USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

2014 Farm Bill

FACT SHEET

October 2017

Feedstock Flexibility Program for Sugar

OVERVIEW

The Feedstock Flexibility Program (FFP) for sugar, established in Title IX of the Food, Conservation and Energy Act of 2008 (2008 Farm Bill), authorizes the U.S. Department of Agriculture (USDA) to purchase sugar from domestic sugarcane and sugar beet processors and sell it to bioenergy producers for biofuel production. The FFP was extended under the 2014 Farm Bill. The regulations governing the FFP are found at 7 CFR Part 1435, Subpart E (78 FR 45441, July 29, 2013).

BACKGROUND

Sugar beet and sugarcane processors can obtain loans from the USDA Commodity Credit Corporation (CCC) on their sugar production with maturities of up to nine months from when the sugarcane or sugar beet harvest begins. These loans, called marketing assistance loans, provide sugar producers with interim financing at harvest time to meet cash flow needs throughout the year without having to sell their commodity when market prices are typically at harvest-time lows. Storing the commodity in the interim also allows for more orderly marketing of the commodity throughout the year.

Upon loan maturity, the sugar processor may repay the loan in full or forfeit the collateral (sugar) to 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 2014 Farm Bill requires that CCC avoid, to the extent practicable, the federal costs associated with sugar loan collateral forfeitures, including storage costs. The federal Sugar Loan Program minimizes forfeiture expenditures by limiting domestic supply to keep sugar prices above the price support floor created by the Sugar Loan Program. Domestic supply is controlled several ways: through the Sugar Marketing Allotment Program, which limits the quantity of sugar that domestic sugar beet and sugarcane processors can market; through the sugar tariff rate quotas, which allow a certain quantity of sugar to be imported at a lower tariff rate; through the FFP; and through other USDA authorities.

If USDA is faced with the likelihood of loan forfeitures, it is required to purchase surplus sugar and sell it to bioenergy producers to reduce the surplus in the food use market. If forfeitures do 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.

FFP GENERAL RULES – SUGAR PURCHASERS

CCC must estimate by Sept. 1 the quantity of sugar that may be made available under the FFP for the following crop year. CCC must also re-estimate by Jan. 1, April 1 and July 1 the quantity of sugar that will be made available for purchase and sale under the FFP for the crop year. Under the FFP, the purchased or forfeited CCC sugar can be used for the production of bioenergy products, such as ethanol. The terms and conditions of any particular sugar purchase or sale under the FFP may change, and any changes in program administration will be included in the invitation announcing the sugar purchase or sale.

ELIGIBLE SUGAR TO BE PURCHASED BY CCC

CCC will only purchase raw sugar, refined sugar or in-process sugar for the FFP that is eligible to be held as collateral under the CCC Sugar Loan Program. That means that the sugar must be a product of the United States.

- Eligible sugar seller--The sugar seller must be located in the United States.

- Eligible sugar buyer--An eligible sugar buyer/ bioenergy producer must produce bioenergy products, including fuel grade ethanol or other biofuels.

COMPETITIVE PROCEDURES

CCC will generally issue tenders for bids before entering into contracts with any eligible sugar seller or buyer. The intent is to select the bid(s) that represents the least cost to CCC of removing sugar from the market.

MISCELLANEOUS

As a sugar buyer, a bioenergy producer must take possession of the sugar no more than 30 days from the date of CCC's purchase. Each bioenergy producer that purchases sugar through the FFP must provide proof as specified by CCC that the sugar has been used in the bioenergy factory for the production of bioenergy. The producer must permit access for USDA to verify compliance.

FOR MORE INFORMATION

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