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CRS Report for Congress

Sugar Policy and the 2007 Farm Bill

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Summary

Congress is expected to decide the future of the U.S. sugar program in an omnibus farm bill in early 2008. Growers of sugar beets and sugarcane, and processors of these crops, favor continuing the structure of the current sugar price support program but seek changes to enhance their position in the U.S. marketplace. Food and beverage manufacturers that use sugar want Congress to address their concerns about the impact of sugar prices and program features that restrict supplies.

The sugar program is designed to guarantee the price received by sugar crop growers and processors and to operate at "no cost" to the U.S. Treasury. To accomplish this, the U.S. Department of Agriculture (USDA) limits the amount of sugar that processors can sell domestically under "marketing allotments" and restricts imports. At the same time, USDA seeks to ensure that supplies of sugar are adequate to meet domestic demand. "No cost" is achieved if USDA applies these tools in a way that maintains market prices above minimum price support levels. Should prices fall, processors who take out loans have the right to hand over as payment sugar that had earlier been pledged as collateral. Such a step results in program costs.

Effective January 1, 2008, sugar imports from Mexico no longer are restricted under the rules of the North American Free Trade Agreement. Also, additional imports are allowed entry under other free trade agreements. Both the Congressional Budget Office (CBO) and USDA project that, if the sugar program continues without change, the additional imports will bring prices down below support levels and make it attractive for processors to default on price support loans. With loan defaults representing a cost, USDA would not be able to operate a no-cost program.

To address any U.S. sugar surplus caused by imports, both the House and Senate farm bills (H.R. 2419 and its Senate companion measure) would mandate a sugar-for-ethanol program. USDA would be required to purchase as much U.S.-produced sugar as necessary to maintain market prices above support levels, to be sold to bioenergy producers for processing into ethanol. USDA funding would be open-ended for this program. Other provisions would increase minimum guaranteed prices for raw sugar and refined beet sugar, and tighten the rules (i.e., remove discretionary authority) that USDA exercises to implement marketing allotments and/or administer import quotas. One main difference is that the Senate bill would increase loan rates by some 6%-7% compared to the House measure's near 3%. Though CBO scores some savings with the ethanol program, sugar program provisions will cost about $650 million over five years and up to $1.3 billion over 10 years. If Congress does not approve a farm bill this year, all sugar program authorities would expire.

Both bills' sugar provisions reflect the proposals suggested by sugar crop producers and processors. Food and beverage manufacturers that use sugar oppose them, arguing that costs to consumers would increase and that new requirements would restrict the flow of sugar for food use in the domestic market. USDA officials have also criticized the proposed guaranteed price increase, the new sugar-for-ethanol program, and the new limits placed on managing sugar imports. This report will be updated to reflect key developments.

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For more information, please see the following CRS product:

CRS Report RL33541, *Background on Sugar Policy Issues*, by Remy Jurenas.

Sugar Policy and the 2007 Farm Bill

Recent Developments

On January 11, 2008, the U.S. Department of Agriculture (USDA) in its monthly commodity supply and demand report estimated that Mexico will export 425,000 tons of sugar to the United States during FY2008. This import estimate is much larger than the maximum 276,000 tons previously allowed to enter annually under the terms of the North American Free Trade Agreement (NAFTA). Market expectations of increased sugar imports have in the last few months been reflected in near-term U.S. futures prices for raw cane sugar skirting around effective price support levels.

On January 8, the U.S. and Mexican sugar producing sectors reached an agreement, to be proposed to their respective governments, to control the flow of sugar between both countries. Both sectors would adopt measures to limit sugar exports to the other country's market under specified conditions. U.S. sugar processors and growers reportedly will seek to have these recommendations incorporated into the 2007 farm bill during conference committee deliberations. U.S. manufacturers of high-fructose corn syrup (HFCS) — a competitive sweetener — some Members of Congress, and a food industry association have expressed concerns that "managed trade" could lead to new Mexican tariffs and barriers on U.S. HFCS exports to Mexico, and "would undercut" NAFTA as commodity groups in both countries call for changes in other agreement agricultural provisions. U.S. sugar industry spokesmen state that the proposed agreement would not limit U.S. HFCS sales to Mexico. In response, Bush Administration officials have restated their long-standing opposition to managed trade, and expressed concern that accepting this proposal could lead to the unraveling of NAFTA.

On January 1, free trade in sugar and HFCS between the United States and Mexico took effect. Under NAFTA, Mexico no longer faces any tariff or quantitative limit on the amount of sugar that can be exported to the U.S. market. Also, U.S. sugar processors can ship sugar freely to Mexico. Similarly, U.S. corn refiners no longer face a quota or tariff on HFCS exports shipped south.

On December 26, 2007, the President signed the FY2008 Consolidated Appropriations Act (P.L. 110-161). Section 751 extends certain provisions of the 2002 farm bill until March 15, 2008. This measure will not have any practical effect on sugar program operations, which were authorized by the 2002 farm bill (P.L. 107-171) to apply through late summer 2008.

Overview of Sugar Program

The current sugar program is designed to guarantee the minimum price received by growers of sugarcane and sugar beets, and by the firms (raw sugar mills and beet refiners) that process these crops into sugar. To accomplish this, the USDA limits the amount of sugar that processors can sell domestically under "marketing allotments" and restricts imports. USDA is required to operate the sugar program on a "no-cost" basis. This means USDA must regulate the U.S. sugar supply using allotments, import quotas, and related authorities so that domestic market prices do not fall below guaranteed minimum price levels. These are set out in law as specified loan rates, which serve as the basis from which USDA derives effective support levels. If the market price is below the support level when a sugar price support loan comes due, its "non-recourse" feature means a processor can exercise the legal right to forfeit, or hand over, sugar offered to USDA as collateral for the loan in fulfillment of its repayment obligation. This report will focus on the issues raised by the sugar program provisions in major bills and floor amendments. For more information, see CRS Report RL33541, *Background on Sugar Policy Issues*.

Issues in Current Debate

Consideration of future U.S. sugar policy to date has revolved primarily around four issues. These are raising the level of minimum price guarantees to be made available to processors, how to use two tools to manage U.S. sugar supply, authorizing any sugar surplus to be used as a feedstock for ethanol, and accounting for projected program costs. Though industrial users of sugar in food and beverage products initially explored converting the sugar program to operate similar to the programs in place for the major grains, oilseeds and cotton, this policy option did not receive further attention.

