

Ripple Effects of Domestic Sugar Production and National Burden; Analysis based on Input-Output Tables

Tetsuro YAKUSHIJI

Summary

This article discusses the effects that the existence of the domestic sugar sector (domestic sugar crops and the sugar industry which processes them, excluding sugar refinery), which is supported by the subsidy system for domestic sugar, has on income in and outside the region, including ripple effects on upstream industries, trends in the national burden (taxpayers' share and consumers' share) required to operate this system, and the effects that the burden borne at first by the refinery of imported raw sugar has on consumers through downstream industries.

After 1990, net product induced by the domestic sugar sector and national burden had a tendency to decline together. But the ratio (induced net product/national burden) has risen, caused mostly by the increase in domestic sugar production and the reduction of raw sugar tariffs.

The rise in domestic production produces increased expenditure for subsidies and worsens the financial balance in the subsidy system. Although the deficit does not become an actual burden, national burden including this deficit has grown in recent years and the ratio of induced net product to this burden is decreasing. It is, therefore, necessary to cut down the production cost of domestic sugar and to produce domestic sugar corresponding to demand.

On the other hand, in examining the final consumers' expenditure by item as a result of the ripple effect of price increases occurring firstly with imported raw sugar, items for which the consumer pays most are soft drinks, confectionery and eating and drinking places. The price increase of final goods induced by the subsidy system for domestic sugar is less than 1% for any item.