



Newsletter

National Sweetener and Ingredient Marketing Assn
National Sugar Broker's Association



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Message from Ray Washmera, President;

Hello to All: Being January 2006, the NSIMA and I wish you a happy and prosperous New Year.

And what a year it looks to become !

For some of us "experienced and distinguished types", we remember 1980 and the sugar markets they were. This year the dust is clearing and bringing back memories of world and domestic sugar markets going wild.

Enclosed are articles which describe the situation at hand. Certainly, between the fundamentals, the energy crisis, and the funds influence, the reasons are varied and dynamic.

Our Association promises to do its best to keep you informed. Just stay tuned.

Have a great year.

Sincerely,

Ray Washmera

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Bob Poage

by Nick Kominus

Bob Poage, a Democratic Congressman from Texas, was one of the most interesting characters involved in sugar legislation over the years. He knew more about agriculture and the farm programs than any member of Congress before or since. No USDA official or farmer could pull the wool over his eyes. He was a workaholic, and drove his staff to exhaustion.

Elected to Congress in 1936, he couldn't get assigned to the Agriculture Committee until his third term. In those days, agriculture played a much larger role in the economy and many Members were anxious to serve on the Ag Committee.

Once assigned to the Committee, Mr. Poage dropped all of his other Committee assignments. He believed that a Member should only serve on one committee so as to become a specialist on the subject. When he finally made it onto the Committee it had twenty-one members (today it has 46).

Although Mr. Poage was not elected Chairman of the Committee until 1967, he played a major role in farm legislation, and was the vice chairman of the Committee for a number of years.

He never had a problem distinguishing between what farmers want and what they need. Farm groups that came in and asked for the moon were asked by Mr. Poage in a loud, screeching voice whether they wanted a "little bit of something or a whole lot of nothing."

The Chairman of the Senate Agriculture Committee once said that Mr. Poage was the only man he had ever met "who becomes increasingly irritated by the sound of his own voice."

One time way back in the 1970s, Mr. Poage was conducting a hearing on sugar legislation. Those in attendance started drowsing off as witness after witness droned on with the same old testimony.

Suddenly, the peace was broken when Mr. Poage exploded as if someone had put a hot poker to his hide. He had caught sight of a sugar lobbyist opening a door in the back of the hearing room that led to the Committee office. He yelled, "you sugar people are outrageous. You go into our office, you sit at our desks, you use our phones. Why you even browse over the documents on our desks. We never have this problem with the wheat lobbyists, the corn lobbyists, or any others; it's only you sugar lobbyists, and I want it to stop."

In 1975, in the aftermath of the Watergate scandal, an influx of "Young Turks" were elected to office and descended upon Washington. Many were reformers who promised organizational reform. This crowd found Mr. Poage and some other chairmen too conservative. They were anxious to adopt all sorts of social welfare programs. Mr. Poage supported many of these programs, but on the other hand believed as the Bible says "in the sweat of thy face shall thou eat bread, Genesis 3:19." (Members used to quote quite often from the bible in those days.)

When the Democratic caucus met to organize the House, Mr. Poage and three other chairmen were rejected. Although he lost by only three votes, he refused to fight the decision on the House floor, although he was urged by many Members to do so. Instead he took to the floor and spoke on behalf of Congressman Tom Foley, the next member in seniority.

It was a sad day in the history of the Congress. And everything has been going down hill ever since.

Tuesday, December 13, 2005: By Carol Stender , Agri News staff writer

Too much rain challenges sugar beet growers, cooperative

FARGO, N.D. -- Minn-Dak Farmers Cooperative, based in Wahpeton, N.D., remains in sound financial condition despite challenging growing conditions over the past two years, lower sugar content in the beets and poor markets.

Dave Roche, Minn-Dak president and CEO, made the report to grower-shareholders last week at its annual meeting in Fargo.

In its fiscal year ending Aug. 31, the cooperative saw lower sugar contents and lower payment-per-ton to its grower-members. Roche blamed back-to-back poor growing seasons.

About 5 percent of the cooperative's sugar beet acres were unharvested in 2004 due to late-season rains. Some fields were unplanted this spring because of wet fields and flooding, Roche said.

"We had excessive rains of up to 30 inches during the growing season," said Minn-Dak Board chairman Mike Hasbargen of Breckenridge. "That persistent, consistent rainfall created a biological environment where pathogens and soil-borne bacteria grew ... It was a two-tier loss. We were either affected by the rain and field flooding or by disease."

Hasbargen lost about 20 percent of his crop this spring due to wet field conditions but remains optimistic about next year.

"We are optimistic but somewhat guarded about the next growing season," he said. "Our soil profile is saturated going into the next growing season. We are looking for something more dry than normal until our plants get to a size where they can handle some above average rainfalls."

The cooperative reported its largest crop for the last fiscal year with 2.3 million tons of sugar beets, Roche said. The 2005 crop experienced a tonnage drop of 20 percent. This year's harvest garnered 1.8 million tons with an average yield of 17.7 tons-per-acre. That's down from 23.3 tons per acre last year.

"We fully understand that agriculture is a business of averages made up of highs and lows," Roche said.

"Obviously, we enjoy the highs much better than the lows."

The Red River Valley isn't the only sugar producing area to face challenges this year, he said. Sugar cane fields in Louisiana and Florida could experience the ill effects of hurricanes Katrina, Wilma and Rita over the next two growing seasons. The hurricanes severely damaged the nation's largest sugar cane refinery in Chalmette, La.

Higher sugar prices resulted from the hurricane damage and poor crop conditions in the Red River Valley. Supplies are meeting sugar demand, but the USDA has increased the level of sugar imports to make up for lost production and reduced refinery capacity.

Minn-Dak supports renewing the current farm bill and wants only minor modifications, he said.

"We have been interested in Congressman Collin Peterson's thoughts to extend the current farm bill for two additional years until we have more clarity as to the impact of the ongoing WTO negotiations," he said. "We share Congressman Peterson's view that American farm policy be developed in Washington and not by the WTO, recognizing that we are, in fact, living in a smaller world and transitioning to a truly globalized marketplace."

Wednesday, December 14, 2005; **The Associated Press**

Drayton sugar beet plant running smoothly again; repairs continue

DRAYTON, N.D.: The American Crystal Sugar Co. plant here is once again running smoothly after problems last month that caused a seven-day shutdown, but repair work continues.

The sugar beet processing facility shut down Nov. 13 when ground shifting beneath a pump house on the Red River that supplies the plant with water broke a pipeline.

Temporary diesel pumps were brought in from Chicago, but when operations started up, there were problems with the plant's boiler.

David Berg, vice president of operations for the Moorhead, Minn.-based company, said specialized crews from different parts of the country were called in to fix that problem.

The plant resumed operations Nov. 20.

A weeklong shutdown of a plant "is certainly out of the ordinary," Berg said. "A lot of people did a lot of great work to get this thing going."

Permanent repairs on the pump house and pipeline continue. Officials hope to complete the work in early January.

"It's a tribute to these construction workers around here. They know how to work in (winter) conditions," Berg said.

He had no immediate estimate on how much the problems cost the company. Losses include not only repair costs and down time but also reduced sugar content in the beets. Beets lose sugar every day they sit in storage.

"Seven days at one factory is equivalent to one day over the entire (Red River) valley," Berg said.

American Crystal has five beet processing plants in the valley, at Drayton and Hillsboro in North Dakota and at Crookston, East Grand Forks and Moorhead in Minnesota.

Dec. 14, 2005; By Business Editors - (c) 2005 Business Wire

Imperial Sugar Company Announces Fiscal 2005 Financial Results

SUGAR LAND, Texas--(BUSINESS WIRE)--Dec. 14, 2005--Imperial Sugar Company (Nasdaq:IPSU) today announced financial results for its fourth quarter and fiscal year ended September 30, 2005. For the fiscal year ended September 30, 2005, the Company incurred a loss from continuing operations of \$5.4 million, or \$0.52 per diluted share compared to income from continuing operations for fiscal 2004 of \$7.5 million, or \$0.69 per diluted share. The Company reported a net loss of \$19.3 million, or \$1.84 per diluted share for fiscal 2005, including a loss from discontinued operations of \$13.9 million. Discontinued operations include the loss on sale of its Holly Sugar subsidiary which, as previously reported, was sold in September 2005 for cash proceeds of \$51.1 million, plus certain escrow amounts withheld totaling \$3.8 million.

"We are obviously not pleased with our financial performance during this past year," stated Robert A. Peiser, Imperial's president and chief executive officer. "As we have previously discussed with investors, the combination of ever increasing energy costs and very low sugar prices, particularly earlier in the year when a substantial volume of industrial business is often booked on an annual basis, created a very difficult operating environment. We are fortunate, however, to have positioned the Company's balance sheet so that we can easily withstand such years and work towards periods where industry dynamics are more favorable.

"It would appear that industry conditions in 2006 might well be more favorable. On the negative side, operations throughout the Southeast have been severely impacted during the post-hurricane period, leading to increases in the cost of transportation and supplies, at the same time that energy costs used in our manufacturing process have actually accelerated their upward trajectory. On the other hand, the supply situation within the industry has changed dramatically as a result of a projected smaller sugar beet crop and the hurricanes' impact on both refining capacity as well the size of the Louisiana and Florida sugar cane crop. As a result of these factors, we have been able to increase prices in a manner that should allow us to recover our costs and improve our margins. While it is extremely difficult to predict how long these market conditions will last, at this time we expect our financial performance during 2006 to be more acceptable than what we experienced in 2005."

For the year ended September 30, 2005, revenues from continuing operations increased to \$803.8 million from \$785.9 million in fiscal 2004, because of higher industrial and foodservice volumes. The lower operating results were primarily the result of a reduced gross margin of 5.3% of sales in fiscal 2005 compared to 8.0% of sales in the prior fiscal year. Lower domestic sales prices, higher energy and transportation costs, partially offset by lower raw sugar costs, were the primary drivers of the lower gross margin. Additionally, manufacturing costs were negatively affected by increased costs for packaging materials, processing materials and chemicals, as well as the fact that the Company had received a sales tax credit in the prior year under an economic incentive agreement with its Louisiana refinery with no comparable credit in the current year.

Selling, general and administrative expense for fiscal 2005, increased \$3.7 million or 9.3% from fiscal 2004, primarily due to increased benefits costs and professional services costs, offset by a decrease in incentive compensation costs in the current year. Increases in professional services fees, due to Sarbanes-Oxley compliance efforts as well as strategic business initiatives, also contributed to the higher selling, general and administrative costs.

For the fourth fiscal quarter ended September 30, 2005, the Company reported a loss from continuing operations of \$2.8 million or \$0.26 per diluted share, compared to income of \$3.7 million or \$0.34 per diluted share during the same quarter last year. Net sales from continuing operations for the fiscal 2005 fourth quarter were \$226.6 million, compared to \$209.8 million for the fourth fiscal quarter last year due primarily to an increase in domestic sugar volume. Gross margin as a percentage of revenue decreased to 4.7% in the fourth fiscal quarter from 7.4% in the same quarter of the previous year. This margin decline was primarily attributable to lower sales prices along with higher energy, freight and raw sugar costs in the fourth

quarter of fiscal 2005.

At September 30, 2005, the Company had a negative net debt position (that is, a higher cash balance than debt) of \$42.5 million, considerably better than the already strong position that existed at September 30, 2004, of net debt equal to \$9.5 million. The year end 2005 cash balance included the proceeds from the sale of Holly Sugar but was after a \$21.4 million special funding of its defined benefit plans. Subsequent to the end of the year, the Company paid a \$2.50 special dividend on its common stock, further utilizing \$26.4 million of the Company's surplus cash.

Commenting on the Company's financial position, Peiser noted that "we have tried to balance the long-term needs of the business with the need to satisfy some of the shorter-term objectives of our stockholders. The sale of Holly Sugar further de-emphasized the commodity side of our business, eliminated an operation that was disproportionately energy dependent and provided the resources to allow us to improve our defined benefit plans' funding position and pay a special dividend. We are dedicated to the creation of stockholder value and were pleased to be able to create value in the form of that dividend during a time when we were all disappointed with our operating performance. Even with these actions, the Company is still in a very strong financial position and we are hopeful we can build on this position in the new year if current industry trends that were evident at the beginning of the year continue."