Level of Sugar Price Support

USDA is required to extend price support loans to sugar processors that meet certain conditions on passing program benefits to the farmers that supply them with sugar beets or sugarcane. These loans are made at statutorily set loan rates,[1] and account for most of the effective support level made available to producers and processors. USDA is required to use its other tools to protect this price guarantee.[2]

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[1] For sugar, the loan rate is the price per pound at which the Commodity Credit Corporation (CCC) — USDA's financing arm — extends nonrecourse loans to processors. This short term financing at below market interest rates enables processors to hold their commodities for later sale.

[2] The loan rates alone do not serve as the intended price guarantee, or floor price, for sugar. In practice, USDA sets marketing allotments and import quota levels in order to support raw cane sugar and refined beet sugar at slightly higher price levels. Each price level takes into account the loan rate, interest paid on a price support loan, transportation costs (for raw sugar), certain marketing costs (for beet sugar), and discounts. These are frequently referred to as "loan forfeiture levels" or the level of "effective" price support.

Loan rates for raw cane sugar have not changed since 1985; for refined beet sugar, since 1992. These minimum prices have guaranteed producers of sugar crops and the processors that convert these crops into sugar, a price that since the early 1980s has ranged from two to four times the price of sugar traded in the world marketplace.

Both the House-passed and Senate-passed farm bills (H.R. 2419) would increase loan rates, but to different levels, over the five-year farm bill period. The House measure would increase loan rates by almost 3% — from the current 18.0¢ to 18.5¢ per pound for raw cane sugar, and from the current 22.9¢ to 23.5¢ per pound for refined beet sugar. The Senate farm bill would double this increase incrementally over four years — raising the raw sugar loan rate to 19.0¢ per pound and the refined beet loan rate to 24.4¢ per pound, by 2012.[3]

Growers and processors had initially sought a one cent increase in the raw cane sugar loan rate (with a corresponding increase in the refined beet sugar rate), and had acknowledged their satisfaction with receiving half of their request in the House-passed farm bill. They argued that the increase in the loan rate is needed to cover increased production costs, particularly energy inputs. Sugar users countered that the House-proposed higher loan rates will increase costs to taxpayers by an additional $100 million annually. They also note that while the bill's ethanol provisions (see "Sugar for Ethanol" below) "are supposedly designed to deal with surpluses," the loan rate increase "can only encourage *higher* surplus production."[4] The Bush Administration, in its statement of administration policy on the House and Senate farm bills, opposes the increase in the loan rates for sugar.

Controlling Sugar Supply to Protect Sugar Prices

The current sugar program uses two tools — import quotas and marketing allotments — to ensure that producers and processors receive price support benefits. By regulating the amount of foreign sugar allowed to enter and the quantity of sugar that processors can sell, USDA can for the most part keep market prices above effective support levels, meet the no-cost objective, and ensure that domestic sugar demand is met. If successful, the likelihood that USDA acquires sugar due to loan forfeitures is remote.

Import Quotas. The United States must import sugar to cover demand that the U.S. sugar production sector cannot supply. However, USDA restricts the quantity of foreign sugar allowed to enter for refining and/or sale to manufacturers for domestic food and beverage use. Quotas are used to ensure that the quantity that enters does not depress the domestic market price to below support levels. Quota amounts are laid out in U.S. market access commitments made under World Trade Organization (WTO) rules and under bilateral free trade agreements (FTAs).

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[3] The loan rate for refined beet sugar would reflect the requirement that it be set each year equal to 128.5% of that year's raw cane sugar's loan rate.

[4] Letter to Members of Congress, from food and beverage companies and trade associations, and public interest groups, July 13, 2007.

The current sugar program accommodates, or makes room for, imports of up to 1.532 million tons each year. This import level is one of the four factors that USDA uses to establish the national sugar allotment (called the "overall allotment quantity"), and reflects U.S. trade commitments under two trade agreements in effect when the 2002 program was authorized (**Table 1**).

Table 1. Annual U.S. Sugar Import Commitments When the 2002 Farm Bill Was Enacted

	short tons
World Trade Organization Quota (minimum)	1,256,000
North American Free Trade Agreement — Mexico Quota (maximum) [a]	276,000
Total	**1,532,000**

a. Applies only through the end of calendar year 2007.

Since January 1, 2008, U.S. sugar imports from Mexico are no longer restricted. However, import levels could fluctuate from year to year for various reasons. First, the amount of Mexican sugar exported to the U.S. market will depend largely upon the extent that U.S. exports of cheaper high-fructose corn syrup (HFCS) displace Mexican consumption of Mexican-produced sugar. Surplus Mexican sugar, in turn, would likely move north to the United States. Second, Mexico's sugar output, though trending upward, does vary from year to year, depending upon weather and growing conditions. Mexican government policy also is to hold three months worth of sugar stocks in reserve and to allow sugar imports when needed to meet demand and lower prices.[5] Third, Mexican sugar prices in recent years have for the most part been higher than U.S. prices. To the extent this occurs, the incentive for a Mexican sugar mill to export sugar north in search of a better price could disappear.

Also, the United States has committed under other existing and pending bilateral FTAs to allow for additional sugar imports.[6] Such imports in 2013, potentially the fifth year that the sugar program authorized by the 2007 farm bill is in effect, could total from about 420,000 tons to 1.215 million tons *above* existing WTO and NAFTA/Mexico trade commitments. The wide range reflects two varying assumptions made to estimate by how much HFCS use in Mexico might displace sugar consumption in Mexico and create a surplus available for export to the U.S. market.

Legislation. The sugar program provisions in the House- and Senate-passed farm bills do not directly address the issue of additional sugar imports. Instead, both

[5] U.S. sugar processors also will be free to export sugar to Mexico to take advantage of the occasional higher prices there.

[6] Most of the sugar access provisions in the Dominican Republic-Central American FTA (DR-CAFTA) already are in effect. Congress has yet to consider the FTAs with Panama and Colombia, all of which would grant additional access for their sugar to the U.S. market.

propose a new sugar-for-ethanol program to handle the price-related impact of such imports (Section 9013 in the energy title of the House bill, and Section 1501 of the Senate bill; see "Sugar for Ethanol" and "Program Costs" below). However, other provisions prescribe how USDA would administer import quotas in two ways. To cover shortfalls (because of hurricanes or other disastrous events) in what domestic sugar processors can sell under allotments, USDA would be directed to ensure that most imports enter in the form of raw cane sugar rather than refined sugar. While historically most permitted imports have entered in raw form, USDA allowed large quantities of refined sugar to enter after the late 2005 hurricanes significantly affected the ability of cane refineries in Louisiana and Florida to process raw sugar. This provision is intended to ensure that cane refineries (which process raw sugar into refined sugar) can more fully use their operating capacity. Unlike five years ago when the Congress considered the last farm bill, most cane refineries are now a key part of vertically integrated operations owned by raw sugar processors and/or sugarcane producers. Also, limiting the entry of refined sugar would enhance the position of the domestic beet sector to increase their sales of refined sugar.

