NSIMA NATIONAL SWEETENER & INGREDIENT MARKETING ASSN

Newsletter

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

N.S.B.A. 100th 1905-ANNIVERSARY-2005

Issue #10 November 28, 2007

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Message from Ray Washmera, President;

Dear Associates:

The NSIMA and I wish you the happiest of holidays. We hope Santa provides you with everything you want and more. You deserve it!

Looking in the rear view mirror, this has been a great year for the Association. We accomplished much and provided our members with more services than ever before. This was done because your Board was conscientious, active, and hard working. They have been terrific to work with. Thank you, Board Members.

I especially want to recognize Bruce Penner for his excellent work on our technology needs. The website and its contents are results of his efforts. Thank you Bruce.

I also want to acknowledge Neale Smith. I appreciate his wise counsel and help. Neale truly cares for this Association and it shows. Many thanks, Neale.

Our Association continues to seek more and better ways to help you, our Members. We thank you for your confidence and look forward to your participation and assistance. Have a great holiday season and we'll talk with you in the New Year.

May God bless you all!

Ray Washmera

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Also in this issue: (Click on the headline below to zoom to the article) http://www.mlive.com/news/kzgazette/index.ssf?/base/columns-3/1193545577261460.xml&coll=7

Sunday, October 28, 2007; **Kalamazoo Gazette**

Farm Bill should offer more help for specialty crop growers

A late freeze last Easter meant local apple growers have little to show for their efforts now. The same for growers of cherries and peaches. Early summer drought hurt the local blueberry harvest.

``It's all part of the business,'' an area apple farmer told the Kalamazoo Gazette. ``But it's just real hard to swallow. It's like working all year and not getting a paycheck.''

Growers of commodity crops like wheat, soybeans, corn, rice or cotton have received hefty federal subsidies -- to the tune of between $10 billion and $20 billion a year -- whether they made a profit that year or not. It's a testament to the power of the farm lobby and members of Congress who represent farm states that represent commodity crop production. But the way commodity subsidies are handed out is rightfully criticized as one big boondoggle.

Yet growers of specialty crops -- fruits and vegetables that are the backbone of southwestern Michigan's agricultural sector -- can't expect much assistance from the federal government.

A version of the Farm Bill reauthorization, which moved out of the U.S. Senate Agriculture Committee on which U.S. Sen. Debbie Stabenow serves, would provide funding for disaster assistance and $3 billion for healthy food programs, including $6 million for fresh fruit and vegetable snack programs in Michigan.

The Farm Bill had its roots in the Dust Bowl of the Great Depression, when families lost their farms and hunger was widespread. Every five years, the bill must be reauthorized.
The proposed legislation would provide more than $280 billion for agriculture and nutrition programs, leaving in place the most controversial aspect of the bill -- the subsidies to producers of major crops.

The current farm bill limits farmers to $360,000 in subsidies per year, but that ceiling is filled with loopholes.

The new legislation attempts to limit subsidies by eventually banning payments to ``nonfarmers'' whose income averages more than $750,000 a year. The bill defines farmers as those who earn more than two-thirds of their income from agriculture. But there would be no income-based limits on what a farmer could collect.

A new subsidy program would give farmers an option to collect payments when crop prices drop below a price-and-yield formula that would be calculated at the state level, as opposed to current subsidies that kick in when prices are low. This type of payment program has been proposed by the Agriculture Department and corn growers, who have seen record-high prices in recent years.

We believe farmers need a cushion against the vagaries of the weather and the markets. That's especially true in times like these when floods, severe drought and unseasonable temperatures are causing widespread crop failures. That's also especially true when American grocery stores are full of specialty crops grown in other countries that are competing with local farmers' produce. Growers of specialty crops aren't asking for the kind of direct payment that commodity growers receive even when they're making a profit.

And the U.S. Department of Agriculture acknowledges that growers of specialty crops are underrepresented under the policies that shape the existing Farm Bill.
The Farm Bill of 2007 is a work in progress. That means more help for specialty crop growers could be removed -- or added -- at any time.

But that also means that Congress has an opportunity to reform the federal subsidy program for commodities to make it a safety net for farmers -- not a feeding trough.

http://www.foodbusinessnews.net/Feature_stories.asp?ArticleID=89144

October 30, 2007; by Josh Sosland, Foodbusinessnews.net

Transportation infrastructure woes must be addressed, BNSF chief says

SAVANNAH, GA. — "It's only when a bridge goes down like the one in Minneapolis that people wake up and say, 'We have an infrastructure crisis,'" said Matthew K. Rose, chairman, president and chief executive officer of the BNSF Railway, Fort Worth, Texas. "Infrastructure is one of those things that this country has learned to take for granted."