As previously announced, Company officials will discuss Imperial Sugar's operating results for the quarter and year ended September 30, 2005, its current financial position and its business strategies on a call and webcast to be held at 11:00 a.m. EST on Wednesday, December 14, 2005. Participants wishing to listen and participate in a brief question-and-answer session after the presentation can dial 800-573-4754 and enter the Passcode: 52469544. The conference call also can be accessed via live audio webcast by visiting Imperial Sugar's web site at <http://www.imperialsugar.com> and clicking on the "Q4 2005 Imperial Sugar Earnings Conference Call" icon under "Investor Relations." For those who are unable to listen to the call during its live broadcast, a replay of the entire presentation will be available on the company's web site beginning one hour following the conclusion of the call. In addition to the webcast replay, a telephone replay will also be available beginning one hour following the conclusion of the call that can be accessed by dialing 888-286-8010 and entering the Passcode: 33665806. Both replays will be available through January 14, 2006.

About Imperial Sugar Imperial Sugar Company is one of the largest processors and marketers of refined sugar in the United States to food manufacturers, retail grocers and foodservice distributors. With packaging and refining facilities across the U.S., the Company markets products nationally under the Imperial(R), Dixie Crystals(R) and Holly(R) brands. For more information about Imperial Sugar, visit www.imperialsugar.com. Statements regarding future market prices and margins, future energy costs, future operating results, operating efficiencies, future government and legislative action, future cost savings, future benefit costs, our liquidity and ability to finance our operations, and other statements that are not historical facts contained in this release are forward-looking statements that involve certain risks, uncertainties and assumptions. These include, but are not limited to, market factors, energy costs, the effect of weather and economic conditions, farm and trade policy, our ability to realize planned cost savings, the available supply of sugar, actual or threatened acts of terrorism or armed hostilities, legislative, administrative and judicial actions and other factors detailed in the Company's Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

IMPERIAL SUGAR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Year Ended September 30,	
	2005	2004	2005	2004
Net Sales	\$ 226,551	\$ 209,813	\$ 803,774	\$ 785,895
Cost of Sales	215,801	194,329	761,532	723,330
Gross Margin	10,750	15,484	42,242	62,565
Selling, General and Administrative Expense	12,062	8,890	43,123	39,439
Depreciation	3,275	3,038	12,739	11,051
Loss (Gain) on Operating Asset Sales	441	174	(2,931)	266
Operating Income (Loss)	(5,028)	3,382	(10,689)	11,809
Interest Expense	(1,211)	(1,214)	(2,909)	(5,808)
Gain on Non-Operating Asset Sales	-	-	1,854	-
Other	2,004	558	3,683	2,277
Income (Loss) from Continuing Operations Before Income Taxes	(4,235)	2,726	(8,061)	8,278
Provision for Income Taxes	(1,478)	(1,005)	(2,618)	758
Income (Loss) from Continuing Operations	(2,757)	3,731	(5,443)	7,520
Income (Loss) from Discontinued Operations	(17,525)	1,760	(13,865)	7,444
Net Income (Loss)	\$ (20,282)	\$ 5,491	\$ (19,308)	\$ 14,964
Basic Earnings Per Share of Common Stock:				
Income (Loss) from Continuing Operations	\$ (0.26)	\$ 0.36	\$ (0.52)	\$ 0.73
Income (Loss) from Discontinued Operations	(1.66)	0.17	(1.32)	0.73
Net Income (Loss)	\$ (1.92)	\$ 0.53	\$ (1.84)	\$ 1.46

Diluted Earnings
 Per Share of Common
 Stock:

Income (Loss) from Continuing Operations	\$	(0.26)	\$	0.34	\$	(0.52)	\$	0.69
Income (Loss) from Discontinued Operations		(1.66)		0.16		(1.32)		0.69
Net Income (Loss)	\$	(1.92)	\$	0.50	\$	(1.84)	\$	1.38

IMPERIAL SUGAR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars) (Unaudited)

	September 30, 2005	September 30, 2004
	-----	-----
Cash and Temporary Investments	\$ 49,179	\$ 2,514
Accounts Receivable	52,233	74,883
Inventory	95,647	161,922
Other Current Assets	16,972	7,884
	-----	-----
Current Assets	214,031	247,203
Plant Property & Equipment	96,818	138,136
Deferred Income Taxes	40,338	23,887
Other Assets	8,604	6,584
	-----	-----
Total	\$ 359,791	\$ 415,810
	=====	=====
Accounts Payable	\$ 69,142	\$ 77,849
Current Maturities of Long-Term Debt	2,346	5,334
Other Current Liabilities	23,386	33,647
	-----	-----
Current Liabilities	94,874	116,830
Long-Term Debt	6,707	12,041
Current Maturities of Long-Term Debt	(2,346)	(5,334)
	-----	-----
Long-Term Debt -- Net of Current Maturities	4,361	6,707
Other Liabilities	111,084	116,072
Shareholders' Equity	149,472	176,201
	-----	-----
Total	\$ 359,791	\$ 415,810
	=====	=====
Shares of Common Stock Outstanding	10,561,017	10,373,700

In addition to financial results determined in accordance with generally accepted accounting principles (GAAP) that are included in the attached press release, this document also includes the non-GAAP financial measure (as defined under SEC's Regulation G) "Net Debt." Management believes that Net Debt (Long-Term Debt, plus Short-Term Borrowings, less Cash and Temporary Investments) provides a useful measurement of the Company's leverage position. Net Debt excludes Deferred Employee Benefits and Other Liabilities. Net Debt is comprised of (in thousands of dollars):

	September 30, 2005	September 30, 2004
	-----	-----
Short-Term Borrowings	\$ -	\$ -
Long-Term Debt	6,707	12,041
Less:		
Cash and Temporary Investments	49,179	2,514
	-----	-----
Net Debt	\$ (42,472)	\$ 9,527
	=====	=====

(Filed: 16/12/2005) By Malcolm Moore in Hong Kong

WTO talks going 'backwards'

The world trade talks are on the brink of failure, as Europe warned that negotiations were going "backwards" and all sides agreed that almost no headway has been made in Hong Kong.

"Many more hours have been spent through the night, but there is still no clear basis for negotiation," said Peter Mandelson, Europe's trade negotiator. "Between the lines, the emerging direction of the meeting is worrying. The level of ambition, if anything, is going backwards. It is hard to see where progress can be achieved if the talks continue in their present direction."

Rob Portman, the United States trade representative, agreed. "The big breakthrough will not happen here," he said.

The US made it clear yesterday that it is considering its future trade plans in case the entire trade round collapses. The UK is preparing a back-up plan to deal with the aftermath of the talks and push forward the round. "No one will be able to say this has been a successful meeting," said Alan Johnson, the trade secretary. "There has been some discussion around what we would do," he admitted. Mr Johnson said no concrete plans have been put forward because it would "give people a bit of a get-out because they think there is some cavalry riding over the hill in terms of the heads of government."

Nevertheless, Tony Blair has spoken with President Bush, President Lula of Brazil and Prime Minister Singh of India, and a meeting is planned early next year to try to force an agreement. The main sticking point is Europe's inability to cut its tariffs on imported farm produce any further. Sources said Mr Mandelson has been barracked by European ministers in Hong Kong, who have forced him to be stubbornly intransigent.

Senior US trade officials said the talks are "being held hostage to a failure of our partners to come forward with ambitious offers in agriculture market access." It has now become clear that even if other countries, such as Brazil, presented bold offers on cutting industrial tariffs, Europe will still be unable to up its offer. Pascal Lamy, the director-general of the WTO is desperately re-writing the entire framework on which the talks are based, in the hope of finding the slim common ground between the various sides. A new framework will be delivered tomorrow afternoon.

Venezuela became the latest country to threaten to walk out of the talks. Mauritius, and a number of African countries are also on the verge of leaving because they are upset about cotton subsidies. Since the WTO depends on a unanimous vote, any walkouts would lead to an instant collapse, as in Cancun two years ago.

Meanwhile, 110 countries, represent four-fifths of the world's population, have put their differences aside and banded together in order to fight the US and Europe. Led by Brazil and India, this new axis of power said it was ridiculous that rich countries had reached day four of the talks without even agreeing a development package. They also want a firm date set for the elimination of the payments that Europe makes to its food exporters.

"We spent four hours talking about this. We saw all kind of subterfuges being used for not putting a date on the table," said Kamal Nath of India. Deepak Patel, who is representing the poorest countries here at the talks, said they would not sign up to a weak agreement. "What part of no do you not understand?" he asked.

December 18, 2005; By Andrew Martin, **The Chicago Tribune**

Sugar refinery finally back in New Orleans

But critics find flaws in overall U.S. policy

ARABI, La. -- After losing a bruising battle to defeat the Central American Free Trade Agreement and being pummeled by hurricanes, the sugar industry found a reason to celebrate last week when the nation's largest sugar refinery reopened. Owned by Domino Sugar, the huge plant along the Mississippi River typically produces 19 percent of the nation's sugar supply, including 5-pound bags, sugar cubes and 2,000 sugar packets a minute.

As much as 9 feet of water swamped the refinery after Hurricane Katrina last summer when a levee breach flooded St. Bernard Parish, where the plant is located. The flooding ruined millions of dollars in equipment and caused a mountain of boxed sugar to cave in on itself as the boxes on the bottom of the stack dissolved in the murky water.

Scrubbed with bleach and outfitted with new transformers built on platforms, the plant's reopening was declared a victory by the beleaguered U.S. sugar industry.

"The long-term sugar supply situation is looking better every day," said Brian O'Malley, Domino's president and chief executive. "It's clear that no additional sugar imports are necessary at this time. We can supply the U.S. market with safe, affordable sugar grown and produced right here in the U.S.A."

More battles ahead

Still, the sugar industry faces a more difficult and prolonged battle in the months ahead.

Critics of the domestic sugar industry argue that higher prices and shortages caused by Hurricanes Katrina and Rita in Louisiana and Wilma in Florida exposed the flaws of the government's protective sugar policy. They argue that the price increases caused by the storms are yet another reason for reforms when Congress rewrites the farm bill next year to permit purchase of sugar at the cheaper, world market price.

"We're the leading country in the world, and we can't get enough sugar in the market?" asked Marietta Bernot, senior trade adviser for Mars, the candy company. "Sugar-using manufacturers have had to pay much higher costs. Some of the companies have had to suspend operations because of it."

"I find it hard to hold this up as an example of how a good farm-support program should work," she said.

Among the critics is Chicago's dwindling candy industry, which has lost about half of its 13,600 jobs since 1995, a loss that many attribute to companies moving abroad for cheaper sugar.

"I think that they are using all the different variables as artificial reasons to raise the price of sugar," griped Mark Puch, president of Primrose Candy in Chicago, which closed for several days in October rather than pay what it considered to be exorbitant prices for sugar.

But Jack Roney, director of economics and policy analysis for the American Sugar Alliance, an industry group, said the minimal price increase for consumers since the hurricanes--a half-cent per pound--was evidence that U.S. sugar policy worked. Even though the hurricanes damaged as much as 40 percent of the sugar crop, the U.S. Agriculture Department released sugar that had been in storage and allowed more imports to ensure a stable price.

Roney said increases in wholesale sugar prices were the first major bump in 20 years and were caused by higher fuel and transportation costs that the sugar industry couldn't control. Companies that were stung by higher prices on the spot sugar market should have locked in lower, long-term prices, as most large sugar users do, he said.

"Instead of taking the blame themselves for not hedging their purchases, they are trying to blame it on U.S. sugar

policy," Roney said.

The price of sugar shot up in September after Hurricane Katrina flooded the Domino plant and Hurricane Rita ripped across Louisiana's sugar-cane fields weeks later. Hurricane Wilma damaged part of Florida's sugar cane crop in October.

Wholesale sugar was about 25 cents per pound during the summer months, but after the hurricanes, the price rose to as high as 45 cents per pound, according to Ron Sterk, assistant editor at Milling and Baking News, which tracks wholesale sugar prices. It now has dropped to about 41 cents a pound.

Thanks to powerful friends in Congress, sugar is among the most protected of industries in the U.S., with quotas limiting U.S. production and cheaper foreign imports from entering the country. The result is that a pound of sugar costs as much as three times more in the U.S. than on the world market.

The reason for sugar's clout is its generosity at election time--the industry gave about \$3.2 million to federal candidates during the 2004 campaign--and the geographic reach of its growers. Sugar cane farmers are located in Florida, Louisiana and Texas, while sugar-beet farmers are spread from Michigan, Minnesota and North Dakota to Idaho and Oregon.

