

Frequently Asked Questions

August 22, 2013

Substitution and Special Storage Agreements

The Invitation allows for “substitution” of the sugar purchased from CCC and for “special storage agreements” between bioenergy producers and sugar processors (also known as warehouse operators). This prompts several questions:

1. **Question:** If a bioenergy producer purchases sugar from CCC stored in one location, can the bioenergy producer demand sugar from another (closer) location? Conversely, can the sugar processor direct the bioenergy producer to pick up the sugar at a location not shown on the catalogue (potentially much further away from the bioenergy plant)?

USDA Response: The answer is no to both questions. A substitution to change loadout locations must be agreeable to both parties. A prearranged “deal” may benefit both parties; allowing a sugar processor to remove sugar immediately from one location while providing the bioenergy producer a much closer location to pick up sugar. In any case of substitution, the “receiving” warehouse of relocated or forwarded sugar must have a valid Sugar Storage Agreement with CCC, and have a sufficient supply of sugar to meet their storage obligations (which include CCC sugar pledged as collateral for loan, and any sugar owned by CCC or any other party (including bioenergy producers)).

2. **Question:** Is substitution of sugar purchased from CCC restricted to other sugar within the sugar processor’s facility from which the bioenergy producer purchased the sugar from CCC?

Answer: No. The sugar may be substituted for sugar in another sugar processor’s facility. In addition, one type of sugar may be substituted for another sugar type. This allows flexibility for sugar processors, while allowing bioenergy producers to acquire the desired type of sugar (raw cane sugar, refined beet sugar, or in-process beet sugar) and possibly at a location closer to the bioenergy plant. In any case of substitution, the “receiving” warehouse of relocated or forwarded sugar must have a valid Sugar Storage Agreement with CCC, and have a sufficient supply of sugar to meet their storage obligations (which include CCC sugar pledged as collateral for loan, and any sugar owned by CCC or any other party (including bioenergy producers)).

3. **Question:** Can a bioenergy producer arrange for the sugar processor to deliver sugar over a reasonable timeframe and schedule, such as 2 truckloads per day until all sugar is delivered?

Answer: Yes, provided the sugar processor agrees. This may include monetary consideration, and a special storage agreement between the bioenergy producer and sugar processor. In any case of substitution, the “receiving” warehouse of relocated or forwarded sugar must have a valid Sugar Storage Agreement with CCC, and have a sufficient supply of sugar to meet their storage obligations (which include CCC sugar pledged as collateral for loan, and any sugar owned by CCC or any other party (including bioenergy producers)).