Mr. Rose addressed the annual meeting of the North American Millers' Association Sept. 28 at the Mansion on Forsyth Park in Savannah. NAMA is a trade group representing the wheat, corn and oat milling industries.

The bridge observation helped provide context to Mr. Rose's remarks about the rail industry, which occupied the thrust of his presentation. Transportation will continue to face serious challenges — not only the rail infrastructure, but highways and airports as well, Mr. Rose said. He expressed concern that even still, the issue does not receive the attention it requires.

"We're really distracted in this country by lots of things," he said. "Politically, there isn't a vision in Washington from anyone saying, 'We need to do something.' In other parts of the world they are doing that. What has been probably our nation's largest strategic advantage, low-cost efficient supply chains, being able to transport not just your commodities, but all commodities, has allowed this economy to grow for decades and today is severely challenged."

Much of Mr. Rose's presentation was devoted to the extraordinary changes that have transpired in the quarter century since the Staggers Rail Act of 1980 was signed into law by President Carter.

"We've grown G.D.P. at 2.5% to 3% for the last 25 years, which correlates to rail and highway growth," he said. "The way things stand, we won't be able to do that for the next 25 years."

Describing the rail industry at the time of Staggers as a "dead man walking," Mr. Rose said 100,000 track miles have been eliminated since that time, a cut of about one third. Additionally, the rail industry workforce has been more than halved, to 167,581 in 2006 from 458,332 in 1980.

"It took the industry over 25 years to work through the excess capacity and allow the investment to come in and bring the returns to a point to support that investment," he said. "In a regulated industry, that type of investment does not take place because there isn't incentive to do it."

After the early to mid-1990s, which were "all about mergers," Mr. Rose said the rail industry has enjoyed a good run.

Since 1996, the BNSF has averaged 4.3% compound annual unit volume growth. Given that the norm for the rail industry has been unit volume growth two thirds as great as G.D.P. growth, the figures are quite impressive, he said. Over the same period, the rail industry grew at an annual rate of 1.7%.

For the BNSF, this translated into aggregate growth of 3.6 million units per year at the end of the period, or 52.1%. Consumer products led the growth, at 105%, followed by coal, at 33%; agricultural products, at 18%; and industrial products at 5%.

Mr. Rose cited a wide range of factors driving rail demand:
• Highway congestion
• Driver shortages
• Agricultural trade growth
• Trans Pacific trade
• Fuel
• Capacity investments
• Coal production

"In the 1980s, we used to talk about driver shortages," Mr. Rose said. "Twenty years later, here we are, still talking about driver shortages. The problem will only get worse, because the average driver is 49 or 50 years old. It's a deep rooted problem.

"Also, we are very bullish about China in the long run. They will become a net importer of grains we believe, and when that happens we believe our agricultural shipments will continue to grow."

Citing transportation officials in Washington, Mr. Rose said highway congestion costs are estimated at $70 billion per year, as measured by the costs of truckers waiting in traffic jams. He said that figure is expected to triple over the next 10 years.

"These problems are increasing at an increasing rate," he said. "High fuel helps rail versus truck because we are so much more efficient."

The most common question posed to the railroads about long-term prospects is how the carriers will handle the prospective growth in the years ahead, Mr. Rose said.

"We have a great advantage because we have a privatized rail network, 32,000 miles," he said. "It's about a 150- to 200-foot swath of property that weaves all around this little country. We are able to go from single track to double track to triple track, and this year, we are adding quadruple track in one part of the country. We can expand the railroad footprint. It is much easier to add to the rail footprint than the highway footprint, primarily because of the places highways go in metropolitan areas. In many instances, there simply is no place to go with the highways."

The ability to build out the railroad to meet demand will be dependent on maintaining adequate returns on capital, Mr. Rose said. He demonstrated that dips in such investment over the past several years coincided with periods of sharply diminished rail industry profitability.

Looking forward, to 2020, Mr. Rose reviewed data from the American Association of State Highway and Transportation Officials, predicting compound annual truck volume growth of 2.32%, rail growth of 1.94% and barge growth of 0.68%. Over this period, beginning in 2005, the annual rates translate into aggregate growth of 60% for truck, 55% for rail and 30% for water.

