Sugar Prices, Labor Income, and Poverty in Brazil
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Abstract: This paper assesses the impact of a potential liberalization of sugar regimes in OECD countries on household labor income and poverty in Brazil. Our results suggest that the largest increases in wages are to be experienced among workers in sugar-growing and sugar-processing sectors. Workers in other sectors experience modest wage gains, except low- and medium-educated workers in the service sector who see their wages decline. More surprisingly, after an increase in the price of an unskilled-labor-intensive good (sugar), skilled workers get the largest wage increase. However, the largest labor income gains are experienced by unskilled workers, mainly though movements out of unemployment. Our estimates show that approximately 280,000 individuals would move out of poverty following a hypothetical 10 percent increase in sugar prices. This finding highlights the importance of considering the employment channel when studying the poverty impacts of trade reforms.