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## Sugar growers may share ethanol action

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WASHINGTON --

Congress is hoping that an ethanol industry with an endless appetite for corn will have a sweet tooth too.

Under the farm bill the House passed last month, the federal government would buy surplus sugar and sell it to ethanol producers, where it would be used in a mixture with corn. The program was inserted as a hedge against a looming North American Free Trade Agreement provision, which will let Mexico export unlimited amounts of sugar to the U.S. starting next year.

The U.S. sugar program currently props up sugar prices through a combination of price guarantees and import quotas. Once the limit on Mexican imports expires, the government could be faced with a price-depressing glut of sugar, which in turn could lead to taxpayer-funded government purchases of surplus sugar.

With that backdrop, the Congressional Budget Office has estimated the sugar program would cost about \$1.3 billion over 10 years. The program currently doesn't cost taxpayers anything because sugar prices are higher than the guaranteed minimum price.

The chairman of the House Agriculture Committee, Minnesota Democrat Collin Peterson, inserted the sugar-to-ethanol provision in the farm bill. Minnesota is the nation's largest producer of sugar beets, and Peterson represents the state's sugar beet-growing Red River Valley. U.S. sugar is made from beets in some Northern and Western states, and cane in a few Southern states and Hawaii.

The sugar-to-ethanol program would only kick in when imports lead to an oversupply of sugar in the U.S.

"This a program that blinks on and off," Peterson said. "It would only be used if needed." Peterson also included a slight increase in the guaranteed government minimum price for sugar growers, or loan rate, from 18 cents to 18.5 cents a pound.

The sugar-to-ethanol program is designed to save the cost of government purchases of surplus sugar. But according to the CBO, those savings would largely be offset by the cost of the new program and the price guarantee increase.

The Bush administration doesn't think much of the sugar-to-ethanol idea. Mark Keenum, agriculture undersecretary for farm and foreign agricultural services, said the Agriculture

Department tried to sell 100,000 tons of surplus sugar in 2001 for ethanol, but was only able to sell 10,000 tons - and at a significant loss.

"It would lock the department into a management process that's not been proven to be successful in the past," Keenum said.

But Jack Roney, an economist with the American Sugar Alliance, an umbrella group of farmers, processors and suppliers, said the market has changed since 2001.

Not that Peterson is expecting the program to operate without government help. The USDA would have to pick up the difference between what it pays for the extra sugar and what it can get from ethanol producers.

"It's going to take some amount of subsidy in order to get the plants to use it," Peterson said. "We're not sure how much that will be."

The Senate is to take up the farm bill after the August congressional recess, and the Senate Agriculture Committee's chairman, Sen. Tom Harkin, D-Iowa., was receptive to the program.

"We must continue to look for new sources to produce biofuels - sugar, cellulose, and others," he said in a statement. "Increasing our renewable energy investments helps increase our energy security and keeps our country competitive."

Steve Williams, a sugar beet farmer in Fisher, Minn., and president of the American Sugar Beet Growers Association, supported the program.

"It will make an excellent safety net so that the market does not become unbalanced," he said. "It will only be used if trade agreements bring in too much sugar to the U.S. Hopefully, it will never (have to) be used."

The National Corn Growers Association said it does not expect the program to have any noticeable effect on the demand for corn for ethanol.

Taxpayers for Common Sense was not impressed with the idea.

"This is not exactly the best thing for the consumer," said Demian Moore, a senior policy analyst with the group who specializes in agriculture policy. "It's just another subsidy for an industry that doesn't need to be subsidized."



Ann Heisenfelt, file / AP Photo

Steve Williams, a sugar beet farmer and president of the American Sugar Beet Growers Association, poses March 9, 2006, on his Fisher, Minn., farm. He supports the farm bill the House passed last month, in which the federal government would buy surplus sugar and sell it to ethanol producers, where it would be used in a mixture with corn to make ethanol.

- [Senate Agriculture Committee](#)
- [House Agriculture Committee](#)