

Frequently Asked Questions

August 21, 2013

1. **Question:** Who is responsible for lining up (and paying for) transportation?
USDA's Response: The bioenergy producer is purchasing sugar in-store, meaning that the bioenergy producer is responsible for all loadout charges (not to exceed \$.18/cwt.), arranging and paying for transportation, and for any storage charges beyond the 14-day period for which the processor is responsible. CCC encourages bioenergy producers to contact warehouse operators in advance of offering, to discuss the quality of sugar to be delivered, a delivery schedule, and to arrange for a schedule of premiums and discounts
2. **Question:** Is the sugar processor required to store the sugar until the bioenergy producer is ready for delivery?
USDA's Response: In most cases, CCC would anticipate that sugar processors will want the sugar moved out of their facility very promptly. This may require the bioenergy producer to arrange for alternative storage. This should be addressed prior to making an offer to discuss a delivery schedule.
3. **Question:** Can a bioenergy producer arrange for a delivery schedule with a processor, such as delivering a certain quantity on a daily or weekly basis (as opposed to all at once)?
USDA's Response: Yes, if acceptable to the sugar processor.
4. **Question:** Will CCC consider offering financing terms to the bioenergy producer for the purchase of sugar?
USDA's Response: No.
5. **Question:** Are biofuels the only eligible product for meeting the FFP production requirement?
USDA's Response: Under FFP, the use of sugar sold by CCC to bioenergy producers is restricted to the production of fuel grade ethanol and other biofuels.
6. **Question:** Why was the Re-export Program purchase and exchange strategy under the Cost Reduction Options (CRO) used twice before FFP?
USDA's Response: Reducing surplus supplies by retiring re-export credits through a purchase and exchange strategy is the least cost next step compared to FFP. As the world price of raw sugar is almost the same as the U.S. price of raw sugar, the re-export credit, which provides tariff-free access to the U.S market, is worth very little compared to historic values. Therefore, the sugar refiners holding these credits are currently willing to exchange credits for a relatively small quantity of domestic sugar.
7. **Question:** Why would processors sell sugar to CCC now under the FFP rather than wait to forfeit?

USDA's Response: Processors may sell now if they believe that their sugar under loan will exit their storage facility faster if sold to CCC prior to forfeiture. Most processors try to clear their limited storage facilities prior to the onset of harvest, which could start in September. In contrast, if the processor forfeits to CCC that forfeited sugar remains in the processor's warehouse until CCC decides to ship it out—a situation that creates difficulties for processors.

8. **Question:** How will FFP alleviate the sugar surplus?

USDA's Response: By purchasing sugar for re-sale to biofuel production, the domestic sugar supply for human consumption is reduced and sugar prices are strengthened.

9. **Question:** What are the mechanics of the FFP under Announcement FFP1, Invitation 1?

USDA's Response: CCC issues a tender to purchase sugar from processors and then sells that sugar to biofuel producers through a bid process. CCC will publish the lots of sugar offered for sale on the FSA/DACO website in a “catalog” and request bids from biofuel producers to purchase the sugar offered. On the bidding deadline, CCC will match sugar processor offers and biofuel producer bids and consider combinations most beneficial based on net cost to the government. CCC will acquire no permanent inventory; the transactions between CCC and the sellers and buyers occur almost simultaneously.

10. **Question:** *At what point will the bioenergy producer be held responsible for storage costs?*

USDA's Response: CCC will not pay storage fees for the sugar purchased under the Feedstock Flexibility Program. A bioenergy producer must assume any storage costs accrued from the date of the contract to the date of taking possession of the sugar. Bioenergy producers are responsible for transportation, as the sugar is being purchased in-store. CCC strongly encourages bioenergy producers to contact warehouse operators in advance of submitting an offer, to discuss arrangements.

11. **Question:** Is the “offer cap” for Announcement KCPBS2 Invitation No. 3 the same as KCPBS2 Invitation No. 1, Amendment 1?

USDA's Response: There is no publicized “offer cap” under FFP; however, CCC does not anticipate paying high prices to acquire sugar, as FFP is implemented to avoid loan forfeitures.

12. **Question:** Is a buyer match required for the CCC to accept the offer?

USDA's Response: Yes. CCC will consider sales offers from processors only if a bioenergy producer offers to purchase the sugar.

13. **Question:** Is the processor required to have a buyer match lined up prior to the offer?

USDA's Response: No. However, discussion between processors and bioenergy producers is encouraged, so that the parties can prearrange an agreement on several

items, such a schedule of premiums and discounts, delivery method and a delivery schedule.

14. **Question:** Is it correct that the processor cannot charge storage for the first 14 days following the date of the contract award?

USDA's Response: Yes. The sugar processor (warehouse operator) is responsible for storage for the first 14 days following contract award.

15. **Question:** Is it correct that the transferee must provide the sugar processor (warehouse operator) orders, in writing, 30 days after the date of title or the applicable CCC storage rates do not apply?

USDA's Response: The CCC storage rates apply for the first 60 days following contract award (excluding charges for the first 14 days), even if the bioenergy does not submit a written request for immediate delivery of the sugar. In the event the bioenergy producer submits a written request for immediate delivery within the first 30 days after transfer of title, the CCC storage rates continue to apply until the sugar is loaded out of the facility.

16. **Question:** What is the minimum offer quantity?

USDA'S Response: The minimum offer quantity is 10,000,000 pounds.

17. **Question:** With the minimum offer being 10,000,000 pounds, can the 10,000,000 pounds come from multiple locations?

USDA's Response: The 10 million pound minimum applies to each CCC warehouse code with a Sugar Storage Agreement. Offers from multiple locations within a single CCC warehouse code with an aggregate total of at least 10 million pounds are acceptable.

18. **Question:** Is there a listing of storage or warehouse facility locations? If so, where can we get a copy?

USDA'S Response: The catalog will list quantities and locations of the sugar offered.

19. **Question:** Under the FFP, if USDA is faced with the likelihood of loan forfeitures, is it required to purchase surplus sugar and sell it to bioenergy producers in order to minimize forfeitures? If forfeitures do occur, USDA can dispose of the inventory through sales to bioenergy producers or other disposal alternatives. Does the sugar have to be forfeited before consideration under FFP?

USDA's Response: No, the law allows USDA to preempt forfeitures (to stop them from happening)---as attempted with the August 15 Invitation to buy sugar under loan that is due this August 31. We can use the FFP either to prevent forfeitures and/or after forfeitures occur.

20. **Question:** Can the bioenergy producer destroy the sugar if unable to use it for biofuel production?

USDA's Response: Yes, but the bioenergy producer would have to 1) notify CCC of intent to destroy, 2) prove to CCC that the sugar was destroyed, 3) comply with all federal, state, and local environmental regulations and standards regarding destruction of sugar, and 4) may be subject to liquidated damages under Announcement FFP1, Invitation 1.