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Sugar Provisions of the 2014 Farm Bill (P.L. 113-79)

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Summary

The 2014 farm bill (Agricultural Act of 2014, P.L. 113-79) continues the sugar and the sugar-to-ethanol programs without change for another five years (i.e., through FY2019). The sugar program provides a minimum price guarantee to sugar crop processors and is structured to operate at no cost to the federal government using two tools: marketing allotments that limit the amount that sugar processors can sell, and import quotas that restrict the quantity of foreign sugar allowed to enter the U.S. market. The sugar-to-ethanol program is intended to be used if marketing allotments and the administration of import quotas do not succeed in keeping market prices for sugar above minimum guaranteed levels. If activated, it ensures that stocks of sugar are not carried over to the following marketing year so as to continue to depress prices.

During farm bill debate, Members of Congress engaged in vigorous debate on future sugar policy on behalf of both sides. Sugar producers/processors and food manufacturers also waged aggressive media campaigns to influence the outcome of amendments offered during floor debate. Producers of sugar beets and sugarcane, and the processors of these crops into sugar, favored retaining the current program without change. They highlighted the jobs and economic activity created by the domestic sugar sector. Food manufacturers that use sugar in their products sought flexibilities in how the U.S. Department of Agriculture (USDA) administers the program, with an eye toward paying lower prices as a result. In advocating changes, they pointed to the higher wholesale refined sugar prices paid since the 2008 farm bill provisions took effect (twice the level compared to the previous 2002 farm bill period), and to the jobs that their firms create.

The enacted provisions reflect those agreed to by the House and Senate Agriculture Committees in reporting out their respective farm bills. During the period that Congress considered this latest farm bill (2012-2014), opponents of the sugar program offered five floor amendments to change both committees' reported provisions and to instruct House conferees. All were defeated. In the 112th Congress, S.Amdt. 2393 to S. 3240 would have phased out the program within three years. S.Amdt. 2433 to S. 3240 would have reverted most program authorities to those in effect prior to the 2008 farm bill changes and repealed the sugar-to-ethanol program. In the 113th Congress, S.Amdt. 925 to S. 954 and H.Amdt. 227 to H.R. 1947 would have lowered price support levels to those in effect in FY2008, and made a number of changes to require USDA to administer sugar marketing allotments and sugar import quotas so that sugar would be available "at reasonable prices." It also would have repealed the sugar-for-ethanol program. These amendments were nearly identical to the freestanding Sugar Reform Act (S. 345 and H.R. 693).

In scoring the farm bill, the Congressional Budget Office (CBO) estimated that if current sugar policy continued, a 10-year total of $188 million in outlays would occur for FY2014-FY2023, all of it associated with the sugar-to-ethanol program. CBO scored the Sugar Reform Act as reducing these outlays by $82 million over this period. Separately, USDA actions taken in late FY2013 to reduce sugar supplies and activate the sugar-to-ethanol program to prop up market prices did not boost prices sufficiently above program-guaranteed levels. Consequently, these, together with subsequent USDA actions to dispose of sugar pledged as collateral for loans by processors and then forfeited, resulted in $259 million in federal outlays associated with the 2012 sugar crops.

Although existing sugar policy remains intact in the 2014 farm bill, the debate between sugar program supporters and opponents, which largely revolves around the level of domestic sugar prices, is expected to continue. Sugar growers and processors seek the highest price possible, with backstops in place to ensure they receive the benefits of the current price guarantee. Users of sugar in manufactured food products want as low a price as possible within the basic structure of the current program.

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Overview of Sugar Program

The U.S. sugar program provides a price guarantee to producers of sugar beets and sugarcane and to the processors of both crops. The U.S. Department of Agriculture (USDA) further is directed to administer the program at no budgetary 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 has four available tools—as reauthorized by the 2014 farm bill (Agricultural Act of 2014, P.L. 113-79, Section 1301 of Title I and Section 9009 of Title IX), and by Chapter 17 of the Harmonized Tariff Schedules of the United States—to keep domestic market prices above guaranteed levels. These are:

- extending price support loans to processors at specified levels (the basis for the price guarantee);
- setting marketing allotments to limit the amount of sugar each processor can sell;
- establishing import quotas to restrict the amount of sugar allowed to enter the U.S. market; and
- making a sugar-to-ethanol backstop available if marketing allotments and import quotas are insufficient to keep market prices above guaranteed levels.

For an explanation of how these tools operate together, see CRS Report R42535, *Sugar Program: The Basics*.

Supporters of Sugar Program

During farm bill debate, producers of sugar beets and sugarcane, and the beet refiners and raw sugar mills that process these crops into refined sugar and raw cane sugar, respectively, supported extending the U.S. sugar policy as contained in the enacted 2008 farm bill. They argued that the program had succeeded in ensuring "reliable supplies of high-quality, safe, responsibly-produced sugar at reasonable prices" for consumers, and that it provided producers with "an economic safety net." They emphasized that these objectives had been achieved at "zero cost to American taxpayers."[1] Sugar crop producers and processors are represented by the American Sugar Alliance (ASA).