The production and import controls in the U.S. sugar program are despised by free-trade advocates, who argue that it contradicts the Bush administration's position to reduce farm subsidies and tariffs in the World Trade Organization and in bilateral negotiations with other countries.

The rift was evident this spring and summer, when the sugar lobby mounted a no-holds-barred campaign to defeat the Central American Free Trade Agreement, arguing that the agreement would set a dangerous precedent by allowing additional foreign sugar to enter the U.S.

Among their opponents were many other farm organizations who support free trade and were infuriated by the sugar industry's hardball tactics.

While the future of U.S. sugar policy promises debates in the months ahead, the employees of Domino sugar in St. Bernard Parish have more pressing concerns.

A monster of a plant

The plant dates to 1909, and it has expanded so much that it now refines half of Louisiana's sugar crop and all of Texas' raw sugar. It typically runs for 12 days straight, 24 hours a day, and then shuts down for two days for maintenance.

Mickey Seither, vice president of operations, said the plant is equipped with emergency generators, but they were overwhelmed by the floodwaters after the hurricane.

Nonetheless, Domino Sugar almost immediately began cleaning up the plant and planned for its reopening. The company was helped by the Louisiana Department of Economic Development, which delivered 70 housing trailers supplied by the Federal Emergency Management Agency two weeks after the storm for Domino employees, long before most hurricane victims received such assistance. The federal Agriculture Department delivered 200 more trailers a few weeks later.

As a result, Domino was able to create a trailer village for 300 workers just steps from the plant; most of St. Bernard Parish is still uninhabitable.

As a result, on Monday, while most other nearby businesses lay in ruins, Domino Sugar produced its first bag of sugar in nearly four months.

Dec. 18, 2005, 10:48AM; By Gebe Martinez, The Houston Chronicle Washington Bureau

TEXANS IN WASHINGTON; Lobbyist finds the sweet life in capital

Briscoe sticking with sugar makers after former career with a salty theme

WASHINGTON - The refrigerator door swung open, revealing soft drinks made with pure sugar, including Mexican-made Cokes. Artificially sweetened drinks are not found here, at the headquarters of the Sugar Association, said president Andrew C. Briscoe III.

Briscoe promoted salt until three years ago, when he found a job that suited his passion for natural sugar. Now he looks out for the interests of sugar producers and refiners in Texas, Louisiana, Florida and other key political states.

With the industry constantly under attack by nutrition advocates, sugar-free diet fads and trade negotiators demanding more sugar imports into the United States, Briscoe vigorously markets sugar's goodness.

"I think back to a presentation that he gave where he said we needed to be on the offensive. And he put on a football helmet with 'Sugar' written on the side," said David Roche, president of Minn-Dak Farmers Cooperative in North Dakota.

Soon enough, the trade group approved a \$3.5 million test advertising campaign that will likely be expanded nationally.

Briscoe is "very passionate, very hard-working, very energized in everything I have ever seen him do," said Pepe Fanjul Jr., senior vice president of Florida Crystals, and a member of a sugar industry dynasty.

Sitting back is not a Briscoe family trait.

The Briscoes came to America from England in 1632, and settled in 1832 in what later became Texas. His mother lives on land acquired through a Mexican land grant near FM 723 on a western fringe of Houston.

"I used to drive cattle there," said Briscoe, 52. "My grandfather saw us as cheap labor."

He was named after Andrew Briscoe, a signer of the Texas Declaration of Independence in 1836. His uncle, Frank Briscoe, was elected Harris County district attorney in 1960 and stepped down in 1966 for an unsuccessful campaign for Congress against George H.W. Bush. Briscoe's second cousin, Dolph Briscoe, served as Texas governor from 1973 to 1979.

"The Briscoe name was a good strong political name," Andrew Briscoe III said. So he decided in 1986 to take a leave from his suburban Dallas newspaper publishing company and enter the Democratic primary against Gov. Mark White.

"I really felt driven," Briscoe recalled. He campaigned by flying his own plane around Texas. He came in second in the six-way race with 23 percent of the vote.

"I was inexperienced. I am a believer in starting at the top and working down," he added, grinning. He is experienced at fighting against the odds.

A high-profile battle came two years ago, when the World Health Organization recommended that people get no more than 10 percent of their daily calories from sugars to fight obesity. The average daily consumption of sugars by Americans is more than 15 percent.

At 15 calories a teaspoon, sugar does not cause obesity, Briscoe maintains, and the real culprits are overeating and laziness. "Exercise!" he suggested.

He also has taken on products that may be falsely advertising "sugar" content.

Briscoe and Michael Jacobson, executive director of the Center for Science in the Public Interest, which advocates healthy eating, teamed up this year on an ongoing legal battle with the makers of the sweetener Splenda, which has the slogan "made from sugar, so it tastes like sugar." Their odd partnership on the labeling issue was underscored when Jacobson blurted out that "people are still better off eating Splenda than eating sugar."

Nevertheless, Briscoe has enjoyed sweet success.

Holding an American soft drink and pointing to the "high fructose corn syrup and/or sugar" ingredients listed on the bottle, he said, "There is no sugar in this product."

After the sugar industry's 20-year fight with the Food and Drug Administration to make such labeling more precise, Briscoe helped get the White House to make the change.

Eventually, he will head back to Texas, Briscoe said. He thinks of the family cemetery, where there stands a coat of arms from his ancestors' English castle. It was moved to Texas in the 1950s.

"Texas will always be a special place," he said. "I need to pick what tree I am going to be buried under."

Wed, Dec. 21, 2005; **The Dallas Morning News**

Sugar prices likely to soar in new year

Katrina's damage to growers in Gulf soon to ripple to store shelves

Enjoy those holiday sweets. The price is likely to rise in the new year.

Lay the blame largely on Hurricane Katrina, which bowled over much of the Gulf Coast's sugar cane crop, shuttered a sugar processing plant, sidelined producers' delivery trucks and raised the cost of fuel. The result: Prices for refined sugar -- used in everything from chocolate to ketchup -- have risen 50 percent since mid-August.

Since many vendors set their holiday prices long before the hurricane season, they've had to eat the higher prices from their sugar suppliers.

But that benevolence can't last.

"The real problem is coming after the first of the year," said Stan Rothstein, president of Carrollton, Texas-based Redstone Foods, a wholesaler of imported and specialty candies. "I have a whole pile of price increases on my desk that take effect the first of the year."

On Aug. 19, before Hurricane Katrina pounded the sugar-rich gulf region, large users could buy refined beet and cane sugar for up to 28 cents a pound, according to Milling & Baking News. By Dec. 2, that price had climbed to 42 cents a pound -- the largest mid-year jump since at least 1982, according to Ron Sterk, assistant editor of the trade publication.

Some large buyers locked in the lower prices with long-term contracts earlier in the year. Others were forced to pay spot prices that peaked at 72 cents a pound. "There were enough that didn't lock in prices that it was pretty panicky for a while," he said. "To avoid running out, they were paying these exorbitant prices."

Sterk said that so far, grocers have avoided sticking consumers with the increased costs for sugar. "It was mostly at the bulk and wholesale level," he said.

But he said consumers should get ready for increases in foods made with sugar.

"There was a blip at the end of the year that was eaten by a lot of manufacturers," Sterk said. "But the prices are still higher, and those will be more likely to be passed on. I think you're going to see them creep up as the new year goes on."

The good news is that the sugar market tends to be cyclical. Sterk said analysts predict wholesale prices will ease to between 35 cents and 37 cents a pound around the first of the year and slip to the "low 30s" during the first six months, as the holiday crunch passes.

<http://www.philly.com/mld/philly/news/13496112.htm>

Posted on Tue, Dec. 27, 2005; **Associated Press**

Gambling company buys site of former sugar refinery

PHILADELPHIA - A Chicago gambling company has purchased a former sugar refinery parcel on the Delaware River for its proposed \$450 million slots parlor.

Sugar House Gaming, which is controlled by billionaire Neil G. Bluhm, said it will file an application for a gambling license with the Pennsylvania Gaming Control Board on Wednesday, the state-imposed deadline.

The 18-acre waterfront site was bought Monday from LHTW Corp., of Los Angeles. The land formerly was used for the Jack Frost sugar refinery, which was imploded in 1997.

Sugar House Gaming president Greg Carlin would not disclose the purchase price.

Plans call for the Sugar House Casino to open with 1,500 slot machines and five restaurants, including one for fine dining, Carlin said. The project would include a marina with landscaped walkways along the river for the public.

A second phase would include 1,500 more slot machines and a 500-room hotel. A residential tower, parking garage, or a retail and entertainment attraction could be added later, Carlin said.

In July 2004, Pennsylvania legalized slot-machine gambling at 14 venues; Philadelphia will play host to two slots parlors.

Before Sugar House Gaming's acknowledgment earlier this month of its plans, only Planet Hollywood and Donald J. Trump had publicly announced their intentions to apply for the two highly coveted gambling licenses tied to the city.

The Gaming Control Board is expected to award all 14 licenses in December 2006.

2005 12-27 - BY TRACY DAVIS, Torrington Telegram

Things running sweetly at Western Sugar

Western Sugar Cooperative in Torrington is anticipating running campaign a few weeks longer this year. Campaign was originally thought to be finished the first part of the new year.

Darrel Boll, Torrington factory manager, now says it might run through the second or third week in January.

Beets have been transferred from Scottsbluff, Neb., Fort Morgan, Colo., and Torrington plants in order to keep the three factories running until all are finished processing, thus ending campaign at each factory at the same time.

“The less amount of time we have to store the beets the better,” Boll said.

After working out a few glitches in the beginning, Boll said things are running normal now and does not anticipate any problems.

This year, the Torrington plant has hired 41 employees who are returning from last year’s campaign and 70 employees who are not. Also, 15 employees were added to the warehouse and packaging operation.

Western Sugar Cooperative has processed fewer beets this year than last, according to Jerry Darnell, Ag Manager in Scottsbluff. This was mostly due to the freeze, which covered the area in May of this year, causing a shorter growing season and the need to replant 42 percent of the crops.

“We are real happy with this year’s crop so far,” Darnell said. “We are averaging a 20.3 ton crop and 16.5 percent sugar.”

Darnell agreed that everything is running smoothly at all plants.

December 29 2005; By Karen Robinson-Jacobs, **Dallas Morning News**

Refined-sugar users swallowed a bitter pill after Katrina Sugar prices are likely to rise in the new year.

Lay the blame largely on Hurricane Katrina, which bowled over much of the Gulf Coast's sugar cane crop, shuttered a sugar processing plant, sidelined producers' delivery trucks and raised the cost of fuel. The result: Prices for refined sugar -- used in everything from chocolate to ketchup -- have risen 50 percent since mid-August.

Since many vendors set their holiday prices long before the hurricane season, they've had to eat the higher prices their sugar suppliers have charged.

But that benevolence can't last.

"The real problem is coming after the first of the year," says Stan Rothstein, president of Carrollton, Texas-based Redstone Foods, a wholesaler of imported and specialty candies. He set his prices for holiday treats back in April. "I have a whole pile of price increases on my desk that take effect the first of the year."

So far, most food and candy makers have been taking it on the chin.

On Aug. 19, before Hurricane Katrina pounded the sugar-rich gulf region, large users could buy refined beet and cane sugar for up to 28 cents a pound, according to *Milling & Baking News*. By Dec. 2, that price had climbed to 42 cents a pound -- the largest mid-year jump since at least 1982, according to Ron Sterk, assistant editor of the trade publication.

Some large buyers locked in the lower prices with long-term contracts earlier in the year. Others were forced to pay spot prices that peaked at 72 cents a pound. "There were enough that didn't lock in prices that it was pretty panicky for a while," Sterk says. "To avoid running out, they were paying these exorbitant prices."

Sterk says that so far, grocers have avoided sticking consumers with the increased costs for bags of sugar. "It was mostly at the bulk and wholesale level," he says.

But he, too, says consumers should get ready for increases in foods made with sugar.

"There was a blip at the end of the year that was eaten by a lot of manufacturers," Sterk says. "But the prices are still higher, and those will be more likely to be passed on. I think you're going to see them creep up as the new year goes on."

The United States scarfs down about 10 million tons of sugar a year between retail, food service and manufacturing uses, according to Jack Roney, director of economics with the American Sugar Alliance in Arlington, Va.

Typically, more than 80 percent of that need -- up to 8.5 million tons -- is homegrown. Some 40 percent of that comes from Louisiana and Florida, with a smaller amount from Texas. All those states were hit hard by the 2005 hurricanes.

