FARM BUREAU® 2018 Farm Bill Position

• Commodities • Conservation • Credit • Crop Insurance • Energy • Forestry • Nutrition • Research, Extension, and Related Matters • Rural Development • Specialty Crops & Horticulture • Trade •

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The Sugar Policy Modernization Act
S. 2086 and H.R. 4265

ISSUE

During consideration of every farm bill, there is an attempt to kill the sugar program.

BACKGROUND

The sugar program provides a price guarantee to the processors of sugarcane and sugar beets, and in turn, to the producers of both crops. USDA is directed to administer the sugar program at no budget cost to the Federal government by limiting the amount of sugar supplied for food use in the U.S. market.

To achieve both objectives, USDA uses the following four tools keep domestic market prices above guaranteed levels:

- price support loans at specified levels which are the basis for the price guarantee;
- marketing allotments to limit the amount of sugar that each processor can sell;
- import quotas to restrict the amount of sugar allowed to enter the U.S. market; and
- a sugar-to-ethanol (feedstock flexibility) program backstop which is available if marketing allotments and import quotas fail to prevent a sugar surplus from developing.

LEGISLATION

Identical bills to kill the sugar program have been introduced in the House and Senate. In the Senate, Senators Jeanne Shaheen (NH) and Pat Toomey (PA) have introduced S. 2086, the "Sugar Policy Modernization Act". A similar bill, H.R. 4265, has been introduced in the House bill by Representatives Foxx (R-NC) and Goodlatte (R-VA).

Senate cosponsors include the following 16 Senators: Sens. Maggie Hassan (D-N.H.), Lamar Alexander (R-Tenn.), Bob Casey. (D-Pa.), Susan Collins (R-Maine), Chris Coons (D-Del.), Dick Durbin (D-Ill.), Dianne Feinstein (D-Calif.), Dean Heller (R-Nev.), Ron Johnson (R-Wis.), Tim Kaine (D-Va.), Ed Markey (D-Mass.), John McCain(R-Ariz.), Claire McCaskill (D-Mo.), Rob Portman (R-Ohio), Mark Warner (D-Va.) and Elizabeth

There are 46 House cosponsors.

Current Law	Sugar Policy Modernization Act
Loan rate for raw cane sugar is 18.75 cents per pound through 2018.	Retains raw cane sugar loan rate at 18.75 cents per pound in 2018 and 2019, then reduces to 18.5 cents for 2020, 18.25 cents for 2021 and 18 cents for 2022 and 2023.
Loan rate for refined beet sugar is 128.5% of raw cane sugar loan rate.	Retains refined beet sugar loan rate at 128.5% of raw cane sugar loan rate.
Loans are made for 9 months, but must be redeemed on September 30, then new loan made on October 1.	Retains loan term at 9 months, except for 2028 and later years, when all loans must mature by July 31.
No similar provision.	Requires Secretary of Agriculture to recover any taxpayer costs of sugar program from sugar processors.
Imposes marketing allotments on cane sugar mills and refined beet processors. Sets up extensive system of calculating, allocating and enforcing allotments.	Repeals marketing allotments.
Requires tariff-rate quota to be set at WTO minimum each October 1; may not be increased until April 1 except in case of emergency shortage.	Repeals October 1 and April 1 restrictions on tariff- rate quota amounts and adjustments, and requires adjustment to produce ending stocks-to-use ratio of approximately 15.5%.
No similar provision.	Allows voluntary transfer of tariff-rate quotas among quota-holding countries, valid only during fiscal year when transfer occurs, with no impact on countries' quotas in following fiscal year.
Feedstock Flexibility Program established to purchase surplus sugar, re-sell to ethanol plants or similar non-food users.	Repeals Feedstock Flexibility Program.
No similar provision.	Expresses sense of Congress that major U.S. trade policy goals should include elimination of direct and indirect sugar subsidies, and pursuit of trade agreements that liberalize sugar trade.

The Congressional Budget Office has scored the bill as saving $100 million over ten years.

POSITION

Farm Bureau opposes the legislation because:

- nonrecourse loans are repaid with interest;
- nonrecourse loans are made available to more than two dozen other commodities. Without access to these loans, most producers would be unable to obtain capital and stay in business;
- the U.S. market would quickly be in an oversupply situation due to imports artificially depressing sugar prices for large food manufacturers;
- U.S. sugar policy has cost taxpayers $0 since 2014;
- U.S. sugar has cost less than 32 cents a pound since 2014 – nearly 10 cents below averages in other developed countries, according to the International Sugar Organization; and
- U.S. sugar producers must compete with Brazil, India, Thailand and others for exports. Those countries have subsidized their production in the billions of dollars.

FARM BUREAU POLICY SUPPORTS:

- a program to protect the interests of domestic sugar producers and recommends that any appropriate legislation include provisions that ensure a strong and economically viable domestic sugar industry;
- maintaining the current 2014 sugar provisions in the next farm bill; and
- retention of the current loan rates as a minimum.