



U.S. 2008 FARM BILL: The FEEDSTOCK FLEXIBILITY PROGRAM

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Agriculture**



The 2008 U.S. Sugar Program Added a 4th Feature:

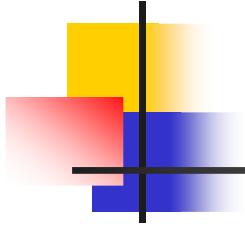
- 1. Domestic Price Support**
- 2. Domestic Supply Control**
- 3. Import Supply Control**
- 4. *Feedstock Flexibility Program***



USDA Must Mesh the 4 to Achieve Dual Objectives

- **To operate the program at “no cost” to the Federal Government**
- **To ensure adequate supplies of raw and refined sugar in the U.S.**

Feedstock Flexibility Program Title 9, Energy



For the 2008 - 2012 crops, the Secretary shall:

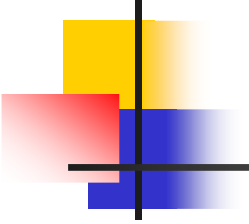
- **purchase surplus sugar in U.S. market and;**
- **sell to bioenergy producers for the purpose of producing bioenergy**

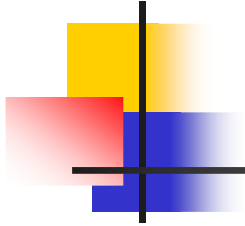
So that the Loan Program operates at no cost to the Federal Government



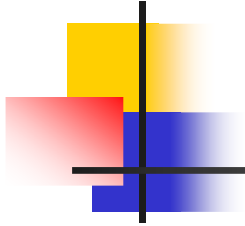
Why was this provision added?

NAFTA

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- **FY10 President's Budget expected the new sugar program to cost an average of \$370 million per year over 10 year period.**
 - **Assumed MX beverage industry would convert to 75% HFCS in its product over time.**



- **FY11 President's Budget expected the new sugar program to cost ZERO over 10 year period.**
- **Assumed there would be NO scenario that would cause MX to ship surplus sugar to the U.S.**



This is Huge

**The Truth probably lies somewhere
in between.**



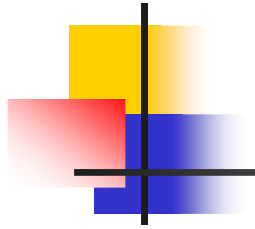
Outstanding Issues on Program Management:

**How should CCC calculate a sugar
market surplus?**



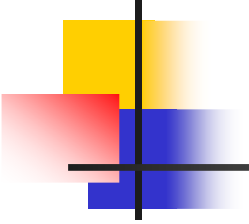
Is the Stocks-to-Use Ratio a good indicator of surplus?

February, 2010 W A S D E	F Y 2 0 1 0
Beginning Stocks	1,451
Production	7,972
Imports	<u>2,157</u>
Total Supply	11,580
Exports	150
Total Deliveries	<u>10,375</u>
Total Use	10,525
Total Ending Stocks:	1,055
Stocks-to-Use	10%



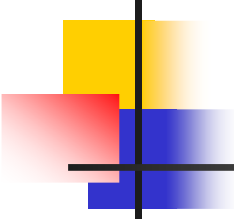
CCC is permitted to purchase forms of raw, refined, or in-process sugar that can be marketed for human consumption in the U.S. or could be used for the extraction of sugar marketed for human consumption in the U.S.

Can non-domestically produced sugarcane or sugar beets qualify for the program?



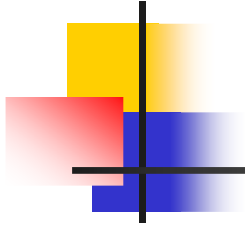
CCC must estimate the likelihood of sugar forfeitures by September 1, for the following fiscal year.

How should USDA respond early in the season when so much uncertainty in the system?



The 2008 Farm Bill requires that the entity selling sugar to CCC be located in the United States and that eligible buyers be bioenergy producers.

Should CCC limit eligible buyers to bioenergy producers located in the United States?



Public tenders outlining the terms and conditions of the sugar purchase and sale contracts are envisioned.

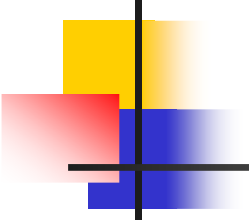
What is the best contracting strategy?

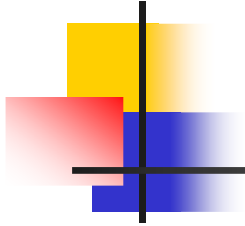


To ensure there is no leakage of sugar purchased for bioenergy production under the FFP back into the domestic human consumption sugar market, CCC intends to monitor the movement of the contracted sugar to bioenergy producers.

How should monitor the movement of FFP sugar into bioenergy production?

In case of forfeitures, USDA has options:

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- **Sale to bioenergy producers or other non-food use**
 - **Payment-in-kind to reduce planted acres**
 - **Buyback of certificates of quota entry**
 - **Restricted from selling for food use in U.S. market unless “emergency”**



What's an "emergency"?