"To permit a new highway today takes 15 years," Mr. Rose said, suggesting the prospects for significant highway capacity growth are quite poor.

A Surface Transportation Commission project headed by Mr. Rose evaluated the national railroad network to look for bottlenecks. A third-party evaluation demonstrated that in 2005 Kansas City was the only market with a capacity bottleneck. Generally speaking, excess capacity of 15% exists. Looking forward to 2035, though, Mr. Rose said the bottlenecks would be widespread.

"Basically, this would be chaos, a big rail mess, a big rail meltdown," he said.

To satisfactorily meet the expansion in rail volume demand, $135 billion in capital expenditures would be required over the next 30 years, Mr. Rose said.

By contrast, $150 billion is spent on highways each year, he offered for perspective.

Current rail spending projections total $70 billion (if returns are adequate) and another $26 billion is being sought through productivity. Mr. Rose said the railroads are seeking federal tax credits to cover the balance.

http://ethanolproducer.com/index.jsp

From the November 2007 Issue; by Nicholas Zeman, Ethanol Producer Magazine;

The Blenders Are Back

The only way ethanol producers can keep increasing production capacity is to ramp up demand. South Dakota ethanol proponents believe blender pumps are an excellent tool to increase sales of the renewable fuel and to dispel the myth that E10 is the optimum blend rate for nonflexible-fuel vehicles.

The sign at the Sioux Valley Co-op (SVC) C-Store on U.S. Highway 212 in Watertown, S.D., indicating that the "Blenders are Back" doesn't mean much to outsiders. For those familiar with the "blenders" it means they once again have an opportunity to fuel their vehicles with E10, E30 or E85. The blender pumps are unique to South Dakota, but are moving into neighboring Minnesota and have the potential to spread to other states. Along with getting their choice of ethanol blended fuels, customers at the C-Store can also choose how much money they want to spend on fuel. In mid-September, E10 was the most expensive blend at $2.99 per gallon, E20 was 10-cents behind at $2.89, and E85 was the cheapest at $2.29. Regular unleaded gasoline was $3.04 a gallon.

The blender pumps provide a local market for ethanol producers like Glacial Lakes Energy LLC, a 50 MMgy plant in Watertown, which supplies ethanol for the C-Store. South Dakota ethanol producers tell EPM that most of the ethanol they market, outside of St. Louis, goes to the East and West Coasts. These are the high-population, high-demand fuel centers. However, paying freight rates to get the fuel there is expensive. It's more economical for producers to sell to petroleum companies who retail the fuel regionally.

Although the blender pumps are popular with customers, a policy matter caused a brief interruption in their service, which explains the "Blenders are Back" sign. "We had to shut the pumps down for a while," says SVC General Manager Gary French. Early on, there was some speculation that the pumps were shut down because the Underwriters Laboratories Inc. (UL) had disavowed an earlier approval for certain components in E85 pumps. The American Coalition for Ethanol notes, however, that UL's decision had absolutely no impact on pumps that dispense E10 and the mid-range blends. While UL's action was an issue in some parts of the country, the pumps were pulled in South Dakota for fear of an anticipated ruling from the U.S. EPA stipulating that 20 percent and 30 percent blends would not conform to certain Clean Air Act requirements for use in standard vehicles. French pulled the blender pumps at the request of CHS Inc., the company that supplies the C-Store. Once the situation was worked out the pumps were again open for business.

In Sioux Falls, S.D., 100 miles south of Watertown, at the South Dakota Corn Growers headquarters, Lisa Richardson tells EPM that blender pumps are an exciting marketing opportunity for ethanol. "[Ethanol] is too cheap right now, but that means there are some good margins for blenders out there, and a chance to use more ethanol," she says. "The good thing about a cheap product is that it helps solve the demand problem." Merle Anderson, a founder of ACE and a self-declared "Norwegian farmer who doesn't know much," is a passionate advocate of the blender pumps. He believes the pumps can solve some of the industry's demand problems and he's not shy about making it known. "We're making more ethanol than there is a demand for," Anderson says. "We are going to have a crash in this industry if we don't do more on the marketing and sales sides." Anderson and ACE are also not afraid to tell the oil refiners what they think. In late September, ACE accused oil companies of not passing on savings as a result of low ethanol prices to consumers. "Many oil companies today are purchasing ethanol at bargain prices, but in an apparent attempt to discourage the use of ethanol, they are offering ethanol blends at excessive prices to their dealer stations," ACE wrote in a letter to top Congressional leaders asking them to adopt legislation promoting the use of ethanol. "In other instances, refiners are purchasing low-priced ethanol, adding unfair profit by marking up the price of ethanol-blended fuel, and making motorists pay more at the pump. In these cases, sales of ethanol are artificially depressed at a time when more ethanol would lower prices for consumers." Of course, the oil refiners came out in force to counter ACE's claims. Whether it's at the refiner's behest or not, fuel retailers have been slow to offer higher blends of ethanol, and haven't featured the mid-range blends at filling stations. Richardson hopes this situation is starting to change. "There are huge margins out there—not for the ethanol industry—but for the blenders," she says. "There should be a groundswell of blender pumps, especially in states with ready access to terminals like Iowa, South Dakota and Minnesota. We need to use more ethanol here in the Midwest."