However, only the House-passed bill would direct USDA to regulate when and how much raw cane sugar imports are allowed to be shipped to U.S. cane refineries. The Senate-passed farm bill does not include this provision. While USDA announced shipping patterns in FY2003-FY2005, the impact of the hurricanes led to a decision not to follow this long-standing practice in FY2006-FY2008. USDA justified removing these restrictions because of "changes occurring over time in the domestic marketing of cane sugar." This proposed provision could be viewed as intending to increase the transaction costs for countries that export larger amounts of sugar to the U.S. market and giving a slight competitive edge to domestic processors with respect to buyers. Food and beverage firms oppose "micro-managing" the timing of imports, noting that the application of such rules will limit the ability of cane refiners to efficiently use their processing capacity and could lead to serious shortfalls at times in the amount of sugar supplied to the market.[7] In commenting on the House bill, the Bush Administration expressed concern over requiring shipping patterns for quota sugar imports. Also, several countries eligible to ship sugar to the U.S. market expressed concern that the proposed regulation of the flow of imports would run counter to U.S. trade commitments.

Marketing Allotments. In the 2002 farm bill, the domestic production sector accepted mandatory limits on the amount of sugar that processors can sell — known as marketing allotments — in return for the assurance of price protection. It viewed allotments as a way to try to capture any growth in U.S. sugar demand, and assumed that the then-U.S. sugar import quota commitments would continue without change (see "Import Quotas" above). The statute, however, stipulated that if (1) USDA estimates imports will be above 1.532 million short tons, and (2) that such imports would lead USDA to reduce the amount of domestic sugar that U.S. processors can sell, then USDA must suspend marketing allotments. Suspending allotments because of additional imports raises the prospect of downward pressure on market prices if most U.S. sugar demand is already met. If the additional imports were to cause the price to fall below support levels, forfeitures would occur and USDA would be

[7] Letter to Members of Congress, July 13, 2007.

unable to meet the no-cost requirement. Including the allotment suspension provision was designed to ensure that USDA not lose control over managing U.S. sugar supplies for fear of the consequences that could be unleashed (i.e., demonstrating its inability to implement congressional policy).

Legislation. Implementation of the 2002 farm bill's marketing allotment authority has resulted in the U.S. sugar production sector's share of domestic food consumption ranging from a low of 73% in FY2006 to a high of 89% in FY2004. Concerned that their market share would decline as sugar imports increase under various trade agreements (see "Import Quotas" above), sugar producers and processors decided to pursue a different approach. Both the House and the Senate farm bills would guarantee that the domestic production sector always benefits from a minimum 85% share of the U.S. sugar for food market. USDA would be required to announce an "overall allotment quantity" — the amount of sugar that all processors combined can sell — that represents at least 85% of estimated sugar consumption. This is intended to address the sector's objective that imports not displace the ability of U.S. sugar processors to sell more of their output in each successive year, to the extent U.S. demand for sugar grows.

Sugar for Ethanol

Background. Sugar producers and processors have had an ongoing interest in exploring the potential for using sugar crops and processed sugar as a feedstock to produce ethanol (a gasoline additive). In the 2002-2003 period, they encouraged USDA to explore selling forfeited sugar stocks to corn-based ethanol processors. A few ethanol producers experimented by adding sugar to speed up the ethanol fermentation process, but the results appear to have been disappointing.

In 2005, Congress approved the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) that gives six countries increased access for their sugar to the U.S. market. During the debate, producers and processors sought a deal with the Bush Administration on a sugar-for-ethanol package. Their objective was to have the option available to divert additional sugar imports under DR-CAFTA whenever domestic prices fall below support levels.[8] With Congress mandating in 2005 that the use of renewable fuels be doubled by 2012,[9] some have advocated that sugar be considered as a feedstock along with other agricultural crops and waste. Separately, Hawaii mandated (effective April 2006) that 85% of the gasoline sold must contain 10% ethanol. This requirement assumes that over time, the sugarcane produced on the islands will be used as the prime feedstock for ethanol.

[8] Though the Administration did not agree to such a package, the Secretary of Agriculture pledged to divert surplus sugar imports — through purchases — for ethanol and other non-food uses, to ensure that the sugar program operates as authorized only through FY2008. For additional information, see "Sugar in DR-CAFTA — Sugar Deal to Secure Votes" in CRS Report RL33541, *Background on Sugar Policy Issues,* by Remy Jurenas.

[9] For more information, see CRS Report RL33564, *Alternative Fuels and Advanced Technology Vehicles: Issues in Congress*, by Brent D. Yacobucci.

If the cost of feedstock is excluded, producing ethanol from sugar cane can be less costly than producing it from corn. This is because the starch in corn must first be broken down into sugar before it can be fermented. This extra step adds to the cost of processing corn into ethanol, when contrasted to using sugarcane or processed sugar. Further, sugar cane waste (bagasse) also can be burned to provide energy for an ethanol plant, reduce associated energy costs, and improve sugar ethanol's energy balance relative to corn ethanol.

Brazil's success at integrating sugar ethanol into its passenger vehicle fuel supply has stimulated interest in exploring prospects for sugar-based ethanol in the United States. However, wide differences in sugar production costs and market prices in the two countries cause the economics of sugar-based ethanol to differ significantly. In investigating the economics of ethanol from sugar, USDA concluded that producing sugar cane ethanol in the United States would be more than twice as costly as U.S. corn ethanol and nearly three times as costly as Brazilian sugar ethanol.[10] Feedstock costs accounted for most of this price differential.[11] The USDA study showed that while sugar ethanol may be a positive energy strategy in such countries as Brazil, it may not be economical in the United States.[12]

Legislation. Both the House and Senate farm bills incorporate a proposal presented to the Agriculture Committees by the U.S. sugar production sector. The "Feedstock Flexibility Program for Bioenergy Producers" would require USDA to administer a sugar-for-ethanol program using sugar intended for food use but deemed to be in surplus. USDA would sell both surplus sugar that it purchases if determined necessary to maintain prices above support levels, and the sugar acquired as a result of loan forfeitures, to bioenergy producers for processing into fuel grade ethanol and other biofuel. Competitive bids would be used by USDA to purchase sugar from processors, at a price not less than sugar program support levels, which it would then sell to ethanol firms. USDA would implement this program only in those years where purchases are required to operate the sugar program at no cost. USDA's CCC would provide open-ended funding. This new program would take effect prior to the expiration of current sugar program authority on September 30, 2008.

