Key Elements of U.S. Sugar Policy in the New Farm Bill

1. Retains inventory management approach
   - No payments to producers
   - USDA balances sugar supply and demand to avoid sugar loan forfeitures and government cost
     - Controlling domestic sugar sales: When U.S. production exceeds USDA's determination of allowable sales, U.S. sugar producers store surplus at their own expense ("blocked stocks")
     - Controlling imports: Tariff-rate quota (TRQ)
       - *But Mexican imports under NAFTA uncontrolled*

2. New market balancing mechanism: Limited sucrose-ethanol program
   - To be used only when imports oversupply the domestic market
   - Not to be used to clear domestically produced blocked stocks
     - USDA would estimate import-oversupply amount and invite bids from sugar producers to supply sugar and from ethanol producers to buy sugar; bid basis will maximize efficiency, as lowest bidding sugar producers and highest bidding ethanol producers participate
       - Deal with uncertainty of Mexican imports – may not be needed in some years
       - Help to reduce U.S. dependence on foreign oil

3. Minimum Overall Allotment Quantity (OAQ): U.S. producers' allowable sales
   - Set at no less than 85% of domestic consumption – allotments no longer trigger off with import surge
     - Consistent with 86% share during the six years of the 2002 Farm Bill
   - Forty exporting countries retain guaranteed preferential access to U.S. market under WTO and FTA rules; Mexico access unlimited
     - U.S. producers' allowable sales of sugar into the U.S. market drop if U.S. consumption drops; exporting countries sales to the U.S. market do *not* drop if U.S. consumption drops
   - Production in excess of OAQ: Still to be stored at producers' expense

4. Import management
   - Set initial TRQ at trade-agreement-mandated minimum (WTO + CAFTA + Peru); TRQ increase before April 1 (Oct-Sep crop year) only in case of crop emergency
     - Increase TRQ on April 1 if domestic production, plus initial TRQ, plus Mexican imports inadequate to meet domestic demand
     - TRQ can still rise if needed; only timing of added imports affected
     - U.S. likely to remain world's second largest sugar importer

5. Loan rate increase: Three-quarters of a cent per pound, raw value, phased in over four years – no change for 2008 crop; ¼ cent increases in crop years 2009-11
   - Raw cane loan rate rises gradually from 18.00 cents/lb in 2008 to 18.75 cents in 2011 (= 4.2% increase); proportionate increase for refined beet sugar loan rate
   - First loan rate increase since 1985 (Inflation since 1985: 93%)

American Sugar Alliance, May 2008