Two large general farm organizations supported continuing the current sugar program without any change. The American Farm Bureau Federation stated that while other commodities will be faced with reduced government support in the next farm bill, "the sugar program should be left intact as efforts to generate savings would require convoluted policy structures." The National Farmers Union supported continuing the sugar program and encouraged "Congress to work with ... sugar producers to adopt a strong sugar program in future farm bills." Also, a coalition of 17 developing countries that benefit from preferential quota access to the U.S. sugar market favored continuing

[1] American Sugar Alliance, statement submitted to the House Agriculture Committee's Subcommittee on General Farm Commodities and Risk Management, hearing on "Formulation of the 2012 Farm Bill: Commodities & Crop Insurance," May 17, 2012, accessed at http://www.sugaralliance.org/images/stories/PapersAndTestimony/ASA-HAC-testimony-5-12.pdf.

current U.S. sugar policy, arguing that it "provides a guaranteed level of access ... at fair, predictable prices."[2]

Opponents of Sugar Program

Sugar users (i.e., manufacturers of sugar-containing food products and beverages) supported making changes to the U.S. sugar program. In their view, the sugar program "was made worse by the 2008 farm bill" and had operated as "a textbook example of the consequences of excessive government intrusion in the marketplace." They argued that the program, "by overly restricting the supply of sugar in the U.S. market," had kept U.S. market sugar prices "far above" world sugar prices. This development, they contended, resulted in U.S. consumers and food manufacturers paying more for sugar than foreign users pay, and encouraged the relocation of food processing jobs offshore, led to the elimination of thousands of U.S. jobs, and created a "dramatic inequity of the benefits provided to sugar growers over other agricultural producers" supported by other commodity programs.[3]

Sugar users are primarily represented by the Coalition for Sugar Reform (CSR). CSR includes the food and beverage companies that use sugar (e.g., confectionery firms, bakeries, cereal manufacturers, beverage makers and dairy companies, and the trade associations for these industries), consumer and trade advocacy groups, and business organizations. Three trade associations representing food manufacturing firms where sugar is a principal input also placed U.S. sugar policy at the top of their legislative agenda. They are the American Bakers Association, the National Confectioners Association, and the Sweetener Users Association.[4]

In 2013, congressional opponents of current U.S. sugar policy introduced identical bills to revise U.S. sugar policy (H.R. 693 and S. 345, Sugar Reform Act of 2013). These were intended to be used as amendments to be offered on the floor when each chamber debated the farm bill. These measures proposed to retain the current structure of the sugar program but modify various price support, marketing allotment, and import quota provisions. They were crafted to authorize flexibility in how USDA uses the two program tools that limit sugar supplies but still meet the statutory directive that the program operate at no cost (i.e., maintain market prices above support levels so that processors have no incentive to forfeit price support loans, and if attained, not record any budget outlays). Both bills also would have repealed the sugar-for-ethanol program.

[2] American Farm Bureau Federation, "Policy Recommendations for the 2012 Farm Bill," September 28, 2011, p. 5, accessed at http://www.fb.org/issues/FarmBureauRecommendations110928.pdf; National Farmers Union, *2012 NFU Policy*, adopted by delegates at their March 2012 convention, accessed at http://www.nfu.org/policy-nfu/218-article-i/973-e-commodities#anchor5; ASA, "Developing Nations Reaffirm Sugar Policy Support, Praise Farm Bill," May 21, 2012, accessed at http://www.sugaralliance.org/newsroom/developing-nations-reaffirm-sugar-policy-support-praise-farm-bill.html.

[3] Coalition for Sugar Reform, statement submitted to the House Agriculture Committee's Subcommittee on General Farm Commodities and Risk Management, hearing on "Formulation of the 2012 Farm Bill: Commodities & Crop Insurance", May 17, 2012, accessed at http://sugarreform.org/wp-content/uploads/2011/06/CSR-House-Ag-Testimony-May-17-2012-FINAL-.pdf.

[4] American Bakers Association, "Sugar Program Reform," accessed at http://americanbakers.org/issues/sugar/; CSR, "Message from the Chairman"—President, National Confectioners Association, accessed at http://sugarreform.org/about/message-from-the-chairman/; Sweetener Users Association, "Sweetener Users Urge Policymakers to Reform U.S. Sugar Policy," accessed at http://www.sweetenerusers.org/SUA%20Press%20Release%20FINAL%202-12-13.pdf.

Legislative Activity in the 112th Congress

Sugar Program Extension

Efforts within Congress to complete action on an omnibus farm bill after the November 2012 elections did not succeed. In late December, attention shifted to finding a legislative vehicle to extend existing authorities for agricultural commodity programs, including sugar. In the final days of the 112th Congress, congressional leadership decided to use the "fiscal cliff" bill to simply extend many 2008 farm bill provisions through September 30, 2013. Among its provisions, Section 701(a) and (b) of P.L. 112-240 extended the 2008 farm bill's commodity program authorities for one year. This meant that 2008-enacted sugar program authority applied to the 2013 sugar crops (i.e., most of FY2014, as beets and cane are harvested and processed and sugar is subsequently marketed). Separately, Section 701(f)(9) provided authority, if triggered, for USDA to implement the sugar-to-ethanol program for the 2013 sugar crops.