Because it would cost much more to produce ethanol from U.S.-priced sugar than from corn, this new program would require a considerable subsidy to operate as intended. The prime market for such sugar likely would be existing and planned corn-based ethanol facilities close to sugar beet and sugarcane producing areas (e.g.,

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[10] Office of Economics, *The Economic Feasibility of Ethanol Production from Sugar in the United States*, July 2006.

[11] In Brazil, the cost of producing raw cane sugar reportedly ranges from 6 to 9 cents per pound (or 9 to 12 cents when converted to refined basis). In the United States, raw cane sugar production costs range from 12 to 20 cents per pound; U.S. production costs for refined beet sugar range from 17 to 33 cents per pound. For additional perspective, see "Costs of Production and Sugar Processing" in USDA, Economic Research Service, *Sugar Backgrounder*, July 2007, pp. 17-21.

[12] This discussion is adapted from "Sugar Ethanol" in CRS Report RL33928, *Ethanol and Biofuels: Agriculture, Infrastructure, and Market Constraints Related to Expanded Production*, by Brent D. Yacobucci and Randy Schnepf.

the Upper Midwest and Hawaii). Producers of ethanol from corn in the continental United States, though, would likely need to adjust their fermentation process and/or invest in new equipment to handle sugar. As a result, they may not be as interested in purchasing sugar as a feedstock unless the price is significantly discounted further (e.g., requiring even more of a subsidy) to reflect the additional costs of processing sugar instead of corn. However, the availability of this subsidy could facilitate the development of the ethanol sector in Hawaii and partially reduce the islands' dependence on importing gasoline for its vehicle transportation needs. CBO estimates that this feedstock program would increase demand for sugar and slightly reduce the cost of the sugar program itself (see "Program Costs" and **Table 3** below).

As designed, this program would rely on U.S.-produced (rather than foreign) sugar. The amount that USDA decides to purchase would approximate its estimate of the extent that imports under trade agreements reduce the U.S. sugar price below support levels. Producers support this provision, viewing it as an insurance policy for receiving the benefits of a guaranteed minimum price for sugar marketed for food use. Sugar users oppose this program "to ostensibly manage surplus supplies." In their July 13th letter to Members of Congress, they argued that this authority "will likely be used to short domestic markets, further restricting the availability of sugar for food use in the U.S. market." They characterized this approach as "wasteful of taxpayer resources" because sugar is not price competitive with corn as a feedstock, and will require large subsidies to ethanol producers "to induce them to accept the sugar." The Bush Administration opposes this sugar-for-ethanol component, commenting that it would not allow USDA to dispose of surplus sugar to end uses other than ethanol production, even if "those uses would yield a much higher return for taxpayers."[13]

Sugar Program Costs

USDA has succeeded in operating the sugar program at no cost for the years covered by the 2002 farm bill. Though processors forfeited small quantities of sugar in FY2004 and FY2005, USDA subsequently sold the acquired sugar to offset the earlier outlays.[14] The net revenue, or sales proceeds (shown as receipts in some years), were from the sale of acquired sugar (**Table 2**). The proceeds shown for FY2003 reflected the sale of a significant amount of sugar acquired due to loan forfeiture in FY2000 (under the previous farm bill's sugar program provisions). In looking at the current farm bill's entire five-year time period, sugar program operations generated more than $100 million in receipts.

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[13] Office of Management and Budget, "Statement of Administration Policy" on H.R. 2419 (Food and Energy Security Act of 2007), November 6, 2007, p. 3.

[14] The forfeiture of a price support loan results in a budget outlay, because the credit that had been extended is not paid back by the processor (resulting in a loss to the U.S. government). To the extent USDA succeeds in selling forfeited sugar, proceeds flow back to USDA and reduce the loss.

Table 2. Outlays (-) or Receipts (+) of the Sugar Program under the 2002 Farm Bill

Fiscal Year	*millions of $*
2003	+ 84
2004	- 61
2005	+ 86
2006	-10
2007 Estimate	+ 10
Total, 2003-2007	**+ 109**

Source: USDA, Farm Service Agency, "CCC Net Outlays by Commodity and Function," June 2007.

The latest budget forecasts in early 2007 projected that the sugar program, if continued without change, would cost almost $700 million (Congressional Budget Office — CBO) to about $800 million (USDA) for the five years covered by the 2007 farm bill (FY2008-2012). For the 10-year period (FY2008-2017), program outlays were projected at almost $1.3 billion (CBO) to $1.4 billion (USDA). These estimated outlays reflect the effect of projected sugar imports from Mexico and other countries that have gained additional access for their sugar under bilateral FTAs. Each cost projection assumed that additional supplies depress the domestic sugar price below support levels, and lead processors to forfeit on a portion of their loans.

Though the sugar price support and marketing loan provisions in both farm bills (Section 1301 of the House bill; Section 1501 of the Senate bill) are intended to ensure that USDA operates the program at no cost, CBO scores these provisions as increasing program outlays by $84 million and $80 million, respectively, over five years, and $167 million and $289 million, respectively, over 10 years (**Table 3**, rows *a* and *d*). The higher 10-year cost of the Senate provisions appears to assume that (1) part of the increase in sugar output induced by the higher level of price support and then placed under loan is subsequently forfeited by processors, and (2) the increase in the minimum storage payment rate on forfeited sugar, combined with increased forfeitures, results in higher storage payments.

Separately, CBO projects that the sugar-for-ethanol program (Section 9013 of the House bill; Section 1501(f) of the Senate bill) would increase sugar demand and in turn reduce the cost of the sugar price support program by $107 million in the House bill and $108 million in the Senate bill over five years and $240 million and $287 million, respectively, over 10 years (**Table 3**, rows *b* and *e*). CBO appears to assume that USDA's operation of this program as a guaranteed outlet for surplus and forfeited sugar limits the drop in domestic sugar prices that would otherwise occur.

Combining both proposed policy changes against CBO's early 2007 budget forecast, the net cost of the sugar-related provisions in both bills would be about $650 million over five years and range from $1.2 billion to $1.3 billion over 10 years (**Table 3**, rows *c* and *f*). These net cost projections largely reflect the estimated losses incurred as USDA sells surplus sugar for ethanol processing at a price much lower than the value of the sugar protected by the minimum price guarantee available under the sugar program.

