USDA FSA
FACT SHEET
UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY
March 2011

Sugar Loan Program, Sugar Marketing Allotments, and Feedstock Flexibility Program

Overview

The Sugar Loan Program provides nonrecourse loans to processors of domestically grown sugarcane and sugar beets. This program helps to stabilize America's sugar industry and ensure the well being of agriculture in the United States. The Food, Conservation, and Energy Act of 2008 (2008 Act) provides the Farm Service Agency (FSA) the authority to administer nonrecourse loans for the 2008 through 2012 crops on behalf of the Commodity Credit Corporation (CCC).

Loan Eligibility

Sugar and in-process sugar loans are available beginning Oct. 1 each fiscal year and mature at the earlier of:

(1) The end of the nine-month period beginning on the first day of the first month after the month in which the loan is made, or
(2) The end of the fiscal year in which the loan is made.

In the case of a loan made in the last 3 months of a fiscal year, the processor may repledge the sugar as collateral for a second loan in the subsequent fiscal year. The second loan is made at the loan rate in effect at the time the first loan was made, and matures in 9 months less the quantity of time that the first loan was in effect.

To be eligible, processors must:

- Possess sugar from domestically grown sugar beets or sugarcane from producers who are in compliance with both highly erodible and wetlands regulations;
- Agree to all terms and conditions in the loan application;
- Execute a note, a security agreement, and a storage agreement with CCC.

Loan Rate

The 2008 Act requires the Secretary of Agriculture to provide nonrecourse loans to processors of domestically grown:

(1) Sugarcane at a rate equal to 18.0 cents per pound for raw cane sugar for the 2008 crop year, and
(2) Sugar beets at a rate equal to 22.9 cents per pound for refined beet sugar for the 2008 crop year.

Loan rates are adjusted to reflect the processing location of the sugar pledged as collateral. See the National Average Loan Rates by crop year on the next page.

The in-process sugar loan rate equals 80 percent of the loan rate applicable to raw cane sugar or refined beet sugar, as determined by the Secretary on the basis of the source material for the in-process sugar and syrups. In-process sugars and syrups do not include raw sugar, liquid sugar, invert sugar or syrup, or other finished products otherwise eligible for sugar loans.

- In-process sugar forfeiture: The CCC will accept forfeiture of in-process sugar and syrup loan collateral as full loan repayment if the processor converts them, within one month after loan maturity, into raw cane sugar or refined beet sugar of acceptable grade and quality for sugar eligible for the loans. If forfeited in-process sugars are not converted into raw cane sugar or refined beet sugar of suitable quality and transferred to CCC within one month, CCC may charge liquidated damages.

- In-process sugar crystallization: If the processor does not forfeit the collateral, but instead further processes the in-process sugar into raw cane sugar or refined beet sugar and repays the loan, the processor may obtain a loan at the higher rate for the raw cane sugar or refined beet sugar. The term of a loan made for an in-process sugar, when combined with the term of a loan made for raw cane sugar or refined beet sugar derived from in-process sugars, may not exceed 9 months.

National Average Loan Rates by Crop Year

Crop Year	2007	2008	2009	2010	2011	2012
Cents Per Pound						
Raw Cane Sugar	18.00	18.00	18.25	18.50	18.75	18.75
Refined Beet Sugar	22.90	22.90	23.45	23.77	24.09	24.09

Regional Loan Rates of Raw Cane Sugar

Crop Year	2005	2006	2007	2008	2009	2010
Cents Per Pound						
Raw Cane Sugar						
Florida	17.86	17.93	18.07	18.07	17.92	18.21
Hawaii	17.17	17.00	16.64	16.37	15.88	16.52
Louisiana	18.36	18.33	18.27	18.28	18.96	19.10
Texas	17.99	17.93	17.27	17.22	17.81	18.02
Sugar processed in Hawaii but placed under loan on the United States mainland	18.00	18.00	18.00	18.00	18.25	18.50