"There's no question that they hit the Louisiana farmers and the Florida farmers pretty hard," Roney says. "It knocked the cane over and inundated it with water." He says farmers are still trying to "figure out how to save that crop."

In addition, one of the nation's largest refineries, Domino Foods' plant near New Orleans, sustained heavy damage from Katrina's floods and was closed for months.

Given the storms and a lower-than-expected yield from Midwest sugar beets, the U.S. Department of Agriculture estimates that sugar production this year will be down to 7.5 million tons. Imports will help pick up the slack.

Beyond the supply crunch, sugar produced here is having a hard time making it to the nation's candy and fruitcake makers.

"FEMA has taken a lot of trucks," says Robert Peiser, president and chief executive of Imperial Sugar Co. in Sugar Land, Texas, which had its Gramercy, La., plant shut for seven days by the storms. "The shipping patterns this year are unreliable," he says. "Even when we're at full capacity, we've had a hard time shipping as much as we'd like."

The good news is that the sugar market tends to be cyclical. Sterk says analysts he's talked with predict wholesale prices will ease to between 35 cents and 37 cents a pound early next year and slip to the "low 30s" during the first six months, as the holiday crunch passes and next year's sugar beet crop comes onto the market.

But with energy prices still high and forecasters predicting another severe hurricane season next year, "nobody's willing to stick their neck out" with predictions for the second half of the year, he says.

Even with prices destined to rise, Rothstein thinks consumers will still bite.

"They'll be buying just as much," he says with the confidence of an experienced salesman. "Candy's a very inexpensive gift item. If last year they were paying \$20, and next year they're paying \$22.50, are you going to walk away?"

December 29, 2005; By John O'Connell - Journal Writer

Soggy weather causes woes for area sugar beet growers

AMERICAN FALLS - Driving a Caterpillar tractor, Tony Baca escorted a green truck hauling two empty hoppers toward an immense pile of sugar beets. As Baca predicted, the truck sank into the mud and got stuck en route to pick up its sweet cargo.

Mainly due to a wet spring, sugar beet growers statewide reported having their third best crop ever for total yield and second best crop for sugar content.

But on a rainy Wednesday afternoon when temperatures topped 51 degrees, Baca said the unseasonably warm weather has made it difficult to transport the bumper crop of sugar beets to an Amalgamated Sugar processing plant in Paul, a small city in Minidoka County. The warm weather has also placed the crop at risk of rotting.

Baca quickly fastened a thick rope to both his tractor and the truck and pulled the much larger vehicle the remainder of the way to the pile. In the background of the work site, located in American Falls by Union Pacific Railroad tracks, another tractor pulled a truck bogged down with sugar beets through the muck toward the roadway.

“Usually the ground is all frozen and we don't have a problem getting trucks in and out,” said Baca, who works for Russell Palmer of Aberdeen.

In ideal circumstances, the outer layer of sugar beets in a pile freeze and remain preserved until they reach the processing plant. This year, however, the outer layer has frozen and thawed and could rot if not processed soon as a result, explained Carl Lux, fieldman with Amalgamated Sugar Company. The trucks were loaded only with the outer layers of sugar beets from each pile Wednesday to get them to processing first, Lux said. However, he said outer layers are taken first every year as a precaution.

“This rain and the warm weather is not good for storage conditions,” Lux said. “We always try to strip the outside of the pile anyway just in case something like this happens. In that respect, it's situation normal. Weather like this is the reason.”

Lux and others in the sugar beet industry are hoping for cooler weather. According to the National Weather Service, temperatures will dip to the upper-30s today, but there will be periods of intermingled warming and cooling in coming days. “If the weather were to stay warm and wet and rainy, the possibility certainly exists that we could lose some beets,” Lux said.

Despite having such good productivity, Lux said prices for beets have remained high.

Hurricanes that hit the South devastated sugar cane fields, and growers within the Snake River Sugar Cooperative produced 15 percent less sugar than historically. “It was just an incredible crop,” Lux said. “The growers here are looking at above average returns for their beets. The combination of a good crop and a good price is really a rare thing in agriculture.”

Sugar beet growers are allowed to sell sugar based on a U.S. Department of Agriculture marketing allotment. Lux said there was some sugar carryover from last year.

Belle Glade hopes to grow houses, not sugar cane, on fields

Poised to annex 1,000 acres, the city on Lake Okeechobee could host a westward expansion of development.

By [Mitra Malek](#), [Dwayne Robinson](#)

Palm Beach Post Staff Writers

Sunday, January 01, 2006

BELLE GLADE — Belle Glade's motto heralds, "Her soil is her fortune." But now this small city may find its future lies in the county's soil.

A poor rural community of 15,000 skirting Lake Okeechobee, Belle Glade is poised to annex about 1,000 acres of sugar cane fields in unincorporated Palm Beach County.

The move would open the county's far western area to greater development, possibly with businesses, shops, thousands of homes and resort attractions.

The key to capturing this development, city officials say, is pitching Belle Glade's central location and access to the lake.

"If we package it right, this would be a very unique recreational area," City Manager Houston Tate said. "We have to create this new interest, create this new branding."

Residents say they want to maintain Belle Glade's small-town feel but like the idea of new homes, restaurants and stores.

"Give us something nice here," said Libbette Mendez, 24, who works at Five Star Insurance and has lived in Belle Glade since she was a child. "We don't have anything around."

After months of negotiations, the Belle Glade City Commission in October unanimously approved an agreement with sugar cane grower Florida Crystals Corp. for development of an 800-acre parcel touching the city's west near South Bay and a 200-acre parcel to the east near Belle Glade Airport. It calls for a planned development of homes, businesses and agricultural amenities, and increases density on the 800 acres from three to five units an acre.

The 200-acre parcel would keep the county zoning of eight units an acre.

That could mean a total of 5,600 homes if the project is built as completely residential.

The city would grant the developer a discount on impact fees and provide water and sewer lines, which already run adjacent to the cane fields.

If the deal is sealed, it will mark the first sugar land to be developed in the west on this scale in recent memory.

The conversion could herald the urban sprawl that characterizes development to the east.

City and company officials said the annexations would "square off" Belle Glade, but the additions look more like extra limbs.

City officials appear eager to embrace a project that could jump-start a stagnant community reliant on agriculture.

Belle Glade — whose tax rate is nearing state caps — also needs to increase its tax base of \$264 million if it ever expects to lower taxes for its residents.

The community also has long been hungry to get a piece of the housing boom that so far has kept to the coast.

"They would love to see nothing more than having homes out there," Florida Crystals spokesman Gaston Cantens said.

Officials are betting that, as increasing home values price out some residents from the eastern half of Palm Beach County, Belle Glade could offer housing at a cheaper rate and closer proximity to coastal jobs than other neighboring housing markets in St. Lucie and Martin counties.

"People really need to look at Belle Glade and see it is an equalizer," said Tate, the city manager. "The county is heavy on one side, saturated on one side. And over here, there is nothing. As this thing shifts, all of a sudden residential can shift here."

But just what will shift and when is unclear as the city awaits the final go-ahead from the sugar company, which initiated annexation talks, according to Belle Glade officials.

Florida Crystals said developing the land makes sense because international competition continues to squeeze the company's sugar profits.

Talk among business leaders, government officials and sugar executives has covered building any of a number of projects on the land, from rentals, single-family homes and condominiums to hotels, pools, movie theaters and a fishing resort.

Florida Crystals projected that the land would be on Belle Glade's tax rolls within a year, but the city is waiting for the company to submit a formal petition for annexation.

Not just houses

There are just two grocery stores and three sit-down nonchain restaurants in Belle Glade.

Mendez, the city resident, drives to West Palm Beach, Fort Myers or Fort Lauderdale to shop for clothes. She rents a house with her husband.

They'd like to buy a house locally for about \$100,000, but everything they find costs nearly twice that and needs a lot of work.

The couple wants to see more midpriced houses and retail businesses.

Florida Crystals executives say they are of the same mind, intent on helping the city raise its quality of life. Same goes for local chamber of commerce officials, though they would prefer housing closer to \$200,000.

Most important though, is creating a mix of uses, everyone says.

Thousands of new homes and little else would be a financial drain on the city.

"Where are you going to go to the movies? Where are you going to eat?" asked Kenneth Lutz, president of the Belle Glade Chamber of Commerce. "It's got to be a community."

Beyond leisuretime basics, Belle Glade plans to capitalize on Lake Okeechobee.

After decades of contemplating the installation of boat locks at the lake's perimeter, the city is working with an engineering firm.

Locks provide a holding area for boats to move between different water levels.

These locks would provide access to the canals along the 800-acre section proposed for annexation, useful if the property is developed as an upscale fishing resort or if there are high-end homes with boat slips.

"It's an enticement," Tate said. "Boat locks are a major factor that can create waterfront property."

Locks could spawn other outdoor tourist businesses like canoe rentals.

"Right now," Lutz said, "there's not an attractive point for people to move to the Glades."

County Commission Chairman Tony Masilotti, whose district includes Belle Glade and surrounding communities, said he would like to see businesses on the sugar land — a distribution center, perhaps — because of the city's centralized location.

"I don't see them going out there to build residential," Masilotti said. "I think the real issue out there needs to be economic development."

Little opposition expected

But Florida Crystals stands to gain by working with Belle Glade if it wants to develop its land.

First, if the land is annexed, the company could be eligible for grants as part of a rural city.

Second, the city already has the infrastructure in place; lack of infrastructure was a key snag in the county's efforts to build The Scripps Research Institute on Mecca Farms.

And Belle Glade is not anticipating a big fight with the county or environmentalists.

The farmland isn't in protected rural areas near Wellington and Palm Beach Gardens that require approval of a supermajority of county commissioners — a rule adopted last year to inhibit massive land grabs by development-friendly cities.

Also, the two parcels have been in Belle Glade's annexation plan since the 1980s, and the county has recognized the parcels as future extensions of Belle Glade's borders.

As for environmentalists, they are more opposed to development of the sea of farmland west of the 20 Mile Bend than agricultural areas near Belle Glade.

"If it's adjacent to a city's incorporated area, I have no problem," said Rosa Durando, conservation director of the Audubon Society of the Everglades.

But Patrick Hayes, executive director of Loxahatchee River Coalition environmental group and supervisor of the Martin County Soil and Water District, said that regardless of where the land conversion takes place, it hurts the environment.

Instead of rainwater gradually seeping into the ground, cement walkways and rooftops accelerate runoff into waterways and canals, he said, carrying pollutants.

"I'm definitely not against development or what a private property owner wants to do with his land," Hayes said. "Just take care of the water."

Jan. 5, 2005; by Bob Boehm, **Michigan Farm Bureau**

Cold, gloomy days don't spoil mood of sugar beet growers

Current weather conditions preferred for crop storage

LANSING, – Spoilage problems that cost Michigan sugar beet growers more than \$30 million last year have not reappeared despite warm, rainy conditions at the end of December and early January.

Lessons learned from last year's stretch of unseasonable weather helped avoid a similar situation this year, said Mark Flegenheimer, president and chief executive officer of the grower-owned Michigan Sugar Co. But the biggest difference, he said, is the weather.

"The big difference we hope to hang our hats on is that this year the highs were in the 40s, where last year they were in the 50s," he said. "Also, I'm not sure we know what the sun looks like anymore, so we're enjoying that and the fact that precipitation was not as great this year as last year."

In early 2005, Michigan Sugar, the largest beet processing company east of the Mississippi, lost an estimated 15 percent of the 5.5 million tons of beets stored in outdoor piles, leading to a delayed payment to growers for the 2004 crop. But this year, losses likely will be minimal, Flegenheimer said.

"Every two weeks we fly over the piles and do infrared imaging to find any hot spots," he said. "We've also made smaller piles this year. All our piles are 18 feet high or below, where in years past they were 21 feet. We increased the piling ground space, we started the (production) campaign earlier, and we hope it turns colder."

Hot spots detected with the infrared imaging will immediately be dug out of the piles in order to save the rest of the beets, Flegenheimer said.

January 5, 2006. 2:00pm (AEDT) **ABC.Net**

US farmers to fight any FTA sugar changes

The US Sugar Alliance, representing cane and beet farmers, says it will lobby strongly against any further opening of the US market to Australian sugar.

Alliance spokesman Jack Roney says Australia already has the fourth largest share of the American market, and has been granted extra quota this year in the wake of the US hurricanes.