Earlier Action

Earlier in 2012, the Senate approved a farm bill (S. 3240) that would have continued existing sugar program authorities. Two floor amendments offered to change the Senate Agriculture Committee-reported measure were defeated. S.Amdt. 2393 (tabled, or rejected, on a 50-46 vote) would have phased out the program within three years. S.Amdt. 2433 (defeated on a 46-53 vote) would have reverted most program authorities to those in effect prior to the 2008 farm bill changes and would have repealed the sugar-to-ethanol program. This amendment served as the basis for the Sugar Reform Act bills introduced early in 2013. The House Agriculture Committee-approved farm bill (H.R. 6083) also would have reauthorized the sugar program without change. The House, though, never considered this measure.

Legislative Activity in the 113th Congress

The Senate-passed farm bill (S. 954) and the House-passed farm bill (H.R. 1947) proposed to continue 2008-enacted U.S. sugar policy without change. An amendment (identical to S. 345, Sugar Reform Act) to reflect the interests of sugar users and consumers was offered by program opponents during Senate floor debate on May 22, 2013, but was defeated. On June 20, 2013, the House debated future sugar policy when it considered an amendment to H.R. 1947, the first farm bill. This proposal, similar to H.R. 693 (Sugar Reform Act), was defeated.

Table 1 provides a side-by-side comparison of the enacted 2008 farm bill sugar program provisions with those enacted in the 2014 farm bill. For comparison, the table also lays out the provisions of the defeated Sugar Reform Act offered as floor amendments during the debate on the 2014 farm bill.

Senate Farm Bill Activity

The Senate Agriculture Committee, when reporting out its farm bill (S. 954) on May 14, 2013, proposed to reauthorize the 2008 farm bill sugar program without any change through crop year 2018 (§1301 of the Agriculture Reform, Food, and Jobs Act of 2013). The committee's measure also called for reauthorizing the sugar-for-ethanol program in the bill's Energy title (§9008).

During floor debate on S. 954, the Senate considered one amendment to revise the committee-approved sugar program provisions. This amendment was defeated on a 45-54 vote. Offered by Senator Shaheen on May 22, 2013, S.Amdt. 925 proposed to reduce price support levels (from 18.75¢/lb. for raw cane sugar, and 24.09¢/lb. for refined beet sugar) to those in effect just prior to enactment of the 2008 farm bill (FY2008, i.e., 18.0¢/lb. for raw cane sugar; 22.9¢/lb. for refined beet sugar), and to make a number of changes to require USDA to administer sugar marketing allotments and sugar import quotas in ways that would result in sugar being available "at reasonable prices." The amendment would have granted USDA discretionary authority to suspend or modify any marketing allotment provision, taking into account the interests of consumers, those employed in the food production sector, businesses, and agricultural producers. It also would have required USDA to exercise discretion in administering the sugar import quota—for example, by allowing for adjustments in quota levels to provide for adequate sugar supplies at reasonable prices. Another provision would have required USDA to set the ending sugar stocks-to-use ratio at about 15.5%, but with authority to adjust this target to prevent "unreasonably" high prices or loan forfeitures. Sugar users argued that having USDA use this stocks-to-use level in implementing the sugar program would result in much lower prices than in the 2009-2011 period. This amendment also would have repealed the sugar-to-ethanol program.

House Farm Bill Activity

The House Agriculture Committee, in reporting its farm bill (H.R. 1947) on May 14, 2013, similarly proposed to reauthorize the enacted 2008 farm bill sugar program without any change through crop year 2018 (§1301 of the Federal Agriculture Reform and Risk Management Act of 2013). The House-reported bill also called for reauthorizing the sugar-for-ethanol program in the Energy title (§9009). Representative Goodlatte filed an amendment to revise the sugar program with an eye to offering it during committee markup, but withdrew it from consideration.

On June 20, 2013, the House considered one amendment to revise the committee-approved sugar program provisions. This amendment was defeated on a 206-221 vote. Offered by Representative Pitts, its text was identical to H.R. 693 (Sugar Reform Act) introduced earlier in 2013, and to the amendment offered during Senate floor debate. With the defeat of this farm bill (H.R. 1947), the House subsequently considered a scaled-back farm bill without a nutrition title (H.R. 2642) that would have reauthorized current sugar program authorities on an indefinite basis (i.e., no expiration date). The sugar-for-ethanol program, however, would have only been authorized through the 2018 crop. This measure passed the House on July 11 by a 216-208 vote.

On October 11, 2013, the House debated H.Res. 378 to instruct House farm bill conferees to "advance provisions to repeal" one sugar program requirement added by the 2008 farm bill and proposed to be continued by both the House and Senate farm bills. This requirement stipulates that USDA can increase imports of sugar under a sizeable import quota only after the midpoint of the marketing year (i.e., April 1), unless an emergency sugar shortage surfaces earlier. Prior to 2008, USDA had discretion to increase this quota at any time of the year if it determined market circumstances warranted such action. H.Res. 378 was introduced by Members who supported the position of food manufacturers that use sugar. Their intent was to have House conferees advocate for a return to the discretionary authority that the Secretary of Agriculture previously exercised "to manage supplies of sugar throughout the marketing year to meet domestic demand at reasonable prices." The resolution would have been non-binding if passed. The House defeated this measure by a 192-212 vote.