Regional Loan Rates of Refined Beet Sugar

Crop Year	2005	2006	2007	2008	2009	2010
Cents per pound						
Refined Beet Sugar						
1. Mich. & Ohio	24.09	24.13	24.17	24.94	24.94	25.32
2. Minn. & E ½ N.D.	22.80	22.91	22.89	23.41	23.41	23.64
3. NE ¼ Colo., Neb., SE ¼ Wyo.	23.21	22.94	22.95	23.08	22.58	23.96
4. Mont. & NW ¼ Wyo., & W ½ N.D.	22.73	22.76	23.00	22.92	23.40	23.80
5. Idaho, Oregon, & Washington	22.16	22.04	22.03	21.95	22.60	22.55
6. California	24.05	23.77	23.62	23.73	24.74	24.75

Minimum Price Support for Sugarcane

	2005	2006	2007	2008	2009	2010
Dollars Per Ton						
Florida 1/	$27.94	$27.63	$27.93	$27.98	$29.03	$27.37
Hawaii 1/	$24.25	$24.36	$25.03	$24.54	$24.65	$24.16
Louisiana 2/	$24.64	$24.44	$24.90	$25.80	$27.81	$26.74
Texas 2/	$22.94	$22.60	$22.62	$22.55	$24.54	$23.30
1/ Per net ton basis 2/ Per gross ton basis						

Marketing Allotments

At the beginning of each fiscal year, CCC will establish marketing allotments for sugar intended for domestic human consumption that has been processed from sugarcane, sugar beets or in-process beet sugar, whether domestically produced or imported. The Secretary will strive to establish an overall allotment quantity that results in no forfeitures of sugar to CCC under the sugar loan program and assigns domestic producers at least 85 percent of the market share of domestic human consumption for the crop year. The Secretary shall make estimates of sugar consumption, stocks, production, and imports for a crop year as necessary, but not later than the beginning of each of the second through fourth quarters of the crop year. Prior to the beginning of the fiscal year, these estimates must be updated.

- Beet Sugar: Beet sugar's allotment is derived by multiplying the overall allotment quantity for the crop year by 54.35 percent. This allotment may only be filled with sugar domestically processed from sugar beets or in-process beet sugar.

- Cane Sugar: Cane sugar's allotment is derived by multiplying the overall allotment by 45.65 percent. Offshore states receive an allocation of 325,000 short tons, raw value, of cane sugar. Remaining cane sugar is allotted to individual mainland cane sugar states. Cane sugar's allotment may only be filled with sugar processed from domestically grown sugarcane.

CCC establishes cane state allotments and sugarcane processor allocations by assigning weights by a factor of 25 percent for past marketings, 25 percent for processing capacity, and 50 percent for ability to market. , . A state cane sugar allotment may be filled only with sugar processed from sugarcane grown in the state covered by the allotment.

If a sugarcane processor is unable to market its allocation, CCC will reassign the deficit location to other processors within that state. If, after reassignment, the deficit cannot be eliminated, CCC will reassign the deficit proportionately to allotments for other cane sugar states. If this deficit cannot be eliminated, CCC will reassign the deficit to CCC for sale of CCC sugar inventory unless such sales would have a significant effect on the price of sugar. If the deficit still has not been eliminated, CCC will reassign the remainder to raw cane sugar imports. Likewise, if a sugar beet processor is unable to market its allocation, CCC will reassign the deficit to other sugar beet processors, then to CCC, and then to raw cane sugar imports.

During any crop year or portion thereof for which marketing allotments have been established, no sugar beet or sugarcane processor shall market a quantity of sugar for human consumption in excess of the allocation established for such processor, except to enable another processor to fulfill an allocation or for export. Processors knowingly violating their allocation shall be liable to CCC for a civil penalty in an amount equal to three times the U.S. market value at the time of the commission of the violation of that quantity of sugar involved in the violation.

Feedstock Flexibility Program

If the Secretary is threatened by loan forfeitures, he may purchase surplus sugar and sell it to bioenergy producers in order to forestall forfeitures.

If forfeitures do occur, the Secretary can only dispose of the inventory through sale to bioenergy producers to operate a payment-in-kind program, or to purchase back certificates of quote entry, with one exception. If there is an emergency shortage of sugar for human consumption, the sugar can be sold back into the food use market.

Other requirements apply. Check with USDA Service Centers or county FSA offices for details.