Table 3. CBO's Projection of Sugar Program's Cost under House and Senate Farm Bills

		House-Passed Farm Bill		Senate-Passed Farm Bill		
	CBO's Baseline Projection (Current Law)	**Estimate of House Farm Bill Policy Changes**	**Total Projected Cost (Current Law & House Farm Bill Changes)**	**Estimate of Senate Farm Bill Policy Changes**	**Total Projected Cost (Current Law & Senate Farm Bill Changes)**	
Program Component	*Outlays, in millions of dollars*					*Row*
	5-YEAR ESTIMATE: FY2008 - FY2012					
Price Support Operations	682	+ 84	766	+ 80	762	*a*
Sugar-to-Ethanol Diversion	0	— 107	(107)	— 108	(108)	*b*
Total	682	— 23	**$659**	— 28	**$654**	*c*
	10-YEAR ESTIMATE: FY2008 - FY2017					
Price Support Operations	1,287	+ 167	1,454	+ 289	1,576	*d*
Sugar-to-Ethanol Diversion	0	— 240	(240)	— 287	(287)	*e*
Total	1,287	— 73	**$1,214**	+ 2	**$1,289**	*f*

Source: Derived by CRS from CBO's March 2007 baseline projection; the detailed CBO cost estimate published in H.Rept. 110-256, Part 1, accompanying H.R. 2419 (the House farm bill), July 23, 2007, pp. 383, 392; and CBO's cost estimate for Senate Amendment #3500 (managers' amendment) to S. 2302 — the Senate Agriculture Committee's reported farm bill, November 6, 2007.

Implications of Possible Extension or Expiration of Current Sugar Program Authority

Expiration. Current sugar program authority expires with the 2007 crop. Hence, if Congress does not extend the commodity program and related farm bill authorities, the sugar program's price support and marketing allotment authorities would expire on September 30, 2008. Unlike the program crops, there is no permanent statutory authority for USDA to exercise to support the price of sugar received by growers and processors. The only tool that USDA would have available to control supply is tariff headnote authority (chapter 17 of the Harmonized Tariff Schedule). This allows for imports of sugar at a level that reflect U.S. WTO trade commitments, with the minimum quota set at 1.256 million short tons. Also, sugar imports are allowed to enter under other trade agreements (in unrestricted amounts from Mexico under NAFTA, and under preferential quotas from four Central American countries and the Dominican Republic under DR-CAFTA). Unless producers cut back on their production of sugar beets and sugarcane, domestic sugar prices likely would fall below recent average levels. Some U.S. sugar crop producers and processors could face serious financial difficulty and the prospect of going out of business if this scenario lasted for a prolonged time period. U.S. users of sugar for food and beverage use could benefit from lower prices.

Extension. Should Congress not complete consideration of the farm bill in this session, one option would be to temporarily extend current farm program authority. Extending the sugar program for the 2008 and/or 2009 sugar beet and sugarcane crops would require USDA to continue administering marketing allotments and the sugar import quota to balance supply with demand. USDA would be required to manage both tools so that domestic prices are equal to or above loan forfeiture levels (see above). Also, non-recourse loans would continue to be available.

Assuming slowly expanding use of HFCS by Mexico's soft drink industry and that Mexican 2008/09 sugar production is in line with trends, Mexico's sugar sector likely would have a surplus for export to the U.S. market. With the amount of this surplus likely to be larger than the amount of imports from Mexico and other trading partners that the current program is structured to accommodate, USDA might face the scenario of having to suspend marketing allotments. As domestic prices fall below effective price support levels due to the additional supply, some processors can be expected to forfeit some of their price support loans. However, USDA as in past years could find ways to structure its decisions in ways to avert such a scenario.

Appendix A. Comparison of Proposed Sugar Program Provisions to Current Law or Policy

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Overview			
	Current sugar program: Guarantees a minimum price to processors of sugar crops (and in turn, producers). Makes nonrecourse loans to processors at specified loan rates. Requires USDA to operate program at "no cost" by limiting amount of sugar that processors can sell under "marketing allotments" and by restricting imports of sugar using quotas. Accommodates a specified level of sugar imports under U.S. trade commitments in effect in 2001; if more sugar enters, allotments must be terminated. Sugar import quotas are based on U.S. trade agreement commitments, and authorized separately under U.S. trade laws.	Extends the structure of current program, but: Increases loan rates by almost 3%. Replaces accommodation made for sugar import commitments by instead guaranteeing minimum 85% market share to domestic production sector. Revises some marketing allotment details. Prescribes USDA administration of sugar import quota authority (i.e., removes some discretionary authority). Mandates use of surplus sugar (equal to amount that imports exceed U.S. food demand) for ethanol production.	Has provisions largely identical to House bill, but with three notable differences: Increases loan rates by 6-7%. Does not include House language prescribing sugar import shipping patterns (other provisions on USDA administration of sugar quota though are largely unchanged). Prescribes minimum storage payments to be paid by USDA to processors for forfeited sugar.
General Provisions			
No Cost Directive	Requires USDA to operate sugar loan program at no net cost to the Government by avoiding sugar loan forfeitures to the Commodity Credit Corporation (CCC). *(7 U.S.C. 7272 (g))* *(7 U.S.C. 1359bb (b), 1359cc (b)(2))*	Retains no-cost requirement. *(section 1301 amends section 156(f)(1) of FAIR Act 1996)* *(section 1303(b) replaces section 359b(b) of AAA 1938)* *(section 9013 adds new section 9016(b)(C) to FSRIA 2002)*	Retains no-cost requirement. *(section 1501 amends section 156 (g)(1) and (f)(2)(C) of FAIR Act 1996)* *(section 1504(b) replaces section 359b(b) of AAA 1938)*
Effective Period	Stipulates that price support and marketing allotment provisions are effective only through the 2007 sugar beet and sugarcane crops. *(7 U.S.C. 7272 (j))*	Stipulates that all amended price support and marketing allotment provisions apply only to the 2008 through 2012 crop years for sugar. *(section 1301, amends section 156 (i) of FAIR Act 1996)* *(section 1303(j))*	Same as House provision. *(section 1501, amends section 156 (j) of FAIR Act 1996)* *(section 1504(k), adds new section 359l to AAA 1938)*

<table>
<tr><th>Provision</th><th>Current Law/Policy</th><th>House-Passed 2007 Farm Bill (H.R. 2419)</th><th>Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)</th></tr>
<tr><td colspan="4">Price Support</td></tr>
<tr><td rowspan="6">Price Support Levels</td><td colspan="3">Raw Cane Sugar</td></tr>
<tr><td>Sets loan rate at 18.0¢ per lb.,
the same rate in effect since the 1985 crop.

(7 U.S.C. 7272 (a))</td><td>Increases loan rate to 18.5¢ per lb. for each of the 2008 through 2012 crops.

(section 1301, amends section 156(a) of FAIR Act 1996)</td><td>Increases crop year loan rate to 19.0¢ per lb. in quarter-cent increments over farm bill period:

cents per lb.
2008 - 18.00
2009 - 18.25
2010 - 18.50
2011 - 18.75
2012 - 19.00

(section 1501, amends section 156(a) of FAIR Act 1996)</td></tr>
<tr><td colspan="3">Refined Beet Sugar</td></tr>
<tr><td>Sets loan rate at 22.9¢ per lb.,
the same rate in effect since the 1995 crop.