In South Dakota, the pumps are also operating in Redfield, Webster and Britton. There is a strong presence of petroleum wholesalers and fuel companies in South Dakota including CHS Inc., Harms Oil Co. and Kaneb Pipeline Partners LLP, among others. With this infrastructure in place, Richardson hopes that Sioux Falls will have blender pumps within the next year. The list of communities with blender pumps will soon include towns in neighboring Minnesota. CHS and the Minnesota Department of Commerce Weights and Measures Division worked together to get the pumps approved for installation there. The first pump is scheduled to open in Ortonville, Minn., on Oct. 11, another will follow in Belgrade, Minn., Anderson says. "We get 'em going in Minnesota and other states will follow," he says. "We're going to have cheap ethanol for a while, so people will use this stuff."

Mechanically, there's nothing different about the blender pumps. Seasonal blends of diesel fuel have been available for many years through similar pumps, and traditional gasoline retailers have used them to dispense gasoline with various octane levels. "There are only two tanks involved with a blender pump, so they are easy and economical to install," Anderson says. WestMor Industries of Morris, Minn., has been installing the blender pumps at filling stations in South Dakota. The only concern with the ethanol blender pumps when they were first being used, was that each particular blend didn't have its own dispenser hose. There were only two hoses to manage five products. That was remedied and now each grade has its own hose for inner mixing. "We changed out the hoses and they're back running—we're selling a lot of ethanol," French says.

Dispelling the Mid-Range Myth

Driving through South Dakota it's clear that farmers planted ample acres of corn this year, which is no surprise considering the market price for the commodity. The demand for ethanol must increase, however, if farmers wish to continue to benefit. One way to do this is with blender pumps. "We know that customers will choose our product," Anderson says. "But right now, in most of America, they're not being given a choice—that's hurting us."

Surprisingly, there is no definitive science behind the selection of E10 as an acceptable blend for nonflexible-fuel vehicles. "We really don't know what that optimum blend is," Richardson says. "The 10 percent number was only the result of a deal cut with the oil companies." The U.S. EPA approved 20 percent and 30 percent blends for FFV use in the beginning of 2007, French says. "All the feedback has been positive … there've been no issues whatsoever," he says. The cooperative is not, however, recommending the use of E30 or E85 in standard vehicles. The hoses for E30 and E85 are yellow, while the hoses for unleaded and E10 are black. Therefore, it's very clear to the customer which product they're putting in their tanks. While official statements from blender pump operators in South Dakota maintain that E30 is specifically for FFV use, French says he's heard no complaints from customers who use it in standard-fuel-component vehicles. "We have to get rid of this myth that you can only burn a blend of up to 10 percent if you don't have a flex-fuel vehicle (FFV)," Anderson says. He blames the auto companies for this wide misconception. "They've done some things to help ethanol, but they also want to sell you a new [flexible-fuel] car," he says. "Not everybody can afford to buy a new FFV, but that doesn't mean you can't burn higher blends. I use 40 percent in my car, 75 percent in my truck and I have no idea what they mean when they talk about corrosion and some of these other things. My vehicles will be running longer than anybody else's."

Nicholas Zeman is an Ethanol Producer Magazine *staff writer. Reach him at nzeman@bbibiofuels.com or (701) 746-8385.*

http://ethanolproducer.com/article-print.jsp?article_id=3423

From the November 2007 Issue; by Ron Kotrba, Ethanol Producer Magazine

Imperial County's Emerging Ethanol Empire

The Imperial Valley in southeastern California is teaming with ethanol project activity. Beef and dairy operations are hefty in the valley, and agriculture thrives with diverted Colorado River water. EPM investigates why this county has attracted so much attention from would-be ethanol producers.

