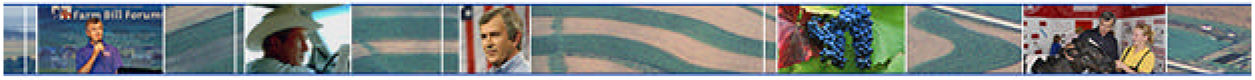
USDA United States Department of Agriculture
Farm Bill Forum Comment Summary & Background

Farm Bill Forums



SUGAR

Background

Under the provisions of the 2002 farm bill, the Sugar Loan Program provides nonrecourse loans to processors of domestically grown sugarcane and sugar beets. The 2002 farm bill requires that nonrecourse loans for the 2002 through 2007 crops be made by CCC to processors of:
(1) domestically grown sugarcane at a rate equal to 18.0 cents per pound for raw cane sugar, and
(2) domestically grown sugar beets at a rate equal to 22.9 cents per pound for refined beet sugar.
Loan rates are adjusted to reflect the processing location of the sugar pledged as collateral.

The 2002 farm bill also authorized loans to be made available under the Commodity Credit Corporation's (CCC) Farm Facility Loan Program to processors of domestically produced sugarcane and sugar beets for the construction or upgrading of storage and handling facilities for raw sugars and refined sugars.

Marketing allotments which limit the amount of domestically produced sugar that can be marketed were tried and abandoned in the 1990s and reinstated in the 2002 farm bill. Allotments of sugar beets and sugarcane are suspended if imports of sugar for human consumption are expected to exceed 1.532 million tons raw value, and the imports reduce the overall allotment quantity.

Unlike many other commodity programs, the sugar program does not involve direct payments but rather maintains market prices at, or above, a certain level. This is accomplished through: (1) price support loans; (2) marketing controls; and (3) import quotas. At the beginning of each fiscal year, CCC establishes marketing allotments for domestically produced sugar from sugar beets and domestically produced sugarcane. CCC determines overall marketing allotment quantities (OAQ) for the crop year as follows:

(a) estimated sugar consumption plus
(b) reasonable carryover stocks (at the end of the crop year) minus
(c) 1,532,000 short tons raw value minus
(d) carry-in stocks of sugar, including sugar in CCC inventory.

CCC then adjusts the overall marketing allotment quantity to avoid the forfeiture of sugar to the CCC. By adjusting the overall allotment quantity early in a year, CCC accounts for potential forfeiture risk such as reductions in sugar consumption.

Beet Sugar

Beet sugar's allotment is derived by multiplying the overall allotment quantity for the crop year by 54.35 percent (percent specified in the statute). This allotment may only be filled with sugar domestically processed from sugar beets.

Cane Sugar

Cane sugar's allotment is derived by multiplying the overall allotment by 45.65 percent (percent specified in the statute). Hawaii and Puerto Rico 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 allotment may only be filled with sugar processed from domestically grown sugarcane.

CCC establishes State cane allotments and sugarcane processor allocations by assigning weights of 25 percent, 25 percent, and 50 percent, respectively, to three factors: past marketings, processing capacity, and 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 CCC estimates that imports of sugars, or products to be used for the extraction of sugar, for human consumption will exceed 1,532,000 short tons raw value (excluding any imports under USDA's re-export program or reassignment of a marketing allotment) and that the imports would lead to a reduction of the overall allotment quantity, the law requires CCC to suspend marketing allotments until such time as imports have been restricted, eliminated, or reduced to or below the level of 1,532,000 short tons.

General Opinions Expressed

- Many participants supported keeping the current sugar program in the next farm bill.
- Some participants requested the reduction or elimination of sugar price supports.
- Some participants asked USDA to make domestic sugar globally competitive.
- Some participants stated that the sugar program does not work, while others suggested that the program is working.
- Some commenters suggested that subsidies have caused huge sugar surpluses.
- Some commenters suggested that processors should be encouraged to have adequate sugar storage.

Detailed Suggestions Expressed

- Make sure U.S. farm policy preserves global competitiveness for sugar beet and sugarcane farmers.
- Exempt Mexico from sugar marketing allotments.
- It is critical that the new farm bill provide support to the sugar industry in Hawaii for transition costs related to planning a molasses-to-ethanol-type venture, and acknowledge the transition costs involved in making this type of operation successful.
- Reduce sugar tariffs.
- Eliminate Federal sugar subsidies.
- Encourage raw and refined sugar storage.

- Overhaul subsidies. They work against new farmers and ranchers. Allow market factors to work.
- Adjust the sugar producer’s annual marketing allotment downward based upon producer’s deficiency in sugar storage capacity.
- Future FTA sugar liberalization and surplus sugar coming in from Mexico should be balanced by USDA’s sugar-to-ethanol program in Hawaii.