center	393	8.6
St. Paul	1,467	2.0	Genoa	389	36.0
Mitchell	1,411	28.3	Louisville	369	-4.7
Sutton	1,399	23.9	Hay Springs	368	-13.0
Tecumseh	1,371	12.1	Curtis	365	0.8
Creighton	1,324	13.3	Arlington	338	-4.2
Ashland	1,294	6.3	Sargent	337	6.6
Atkinson	1,268	40.7	Hickman	335	14.3
Tekamah	1,252	6.5	Juniata	327	26.7
Bridgeport	1,212	15.6	Newman Grove	318	-12.9
Red Cloud	1,082	8.7	Minatare	314	21.7
Grant	1,056	11.7	Utica	314	13.8
Ravenna	1,042	12.5	Elm Creek	296	-6.6
Burwell	1,038	14.8	Cairo	296	4.2
Milford	1,037	23.7	Bennington	284	11.4
Syracuse	1,021	-1.5	Bertrand	277	21.5
Stromsburg	1,018	12.5	Springfield	241	21.7
Valley	1,013	-5.4	Fairmont	239	-1.2
Plainview	983	2.8	Beaver City	230	22.3
Bloomfield	963	18.9	Kenesaw	168	21.7
Alma	949	11.1	Axtell	157	-14.7

Source: Nebraska Department of Revenue



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Business in Nebraska April 1995

County of the Month

Frontier

Stockville—County Seat



Next County of Month

License plate prefix number: 60

Size of county: 976 square miles, ranks 17th in the state

Population: 3,101 1990, a change of -15.0 percent from 1980

Median age: 37.3 years in Frontier County, 33.0 years in Nebraska in 1990

Per capita personal income: \$15,487 in 1992, ranks 84th in the state

Net taxable retail sales (\$000): \$ 10,848 in 1993, a change of 9.7 percent from 1992; \$11,502 during January-December 1994, a change of 7.1 percent from the same period one year ago

Number of business and service establishments: 80 in 1992, 67.5 percent had less than five employees

Unemployment rate: 1.9 percent in Frontier County, 2.9 percent in Nebraska for 1993

Nonfarm employment (1993):

	State	Frontier County
Wage and salary workers	762,703	783
	(percent of total)	
Manufacturing	13.5%	(D) %
Construction and Mining	4.3	3.4
TCU	6.2	3.1
Retail Trade	18.4	(D)
Wholesale Trade	6.8	(D)
FIRE	6.6	(D)
Services	24.6	13.3
Government	19.6	50.7
Total	100.0%	100.0%

(D) Data not available because of disclosure suppression

Agriculture:

Number of farms: 419 in 1992, 496 in 1987

Average farm size: 1,257 acres in 1992

Market value of farm products sold: \$42.6 million in 1992 (\$101,582 average per farm)

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, Nebraska Department of Labor, Nebraska Department of Revenue



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