Reaction to Conference Agreement

With the sugar and sugar-to-ethanol program provisions identical in both the House- and Senate-passed measures, farm bill conferees concurred and focused instead on resolving differences elsewhere in the commodity and nutrition titles. Sugar producers and processors applauded continuation of current policy that they said will enable the sector to deal "with the dual threat of increasing foreign subsidies and falling sugar prices." Food manufacturers expressed disappointment that conferees failed to reform the sugar program that they maintain costs taxpayers "nearly $300 million last year," puts "bakers, consumers, and other food manufacturers at a disadvantage," and sends "thousands of jobs overseas."[5]

Other Bills

During the 113th Congress, supporters of maintaining current sugar policy introduced a measure that urges the President to seek the elimination of other countries' subsidies that support the production or export of sugar (H.Con.Res. 39). If the President determines that all covered countries have eliminated these subsidies, the resolution calls for the President to propose legislation to Congress to implement a "zero for zero" sugar subsidy policy. In other words, once other countries eliminate their market-distorting sugar programs, the U.S. sugar production sector also would advocate for an end to U.S. sugar policy.[6]

Opponents introduced other measures to eliminate current sugar policy. Sections 101 and 102 of H.R. 1567 would eliminate the sugar price support, marketing allotment, and import quota provisions. S. 956 would permanently suspend price support and related authorities for specified agricultural commodities, including those that provide price support and marketing allotments for sugar.

Cost Estimates

The Congressional Budget Office (CBO) projected in its May 2013 baseline that the continuation of current sugar policy as approved by the Senate, and reported by the House Agriculture Committee, would result in budget outlays of $39 million over 5 years (FY2014-FY2018) and $188 million over 10 years (FY2014-FY2023). While CBO scored the operation of the sugar price support program at zero in each of these time periods, its projection assumed that USDA will in some years need to activate the sugar-to-ethanol program. In scoring the 2014 farm bill conference agreement, CBO did not change this budget projection.

In a more recent projection, the Food and Agricultural Policy Research Institute (FAPRI) estimates that sugar policy as enacted by the 2014 farm bill and accounting for expected market

[5] American Sugar Alliance, "Sugar Comments on Farm Bill Approval in Senate," February 4, 2014, accessed at http://sugaralliance.org/newsroom/sugar-comments-on-farm-bill-approval-in-senate.html; Coalition for Sugar Reform, "Farm Bill Conference Report Leaves Congress with Unfinished Business on Sugar Subsidies," January 28, 2014, accessed at http://sugarreform.org/wp-content/uploads/2011/07/CSR-Farm-Bill-01-28-14-FINAL.pdf; American Bakers Association, "Bakers Disappointed that Sugar Subsidy Program Remains in Farm Bill," February 4, 2014, accessed at http://americanbakers.org/2014/02/bakers-disappointed-that-sugar-subsidy-program-remains-in-farm-bill/.

[6] American Sugar Alliance, "Momentum Building for 'Zero-for-Zero' Sugar Policy," August 6, 2013, accessed at http://www.sugaralliance.org/newsroom/momentum-building-for-zero-for-zero-sugar-policy.html.

conditions would result in outlays of $133 million over 5 years (FY2014-FY2018) and $446 million over 10 years (FY2014-FY2023).[7]

CBO also projected that the Sugar Reform Act amendment would have achieved total 5-year savings of $27 million (FY2014-FY2018) and 10-year savings of $82 million (FY2014-FY2023) from the above baseline that assumed the continuation of current sugar policy. Since the amendment would have repealed the sugar-to-ethanol program, this score implied that USDA in some years would record outlays in administering the sugar program's price support operations.

FY2013 Program Costs

Opponents pointed to the federal outlays incurred to support sugar prices in the last quarter of FY2013 and the first quarter of FY2014 to defend their view that the sugar program does not operate at "no cost" and needs to be reformed. Countering, program supporters pointed out that the enacted 2008 farm bill directs USDA to administer the program at no cost to taxpayers, and if that cannot be achieved, to take steps to minimize costs. Further, they noted that the non-recourse price support loans available to sugar processors are designed to guarantee them minimum prices for their sugar when market prices fall below these minimums. Accordingly, forfeiting on loans is an option that the authorized program allows them to exercise when this occurs.

With the actions that USDA took to head off loan forfeitures of 2012-crop processed sugar, and its subsequent decisions to implement the sugar-to-ethanol program using sugar that processors forfeited, the sugar program recorded $259 million in budget outlays (i.e., $141 million in FY2013, $118 million in FY2014). Of this total, 67% ($174 million) represents the cost of the sugar-to-ethanol program (i.e., purchases of sugar by USDA from processors, and offering forfeited sugar, for sale to ethanol producers at a substantial discount). The remaining 33% ($85 million) is attributable to sugar purchased by USDA and then exchanged for import rights that cane refiners and brokers surrendered to USDA.

