



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

August 2013

Feedstock Flexibility Program

Overview

USDA will purchase sugar from domestic sugarcane and sugar beet processors and sell it to bioenergy producers for biofuel production under the Feedstock Flexibility Program for Bioenergy Producers (FFP). The FFP was added under Title IX of The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) to help the Secretary of Agriculture avoid forfeitures of sugar under the sugar loan program. The regulations governing the FFP program are found at 7 CFR Part 1435, Subpart E (78 FR 45441, July 29, 2013).

Sugar beet and sugarcane processors can receive a loan from the Commodity Credit Corporation (CCC) on their sugar production that can be fully satisfied by giving CCC title to their loan collateral, also 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 floor on the returns to domestic sugar producers.

The 2008 Farm Bill Sugar Program mandates that CCC avoid the federal costs associated with sugar loan collateral forfeitures. The Sugar

Program minimizes forfeiture expenditures by limiting domestic supply, resulting in higher domestic sugar prices than the price support floor created by the sugar loan program. Domestic supply is controlled through the sugar marketing allotment program, which limits the quantity of sugar that domestic sugar beet and sugarcane processors can market, and by sugar Tariff Rate Quotas, which allow a certain quantity of sugar to be imported at a lower tariff rate, through the FFP and other authorities.

Under the FFP, if USDA is faced with the likelihood of loan forfeitures, it is 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.

FFP General Rules – Sugar Purchasers

CCC will estimate and announce by Sept. 1 the quantity of sugar that may be made available under FFP for the following crop year. Under the FFP the purchased or forfeited CCC sugar can be used for the production of bioener-

gy 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 FFP that is pledged 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)

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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 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.

Call Pamela McKenzie, FSA/USDA, telephone (202) 260-8906 for further information.

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