

# Legislative Analysis

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## MICHIGAN SUGAR COMPANY GRANT

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**House Bill 4558**

**Sponsor: Rep. Tom Meyer**

**Committee: Agriculture**

**Complete to 4-26-05**

## A SUMMARY OF HOUSE BILL 4558 AS INTRODUCED 3-24-05

The bill would amend Public Act 105 of 1855, which places certain conditions and limitation on how the state treasurer may invest state surplus funds, to forgive the \$5 million loan authorized by Public Act 123 of 2001 to a sugar beet growers' cooperative, as well as the loan modification authorized under Public Act 342 of 2004, and have the loan instead be considered a grant.

MCL 21.142e

## FISCAL IMPACT:

In forgiving the loan to the Michigan Sugar Beet Growers, Inc, the bill would effectively transfer a \$5 million long-term state asset to a private entity.

## BACKGROUND INFORMATION:

Public Act 123 of 2001 amended Public Act 105 of 1855 to provide a \$5 million zero interest loan of state surplus funds to Michigan Sugar Beet Growers, Inc – a cooperative of more than 1,000 sugar beet growers – for the purchase of Michigan Sugar Company, then a subsidiary of Texas-based Imperial Sugar, which had filed for bankruptcy. The \$63.5 million sale was finalized in February 2002. Originally, the loan had a maturity date of February 1, 2007.

Public Act 342 of 2004 (Senate Bill 1349) amended Public Act 105 to require the state treasurer, as part of the modification of the loan, to subordinate the state's interest in the loan to the primary loan of the cooperative. In addition, the act delayed repayment of the loan, so that repayment of the loan begins 10 years after the loan was modified and is payable over a 20 year period.

The modification authorized under Public Act 342 was necessary to assist Michigan Sugar Company in the purchase of Monitor Sugar (located in Monitor Township, Bay County) from its parent company, Illova Sugar Ltd. of South Africa. The purchase of Monitor Sugar, completed in October 2004 for about \$40 million, combined the sugar beet growers of Michigan Sugar Company and Monitor Sugar into one larger cooperative operating under the name Michigan Sugar Company with about 1,250 grower-members, 500 permanent employees and 1,800 seasonal workers. The company, headquartered in

Saginaw Township, operates processing facilities in Bay City (Monitor Township), Caro, Sebawaing, and Croswell, and recently shuttered its plant in Carrollton Township. The company produces nearly 1 billion pounds of sugar annually marketed under the Pioneer and Big Chief brand names.

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