



Sugar Loan Program, Sugar Marketing Allotments and Feedstock Flexibility Program

OVERVIEW

The federal sugar loan program provides nonrecourse loans to processors of domestically grown sugarcane and sugar beets with maturities of up to nine months from when the sugarcane or sugar beet harvest begins. The loans provide sugar producers with interim financing at harvest time to meet cash flow needs without having to sell the commodity when market prices are typically at harvest-time lows. Allowing sugar producers to store production at harvest helps the more orderly marketing of commodities throughout the year.

Upon loan maturity, the sugar processor may repay the loan in full or forfeit the collateral (sugar) to the U.S. Department of Agriculture (USDA) to satisfy the loan. Giving CCC title to the loan collateral is known as a “forfeiture” of collateral. Thus, sugar producers always have the opportunity to receive at least the loan proceeds from their crop, which becomes a price floor on the returns to domestic sugar producers.

The Agricultural Act of 2014 (2014 Farm Bill) provides the USDA Farm Service Agency (FSA) with the authority to administer sugar nonrecourse loans for the 2011 through 2018 crops on behalf of the [Commodity Credit Corporation](http://www.fsa.usda.gov/compliance) (CCC).

LOAN ELIGIBILITY

Loans for sugar and in-process sugar (e.g. the intermediate sugar-containing product, as CCC determines, produced in the processing of sugarcane or sugar beets) are available beginning Oct. 1 of 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.

If a loan is made in the last three months of a fiscal year (July, August or September), the processor may re-pledge the sugar as collateral for a second loan (referred to as a supplemental loan) in the subsequent fiscal year. The supplemental loan is made at the loan

rate in effect at the time the initial loan was made and matures in nine months minus the quantity of time that the initial loan was in effect.

To be eligible, processors must:

- Process sugar from domestically grown sugarcane or sugar beets from producers who are in compliance with both highly erodible and wetlands regulations (for more information on conservation compliance, go to www.fsa.usda.gov/compliance);
- Agree to all terms and conditions in the loan application; and
- Execute a note, security agreement and storage agreement with CCC.

LOAN RATE

The 2014 Farm Bill requires the Secretary of Agriculture to provide nonrecourse loans to processors of domestically grown:

- (1) Sugarcane at a rate equal to 18.75 cents per pound for raw cane sugar for each of the 2011 through 2018 crop years; and
- (2) Sugar beets at a rate equal to 24.09 cents per pound for refined beet sugar for each of the 2011 through 2018 crop years.

Loan rates are adjusted to reflect the processing location of the sugar pledged as collateral. (See the tables under **National Average Loan Rates by Crop Year.**)

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 law authorizes CCC to 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 nine months.

National 2016 Crop Year Average Loan Rates

| Crop Year | 2016 |
|--------------------|-------|
| (Cents Per Pound) | |
| Raw Cane Sugar | 18.75 |
| Refined Beet Sugar | 24.09 |

**Regional 2016 Crop Year (FY 2017)
Loan Rates of Raw Cane Sugar**

| Crop Year | 2016 |
|-------------------------------------------------------------------------------|-------|
| (Cents Per Pound) | |
| Florida | 18.32 |
| Hawaii | 17.88 |
| Louisiana | 19.42 |
| Texas | 18.56 |
| Sugar processed in Hawaii but placed under loan on the United States mainland | 18.75 |

**Regional 2016 Crop Year (FY 2017)
Loan Rates of Refined Beet Sugar**

| Crop Year | 2016 |
|--------------------------------------------|-------|
| (Cents Per Pound) | |
| Michigan and Ohio | 25.29 |
| Minnesota and E ½ North Dakota | 23.65 |
| NE ¼ Colorado, Nebraska and SE ¼ Wyoming | 24.00 |
| Montana, NW ¼ Wyoming and W ½ North Dakota | 23.71 |
| Idaho, Oregon and Washington | 24.23 |
| California | 24.70 |

MINIMUM PRICE SUPPORT FOR SUGARCANE

As a condition to receive CCC sugar loans, sugarcane processors are required to pay their growers at least the minimum payments as specified in the annual CCC loan rate news release and available in their FSA county office.

SUGAR BEET MINIMUM PAYMENT

Sugar beet grower minimum payments are the amount specified in the grower/processor contract.

MARKETING ALLOTMENTS

At the beginning of each fiscal year, CCC will estimate the domestic human consumption of sugar and establish marketing allotments for sugar sold for domestic human consumption that has been processed from sugarcane, sugar beets or in-process beet sugar, whether such sugar beets or in-process beet sugar was produced domestically or imported. The Secretary will strive to establish an overall allotment quantity that results in no forfeitures of sugar to CCC under the federal 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.

- **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 as mandated by regulation. 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 estimated quantity of the deficit 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.

SUGAR LOAN FORFEITURES AND THE FEEDSTOCK FLEXIBILITY PROGRAM

In order to forestall loan forfeitures, the 2014 Farm Bill also provides authority for CCC to use the Feedstock Flexibility Program to purchase sugar and sell it to bioenergy producers. If sugar forfeitures occur, the Secretary can dispose of the sugar inventory by a sale to bioenergy producers, by transfer to sugarcane and sugar beet processors under a payment-in-kind program, by the buyback of certificates of quota eligibility, or by any means permitted for CCC-owned sugar before the 2014 Farm Bill was enacted. Unless there is an emergency shortage of sugar for human consumption, the sugar cannot be sold in a manner that increases the supply of sugar available for human consumption.

FOR MORE INFORMATION

This fact sheet is for informational purposes; other requirements may apply. For more program details, visit www.fsa.usda.gov or contact your local FSA county office. To find your local FSA county office, visit <http://offices.usda.gov>.

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- 1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410;*
- 2) fax: (202) 690-7442; or*
- 3) email: program.intake@usda.gov.*

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