Fact Sheet *June 2007*

United States Department of Agriculture

Sugar Storage Facility Loan Program

Overview

The 2002 Farm Bill authorized loans to processors of domestically-produced sugarcane and sugar beets for the construction or upgrading of storage and handling facilities for raw sugars and refined sugars. The Sugar Storage Facility Loan Program (SSFL) is administered by USDA's Farm Service Agency (FSA).

Eligible Borrowers

To be eligible, processors must:

- Have a satisfactory credit history, no delinquent Federal debt, and demonstrate an ability to repay debt;
- Demonstrate a need for increased storage capacity;
- Demonstrate compliance with any applicable local zoning, land use, and building codes for the applicable storage facility structures;
- Annually provide USDA's Commodity Credit Corporation (CCC) proof of all-peril insurance on the structure and contents, and flood insurance if applicable;
- Demonstrate compliance with the National Environmental Policy Act regulations, including undergoing an environmental assessment (EA) for proposed construction activity;
- Not have been convicted under Federal or state law ***of*** a disqualifying controlled substance violation, and;
- Be approved by CCC to store sugar either owned by CCC or pledged as security to CCC for nonrecourse marketing assistance loans.

Eligible Storage or Handling Equipment

Loans may be made only for the purchase and installation of eligible storage facilities, permanently affixed handling equipment, or the remodeling of existing facilities. Eligible facilities and equipment include:

- New conventional type bins or silos designed for and used to store raw or refined sugar, having a useful life of at least 15 years;
- New flat-type storage structures, including a permanent concrete floor and bulkheads, designed for and used to store raw or refined sugar, having a useful life of at least 15 years;
- New storage structures designed for and used to store in-process sugar, having a useful life of at least 15 years;
- New electrical equipment, such as lighting, motors, and wiring, integral to the proper operation of the sugar storage and handling equipment;
- New equipment to improve, maintain, or monitor the quality of stored sugar, such as moisture testers and heat detectors, in conjunction with a proposed storage facility; and
- New concrete foundations, aprons, pits, and pads, including site preparation, labor, and material, essential to the proper operation of the sugar storage and handling equipment.

Term of Loan

The maximum term of the loan is 15 years. No extensions will be granted.

Security for Loan

All loans shall be secured by a promissory note and security agreement, which shall:

- grant CCC a security interest in the storage facility;
- grant CCC a security interest in other assets used as collateral; and
- be executed as required by applicable state law.

Additional security will be required as necessary to adequately secure the loan to the extent that CCC determines the value of primary and additional security is at least equal to 125 percent of the loan amount. Types of acceptable additional security are:

- real estate;
- chattels;
- crops in storage; and
- other available assets offered as

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collateral.

Loan Amount

The maximum principal amount of any farm storage facility loan shall be 85 percent of the net cost of the applicant's needed storage or handling equipment.

Downpayment

A minimum downpayment representing the difference between the net cost of the storage facility and the amount of the loan shall be made by the loan applicant to the supplier or contractor before the loan is disbursed.

Interest

Loans shall bear interest at the rate equivalent to the rate of interest charged on U.S. Treasury securities of comparable maturity on the date the loan is approved. The interest rate for each loan will remain in effect for the term of the loan.

Installment Payments

Equal installments of principal plus interest will be amortized over the loan term for purposes of setting a payment schedule. Installments are due and payable not later than the last day of each 12-month period of the loan, until the principal plus interest has been paid in full.

Applicant Responsibilities and Other Requirements

Unless otherwise authorized, delivery of storage structure parts, site preparation, and construction cannot begin until after the loan is approved by the approving committee. Unless an extension of time is approved, loan approvals expire 8 months after the approval date during which time the applicant must complete construction and submit final cost documentation.

Applicants pay all loan-making fees and closing costs. This includes, but is not limited to, attorney fees for loan closings, environmental assessments and studies, chattel and real estate appraisals, title opinions, title insurance, title searches, filing and recording all real estate liens, fixture filings, subordinations, credit reports, collateral lien searches, and filing and recording financing statements for the collateral.

Loans cannot be disbursed until construction is complete, applicants provide final cost documentation, final net cost is determined, and the facility is inspected by FSA.

Other requirements apply. Check with USDA Service Centers for details. Information is also available on FSA's home page at: www.fsa.usda.gov