He says American farmers totally oppose the inclusion of sugar in any free trade agreement (FTA).

"There's no benefit certainly for US producers from that, and probably only very limited benefit for Australian producers," he said.

"Because if they force the US to take more sugar than we need, our market price will collapse, and then we've no value to our growers or to Australian growers."

'Top priority

The Federal Opposition says the Government must make sure that the nation's sugar growers get a better deal agreement when it is reviewed in two month's time.

Labor's Jenny Macklin says Australian sugar growers should be a top priority.

"Mark Vaile promised two years ago, in fact January in 2004, that he would get sugar into the free trade agreement," she said.

"He failed, well this time we hope that the Howard Government will put a lot more effort into making sure that Australian sugar growers get access to the United States market."

'Dud deal'

There are calls today for Australia to scrap the free trade agreement.

Dr Elizabeth Thurbon from the School of Politics and International Relations at New South Wales

University, says the trade figures released this week show the FTA is a dud for Australian farmers. "This agreement can be terminated by either party by giving six month's notice in writing," she said. "Certainly our argument would be that the imperative to do that should be sooner rather than later. "There is that option to terminate the agreement altogether and given what a dud deal it is, we would

argue that that should be considered as an option by all Australians."

Jan. 05, 2006; by Patricia Karvelas & Steve Lewis, **The Australian News**

Vaile to fight US on sugar

AUSTRALIA will urge the US to prise open its lucrative sugar markets as part of a fresh push to improve access for farmers under the free trade deal.

Investors may also be able to buy shares listed on US bourses through Sydney and Melbourne stockbrokers under efforts to broaden the access of financial services to the huge American market.

The Howard Government's renewed attempt to secure a better deal from the free trade agreement came as Acting Prime Minister Mark Vaile defended lopsided results from the first year of the pact. Imports from the US rose 5.7 per cent while merchandise exports fell 4.7 per cent, leading to fears Australia is getting the raw end of the deal.

Mr Vaile, Australia's chief negotiator on the trade deal, called for patience and blamed the stronger dollar and increased competition from Asia for the disappointing results. Under pressure from the farm sector, Mr Vaile said yesterday he would ask Washington to consider opening its sugar markets when he met US Trade Representative Rob Portman in March. "There may be an opportunity in the future to include it and so we'll continue to put that forward as an ambition of ours, to get sugar included in the bilateral agreement," he said.

Sugar was controversially excluded from the trade deal after Washington was heavily lobbied by US farm interests. But Australia will argue that the trade pact is a flexible framework and the US should agree to changes. "These bilateral agreements like this have got to provide win-win opportunities - there's got to be opportunities for both sides," Mr Vaile said. "Sugar will be something that I'll raise during those discussions."

National Farmers Federation president Peter Corish welcomed Mr Vaile's decision to raise the matter. "These agreements are designed to be dynamic and if there are changes that provide benefits, they should be explored," Mr Corish said. "(But) I think it would be very difficult to get movement on sugar."

In another twist to the trade debate, rebel Queensland Nationals senator Barnaby Joyce signalled he may block a move to scrap a drug-price safeguard in the FTA unless sugar farmers are given greater access to US markets. Senator Joyce said he had seen no evidence supporting complaints by the Americans that an "evergreening" amendment, put forward by former Labor leader Mark Latham, was deterring investment in the pharmaceutical industry. The clause was designed to stop drug companies extending patents to fend off cheaper generic brands. "If the Americans are saying they need to have their case heard about pharmaceuticals, then they would have to have our case about sugar heard," Senator Joyce said.

Nationals Senate leader Ron Boswell also tied his support for the pharmaceuticals amendment to sugar. "If other issues are to be considered, I would expect the sugar industry to put their hand up and I would support them," he said.

Australian Cane Farmers Association chairman Ross Walker said farmers would be angry if Canberra moved on pharmaceuticals but not sugar.

Aside from the sensitive agricultural issues, financial services will be another area of discussion at the Washington meetings. The Investment and Financial Services Association is lobbying for improved access for Australian fund managers to lucrative share-market offerings in the US.

"Financial services and the broader services area is one area where we continue to improve the penetration and coverage of the agreement," Mr Vaile said as he downplayed concerns about the trade deal following the first-year review.

"During the last 12 months ... (we have) had a very high exchange rate on the Australian dollar, which has been attractive for imports and an impediment to exports. At the same time, there have been buoyant and robust economies operating in north Asia that have been very attractive for our exporters to go into ..., so you can't just look at 12 months in isolation."

But Greens leader Bob Brown said the \$1 billion blowout in Australia's trade deficit with the US showed the agreement was biased. "The big parties sold out on advancing Australia's interests fairly," he said. Trade consultant Alan Oxley was also sceptical about Australia's chances of winning concessions from the US. "The prospect of getting the Americans to reopen the agreement and include sugar are extremely poor."

(RRV) Sugar beets keep their cool -- so far

While the past month's unseasonably warm weather wreaked havoc on roads, sledding hills and snowmobile trails, it hasn't done much harm to area sugar beet piles.

This time of year, American Crystal Sugar inspectors walk among the beet piles, checking on their condition, and they take aerial infrared photographs that can locate warm spots and show the general condition of the piles.

"All in all, the beets are holding up very well, and we haven't seen any significant spoilage factor," said American Crystal public relations spokesman Jeff Schweitzer.

The company's processing plants have three methods for storing sugar beets. Piles placed on concrete slabs are the first to be processed. Other piles are covered with insulated tarps, surrounded by culverts ventilating super-cool air for longer-term storage.

Beets stored in ventilated sheds are processed last.

"Of course, we'd welcome some more normal weather for January and February," Schweitzer said.

"Temperatures in the low single digits or even below zero would aid our longer-term beet storage."

But, for now, the company is pleased with the storage condition of its product.

Crystal shareholders raise half a million acres of sugar beets in the Red River Valley, making them the largest producer of beet sugar in the United States. Processing begins immediately after harvest and will continue around-the-clock through early May.

Sucralose breakthrough could smash Tate & Lyle monopoly

An India-based company claims it has developed a sucralose that will break Tate & Lyle's lucrative monopoly in the sweetener.

In an exclusive interview with **FoodNavigator**, the president of Pharmed Medicare says his company has developed an alternative patent-pending process, reviewed by legal counsel in USA, Asia and Europe, which will put the firm into direct competition with the UK ingredient giant.

With plans for a 1,000 metric tonnes per year plant dedicated to the production of [sucralose](#) already afoot, Pharmed clearly believes that the days of a sucralose market monopoly are over.

"We believe that the combination of our patent portfolio with the existing [Tate & Lyle](#) portfolio will pose a significant challenge to any third commercially viable non-patent infringing manufacturer," said Pharmed president Sundeep Aurora.

The sweeteners market is very attractive. Sectoral growth is pitched at about 8.3 per cent year on year until 2008, far out-pacing food industry growth currently pegged at around three to four per cent. And with consumers increasingly turning towards sugar-free and low-calorie products, food makers are increasingly on the lookout for cheap sugar alternatives.

Such demand has been highly lucrative for Tate & Lyle. Sales of sucralose, a sugar-derivative that is 600 times sweeter, helped the company to record a first-half profit increase of 59 per cent.

But such over-reliance could be very damaging.

"Within three years of generic competition to sucralose, its price will decline by 30 per cent, Tate & Lyle will lose 30 per cent share in the market and its earnings margins will drop from 48 per cent to 10 per cent," warned market analyst Morgan Stanley in a report published last month.

Tate & Lyle filed the original product sucralose patent in 1976. This recently expired, opening the product up to competitors, though the company remains confident in the strength of its process patents.

The UK-based company will therefore be very concerned if Pharmed's claims are true. When [sweetener](#) NutraSweet was exposed to competition, aspartame margins fell by 80 per cent.

"We started looking at sucralose in 2000," said Aurora. *"This new process is the culmination of five years of dedicated scientific research and engineering involving leading international scientific institutions and over 80 scientists."*

The issue, said Aurora, was how to develop an economical, industrial scale method of production that was also non-patent infringing. Indeed, it is clear that patents have been the central concern of Pharmed.

"Tate & Lyle has exceptionally good quality patents," he said. *"The process patents have been the problem for company looking to replicate the production."*

"Tate & Lyle has always said that to replicate the process on a large scale is very difficult, and they are

absolutely right. Making sucralose is not something that it is easily transferable from the lab.”

Pharmed was therefore forced to go back to the drawing board in order to develop its own non-patent infringing process.

“We started working from scratch,” said Aurora. “This has not been easy – carbohydrate chemistry is highly complex and prone to sensitive reactions. And sugar easily degrades.”

These factors, on top of the issue of patent infringement avoidance, meant that Pharmed had to be innovative.

“When we realised that one method was not going to work, we had to just rethink the whole process and look at every possible angle. We have had our fair share of difficulties, but I think what we’ve done is really mind blowing – breaking the sucralose monopoly goes far beyond our expectations.”

The firm's ambition is ultimately to match Tate & Lyle's global sucralose capacity. Aurora said that Pharmed is now looking to hold discussions with customers on long-term supply partnerships for non-table top use, and he is confident that his company has a solid enough reputation upon which to base its claims.

“We have operations in 30-odd countries and are fairly well known on the pharma and nutraceutical side,” said Aurora. “We are one of the largest producers of glucosamine, and this is our main area of expertise.”

FoodNavigator has not seen the patents, and cannot attest to either the quality or patent viability of Pharmed's sucralose. But if Aurora's claims are accurate, then sucralose could well have reached its ‘NutraSweet moment’.

WASDE-430-14; January 12, 2006

SUGAR: Projected U.S. sugar supply for 2005/06 is decreased 75,000 short tons, raw value, from last month, due to lower production projections compiled by the Farm Service Agency. Lower cane sugar production in Florida and Hawaii more than offsets an increase in Louisiana. Beet sugar production is lowered marginally. Use is unchanged and ending stocks are decreased to 1.3 million tons, or 12.7 percent of use.

WASDE-430-14 - U.S. Sugar Supply and Use 1/

Item	2005/06 Projections			
	2003/04	2004/05	December	January
1,000 short tons, raw value				
Beginning stocks	1,670	1,897	1,347	1,347
Production 2/	8,649	7,877	7,668	7,593
Beet sugar	4,692	4,611	4,458	4,435
Cane sugar	3,957	3,266	3,210	3,158
Florida	2,154	1,693	1,602	1,455
Hawaii	251	258	276	260
Louisiana	1,377	1,157	1,152	1,263
Texas	175	158	180	180
Imports	1,754	2,096	2,770	2,770
TRQ 3/	1,230	1,404	2,140	2,140
Other programs 4/	464	500	325	325
Other 5/	60	192	305	305
Supply, total	12,073	11,870	11,785	11,710
Exports	288	259	175	175
Deliveries	9,862	10,215	10,215	10,215
Food	9,678	10,046	10,050	10,050
Other 6/	184	169	165	165
Miscellaneous 7/	26	49	0	0
Use, total	10,176	10,523	10,390	10,390
Ending stocks	1,897	1,515	1,014	1,089
Stocks to use ratio	18.6	12.8	13.4	12.7

1/ Fiscal years beginning Oct 1. Includes Puerto Rico. Historical data are from FSA, "Sweetener Market Data" except imports (U.S. Customs Service, Census Bureau). 2/ Production projections for 2005/06 from processor reports compiled by the Farm Service Agency. 3/ Actual arrivals under the tariff rate quota (TRQ) with late entries, early entries, and TRQ overfills assigned to the fiscal year in which they actually arrived. For 2005/06, shortfall is 65,000 tons. 4/ Includes sugar under the re-export and polyhydric alcohol programs. 5/ Includes high-tier and other. 6/ Transfers to sugar-containing products for reexport, and for nonedible alcohol and feed. 7/ Residual statistical discrepancies.

METRIC CONVERSION FACTORS	1 Hectare = 2.4710 Acres	1 Kilogram = 2.20462 Pounds
Metric-Ton Equivalent	: = Domestic Unit	* Factor
Wheat & Soybeans	: = bushels	* .027216
Rice	: = cwt	* .045359
Corn, Sorghum & Rye	: = bushels	* .025401
Barley	: = bushels	* .021772
Oats	: = bushels	* .014515
Sugar	: = short tons	* .907185

January 13, 2006; By Dan Black, Idaho Press-Tribune

GM sugar beets ahead

NAMPA - The buzz at this year's annual Snake River Sugarbeet Conference centers on genetically modified beets. They require less herbicide than traditional beets, but have been controversial in some countries.