From ethanol projects backed by money from venture capitalists, to a series of proposed plants from one of the longest running family farm operations in southeast California, the Imperial Valley has attracted them all. Publicly traded producer Pacific Ethanol Inc., whose most notable investor is Microsoft Chairman Bill Gates; project owner Cilion Inc., which taps into the seemingly bottomless pockets of Khosla Ventures; Batley Enterprises, a family farm business in the valley for nearly a century with Bill Batley at the helm; and other interested companies including Imperial Bioresources LLC and U.S. Farms Inc., all are lining up to stake their ethanol claim in this heavily irrigated California farmland in the nation's largest ethanol market of a billion gallons.

"The Imperial Valley has good resources for development," says Paul Koehler, Pacific Ethanol vice president of business development. "There's quality land, livestock and irrigation water for good crop development. It's a good place to be building." Of course, with Pacific Ethanol's destination model, Koehler and his crew are less reliant on growing feedstock crops. As Koehler puts it, Pacific Ethanol isn't railing in corn from the Midwest—rather his company is railing in unit hopper cars full of ethanol and feed in their raw, pre-value-added forms. California rails in tons of Midwestern feed corn for its larger-than-life dairy and beef cattle operations. Similar to the U.S. federal government's redirection of waters from the mighty Colorado River to irrigate the abundance of agricultural lands in the Imperial Valley, the diversion of corn bound for California dairy farms and feedlots, allows for the opportunity to add value to its large feed and fuel markets. As far as ethanol markets go, Pacific Ethanol is working with the California Air Resources Board (CARB) and other stakeholder groups to hash out a timeline to bring refiners onboard with the recent ruling allowing instate fuel formulae to increase from its current 5.7 percent concentration to 10 percent, Koehler says. "We think there will be companies blending 10 percent before the deadline requires it," he says, adding that CARB's ruling will increase the California ethanol market to an astounding 1.7 billion gallons a year. "With our plans to build and with our plants on line, and other projects out there, that would bring California ethanol production up significantly but it will still be well below 500 MMgy," or well under a third of the state's expected consumption rate in a few years. "Southern California is a huge ethanol market, so we'll not only serve the Imperial Valley markets but we'll serve Los Angeles, San Diego and others as well."

While instate ethanol production may never surpass its huge rate of consumption, Koehler says his company does have some concerns about the eventual topping out of the local wet distillers grains markets. "There's a limit as to how much wet distillers grains the local markets can absorb," he says. With the Mexican line abutting the Imperial County border, Koehler says Pacific Ethanol is eying the Mexican beef and dairy markets to diversify its distribution options.

Pacific Ethanol's Imperial plant in Calipatria, Calif., broke ground this summer. Other projects it owns include its operational plant in Madera, Calif., the company's first; Boardman, Ore., which completed a successful startup in September; a 42 percent ownership stake in the 48 MMgy Front Range Energy LLC plant in Windsor, Colo.; and two other projects under construction. The company's

Imperial plant, much like many of its projects, is positioned near several hundred thousand head of livestock—beef cattle in this instance—allowing its plant to save 30 percent on energy costs by not drying its grains and distributing it locally. "We don't dry our grains so as natural gas prices increase, our competitive advantage also increases," a Pacific Ethanol spokesman says. This model also helps lower build costs because the company doesn't need to capitalize the cost of a dryer. "Then, if there's a [carbon dioxide] standard, we'll be even further ahead," the spokesman adds. A low carbon fuel standard was placed into law via an executive order from California Gov. Arnold Schwarzenegger in January 2007. The company also prides itself in finding build sites with strategic infrastructure for speedy and cost-competitive modes of transportation—rail, interstate and water. Delta-T Corp. is providing all the design work for Pacific Ethanol's plants, which will top out at 60 MMgy of operating capacity. The company will internally provide general contracting services, but will still use the services of a construction contractor. The Delta-T design will help conserve water in this heavily irrigated region, quelling concerns over ill usage of this precious commodity.

When it comes to competition, Pacific Ethanol is well aware of those with which its own plants may be rubbing elbows soon enough. "Cilion, they're in the permitting cycle and we'll keep our eyes open to them," Koehler says. Cilion is hoping to build several 55 MMgy destination model plants in California, much like Pacific Ethanol, and is working on gaining regulatory approval to build in the Imperial Valley. "And then we're also aware of several sugar interests," Koehler says. "Planting sugar for ethanol could be a smart thing to do in Imperial County. At the end of the day, if they grow sugar for ethanol production here it would be good for the industry and good for Imperial Valley farmers." Koehler is referring to California Ethanol & Power (CE&P), a newly formed company backed and partly owned by Batley Enterprises run by longtime Imperial Valley farmer Bill Batley, who has 60-plus years of experience working the valley soil.

