

SUGAR POLICY AND THE FARM BILL

RANDY GREEN

WATSON GREEN LLC

FARM, FOOD, AND NATIONAL SECURITY ACT OF 2024

- Increases raw & refined sugar loan rates
 - Recognizes increase in production costs for all commodities
- Adjusts CCC storage rates
 - Unlikely to be relevant soon, but current rates date to 2008
- Modifies beet sugar allotment administration
 - Enhances ability of sellers to market all their production

FARM, FOOD, AND NATIONAL SECURITY ACT OF 2024

- Mandates 2 TRQ reallocations each year
 - Encourages more adequate supplies, promotes transparency & predictability
- Requires study of additional refined TRQ terms, authorizes rulemaking
 - Recognizes need for refined imports to be immediately usable
- Changes “emergency shortage” language relevant to pre-April 1 TRQ increases
 - Secretary would retain considerable discretion

FARM, FOOD, AND NATIONAL SECURITY ACT OF 2024

- House bill takes into account both grower, user interests, provides some benefits to both
- Responds to all three concepts users had advanced
 - Remove any regulatory obstacles to domestic sugar capacity expansion
 - Improve TRQ operations
 - Address refined TRQ administration
- House provisions in these areas not identical to user proposals, but responsive & positive

WHAT'S NEXT?

- House bill faces obstacles in gaining majority on floor
 - SNAP provisions strongly opposed by Democrats
 - Deficit score from CBO may imperil conservative GOP support outside farm districts
- Senate committee does not appear to be close to a markup
- Congressional leaders have already spoken publicly about another extension
- Some believe a farm bill in lame-duck session is possible
 - May depend on whether control of one or both chambers flips

SUGAR PROGRAM ADMINISTRATION

- Recent years have seen unprecedented growth in high-tier imports
- Shortfall in supplies from Mexico certainly a factor, but there is also a policy dynamic
- Combination of domestic supply, imports from Mexico & TRQ imports results in substantial shortfall relative to normal supply levels
- High-tier imports fill that gap because they are only unconstrained source of supply
- Substantial quantities of high-tier imports require high-tier pricing by definition
 - Otherwise, transaction doesn't pencil out

SUGAR PROGRAM ADMINISTRATION

- According to July WASDE, in 2023-24 ...
 - High-tier raws 700,000 STRV
 - High-tier refined 270,000 STRV
- Including 59,000 STRV of molasses, USDA estimates these imports at –
 - 8% of total use
 - 7% of total supplies
 - 2.1x imports from Mexico
 - 51.8% of ending stocks

THE “POLICY S/U RATIO”

- What level of stocks did USDA use its legal authorities to ensure?
- A function of decisions on TRQ and Additional U.S. Needs
- For several years, USDA’s target stock range has been achieved only because of substantial high-tier imports

THE “POLICY S/U RATIO”

Year	S/U	S/U Without High-Tier Imports
2019/20	12.96	11.3
2020/21	13.78	12.1
2021/22	14.34	11.3
2022/23	14.35	10.8
2023/24 (July WASDE)	15.6	7.5

PROGRAM ADMINISTRATION TODAY

- When supplies short in Mexico, import sources insufficient without TRQ increases
- System has built-in bias vs. TRQ increases since suspension agreements re-set to 13.5%
- Modest TRQ increases and reallocations alone have not prevented high-tier pricing
- 2023/24 may be unique because of Mexico, but high-tier imports have persisted for several years when Mexican supplies were greater
- Policy makers appear comfortable with reliance on high-tier imports, judging from their policy responses