Scientific and marketing presentations about genetic modifications dominated the first day at the conference, which continues today at the Nampa Civic Center. About 600 growers registered for the event, according to Tammie Keeth, a research technician at the University of Idaho, which helps sponsor the event. Other sponsors include Amalgamated Sugar Co. and 12 beet grower associations and businesses in Idaho, Oregon and Washington.

Biotechnology in recent decades has allowed scientists to engineer plants with specific traits — ones that couldn't ordinarily be bred into a species. In the case of sugar beets, the trait includes resistance to powerful herbicides. That allows a farmer to spray an entire field, leaving only the beets healthy.

The product most talked about at the conference is "Roundup Ready" sugar beet seed, which is specially designed to work with the herbicide Roundup. Joe Freiburger, a seed salesperson from Betaseed in Rupert, said growers and seed suppliers are "ready to get going" planting genetically modified seed.

The growing community largely accepts the genetically modified seed as safe, dependable and more profitable, Freiburger said. Growers will likely only have to apply herbicide once or twice, he said, instead of the typical four or five applications. That saves gasoline and labor. The only delay, Freiburger said, is from sugar processors and buyers. Those companies want to make sure consumers are ready to accept sugar from genetically modified beets. Amalgamated Sugar officials could not be reached for comment Thursday. Freiburger said test plots will be grown in Idaho this season, and Amalgamated will process a batch at the end of the processing campaign after the next harvest.

A presentation Thursday by Molly Cline, senior director of global industry affairs with Monsanto, told the growers that genetically modified sugar has been tested, government approved and needs only be accepted by processors before its use becomes as widespread as genetically modified soy, corn and cotton. Those commodities have been grown using genetically modified seed for 10 years, she said, and there have been no negative repercussions. Monsanto is the company that owns both Roundup and the license to distribute Roundup Ready beet seed.

Genetically modified seed has been controversial in many countries, as growers and public officials have expressed concern about genetically modified plants cross-pollinating with weeds to make "super-weeds" and generally making growers more dependent on multinational companies for chemical solutions.

Cline pointed out that genetically modified products are allowed in 21 countries, and research is ongoing in 63 more countries. Even the European Union, which has traditionally been an ardent opponent of genetically modified products, is continuing its research. "The European system is moving," she said.

The sugar from genetically modified beets is chemically the same as that grown from traditional beets, leaving no DNA trace from the biotechnology process. As such, she said, it requires no special labeling in North America and in Japan.

Studies also cleared beet feed for stock animals and molasses, Cline said, so its use will likely become widespread.

January 16, 2006; by Anna Palmer, **Legal Times**

Big Sugar Looks To Heal CAFTA Wounds

Lobby split from industry allies over preserving price supports, but now hopes to restore damaged relationships. How sweet it isn't.

It's never easy to absorb political losses, but for the U.S. sugar industry, the passage of the Central American Free Trade Agreement last year could signal the beginning of the end of its reign as the untouchable commodity.

For years, Big Sugar steamrolled opposition by currying favor with lawmakers, playing the role of sugar daddy by doling out cash to fill the coffers of politicians.

But the era of business as usual ended in 2005 as the sugar industry publicly faced heat from other agribusiness entities as well as lawmakers because of its opposition to CAFTA.

And although lobbyists are skeptical that Congress will completely rework the controversial price-support system sugar relies on, the full consequences of being at odds with lawmakers and the Bush administration on CAFTA appear ominous.

The current status of Big Sugar's relationships with key lawmakers will be important, since upcoming legislative initiatives will test the strength of the sugar lobby as the United States continues to pursue more international trade agreements and Congress debates the specifics of the 2007 farm bill.

Repairing the rift caused by the costly (both politically and financially) CAFTA battle will be the top priority for the sugar industry in 2006.

"Folks understand why we did what we had to do," says Jack Roney, director of economics and policy analysis at the American Sugar Alliance. "We chose the battle reluctantly and fought it with all our might. If there was anything to gain from that . . . [sugar] increased the administration and Congress' understanding of the U.S. industry's vulnerability with these trade bills."

The sugar industry's plans of attack to repair its rifts on Capitol Hill and within the ag industry at large have yet to be revealed. Strategists won't discuss their plans for massaging ruffled feathers in 2006.

The famously tight-lipped industry meets at least weekly at the Virginia headquarters of the industry's umbrella group, the American Sugar Alliance, to devise strategy. Washington reps such as Parks Shackelford of Florida Crystals Corp., Luther Markwart of the American Sugarbeet Growers Association, Donald Wallace and Jack Pettus of Don Wallace Associates for the American Sugar Cane League of the U.S.A., and Dalton Yancey of the Florida Sugar Cane League Inc. gather for marathon meetings to plot legislative action.

The controversial 71-year-old price-support system uses loans with the government to set rates for U.S. sugar

prices that often are higher than in the world market. According to a 2000 Government Accountability Office report, the sugar program costs U.S. consumers up to \$1.9 billion a year in higher prices.

Similar agriculture price-support programs have been abolished with government-sponsored buyouts. Sugar is in a lonely position because longtime allies like the tobacco and peanut industries no longer have the political heft to help it.

"Sugar plays a weak hand of cards really, really well," says one ag and trade lobbyist who asked not to be named. "They have their fights in private, and when they come out, [sugar] beet and cane, even though they are from different parts of the country, are unified."

A BAD BET

That unity almost brought CAFTA to a halt. Besides working over lawmakers in Washington, sugar put together an aggressive grass-roots campaign, lobbying state legislators and governors while sponsoring petitions in producing and refining states to be sent to lawmakers.

Sugar bet big in 2005 that it could strong-arm the Bush administration and Congress into excluding sugar provisions from CAFTA.

The tactic had worked before. In 2004 the industry successfully negotiated itself out of the U.S.-Australian Free Trade Agreement.

This time around, despite the entire heft of the sugar beet and cane industry, which thrives in 19 states and comprises a nearly \$4 billion-a-year industry, Big Sugar lost -- big time.

CAFTA squeaked by 217-215 in the House on July 28. The agreement passed with a sugar provision intact that allows countries in the agreement to import 100,000 tons, or 1 percent of the 10-million-ton domestic market. Sugar imports will eventually increase to 150,000 tons.

"[CAFTA] was their Waterloo, in essence," says Clayton Yeutter, a former secretary of agriculture and top trade negotiator at the Office of the United States Trade Representative for the U.S.-Canada Free Trade Agreement and now a lobbyist at Hogan & Hartson in D.C. "They certainly burned a lot of bridges with the administration. It will be a long while before they recover any kind of productive working relationship . . . [sugar] may never do it with this administration."

Sugar was virtually alone in its quest to stop CAFTA among ag groups. It was at odds with pro-market access farm groups such as the National Pork Producers Council and the International Dairy Association, which led an ag coalition supporting CAFTA.

Not only did it lose clout on Capitol Hill and within the ag community; rather, lobbyists say that because the industry took such a hard line against the trade bill, it drew attention to itself from other sectors like tech and manufacturing.

"They've attracted interest from people outside the ag community that feel very strong about market access," says Randy Russell, a name partner at lobby shop Leshner & Russell.

FREE RANGE

Ag groups at odds with sugar over trade have turned to organizations such as the National Association of Manufacturers and the U.S. Chamber of Commerce in an effort to combat the sugar industry.

"It can't just be an intra-agriculture fight," says Christopher Wenk, a trade specialist at NAM. "Folks in the

agriculture community have reached out to organizations like ours to kind of have an alliance."

Political fence-mending aside, the industry will face a series of legislative threats in 2006 that could spell trouble for the future of the sugar lobby.

In all, the industry is going to have to deal with 21 separate free trade agreements currently under consideration as part of the post-CAFTA landscape. Since its inclusion as an industry in CAFTA, sugar is no longer exempt from these agreements.

"When you look at the 21 countries after CAFTA that we're still negotiating with to export about 25 million tons of sugar, we are quite worried that the administration might continue to make concessions to these countries that would force us to reduce our production even further," says the American Sugar Alliance's Roney.

Besides individual trade agreements, sugar, along with the entire farm community, will likely face revisions in subsidy programs based on the outcome of the ongoing Doha Round.

The negotiations have already targeted the European Union's sugar subsidies, which had also come under fire from the World Trade Organization. The EU agreed to reduce sugar subsidies, which paid sugar farmers three times the world price. The outcome of these negotiations will help determine where the U.S. sugar industry stands in the upcoming 2007 farm bill. And unlike with the 2002 farm bill, when Congress was flush with cash, this time around lawmakers will be looking to make cuts wherever possible.

Says lobbyist Russell: "There are a lot of people in the business community, not agriculture related, that are very concerned about a Doha Round that could potentially get hijacked by the U.S. sugar industry."

http://www.bloomberg.com/apps/news?pid=10000087&sid=abRq1aW2.DLg&refer=top_world_news

Jan. 16, 2006; by Claudia Carpenter in New York at ccarpenter2@bloomberg.net; &
Jason Gale in Singapore at j.gale@bloomberg.net.

Sugar May Rise to 24-Year High on Ethanol Demand, Smaller Crops

Sugar prices may rise to a 24-year high in 2006 as Brazil, the world's biggest producer, uses more of its crop to make automotive fuels and demand for sweeteners rebounds in the U.S.

Raw sugar will average 14.74 cents a pound on the New York Board of Trade this year, up from 10.03 cents in 2005, based on the median estimate of 17 traders, analysts and buyers surveyed by Bloomberg. Prices probably will touch 18 cents or more, the highest since 1981, a majority of respondents said.

Brazil is converting more sugar into ethanol fuel after gasoline prices jumped to a record. A drought in Thailand, once the world's second-biggest exporter, and the prospect of reduced European Union exports are adding to the supply squeeze, raising costs for companies including cereal maker Kellogg Co. and Coca-Cola Co., the world's largest producer of soft drinks.

“The market's got legs, no question about it,” said Edward Makin, chief executive officer of the Rogers Sugar Income Trust, a Montreal-based company that controls Canada's biggest sugar-refining group. “I don't know if we'll see 25 cents, but I'm hearing lots of people talk 20 cents.”

White, or refined, sugar prices, which averaged \$279.09 a metric ton in London last year, will trade between \$300.50 and \$532.80 this year and average \$407.50, the Bloomberg survey shows. Prices jumped 37 percent last year.

While crude oil prices made headlines in 2005, New York sugar futures jumped 62 percent, second only to a 94 percent surge in natural gas. Sugar's gain accelerated late last year after the U.S. increased imports because of damage to domestic crops and refineries from Hurricanes Katrina and Rita.

‘Very, Very Tight’

“The U.S. is importing more because of the hurricanes, and that clearly is new-found consumption that hadn't been expected,” said Mark Flegenheimer, president and chief executive officer of Bay City, Michigan-based Michigan Sugar Co., which sells about 400,000 metric tons of refined sugar a year to foodmakers.

U.S. sugar consumption in the season that started in October 2005 probably will rise to 9.1 million metric tons, the highest in five years, the U.S. Department of Agriculture said. Demand has rebounded 5.7 percent from an eight-year low three years ago.

“The supply and demand numbers are very, very tight,” said Anthony Compagnino, a partner at East Coast Options Inc. in New York, who predicted prices would rise to 18.5 cents.

Raw sugar reached a 10-year high of 15.17 cents a pound on Jan. 5 in New York.
Brazil's Ethanol

The biggest shift has occurred in Brazil, where the world's largest ethanol industry forecasts record production of 16.6 billion liters in the 12 months ending this September.

About 80 percent of output, or 13.4 billion liters, will be used in Brazilian cars. Global demand for ethanol may quadruple to 20 billion gallons by 2010, according to Roland Jansen, founder of the \$1.9 billion fund-

management arm at Liechtensteinische Landesbank in Vaduz, Liechtenstein.

“Two or three years from now, there will be giant ethanol carriers roaming the high seas, just as oil tankers do now,” Jansen said in an interview Dec. 9.

Rising oil prices are driving the ethanol surge. Crude oil has gained in six of the past seven years, reaching a record of \$70.85 a barrel in August.

The decline in sugar supply is being deepened by falling production in other regions.

The shortage is so great in Thailand, where first drought and then flooding decimated the harvest, the government has capped prices and is threatening to jail hoarders. In China, production has dropped to a three-year low because of unfavorable weather, prompting the nation to sell sugar from its stockpiles.