Sugary Plans

Batley is virtually an agricultural institution. His father started Batley Farms in 1919 after being discharged from the Marine Corps. The younger Batley, now in his early 80s, went to the University of California-Davis after which he started an alfalfa dehydrating business, which operated successfully for more then six decades and was eventually closed. "Agriculture has been on a downhill slide ever since this so-called world market took hold," Batley tells EPM. "After my alfalfa business closed I started looking into this ethanol from sugarcane plan." According to Jeffrey Lee, CE&P president and project development manager, the company formed in March 2007 as a Delaware limited liability corporation, and became officially functional as a company on June 1. Lee says CE&P has stacked its company management with a sophisticated project development and finance team. "We're using a pure project financing scenario," Lee says, meaning only 10 percent equity will be needed in order to secure senior and subordinate debt, which he anticipates having arranged by the third quarter of 2008.

Along with Batley Enterprises, Washington Group International has a significant stake in CE&P. With a longtime friend in the Washington Group backing the project, Batley tells EPM 100 sugarcane seed acres are growing right now to eventually supply enough seed for 37,000 acres—the acreage needed to supply just one of five 50 MMgy plants that CE&P anticipates building. CE&P's vice president of Imperial Valley operations, Nora Batley, says the seed from one acre of seed cane can produce 10 acres of cane. "We'll continue to grow enough seed cane to eventually supply our needs," she says.

Each 50 MMgy plant is projected to cost roughly $200 million, or twice that of most corn ethanol plants. The high costs are reflective of the novelties each plant will possess, such as energy systems run on bagasse for conversion into electricity, production of which will far exceed what's required at the plant. Each plant will produce 40 megawatts of electricity, only consuming 6 megawatts with the large 34 megawatt surplus planned for sale to an unnamed California utility as green power. For ethanol process conversion technology, CE&P is talking with two world leaders in the field and likely will have made a decision by the time this article is published.

"Our plants will be dependent on sugarcane, and sugarcane growth in Imperial County will depend on our plants," Lee says. Bill Batley elaborates, saying that it all goes back to the Farm Bill and the sugar program. "California is a beet state. Cane growing states like Louisiana and Florida exerted tremendous political pressure to keep California off the cane-growing list," he says, which essentially rendered growing sugarcane for sugar unprofitable in California as the feedstock is ineligible for the 14-cents a pound federal subsidy under the sugar program. "This is the good ol' USA, so I can't complain too loudly—things are pretty good overall of course," he says. "But the Imperial Valley is one of the best sugarcane growing places in the world." That's precisely why the other cane-growing states lobbied with vigor to keep California off the sugarcane subsidy list. "In the states where they can get the subsidy they can get 14 cents a pound from the government, and make twice as much money making sugar than we can by making ethanol," Batley says. "But we can grow twice as much cane as they can, mainly because we have year-round growing and no severe seasons or weather—we can run all year round." He says his plants will be able to squeeze a whopping 1,500 gallons of ethanol per acre from sugarcane grown in the Imperial Valley every year.

Neither sugarcane nor any other crops grown in the Imperial Valley such as carrots, broccoli and asparagus would be viable were it not for the abundance of water diverted from the Colorado River. "Look at the water history for Imperial County," Batley tells EPM. "We're the third priority on the Colorado River. There's worlds of water here"—six acre-feet of water per acre of land. "Don't get caught up in all the city talk about water. Los Angeles wants it—people want to muscle in and get our Imperial Valley water," he says. "Our plants will not be water users. We'll be water positive." Lee explains that, while a corn ethanol plant brings in dried corn which then has to be ground up and mixed with added water to make slurry, the sugarcane-to-ethanol process starts with the juice that's mechanically extracted from the cane. "We ferment the sugar in its own juice," he says. "We will get a 96 percent liquid stream effluent. We'll pull the organics and the water will be reused." CE&P says while its plants will be water positive, corn ethanol plants on average require four to five gallons of water for every gallon of ethanol produced. But Pacific Ethanol's plants are being designed by Delta-T, a company proud of its low-water-consumption process design.

CE&P is familiar with its local rivals. "We're not in the least bit worried about our competition," Batley says. "The true fact is we're out in front compared with our competition. There may be one or two corn plants under construction in Imperial County, and maybe one of them has their permits all in order. But their backgrounds are not backed by the strength of ours—so no, we're not worried."