(7 U.S.C. 7272 (b))
(Section 156 (b) of FAIR 1996, as amended)</td><td>Increases loan rate to 23.5¢ per lb. for each of the 2008 through 2012 crops.

(section 1301, amends section 156(b) of FAIR Act 1996)</td><td>Sets loan rate at 125% of each crop year's raw cane sugar's loan rate, or:

cents per lb.
2008 - 22.90
2009 - 23.45
2010 - 23.77
2011 - 24.09
2012 - 24.42

(section 1501, amends Section 156(b) of FAIR Act 1996)</td></tr>
<tr><td colspan="3">In-Process Sugars and Syrups</td></tr>
<tr><td>Expands eligibility to authorize loans also for in-process sugars and syrups, with price support available at 80% of the raw cane or refined beet sugar loan rate.

(7 U.S.C. 7272 (f))</td><td>Continues availability of loans for in-process sugars at current level; allows processor to obtain a loan if such sugars are processed into raw cane or refined beet sugar.

(section 1301, amends section 156(e) of FAIR Act 1996)</td><td>Same as House provisions.

(section 1501, amends section 156(e) of FAIR Act 1996)</td></tr>
</table>

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Type and Term of Loans	Specifies that only non-recourse loans be made available to processors of sugar beets, sugarcane, and in-process sugars and syrups derived from each crop, with a repayment term of 9 months. *(7 U.S.C. 7272 (d) & (e))* (*Note:* A non-recourse loan allows a processor who has pledged sugar as collateral to obtain a loan from the CCC to also forfeit, or hand over, the sugar to the CCC with no penalty if market prices fall below the loan rate when the loan comes due. The government takes no recourse beyond accepting the commodity as full settlement of the loan.)	Continues use of non-recourse loans; retains current repayment term. *(section 1301, amends section 156 (c), (d), and (e) of FAIR Act 1996)*	Continues use of non-recourse loans; retains current repayment term. *(section 1501, amends section 156 (c), (d), and (e) of FAIR Act 1996)*
Interest Rate on Loans	Reduces interest rate by 1% on price support loans taken out by sugar crop processors, to be equal to CCC's borrowing cost. *(7 U.S.C. 7283 (b))* (*Note:* Final sugar program regulations issued by the Farm Service Agency apply the same interest rate on sugar nonrecourse loans as applied to loans extended to other commodities. USDA's stated position was that the farm bill did not establish a specific sugar loan interest rate.)	No provision	No provision
Payment-in-Kind (PIK)	Authorizes the CCC to accept bids from sugar processors for sugar held in CCC inventories in return for reducing production of sugar crops (intended to serve as another tool available to USDA to meet program's no cost requirement). *(7 U.S.C. 7272 (g))*	Continues PIK authority. Stipulates that planted sugar beets or sugarcane diverted from production can only be used as a bioenergy feedstock. *(section 1301, amends section 156 (f)(2) of FAIR Act 1996)*	Same as House provision. *(section 1501, amends section 156(g)(2) of FAIR Act 1996)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Information Reporting	Requires processors of sugar beets and sugarcane, and cane sugar refiners, to report to USDA on a monthly basis such information as needed to administer sugar programs. Specifies other reporting requirements for producers of sugarcane and sugar beets and for importers of sugar and syrups not covered by existing import quotas. Imposes a civil penalty fine on a person who fails to provide such information. *(7 U.S.C. 7272 (h))*	Retains current provisions. Also requires USDA to collect supply and demand data on Mexico's sugar and high-fructose corn syrup sectors, to be published in USDA's monthly World Agricultural Supply and Demand Estimates (WASDE) report. *(section 1301, amends section 156(g) of FAIR Act 1996)*	Similar to House provisions. *(section 1501, amends section 156(h) of FAIR Act 1996)*
Storage Facility Loans	Authorizes the CCC to provide financing to processors of domestic sugar crops to construct or upgrade sugar storage and handling facilities. *(7 U.S.C. 7971)*	No provision	Retains current authority, but stipulates that loans shall not require any prepayment penalty. *(section 1502, amends section 1402(c) of FSRIA 2002)*
Storage Payments	When a farmer or a processor of a commodity (e.g., program crops and sugar) that is eligible for price support forfeits a loan (i.e., hands over to USDA the commodity pledged as collateral), USDA covers storage costs until disposition. For sugar, USDA has paid processors of raw cane and refined beet sugar to store such sugar in facilities designated as "certified CCC warehouses." At present, USDA storage payment rates are 8¢ per 100 lbs. of raw cane sugar and 10¢ per 100 lbs. of refined beet sugar. *(15 U.S.C. 714b and 714c; 7 CFR Part 1423)*	No provision	Requires CCC to establish rates for paying processors to store forfeited sugar, that are not less than 10¢ per 100 lbs. of raw cane sugar and 15¢ per 100 lbs. of refined beet sugar. Applies to each of the 2008 through 2011 crop years. *(section 1503, adds new section 167 to FAIR Act 1996)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Supply Management			
MARKETING ALLOTMENTS			
Limit on Sale of U.S.-Produced Sugar	Requires USDA to establish "marketing allotments" each year at a level that maintains market prices above price support levels in order to avert loan forfeitures. [*Note:* Allotments limit the amount of domestically-produced sugar that each processor can sell annually.] Requires USDA to estimate the quantities for five supply and demand factors to be applied in the formula to be followed to set the national overall allotment quantity (OAQ) — the amount of U.S.-produced sugar that can be sold in the domestic market each year. These factors are: (1) estimated U.S. consumption, (2) "reasonable" ending stocks, (3) beginning stocks, (4) sugar production, and (5) imports for human consumption. *(7 U.S.C. 1359aa & 1359bb)*	Maintains purpose and structure of marketing allotments. Adds definition for a new term that applies throughout this part: "consumption" refers to sugar used in human food, beverages, or similar products. *(section 1303(a) and (b), amends sections 359a and 359b of AAA 1938)*	Contains language virtually identical to House provisions. *(section 1504 (a) and (b), amends sections 359a and 359b of AAA 1938)*
Determin-ation of Overall Allotment Quantity	Specifies the formula that USDA must use to set the national OAQ to be: estimated U.S. sugar consumption + ending sugar stocks - 1.532 million short tons [to accommodate U.S. trade commitments in 2002] - beginning sugar stocks. Requires USDA to adjust the OAQ to avoid loan forfeitures. Requires USDA to suspend allotments when it estimates sugar imports: will exceed 1.532 million short tons [referred to as the "trigger"], and would lead to a reduction in the OAQ. *(7 U.S.C. 1359cc)*	Replaces the formula with requirement that USDA set the OAQ at a level sufficient to maintain raw and refined sugar prices that results in no loan forfeitures to the CCC but not less than 85% of USDA's estimate of human food and beverage use. Stipulates that OAQ may not be reduced to an amount less than 85% of estimated U.S. human use. Eliminates allotment suspension provision. *(section 1303 (c), amends section 359c of AAA 1938)*	Contains provisions virtually identical to House bill. *(section 1504 (c), amends section 359c of AAA 1938)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Distribution of National Allotment Between Cane and Beet Sectors	Sets the split of the OAQ between beet (54.35%) and raw cane sugar (45.65%). Specifies parameters to be followed to allocate allotments among states (for cane) and among processors (for beet). Stipulates that a cane allotment can only be filled with sugar processed from sugarcane in the same state; that a beet allotment can only be filled by sugar refined from sugar beets. Allots 325,000 short tons of national cane allotment to Hawaii, and mandates the balance be allotted equitably to mainland sugarcane-producing states, using 3 specified factors. Requires USDA to adjust marketing allotments, to reflect changes in estimates of domestic sugar consumption, stocks, production, and imports. Requires allocations for each processor, and the amount that a Louisiana sugarcane producer can harvest, to be increased or decreased by the same percentage that allotments are modified. *(7 U.S.C. 1359cc)*	In adjusting allotments to reflect supply and demand changes, prohibits USDA from reducing the OAQ to an amount less than 85% of estimated domestic consumption. *(section 1303(c), amends section 359c of AAA 1938)*	Contains provisions virtually identical to House bill. *(section 1504 (c), amends section 359c of AAA 1938)*
Allocation of Allotments Among Cane Processors	Details factors that USDA must use to fairly and equitably distribute each state's cane allotment among processors in that state. Prescribes different factors to be followed to distribute Louisiana's cane allotment among that state's cane processors. Prescribes the process USDA must follow to make available an allocation from a state's existing allotment to a new processor of sugarcane ("new entrant"). Spells out the process and amount that USDA can take from a mainland state's cane allotment to allocate to a new processor in a state where sugarcane had not previously been processed ("new entrant state"). Stipulates that cane allotments for mainland states shall be reduced to accommodate any allotment made to a new entrant state. *(7 U.S.C. 1359dd)*	No change	No change

