

# Legislative Analysis



## MICHIGAN SUGAR COMPANY LOAN REPAYMENT

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 4558 (Substitute H-1)**

**Sponsor: Rep. Tom Meyer**

**Committee: Agriculture**

**Complete to 5-17-05**

### A REVISED SUMMARY OF HOUSE BILL 4558 AS REPORTED FROM COMMITTEE

The bill would amend Public Act 105 of 1855 (MCL 21.142e), which addresses how the state treasurer may invest state surplus funds, to specify that the repayment of the \$5 million loan authorized by Public Act 123 of 2001 to a sugar beet growers' cooperative shall be in installments of \$500,000 per year until the loan is fully repaid. Currently, the loan must be repaid by February 1, 2007.

#### FISCAL IMPACT:

As described more fully below, the state of Michigan provided a \$5.0 million interest-free loan to the Michigan Sugar Beet Growers Inc. on February 12, 2002. The loan was to have been repaid within five years, by February 1, 2007. It is our understanding that the cooperative made one loan payment, of \$250,000, on April 1, 2005. Under terms of the current loan agreement, the cooperative would have to make two additional payments of \$250,000 in 2005 (in July and October 2005), four payments of \$250,000 in 2006 (every three months beginning on January 1, 2006), with the balance repaid by February 1, 2007.

Under provisions of the bill, the cooperative would have to pay only an additional \$250,000 in 2005 (\$500,000 in total for 2005), and \$500,000 per year until the loan was repaid by 2014. The bill does not otherwise provide a payment schedule.

#### 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. The loan has 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. 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, Sebewaing, and Croswell. The company produces nearly 1 billion pounds of sugar annually marketed under the Pioneer and Big Chief brand names.

Legislative Analyst: Mark Wolf  
Fiscal Analyst: William E. Hamilton

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.