Sugar Market Price Is Key Issue

The main issue in sugar policy debate over the last few years revolved around the price level for domestic sugar . Sugar growers and processors sought the highest level possible, so long as the program's minimum price guarantee was met. Users of sugar in manufactured food products sought as low a price as possible within the basic structure of the 2008-enacted program. Processors sought to retain the program's minimum price guarantees. Users sought to reduce them by 4% to 5%. Processors sought to retain all other details of the current program, designed in large part to accommodate the uncertainties surrounding how much sugar Mexico ships north in any year. Users sought to grant USDA more flexibility in how program tools are administered, by repealing certain prescriptions added in 2008 designed to reduce its discretionary authorities to manage the program. Their objective was to have USDA manage the program in ways that could

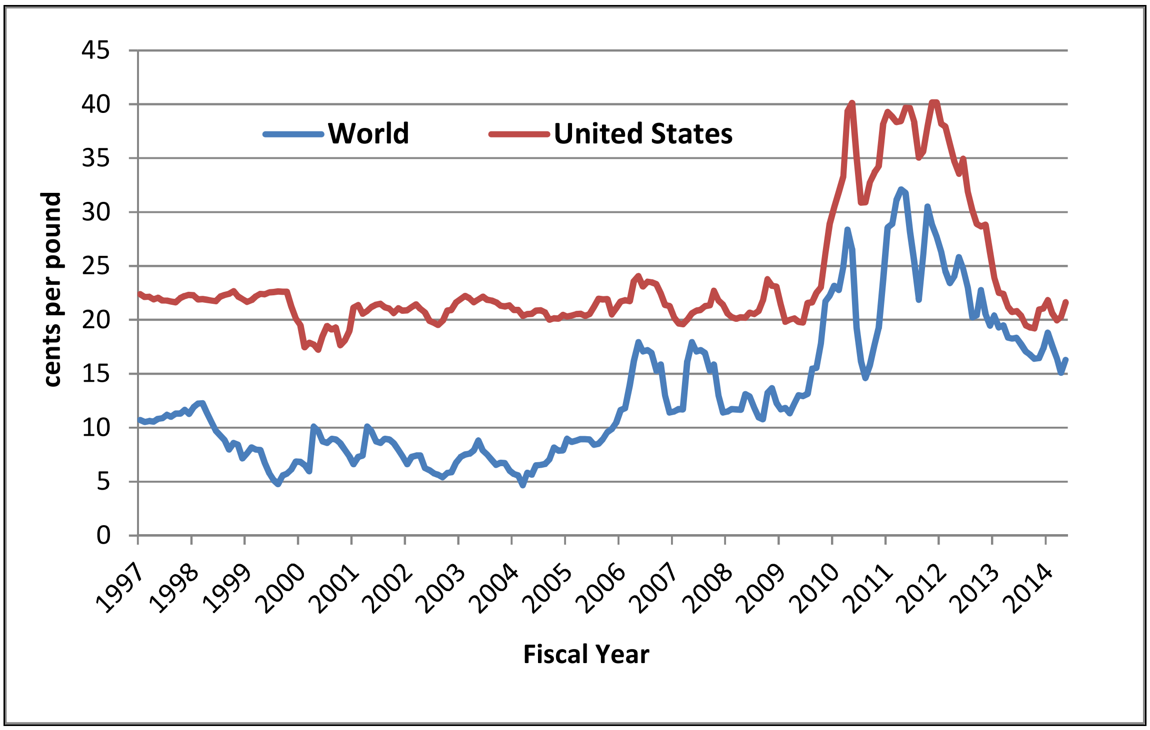
[7] FAPRI – University of Missouri, *U.S. Baseline Briefing Book: Projections for Agricultural and Biofuel Markets*, March 2014, pp. 25, 48, accessed at http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI_MU_Report_02_14.pdf. FAPRI is an independent organization that applies its comprehensive analytical models to make market projections and evaluate the consequences of government policies for agricultural producers, consumers and taxpayers. CBO plans to issue its new baseline later this spring that will reflect its assessment of the budgetary consequences of the enacted 2014 farm bill.

result in U.S. market prices for raw cane and refined sugar being lower and closer to what they were in the years leading up to the 2008 farm bill period (see **Figure 1**and **Figure 2**).

Market and Policy Outlook

Domestic sugar prices are expected to remain close to current levels (**Figure 2**) for the remainder of FY2014 as the 2013 sugar crops continue to be processed and marketed. USDA expects that over the next several months, U.S. prices will stay above loan forfeiture levels due to lower U.S. sugar production, reduced imports of sugar from Mexico, and an increase in demand from food manufacturers. A top USDA official confirmed this outlook in an interview, stating “he believes the department will be able to comply with Congress’ mandate to run the program without taxpayer expense if possible.”[8]