Europe Holds Back

Europe can't make up the shortfall. The 25-nation EU, the second-biggest sugar producer, must start limiting exports to 1.27 million metric tons a year by May 22 to comply with a World Trade Organization ruling. The total is 17 percent of the supplies the bloc has available to sell, based on estimates from brokerage Sueden (U.K.) Ltd.

“There's no one waiting in the wings immediately to be able to make up the shortfall,” said Judy Ganes-Chase, president of J. Ganes Consulting LLC in Katonah, New York. Sugar may rise as high as 16 cents this year, Ganes-Chase said.

Prices may reach 16.27 cents a pound in the next two months, according to M. Somasekhar, a sugar-price analyst at TransGraph Consulting Pvt. in Hyderabad, India. India is the world's biggest sugar consumer.

Bullish Wave

“The market is on a bullish wave because of a tight sugar supply situation,” Somasekhar said.

The shortage has pushed wholesale prices in the U.S. to the highest in at least 75 years, adding to costs at companies such as Hershey, Pennsylvania-based Hershey Co., the largest U.S. chocolate maker, and Battle Creek, Michigan-based Kellogg, the biggest cereal maker. Candy makers are the second-biggest sugar users, behind cereal manufacturers.

Hershey on Dec. 5 raised prices 1 percent on non-chocolate candies such as Twizzlers and Jolly Rancher take-home packages, the first increase since 2001, because of higher costs. Kellogg, the maker of Special K and Froot Loops, said in October that higher energy and commodity costs will cut 13 cents to 16 cents from profit this year. It forecast earnings of as much as \$2.55, excluding a projected 8 cents for expensing of stock options.

Cereal companies and bakers account for more than a fifth of human sugar consumption in the U.S. in the year ended Sept. 30, 2004, said Sergey Gudoshnikov, a senior economist at the International Sugar Organization.

Kellogg has 38 percent of the global market in ready-to-eat cereals, according to a Dec. 20, 2004, report by rating company Credit Sights.

“If conditions remain as tight as our industry sources suggest, some refiners may not have sufficient raw cane to process and packaged food companies may not have enough sweeteners to produce product,” Deutsche Bank Securities Inc. said in a Jan. 10 report.



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Thailand Sugar Situation and Outlook of Organic Sugar 2006

Approved by: Russ Nicely, Agricultural Attache, U.S. Embassy, Bangkok

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Report Highlights:

Thailand currently exports around 2,000 – 3,000 tons of organic sugar, mostly to European countries. Over the medium term, annual organic sugar exports will likely reach 10,000 tons, due to more available supplies of organic sugarcane. However, it is still marginal, compared to total sugar production.

Executive Summary

Thailand is the world's third largest sugar exporter, accounting for about 10 percent of global sugar exports but there are only a few countries providing organic sugar. Almost all sugar exports are conventional sugar, amounting to 4-5 million tons, half of which is raw sugar. Meanwhile, organic sugar exports are currently marginal at around 2,000 – 3,000 tons annually. However, Thailand has high potential for organic sugar exports in the near future. Some land still needs a few years for conversion.

Situation and Outlook of Thai Organic Sugar Production

Thailand's conventional sugar production reached a record 74 million tons in MY 2003, producing around 7.3 million tons of sugar, which accounted for about 5 percent of global centrifugal sugar production. However, sugar production dropped significantly in MY 2004 due to a severe drought-damaged sugarcane crop. This year's cane production is expected to decline for the third consecutive year to around 42 million tons in response to continued drier weather conditions. All sugarcane is used for sugar production, amounting to around 4.5 million tons. Meanwhile, organic sugarcane has just recently been developed by small-scale sugar millers. At the moment, organic sugarcane acreage is estimated at around 3,000 rai (roughly 480 hectare) with annual production of around 27,000 tons of sugarcane, producing approximately 3,000 tons of organic sugar. The production is made to order and certified by European certifying bodies. Acreage expansion is expected in the near future, as some large-scale sugar millers have invested in organic sugarcane cultivation and milling facilities. Within the next couple of years, total organic sugarcane acreage will likely reach 15,000 rai (roughly 2,400 hectares), with an annual organic sugar production at around 10,000 – 14,000 tons. Moreover, in the longer term, the potential of acreage expansion is up to 200,000 rai (roughly 32,000 hectares), with an annual organic sugar production of around 180,000 tons.

Thailand's Organic Sugar Export Prospect

Annual domestic consumption of sugar is around 2 million tons. In MY 2003 when Thailand had a bumper cane crop, conventional sugar exports reached 5.3 million tons, half of which was raw sugar. Most sugar is exported to Asian countries. However, Thai sugar exports are expected to decline for the third consecutive year to 1.5 million tons in MY 2006 in response to limited exportable supplies, resulting from continued drought-impacted crops. Meanwhile, organic sugar exports are still insignificant, at around 2,000 – 3,000 tons due to limited organic cane cultivation. All organic sugar is currently exported to European countries. Thai organic sugar exports are forecast to reach around 10,000 tons annually over the medium term, and will likely expand to 100,000 tons in the longer term. The major market for Thai organic sugar will remain in European countries. Meanwhile, the market potential in the U.S. is still limited due to high tariff rates, high transportation cost, and certification equivalencies.

1/20/2006; By Lorraine Heller, **Food Navigator**

USDA sugar forecasts fall further, industry calls for imports

With the nation's sugar supplies still low, manufacturers of products that use sugar have again appealed to the US Department of Agriculture (USDA) to allow for extra imports in order to avoid shortages on the market.

According to the USDA's latest World Agricultural Supply and Demand Estimates (WASDE), ending stocks for US [sugar](#) supplies for 2005-2006 are set at 1.3 million tons, or 12.7 percent of use. This is 75,000 tons lower than last month's estimates.

And according to the Sweetener Users Association (SUA), this will not be enough to meet manufacturers' needs.

In a letter sent this week by [SUA](#) president Randy Green to the USDA, the association calls for an increase in ending stock levels to 1.6 million tons, what it considers to be an “*eminently reasonable*” goal that is “*consistent with those years when supplies have not been in massive surplus, and is substantially below the simple average long-term level of stocks.*”

This year has been a particularly tight one for sugar because of the combined effects of hurricane damage to sugarcane crops, a delayed sugar beet harvest, serious transportation problems and the temporary closure of a major sugar refinery, which all severely restricted the nation's sugar supply.

Indeed, although the hurricane-damaged factory in Louisiana is now up and running again, the USDA says that lower sugar production in Florida and Hawaii “*more than offsets*” the increased production from Louisiana.

Last month the USDA announced it was to allow 450,000 tons extra sugar [imports](#) into the country, yet the SUA had previously called for an extra one million tons, more than twice the amount conceded to by the USDA.

“The situation is clearly better than in the immediate aftermath to the hurricane. We are happy the USDA allowed more imports and that the refinery is running again. That's the good news. The bad news is that as the year moves on and the market remains tight, it will be absolutely necessary for the USDA to allow more imports in order to preserve an orderly market and adequate supply,” Green told FoodNavigator-USA.com.

Sugar is one of the few commodities to still be subject to import quotas, meaning it cannot automatically enter the US market.

In his letter to the USDA, Green said that “*current USDA projections rely on substantial quantities of second-tier imports from Mexico, but so far Mexican production is lagging last year substantially. To rely on these imports as a substitute for a further tariff rate quota (TRQ) increase is to take risks with supply adequacy during the remainder of this year.*”

“USDA projections also assume quota imports under the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), but these imports are also uncertain because of delays in implementing the agreement,” he added.

Sunday, January 22, 2006; Page A01; By *Anne Hull*, Washington Post Staff Writer

A Company Town on The Mississippi

In Louisiana, thousands of workers displaced by Hurricane Katrina are living in trailer parks set up by their employers to get production going again. Domino Sugar has about 200 trailers on-site for employees and their families.

ARABI, La. -A cap pulled over his blue eyes, David Bachemin crunches across the gravel toward his front door. Bachemin used to have a porch where he would take off his boots after a 12-hour shift at the Domino Sugar refinery. A brick house where his old black Lab could wander from room to room, and his wife of 38 years could make coffee in a kitchen with actual counters.

Now Bachemin and his family live in a trailer on the grounds of the refinery, surrounded by 210 other employees who also lost their homes in Hurricane Katrina. In a grand social experiment, Domino is overseeing a village of 700 residents, evoking an old-fashioned company town.

The encampment is Dickensian: rows of aluminum trailers dwarfed by a 13-story refinery blowing steam from boilers on the banks of the Mississippi River. Each morning at 5, Bachemin crawls out of his bunk and joins the other men on their 100-yard walk to work.

"We fish together, we hunt together, we drink together, and now out here in these trailers, we live together," says Bachemin, a 56-year-old mechanic supervisor.

With the gallows humor of the shipwrecked, they call this place "Chateau Domino."

The refinery is in St. Bernard Parish, a predominantly white and working-class community of 65,000 east of New Orleans, which suffered the hurricane's most thorough destruction. Water swallowed nearly every home, business and government office. Five months later, marsh grass grows inside abandoned houses, and a shrimp trawler is still beached in a subdivision. One school is functioning, but no grocery store has reopened; only a couple of honky-tonk bars near the oil refineries and a handful of restaurants serving plate lunches in their parking lots.

Yet inside the gates of Domino, the amenities multiply: electricity, water and a laundromat. A school bus arrives each morning for the children. Last week, Domino started publishing a newsletter for its residents.

After the hurricane, Domino needed to keep its place as the nation's largest cane sugar refining company, and needed its workforce to do it. "We are back to the days when the little towns were built up around manufacturing," says Pete Maraia, Domino's plant manager. "This the nucleus of how you rebuild a community."

An oddity of the post-Katrina landscape in Louisiana is that thousands of workers displaced by the storm are living in trailer parks set up by their corporations. Union Carbide, Murphy Oil and Exxon Mobil have set up encampments to get their workforces going again. The Folgers roasting facility in New Orleans set up 150 trailers but only for employees. Domino decided to house both employees and families.

Bright curtains and statues of the Virgin Mary recovered from wrecked yards cheer up the surroundings, but there's no escape from waking up each morning in a 28-foot trailer surrounded by chain-link fence in the din of a sugar factory. About 240 of Domino's 326 employees lost everything in the storm.

"We're all walking on eggshells," Carol Bachemin says. "I am warm, so I am grateful. But I find myself so angry. This is what my life has become."

The rules of the trailer park are simple: all dogs on leashes, alcohol in moderation, no loud music and all firearms must be licensed. The trailers are parked atop a thousand tons of white gravel spread in a field next to the refinery. The air is dust-choked from a fleet of backhoes and Bobcats laying sewer lines. Kids pedal around the beeping vehicles. The monotony is sometimes broken by the occasional crab boil or fish fry if the weather is warm.

Residents have tried to personalize their territories with barbecue grills, and some have built little patios from wooden sugar pallets. Freddie Meyer has gone all out: hanging plants, lawn ornaments, twinkling lights and a pair of regal lion statues more fit for guarding an estate than a 30-foot Palomino camper.

"We know how to survive out here," says Meyer, a 41-year-old wiry, gregarious native of the St. Bernard Parish shrimping town of Violet.

Inside his trailer are his wife and three kids, ages 17, 14 and 11. The hours of greatest comfort are when everyone is lying down asleep. But Meyer is not complaining. "We needed our jobs," he says, while the kids stand four feet away in the living room and the television blares. "Without our jobs, we can't live. This is a company. They want the plant running. The only way they can get the plant working is workers."

The effects of Domino Sugar's comeback reach beyond its gates. The 700 living in trailers are helping St. Bernard Parish kick-start its economy again. The children -- about 35 -- allow the school system to hire back a teacher. The chain of revival even includes a small deli near the refinery. Domino lent the owners of the Arabi Food Store a trailer so they could renovate the flooded deli and get back to delivering po' boys to the factory gates. "Domino was our biggest customer," says owner Debbie Smith, readying her store for a grand reopening. "And they need us."

Still, Domino managers acknowledge the fragility of what they have created.

"We know how to make damn good sugar," says Mickey Seither, vice president of operations. "We don't know a whole lot about running a trailer park."

'They are Fighters'

Built in 1909, the refinery is a red-brick colossus on the Mississippi, chugging and puffing 24 hours a day. Inside, the iron stairs are sticky from decades of sugar, sweat and steam. The oldest of Domino's four plants -- the others are in Baltimore, New York and California -- the refinery in St. Bernard Parish was processing 6.5 million pounds of sugar a day before the storm. About 75 different products were produced, packaged and shipped from the site. Domino pays an average wage of \$17 an hour with benefits; most employees are men, and many have worked here for more than 20 years.