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Allocation of Allotments Among Beet Processors	Details different factors to be used to allocate the national beet allotment among beet sugar processors. Specifies steps USDA must take to distribute a beet processor's allocation if the firm permanently ends operations or sells its assets and/or a factory to another beet processor. Prescribes the process for USDA to distribute a portion of the beet allotment to a new firm that begins to process beets, or buys and reopens a closed factory and/or a factory with a production history. Stipulates that USDA make specified adjustments in the beet allocations of other beet sugar processors when these types of events occur. *(7 U.S.C. 1359dd)*	Clarifies the process that USDA must follow to assign a beet sugar allocation to a new entrant. Revises the factors used by USDA to determine the size of an allocation assignment to a new entrant that constructs a new sugar beet processing facility, or acquires and opens a facility that last operated before 1998. Stipulates the details associated with a transfer of a beet allocation to a new entrant which acquires an existing factory with production history, to be allowed only by mutual agreement between the new entrant and the company holding the factory's allocation. *(section 1303(d), amends section 359d of AAA 1938)*	Contains provisions virtually identical to House measure. *(section 1504 (d), amends section 359d of AAA 1938)*
Reassignment of Allotment and Allocation Deficits	Directs USDA to reassign unused cane and beet sugar allocations (e.g., sugar that a processor does not have available to sell) *first* to other cane and beet processors, respectively; *second* to other states and in turn processors in other states in the case of cane, or to other processors in the case of beet sugar; *third* to sales of sugar in CCC's inventory; and *fourth* to imports. [*Note:* Cane allocation deficits can only be reassigned to cane processors; similarly, beet allocation deficits can only be assigned to beet sugar processors.] *(7 U.S.C. 1359ee)*	Specifies that the requirement that any reassignment of a processor's unused cane and beet sugar allocation that is met by imports, must be met by imports "of raw cane sugar." *(section 1303(e), amends section 359e of AAA 1938)*	Contains identical House provision. *(section 1504(e), amends section 359e of AAA 1938)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Producer-Related Provisions	Requires USDA to obtain assurances from each processor that its marketing allocation will be shared fairly and equitably among those producers that deliver a crop that adequately reflects their production histories. Allows sugar beet growers to petition USDA, in case a beet refiner closes, to redistribute allocations to those beet processors to which they will now deliver sugar beets. Allows sugarcane producers in Louisiana to similarly petition USDA when a sugarcane mill closes. Prescribes the process and factors to be used by USDA to establish how much sugarcane each producer in Louisiana can harvest, when USDA determines that the amount of sugarcane produced is larger than needed to fill Louisiana's cane allotment and provide for a normal inventory level of ending stocks [known as "proportionate shares" provision]. Allows USDA to transfer farm acreage base history of a Louisiana producer to other land parcels, if agreed to by all owners of the farm. *(7 U.S.C. 1359ff and 1359gg)*	Clarifies use of terms in Louisiana-specific provisions, and repeals authority for USDA, if petitioned by sugarcane growers in Louisiana, to modify processor allotments in that state to accommodate their request to change the mill to which they deliver sugarcane when the mill to which they had delivered closes. Details requirements and process for transfers of farm acreage base history in Louisiana. *(section 1303 (f) and (g), amends sections 359f and 359g of AAA 1938)*	Contains provisions virtually identical to House bill. *(section 1504 (e) and (g), amends sections 359f and 359g of AAA 1938)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
	IMPORT RESTRICTIONS		
Import Quotas	Under the Harmonized Tariff Schedule (HTS) of the United States (trade law — not farm program legislation), USDA sets the size of each fiscal year's raw and refined sugar import quotas at not less than 1.256 million short tons. This reflects the U.S. market access commitment made under the World Trade Organization's (WTO) 1994 Agreement on Agriculture. *(19 U.S.C. 3601, Presidential Proclamation No. 6763, chapter 17 of HTSUS)* Reflecting current bilateral free trade agreements (FTAs), the HTS specifies separate preferential sugar import quotas for partner countries (i.e., the five covered by the Dominican Republic-Central American FTA). *(chapter 99 of HTS, reflecting FTA commitments approved under various laws)* Effective January 1, 2008, Mexico is allowed to ship duty free an unlimited amount of sugar to the U.S. market (under terms of the North American Free Trade Agreement). *(NAFTA, Chapter 7, Section A, and Annex 302.2 — Schedule of the United States, as approved by section 101 of P.L. 103-182 (7 U.S.C. 3311(a)))*	No change	No change
Sugar Import Quota Adminis-tration	The United States under its WTO trade commitments under a tariff-rate quota (TRQ) agrees to allow a minimum 1.256 million short tons of foreign raw cane sugar and refined sugar to enter each year. Exercising HTS authority, USDA has discretion to increase the quota quantity when domestic supplies are inadequate to meet U.S. demand at reasonable prices. Under HTS authority, the U.S. Trade Representative (USTR) allocates a portion of the sugar import quota to *(continued on next page)*	Prescribes (tightens) USDA administration of sugar import quota authority. Requires USDA to set TRQs for raw cane sugar and refined sugar at the minimum level necessary to comply with U.S. trade agreement obligations. Before April 1 in each fiscal year, in case a U.S. sugar shortage occurs due *(continued on next page)*	Contains language identical to House provisions prescribing USDA's authority to set sugar TRQs. *(section 1504 (j), adds new section 359k of AAA 1938)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Sugar Import Quota Adminis-tration *continued*	each of 40 eligible countries, largely based on each country's share of total sugar exports to the U.S. market in the 1975-81 period. Under a 1982 presidential proclamation, USTR issued regulations that established a certificate for quota eligibility (CQE) system for imported sugar, which delegates administering authority to USDA. A CQE, issued by USDA to the entity that manages sugar exports in a country that receives a quota allocation, must be presented to U.S. Customs to take advantage of quota access and for such sugar to be allowed entry into the U.S. market. *(HTS, chapter 17, additional note 5; 19 CFR Part 2001, Subpart A)*	to weather events or war, requires USDA to increase the supply of sugar by reassigning cane and beet allot-ment deficits to imports of raw cane sugar, including increasing the WTO TRQ for raw cane sugar. If a sugar shortage still exists after USDA takes such action and sales of domestic sugar "have been maximized," USDA is allowed to increase the refined sugar TRQ, as long as the increase does not result in loan forfeitures. On or after April 1 of each year, grants USDA discretion to increase the sugar supply only through an increase in the TRQ for raw cane sugar, as long as the threat of forfeitures is avoided.	
	Through FY2005, USDA disbursed CQEs specifying amounts allowed to enter in specified time periods to countries with sizable shares of the total sugar import quota. USDA's initial intent in announcing "shipping patterns" was to spread out the flow of sugar into the U.S. to protect sugar prices (i.e., ensure that sugar from multiple origins did not enter bunched up and in turn depress prices). Since FY2006, USDA has not announced shipping patterns, citing the changes that have occurred over time in the domestic marketing of cane sugar.	Requires USDA to establish "orderly shipping patterns" for major suppliers of sugar to the U.S. market under announced allocations of sugar TRQs. Limits rate at which sugar can enter, depending upon the size of a country's allocation (i.e., those with an alloca-tion of at least 100,000 metric tons (MT) can only ship up to 25% of the total each quarter; those with alloca-tions between 45,000 and 100,000 MT cannot ship more than half in the first 6 months of each year).	No "shipping patterns" provision
	Required USTR in calendar years 2002-2007 (in consultation with USDA) to reallocate unused country quota allocations ("shortfalls") to other quota-holding countries with sugar to sell. *(7 U.S.C. 1359kk)*	Repeals 2002 provision requiring the reallocation of sugar quota import shortfalls. *(section 1303 (i), and adds new section 359k of AAA 1938)*	Same as House provision. *(section 1504 (i))*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Sugar Diversion			
Sugar-for-Ethanol	No provision.	For FY2008 through FY2012, requires USDA to purchase sugar from those firms that sell sugar (equal to the quantity of imports that USDA estimates exceeds U.S. food demand), and to sell such sugar to bioenergy producers, in a way to ensure that sugar price support program provisions (see above) operate at no cost and avoid loan forfeitures. Requires USDA to use competitive procedures in entering into contracts with sellers and buyers of sugar, and to sell any sugar held in CCC's inventory, for this purpose. Specifies that bioenergy buyers of sugar take possession of sugar within 30 days of purchase and that CCC take steps to minimize storage costs on sugar transferred from seller to buyer. Specifies that sugar purchased from a processor of a crop shall count against the processor's marketing allocation. Requires USDA to use CCC resources, including "such sums as are necessary," to implement this new authority. *(section 9013, adds new section 9016 to FSRIA 2002)*	Contains language virtually identical to House provisions. *(section 1501, adds new section 156(f) of FAIR 1996)*