Figure 1. Raw Sugar Prices: United States Compared to World

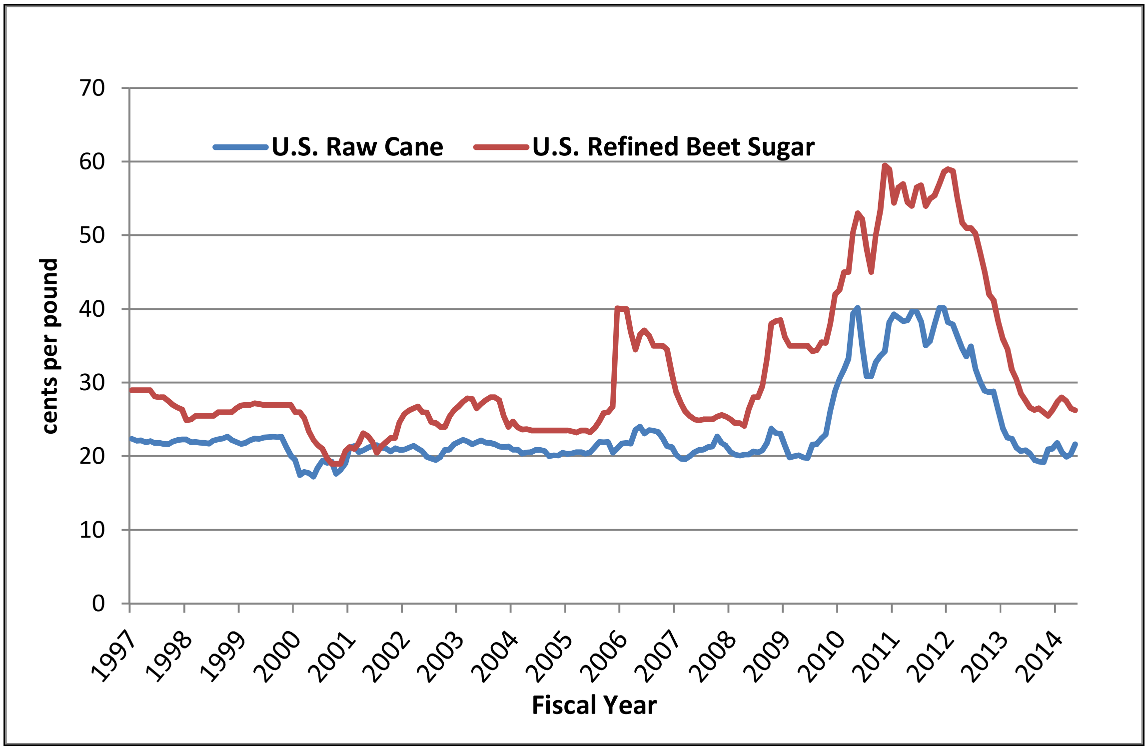


Source: USDA, Economic Research Service, Sugar and Sweeteners Yearbook, Tables 3b and 4.

Note: Covers period during which 1996, 2002, and 2008 farm bill sugar provisions applied.

[8] *The Hagstrom Report*, “Scuse: No sugar expenditures expected in 2014,” February 24, 2014, http://www.hagstromreport.com/2014news_files/2014_0224_scuse-no-sugar-expenditures-expected-2014.html.

Figure 2. U.S. Sugar Prices: Raw Compared to Refined



Source: USDA, Economic Research Service, Sugar and Sweeteners Yearbook, Tables 4 and 5.

Note: Covers period during which 1996, 2002, and 2008 farm bill sugar provisions applied.

In reacting to final farm bill action, food manufacturers that use sugar signaled their intent to continue to fight for reform by working with House and Senate leaders to make sure the sugar program "is on the table, even if those legislative efforts must take place outside of the Farm Bill process." These opponents note that congressional supporters "gained substantial momentum during the past year with the close votes that occurred on their floor amendments, and that efforts will continue for program modifications." Program supporters also expect the "battle" over the sugar program's future to continue.[9]

Sugar farmers and processors continue to emphasize that foreign sugar subsidies make U.S. sugar policy necessary, and that trade-distorting policies used by Brazil, India, Mexico, and Thailand, among others, need to be eliminated. Once these policies are disciplined through multilateral trade negotiations under the auspices of the World Trade Organization (WTO), the U.S. sugar production sector would advocate for an end to current U.S. sugar policy. Sugar industry spokesmen point to H.Con.Res. 39 as a roadmap to accomplish this (see "Other Bills" for details). Observers of the longstanding WTO Doha Round negotiations note that trade negotiators have tried since 2001 to discipline trade-distorting agricultural policies but have not yet succeeded.[10] Further, WTO member countries have not yet agreed upon any timetable to go beyond the limited

[9] See footnote 5; *The Hagstrom Report*, "Stallman: Not sure Republicans have votes for SNAP bill," September 13, 2013, http://www.hagstromreport.com/2013news_files/2013_0913_stallman-not-sure-republicans-have-votes-for-snap-bill.html; *Politico Pro*, "Sugar industry fears appropriations attack," March 13, 2014.

[10] For background, see CRS Report RS22927, *WTO Doha Round: Implications for U.S. Agriculture*, and CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*.

deals covering agriculture agreed to at the December 2013 Bali Ministerial.[11] This outlook suggests that the U.S. sugar production sector's roadmap would not yield any results for quite some time, and likely not in the time period covered by the newly reauthorized sugar program (i.e., through FY2019). Looking at the near term, sugar industry spokesmen note that any efforts to change the program require addressing the impact of large unrestricted sugar imports from Mexico. Specifically, the industry seeks joint management of sugar by both the United States and Mexican governments to balance supply and demand. To address the criticism made that the sugar program no longer operates on a no-cost basis (as seen in FY2013), the industry notes that the $258 million spent was less than 3% of commodity program spending and the first time in a decade that the program had not operated at no net cost to the taxpayer.[12]

[11] For background, see WTO documents on the Bali Ministerial Declaration and decisions at http://wto.org/english/thewto_e/minist_e/mc9_e/balipackage_e.htm.

