Farm Service Agency

Fact Sheet
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USDA
United States
Department of
Agriculture

Sugar Loan Program and Sugar Marketing Allotments

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 Farm Security and Rural Investment Act of 2002 (2002 Act) provides that the Farm Service Agency (FSA) administer nonrecourse loans for the 2002 through 2007 crops on behalf of the Commodity Credit Corporation (CCC).

Loan Eligibility

Sugar and in-process sugar loans are available beginning October 1 each fiscal year and mature at the earlier of (1) the end of the 9-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 second loan is 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 2002 Act requires the Secretary of Agriculture to provide nonrecourse loans 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 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 1 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 1 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.

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National Average Loan Rates by Crop Year

	1998	1999	2000	2001	2002	2003
	Cents Per Pound					
Raw Cane Sugar	18.00	18.00	18.00	18.00	18.00	18.00
Refined Beet Sugar	22.90	22.90	22.90	22.90	22.90	22.90

Regional Loan Rates of Raw Cane Sugar and Refined Beet Sugar

	1998	1999	2000	2001	2002	2003
	Cents Per Pound					
Raw Cane Sugar:						
Florida	17.85	17.85	17.68	17.74	17.73	17.73
Hawaii	17.74	17.64	17.60	17.58	17.33	17.33
Louisiana	18.30	18.35	18.44	18.40	18.44	18.44
Texas	18.01	18.04	18.14	18.05	18.11	18.04
Puerto Rico	18.14	18.27	18.38	18.37	18.33	18.00

	1998	1999	2000	2001	2002	2003
	Cents Per Pound					
Refined Beet Sugar:						
1. Mich. & Ohio	23.80	23.77	23.70	23.76	23.69	23.80
2. Minn. & E 1/2 N.D.	22.73	22.78	22.80	22.76	22.84	22.96
3. Colo., Neb., SE 1/4 Wyo.	23.45	23.45	23.67	23.83	23.86	23.32
4. Mont., & NW 1/4 Wyo., & W 1/2 N.D.	22.39	22.31	22.68	22.80	22.87	22.42
6. Idaho, Oregon, & Washington	22.40	22.20	22.08	21.98	22.19	21.99
7. California	23.82	23.85	23.77	23.88	23.56	23.76

Regional Support Prices

Processors who receive CCC loans must make minimum grower payments for all delivered sugar beets and sugarcane. The minimum grower payment for beet sugar is the amount specified in the grower/ processor contract. Sugarcane minimum grower payments are by State and as follows:

Minimum Price Support for Sugarcane

	1998	1999	2000	2001	2002	2003
	Dollars Per Ton					
Florida 1/	25.17	25.02	25.02	25.02	25.00	26.18
Hawaii 1/	23.28	23.37	23.37	23.37	23.39	23.58
Louisiana 2/	22.97	22.67	22.67	22.67	23.98	24.07
Texas 2/	20.37	20.03	20.03	20.03	21.99	21.23
Puerto Rico 2/	16.69	15.71	15.71	15.71	14.94	14.94

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 domestically produced sugar from sugar beets and domestically produced sugarcane. The Secretary will strive to establish an overall allotment quantity that results in no forfeitures of sugar to CCC under the sugar loan program. 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.

- **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 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 a sugarcane processor is unable to market its allocation, CCC will reassign the deficit allocation 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 the 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 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 imports.

If the Secretary 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 Secretary shall 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.

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.

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