Lee expounds on CE&P's competition, saying, "Pacific Ethanol has $60 million of Bill Gates' money and Cilion has Western Milling and Vinod Khosla backing them. We're familiar with their destination model. We don't have anything to rail in," which he says saves 30 cents per gallon in transportation costs. Therefore, feedstock costs for CE&P would, when compared with a corn-ethanol plant, equate to roughly $2.15 cents a bushel of corn using locally grown sugarcane.

Nora Batley says property for CE&P's first plant is already under company ownership and is situated in the Mesquite Lake industrial area of Imperial County, in an enterprise zone that's "the icing on the cake." The zone was created to help attract businesses to, and grow the commercial base of, the valley by offering companies like CE&P grants for equipment purchases and more. The site is also near a Union Pacific rail line, which will be instrumental in marketing the outbound ethanol the company hopes to be producing by 2010.

Ron Kotrba is an Ethanol Producer Magazine *senior staff writer. Reach him at rkotrba@bbibiofuels.com or (701) 746-8385.*

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20071101005238&newsLang=en

Imperial Sugar Announces Pending CEO Transition Effective January 29, 2008

John C. Sheptor Designated to Become President and Chief Executive Officer

Robert A. Peiser Designated to Become Vice Chairman

SUGAR LAND, Texas--(BUSINESS WIRE)--Imperial Sugar Company (NASAQ:IPSU) announced today that Robert A. Peiser, its president and ceo since April 2002, will reduce his involvement with the Company effective January 29, 2008, the date of the Company's annual meeting. At that time, he will assume the position of Vice Chairman through January 2009 and will assist in strategic projects as well as with industry and governmental affairs. Imperial further announced that its Board of Directors has appointed John C. Sheptor, currently its executive vice president and chief operating officer, to the positions of president and ceo also effective January 29, 2008.

Mr. Sheptor, 49, joined Imperial in his current role in February of this year as part of a plan of succession and has been responsible for all operations, logistics, sales, marketing, customer service and commodities management areas that support Imperial's evolving go-to-market strategies. Prior to joining Imperial, Mr. Sheptor held the position of Project Director from 2005 to 2007 for the Supply Chain Management System initiative funded under President Bush's Emergency Plan for HIV/AIDS Relief in Washington, DC. Previously, he was Executive Vice President of Merisant Worldwide, Inc., the distributor of Equal® from 2001 to 2004, where he led all global operations, including manufacturing, R&D and Information Technologies. Prior to that position, he held general management, supply chain and manufacturing positions for Monsanto Company with a substantial international focus.

Mr. Peiser, 59, joined Imperial in early 2002 and was the architect of its subsequent financial restructuring, its continued balance sheet improvements, the development of an innovative approach to packaging in the consumer and foodservice market and improved operational performance as well as certain business development efforts.

“I am very proud of the accomplishments that our entire team of associates have been able to achieve since I joined the Company,” said Mr. Peiser. “We transferred a financially weak organization with an attitude of having to make do in the commodity world of sugar into an extremely well capitalized company with a dedication to building on the innovations that we have developed so as to reduce the commodity nature of our business.

“However, after almost six years in this position,” he continued, “I felt that it was time for me to branch out in other personal ways, including additional corporate and not-for-profit board service, while insuring that Imperial's stewardship is placed in the hands of a capable executive who can lead a further transition that will enable the Company to better withstand the inevitable cycles of the sugar industry. John brings to Imperial skills that are very appropriate for the challenges we face, including significant international experience, a focus on R&D and an extensive operations background. I firmly believe that he is the right person at the right time and I am very pleased to be able to support him in any way possible.”

Mr. Sheptor stated that: “I am very excited about this opportunity and Bob's willingness to remain as Vice Chairman and his continued support to our growth initiatives. This is a company with many strengths and one that is well positioned to achieve the goals that we have laid out before us. We have a unique set of competencies that I plan to capitalize on as we consider all of the opportunities that are in front of us. We are committed to insure that Imperial will lead in operational excellence and customer solutions."

Imperial's Chairman of the Board James Gaffney said: "Speaking for our entire Board, we would like to express our appreciation to Bob Peiser for his exceptional performance during the past six years, including the recruitment of a very able successor. I am confident that the Company will continue to advance under John Sheptor's leadership."