[12] *The Hagstrom Report*, "Sweetener Users: Sugar program still needs to change," February 26, 2014, http://www.hagstromreport.com/2014news_files/2014_0226_sweetener-users-sugar-program-still-needs-to-change.html. See also ASA, *The Sugar Beat*, "What 8 Cents a Year Buys You," Volume 2014 Issue 8, February 25, 2014.

Table 1. Sugar Program Provisions in 2014 Farm Bill Compared to 2008 Farm Bill and to Sugar Reform Act of 2013 Offered as Floor Amendments and Defeated

2008 Farm Bill & One-Year Extension (P.L. 110-246 & P.L. 112-240, Title VII)	2014 Farm Bill (P.L. 113-79)	*Sugar Reform Act of 2013 (S. 345 and H.R. 693) as Modified by Defeated Floor Amendments to the 2014 Farm Bill*
Time Period Covered		
2008-2013 crops of sugarcane and sugar beets.	2014-2018 crops of sugarcane and sugar beets.	Would apply to 2014-2018 crops of sugarcane and sugar beets.
No-Net Cost Directive		
Continued no-cost requirement found in 2002 farm bill. Required USDA to operate sugar-for-ethanol program *(see below)* to ensure this no-cost directive is met.	Continues current policy. Continues sugar-for-ethanol program as a backstop to ensure this directive is met.	Would continue 2008 farm bill authorities, except for changes shown below. Would maintain no-cost directive. Would repeal sugar-for-ethanol program *(see below)*.
Price Support Levels and Loans		
Gradually raised raw cane sugar loan rate to 18.75¢/lb. by FY2012, in 1/4¢ increments beginning in FY2010, as follows: *¢ / lb.* FY2009—18.00 FY2010—18.25 FY2011—18.50 FY2012—18.75 FY2013—18.75 FY2014—18.75	Maintains 18.75¢/lb. raw cane sugar loan rate for entire farm bill period (through the 2018 crop year, or FY2019).	Would reduce raw cane sugar loan rate to 18.0¢/lb. for 2014 through 2018 crop years (i.e., FY2015 through FY2019).
Set refined beet sugar loan rate at 22.9¢/lb. in FY2009. Starting in FY2010, setbeet sugar rate equal to 128.5% of the raw cane loan rate in effect (e.g., rising to 24.09¢/lb. in FY2012), as follows: *¢ / lb.* FY2009—22.90 FY2010—23.45 FY2011—23.77 FY2012—24.09 FY2013—24.09 FY2014—24.09	Maintains 24.09¢/lb. refined beet sugar loan rate for entire farm bill period.	Would reduce effective refined beet sugar loan rate to 22.9¢/lb. through 2018 crop year (i.e., through FY2019).
Continued other price support provisions enacted in 2002 farm bill.	Continues all other 2008 farm bill price support provisions.	Would continue all other 2008 farm bill price support provisions.

2008 Farm Bill & One-Year Extension (P.L. 110-246 & P.L. 112-240, Title VII)	2014 Farm Bill (P.L. 113-79)	*Sugar Reform Act of 2013 (S. 345 and H.R. 693) as Modified by Defeated Floor Amendments to the 2014 Farm Bill*
	Payment-in-Kind Authority	
Continued in-kind authority and added stipulation that planted beets or cane diverted from production can be used only as bioenergy feedstock.	Maintains provision.	Would maintain provision.
	Storage Payments	
Increased (only through crop year 2011) the minimum storage rates to be paid by USDA to processors that forfeit loans at 10¢/cwt. for raw cane sugar and 15¢/cwt. for refined beet sugar. These rates reverted back to pre-2008 farm bill levels for the 2012 and 2013 sugar crops.	Continues minimum storage rates in effect before temporary 2008 farm bill change.	Would continue minimum storage rates in effect before temporary 2008 farm bill change.
	Storage Facility Loans	
Retained financing authority, and added stipulation that loans shall not require any prepayment penalty.	No change.	No change.
	Marketing Allotments and Allocations	
Restored mandatory sugar marketing allotments as a tool to be used by USDA to avert loan forfeitures. Required USDA to set the national "overall allotment quantity" (OAQ – the total amount of U.S.-produced sugar that can be sold in the domestic market each year) using five specified factors *(see below)*. Stipulated that the OAQ be split between beet and cane sectors on a 54.35% and 45.65% basis, respectively. Required each sector's allotment to be allocated to states (in the case of cane) and to individual processors (both beet and cane sectors). Stipulated that the OAQ had to accommodate WTO and NAFTA import commitments (1.532 million short tons (ST)).	Maintains all provisions without change through the 2018 crop year for sugar (i.e., FY2019).	Would maintain most provisions, except for changes noted below, through the 2018 crop year for sugar (i.e., FY2019).