The bonds of loyalty to each other and to the company were tested with Katrina. Ten employees volunteered to stay inside the refinery to keep the electricity and pumps working during the storm, but they lost communication with the outside world. As St. Bernard Parish slipped underwater, the employees were trapped for several days.

When Maraia, the plant manager, returned, the refinery was in ruins. Motors and pumps were submerged, and water had flooded mammoth sugar sheds, one containing 32 million pounds of raw sugar that turned into a lake of syrup. Dozens of vehicles were buried under melting mountains of sugar. The wind had blown out 450 of the

2,200 refinery windows. Cleanup seemed impossible: There was no power to suction the water or lift the 10,000-pound motors from submersion, and most of Domino's workers had evacuated and were scattered across the country.

Domino's parent company is American Sugar Refining Inc., which is owned by Florida Crystals Corp., which has its headquarters near West Palm Beach, and a cooperative of sugar cane growers. The company leased a barge and docked it on the river behind the refinery. All Domino employees were kept on the payroll, but only 20 were brought back initially. Fighting mosquitoes and heat, the men worked 12-hour days using only diesel generators, brute strength and physics to hoist and lift submerged machinery. They slept and ate on the barge, earning time-and-a-half for every hour worked.

"They are fighters, in a good way," Maraia says. "I think they felt they were on a mission. They knew that if they wanted to live here again, they had to have a job here."

Maraia, a Brooklyn-born son of a spring maker who started with Domino in 1974, lived in another parish and says he felt guilty about not losing his own home. He tried to keep his workers focused on the task of rebuilding, but his wife warned him, "Watch what you say, Pete; don't give them too much hope."

Using its contacts in the Louisiana Department of Economic Development and the U.S. Department of Agriculture, the company got 270 trailers from the Federal Emergency Management Agency. The first question was whether to allow families or just employees to live in them. Some Domino managers questioned the wisdom of becoming a landlord, but the company decided the workers would be happier -- and more productive -- with their spouses and kids there.

By early December, Domino was producing a small daily run of 3 million pounds of sugar, less than half its normal production but still a comeback.

The strained labor relations that plagued Domino throughout the 1990s faded in the face of the crisis, says Milton J. Carr Jr., who represents the United Food and Commercial Workers Local 1101. "I guess you could say we are in a honeymoon period right now," says Carr, who has worked at Domino for 33 years. "All honeymoons end, but right now we are lucky to have our jobs."

But the stress is catching up. Nearly two dozen employees and family members interviewed for this story see evidence of anxiety, depression, weight loss and abusive drinking. "I am filled with rage," says one wife, who was referred to a psychiatrist by a doctor working out of the temporary medical trailers in St. Bernard Parish. Another woman says her husband is drinking "real heavy."

Last week, Domino stepped up its employee assistance plan to provide counselors. "Our biggest challenges are ahead of us," Maraia says.

'The Wives Lost All Their Stuff'

In the dark every morning, there is a quiet commute across the rocks to the refinery. Left behind in the trailers are the women, most of whom lost their jobs in the hurricane and now spend their days with cell phones pressed to their ears dealing with insurance adjustors, FEMA, the Small Business Administration and others. The nearest grocery store is an hour away, a trip necessitated every two or three days because the trailer refrigerators are so small.

"The men, the work was their life, they didn't lose that," says Carol Bachemin, smoking and drinking coffee in her trailer. "The wives lost all their stuff."

Inside another trailer, a woman uses a hair dryer on still-wet snapshots pulled from the wreckage of home.

And inside another: "I long for a bath, and a big bathtub," Kathy Sakowski says. "You miss all the little things in life. I miss washing my hair with real water pressure, fluffing it and drying it out. And where is my favorite pan? You think of things every day that you lost."

While their husbands work, some drive to their old neighborhoods 10 or 15 minutes away and gut their houses. Melissa Arbour has a red bleach burn on her arm from scrubbing walls. Sheri Meyer is sunburned from gutting hers. Wendy Miller bought rubber boots and cleared debris from her water-logged home. Then they come back to the trailers and make dinner.

"You are thankful you have a roof over your head," Lanette Labrosse says. "At the same time, you are cussing under your breath."

"Look at this," Labrosse says, pulling down the air filter in her trailer covered with gray silt. "We have to take this down and wash it all the time."

The air in St. Bernard Parish is an invisible galaxy of dust, spores and mold. Six out of 10 patients who visit the temporary medical trailers have respiratory problems, according to Paul Verrette, medical director of the Department of Homeland Security in the parish.

Nancy Bird, wife of a Domino worker, won't let her child live in the trailer park because of environmental concerns. Besides the air quality, Bird worries about soil contamination from an oil spill during the hurricane not far from the public school that has reopened.

"I don't understand the common sense of letting kids live here," says Bird, who lives elsewhere in Louisiana with her son while her husband stays in a Domino trailer.

But many have no choice.

One night after dinner, as a cold wind blows across the trailers, Freddie Meyer's daughter, Megan, 11, and Devin LaChapelle, 12, are kicking rocks with their sneakers. "I can describe this place in three words," Devin says. "Dusty, dirty and boring. It's not normal."

"It's not home," Megan says.

As the refinery's engines grind above them, Devin and Megan walk along the fence and across the street to the levee. The lights of New Orleans burn across the river. The kids trade evacuation stories. Megan says that when they got back to her house, her parakeet was dead and his head was sticking up through the top of the cage. "He was trying to breathe while the water came up," she says.

Devin evacuated to New Mexico. "The people gave us clothes," he says.

They shiver in silence, then turn back to the trailers.

'We Are Close-Knit'

On the fourth floor of the refinery, the mechanics stand near the windows on a smoke break. Meyer and Wayne Dear glisten with sweat. Then it's back to the darkness of the machinery, where the No. 2 Syrup Pumping Pot and huge centrifuges that spin the water from the raw sugar groan and wheeze.

The sour smell of fermented sugar still lingers. Raw sugar is brought in from Texas or Louisiana and refined here: washed, purified, spun, dried and emerging in snowy crystals that fill 2,000-pound totes bound for Kellogg or 5-pound packages bound for Wal-Mart. With storm-damaged machinery, Domino is

only able to produce half its product run. New mechanical palletizers have not come in yet, so sugar is loaded onto pallets by hand, slowly, rhythmically, in a pace the workers calibrate to help them last eight hours.

Meyer, Dear and another mechanic with "Catfish" on his hard hat spend the morning fixing a broken motor reducer. They kneel on greasy cardboard as they use two-foot wrenches and heavy mallets to take apart the reducer. Three of them work together, one heaving, the other turning, no one talking unless a direction is shouted above the noise of the machinery.

"We are close-knit," says Dear, as he walks down to the break room for lunch. "You gotta be to do this."

They are close even in the way they eat lunch, with Dear cutting up sausage and passing it down the long lunch table. Out of eight men in the room, seven lost their homes in the storm. Gerald Banks, who oils machinery, watched his 81-year-old father drown and spent three hours next to the body as he clung to a concrete stairway of a house that had washed away.

On break, the men talk about levees and corrupt politicians or what they found in their homes -- fish, dead dogs, car tires. Most had no flood insurance. Some of their homes were in the path of a 25,000-barrel oil spill from Murphy Oil that contaminated 1,800 homes. One man has received a \$20,000 settlement; others are waiting to hear. But for most, there will be no windfall of insurance or oil money. Domino Sugar is the surest thing in their lives.

"It's rough," Meyer says. "I ain't gonna tell you no lie."

Their shift is from 6 a.m. to 2:30 p.m., but most work overtime because there's nothing else to do. The one exception is when a warm front passes through, and the marshes call.

On a sunny January afternoon, Meyer and David Bachemin clock off at 2:30 p.m., and by 2:37 they are hitching their boat trailers to trucks and headed for Delacroix Island. A two-lane road leads into the otherworldly devastation of fishing communities where trawlers are flipped over and branches are twisted in horrific sculptures.

They put in their boats and throttle out toward the horizon. These are the same waters that ruined their lives, but no one mentions the hurricane. The trout start piling up in the ice coolers. "I like to see that, my baby," Meyer shouts, as someone hauls in another.

Bachemin's cell phone echoes. It's his wife calling from the trailer, stressed out and fighting with their son. Bachemin tells her he'll be there soon.

In darkness, they drive back. Meyer pulls up to the fence surrounding the trailers. The white aluminum boxes are blasted by industrial lights and the refinery's glare. "Home, sweet home," Meyer says.

Jan. 25, 2006; By Chris Mercer, **The Food Navigator**

Obesity lawsuits loom for soft drinks industry

A lawsuit aimed at getting soft drinks firms out of US schools on obesity grounds is now ready to go, says one of the leading lawyers involved to BeverageDaily.com, as new research suggests obesity litigation will become the next ‘tobacco’.

Professor Richard Daynard, a lawyer who has already taken on the tobacco firms, spent much of 2005 gathering evidence and witnesses to launch a new court battle to get the [soft drinks](#) giants out of schools.

“We’ve done everything we need to do to prepare for the [lawsuit](#), but we haven’t decided exactly when or where to file it. It could be any time after this month,” he said in an interview with **www.BeverageDaily.com**.

The suit is expected to allege that soft drinks in schools breach state consumer protection laws and that vending machines are illegal as an ‘attractive nuisance’. *“We have a product that has been shown to make a material contribution to childhood and adolescent [obesity](#) and we have it in schools where the kids are required to be for six or seven hours per day,”* said Daynard.

Nearly half of all US schools had an exclusive, so-called ‘pouring rights’ contract with a beverage company in the 2003-04 school year, according to a report published by the US Government Accountability Office last August.

A study on the use of litigation to defend public health, published last week and part-authored by Daynard, cited research stating each additional serving of sugar-sweetened soft drink increased a child’s chance of obesity by 50 per cent.

The study, appearing in the American Journal of Preventive Medicine, said that while it was harder to prove that certain food products had a direct impact on obesity-related diseases, it was likely that litigation would be needed to address the obesity problem in the US; just as it was needed against tobacco firms. It said that lawsuits targeting consumer protection acts were more likely to be successful. But, *“successful litigation does not always require a victory in court; the goal of litigation can be to change public perception of an industry and ultimately to induce a change in industry practices”*.

Soft drinks firms, it seems, are set to become a big target.

The Centre for Science in the Public Interest confirmed that it too was preparing obesity lawsuits against soft drink companies – spurred on by recent actions against fast food chain MacDonald’s.

A loose network of around 20 lawyers, nutritionists and campaigners have been sharing information for possible litigation against soft drink firms since autumn 2004, said one source close to the issue. Authorities are also showing greater interest in kicking fizzy drinks out of schools.

The House of Representatives in the state of Massachusetts was set to vote this week on whether to ban junk

foods, including fizzy soda, from schools. A total 38 states considered school nutrition bills last year, most of which included a vending machine component. At least 14 laws have now been enacted.

The American Beverage Association, backed by Coca-Cola and PepsiCo, has attempted to head-off complaints by voluntarily banning fizzy drinks in elementary schools.

It also took on voluntary restrictions in middle and high schools, and announced just before Christmas that sales of regular soft drinks in schools dropped 24 percent between 2002 and 2004.

The financial impact of the ABA's sacrifice was, however, questioned after it emerged Coca-Cola only got around one per cent of its sales from schools in North America.

“They could probably afford to clear them [soft drinks] out of schools but to be forced to do so because they are dangerous to kids is not going to resonate well with whatever their next huge marketing campaign is going to be,” said Daynard.

A well-known problem for big firms in lawsuits is that information can emerge that does further harm to the company's public image.

The litigation study in the American Journal of Preventive Medicine said this became a big problem for tobacco firms as documents emerged revealing “a blatant disregard for public health”.

Daynard said one potentially controversial issue regarding soft drinks firms may be how they got ‘pouring rights’ contracts in the first place.

One independent source also told **www.BeverageDaily.com** there were a number of unhappy former employees from Coca-Cola's bottling arm, Coca-Cola Enterprises.

The journal study, however, says the food and drink industry generally could find a way out of the litigation quagmire by continuing to focus on improvements to the health value of its products; something the tobacco industry was never able to do.

The industry's ability to do this, and communicate it effectively, will be crucial.