Provision	Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate-Passed 2007 Farm Bill (Senate Amdt. to H.R. 2419)
Other Trade-Related Provisions			
U.S. Membership in International Sugar Organization	In 1992, the United States withdrew as an International Sugar Organization (ISO) member with its decision not to sign a new international sugar agreement (ISA) because of the requirement that each member country's budget contribution be based on its ability to pay, rather than on its position in the world economy and benefits to be derived from ISO membership. Unlike earlier agreements, the 1992 ISA (still in effect) does not have any economic provisions to control sugar prices. The ISO is an international body focused on improving conditions in the world's sugar market through debate, analysis, special studies and transparent statistics.	Requires Secretary of Agriculture to work with the Secretary of State to restore U.S. membership in the ISO within one year of enactment. *(section 1302)*	Contains House provision. *(section 1504)*
Sugar in NAFTA	The U.S.-Mexican agreement (July 2006) on bilateral market access for sugar and high-fructose corn syrup included the creation of a joint industry/government task force to (1) help both governments prepare for the elimination of tariffs on sweeteners in January 2008 and (2) periodically review product shipments against this agreement's tariff import quotas to ensure that they are promptly and fully utilized.	No provision	Expresses sense of the Senate that the U.S. and Mexican governments should coordinate the operation of their sugar policies to be consistent with U.S. international commit-ents, and that the United States should consult with Mexico on policies to avoid disruptions of each country's sweetener markets [sugar and high-fructose corn syrup] in order to maximize benefits for growers, processors, and consumers of sugar, while supporting the interests of corn growers, corn refiners, and sweetener users, in both countries. *(section 1505)*

Appendix Notes

FAIR 1996 — Federal Agriculture Improvement and Reform Act of 1996 (1996 farm bill)
FSRIA 2002 — Farm Security and Rural Investment Act of 2002 (2002 farm bill)
CFR — Code of Federal Regulations
Sugar price support provisions are codified at 7 U.S.C. 7272.
Sugar marketing allotment provisions are found in Part VII of subtitle B of title III of the Agricultural Adjustment Act of 1938, and are codified at 7 U.S.C. 359aa et seq