2008 Farm Bill & One-Year Extension (P.L. 110-246 & P.L. 112-240, Title VII)	2014 Farm Bill (P.L. 113-79)	*Sugar Reform Act of 2013 (S. 345 and H.R. 693) as Modified by Defeated Floor Amendments to the 2014 Farm Bill*
Required USDA to estimate for each year the quantity of sugar that will be consumed as food by humans, the quantity of sugar that provides for reasonable carryover (ending) stocks, the quantity of sugar that will be available from carry-in (beginning) stocks for human food use, the quantity of sugar that will be processed from U.S. production of sugarcane and sugar beets, and the quantity of sugar that will be imported for human food use.	Maintains current requirement on the supply and demand components that USDA must estimate each year.	Would maintain current requirement on what USDA must estimate, with one additional requirement: that USDA estimate the quantity of sugar that provides for reasonable carryover (or ending) stocks at reasonable prices.
Required USDA to use two criteria to set the OAQ at a level sufficient to maintain raw and refined sugar prices that result in no loan forfeitures to the CCC but not less than 85% of USDA's estimate of human food and beverage use. Stipulated that USDA must adjust upward or downward the OAQ to reflect re-estimates in any of the factors specified above, but could not reduce the OAQ to an amount less than 85% of estimated U.S. human food use.	Maintains current authorities.	Would repeal the second requirement that the OAQ be set at not less than 85% of USDA's estimate of human food and beverage use. Would replace that with requirement that USDA set the OAQ at a level that is appropriate to maintain adequate supplies at reasonable prices, taking into account all sources of domestic sugar supply, including imports. Would remove provision that USDA may not adjust the OAQ below the 85% estimate of U.S. human food use.
Made no changes to current U.S. import quota commitments found in various trade agreements and laws. On January 1, 2008, Mexico became eligible to ship duty free an unlimited amount of sugar to the U.S. market.	Continues current U.S. trade commitments without any change.	Would continue current U.S. trade commitments without any change.
Repealed requirement for USDA to reallocate sugar import quota shortfalls.	No comparable provision.	Would require USDA to establish a process for any country with a share of the U.S. sugar import quota to temporarily transfer all or part of its share to any other country with a U.S. sugar import quota share. Stipulates that any such transfer shall be valid only if voluntarily agreed to between the two countries.
Required USDA to set initial import quotas for raw cane and refined sugar at the minimum level necessary to comply with U.S. trade agreement obligations. Laid out steps to be followed to increase imports in the event of an emergency sugar shortage. In case of such a shortage before April 1 of a marketing year, required USDA to increase supplies *first* by reassigning allotment deficits to imports of raw cane sugar (i.e., increase the raw sugar quota), and *second* to the refined sugar quota, if certain conditions are met. On or after April 1, allows USDA only to increase the raw cane sugar quota, if specified conditions are	Continues current policy.	Would maintain requirement that USDA set import quotas for raw cane sugar and refined sugar at not less than the minimum level necessary to comply with U.S. trade agreement obligations. Modifies criteria to be used to adjust imports as follows: Would require USDA to adjust the quotas for raw cane sugar and refined sugar to provide for adequate sugar supplies at reasonable prices in the U.S. market. Would require USDA to set and adjust these quotas so that ending sugar stocks will be about 15.5% of total sugar use at the end of each fiscal year. Would allow for

2008 Farm Bill & One-Year Extension (P.L. 110-246 & P.L. 112-240, Title VII)	2014 Farm Bill (P.L. 113-79)	*Sugar Reform Act of 2013 (S. 345 and H.R. 693) as Modified by Defeated Floor Amendments to the 2014 Farm Bill*
met.		USDA to adjust the ending sugar stocks ratio target if necessary to prevent unreasonably high prices or forfeitures of loans taken out by processors if market prices fall below effective support levels. In setting and adjusting quotas, would require USDA to consider their impact on consumers, workers, businesses (including small businesses), and agricultural producers.
Sugar-for-Ethanol Program (Feedstock Flexibility Program)		
Required USDA (for FY2008-FY2013) 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 resell such sugar as a biomass feedstock to produce bioenergy, in a way to ensure that sugar price support program provisions *(see above)* operate at no cost and avoid loan forfeitures. Required 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. Required USDA to use CCC resources, including "such sums as are necessary," to implement this authority. Prescribed how CCC-inventory sugar is to be disposed for this Program and other purposes, and allowed for the sale of CCC-inventory sugar in the case of emergency shortages of sugar for food use caused by war, flood, hurricane, other natural disaster, or other similar event.	Continues current policy through the 2018 crop year for sugar (i.e., FY2019).	Would repeal program upon enactment.

Source: Public laws and bills cited in table headers.

Note: The Senate approved the sugar program provisions of the Senate Agriculture Committee-reported bill (S. 954) without change on June 10, 2013. The Senate considered the Sugar Reform Act as S.Amdt. 925 to S. 954 during floor debate on May 22, 2013. This amendment was defeated on a 45-54 vote. The House considered the Sugar Reform Act as H.Amdt. 227 to revise the House Agriculture Committee-reported sugar program provisions during floor debate on its farm bill (H.R. 1947) on June 20, 2013. That amendment was defeated on a 206-221 vote. With the subsequent defeat of H.R. 1947, the House passed a farm bill without the nutrition title (H.R. 2642) on July 11, 2013. This included the Agriculture Committee-reported sugar program provisions found in H.R. 1947 with changes that would authorize the sugar program (except for the sugar-to-ethanol program) on a permanent basis (i.e., no expiration date). The farm bill conference report (H.Rept. 113-333 to accompany H.R. 2642) reauthorized the enacted 2008 farm bill's sugar program without any changes, and will be in effect for another five years (through the 2018 crops and for sugar processed in FY2019). Although S.Amdt. 925 and H.Amdt. 227 were defeated, their provisions are included in this table for comparison, and because some provisions could resurface in future legislative debate.

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