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®, Dixie Crystals® and Holly® 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.

http://www.foodnavigator-usa.com/news/ng.asp?n=81114-nature-research-brazzein-sweetener-cweet

11/5/2007 - By Lorraine Heller, **FoodNavigator.com**

New natural HI sweetener could rival aspartame, sucralose

A new plant-derived high intensity sweetener is set to hit the market worldwide, emerging as what could be the first natural sweetener to rival artificial counterparts such as aspartame and sucralose.

Brazzein,, which is derived from a plant native to Africa, will be marketed globally under the brand name Cweet. The product is touted as being 1,000 times sweeter than cane sugar on a weight basis.

According to Natur Research Ingredients, the Californian company that has gained exclusive rights to manufacture and distribute the sweetener, scientists and the sweetener community have long been aware of brazzein's potential, but attempts to commercialize it as a sweetener have so far failed because of the lack of a practical manufacturing process to bring the product to market.

Natur Research chief executive officer Loren Miles now claims this obstacle has been overcome due to a production breakthrough achieved by a scientist at the University of Wisconsin, Madison.

Dr Fariba Assadi-Porter is said to have developed an expression and purification system suited to mass production. The protocols and sweetness profiles have been validated, according to Assasi-Porter, and the next step is the production scale-up phase.

Natur Research Ingredients, which has obtained the exclusive worldwide manufacturing and distribution license for the ingredient from the Wisconsin Alumni Research Foundation (WARF), claims this new product is in no way linked to the previous versions of brazzein that failed to reach the market.

"Cweet represents a whole new breakthrough with the ingredient," he told FoodNavigator-USA.com today.

The ingredient will not be available commercially for another 12 to 18 months, pending approval of a self-affirmed GRAS (generally recognized as safe) status that the company is currently preparing to submit to the US Food and Drug Administration (FDA).

Nevertheless, Miles claims that Cweet has already gathered interest from some of the largest food and beverage companies in the world, with which Natur Research has been *"quietly discussing"* the ingredient over the past three months.

The company said its GRAS approval should coincide with customer testing of the product, and the sweetener should be ready to hit the market once testing phases have been completed.

Nature Research Ingredients will also be targeting other markets worldwide, with Europe being one top priority. The first country to see the ingredient available commercially is likely to be the one with the fastest approval process, said Miles.

Within the next few months, Natur Research Ingredients expects to announce a manufacturing partner that it will work with in order to bring the product to market.

Cweet claims to have a similar taste profile to sugar, to be heat stable and water soluble, and to have no undesirable aftertaste. It also carries a no-calorie claim

In terms of pricing, Miles said it is still too early to tell where the product will be positioned, although the target price is set at a similar level to that of artificial counterpart sucralose on a per weight basis.

The ingredient should be suitable to use in any food and beverage product, with no particular formulation challenges foreseen at this stage. Depending on manufacturers' needs, it can be used to replace all artificial sweeteners in a product.

However, although the ingredient could well be positioned as the first natural alternative to artificial sweeteners such as sucralose and aspartame, the goal is not to nudge these ingredients out of the marketplace.

"There will always be a place for artificial sweeteners in the market. I don't see Cweet replacing aspartame and sucralose. All we're doing is providing manufacturers and ultimately consumers with a choice," Miles told FoodNavigator-USA.com.

Brazzein is a sweet protein extracted from the berries of a West African plant named Pentadiplandra Brazzeana. It was originally developed as a sugar alternative by University of Wisconsin, Madison researchers Goran Hellekant and Ding Ming in 1994. Since then, a series of patents have been filed on the ingredient.

For information on the original brazzein protein, click here. To view a patent filed last year on the protein sweetener, click here.

http://www.grandforksherald.com/articles/index.cfm?id=56434&section=news&freebie_check&CFID=65604449&CFTOKEN=86987664&jsessionid=8830b4164d3f1b71a683

November 08, 2007; By Mikkel Pates, **Grand Forks Herald**

Cargill, ProGold reach lease agreement

FARGO Cargill Inc. of Minneapolis and owners of ProGold L.L.C. of Fargo have struck a 10-year lease renewal for Cargill to continue operating the high-fructose corn sweetener plant at Wahpeton, N.D.

Approved by respective company boards on Nov. 6, and effective Jan. 1, 2008, the new lease specifies fixed payments of $21.5 million a year, whether the plant makes money or not. The first year payment will add $4 million related issues leftover from the previous lease. Although similar leases in many respects, the expiring 10-year lease was different because it was had a "profit-share" element, which never in fact offered any profit payments to the co-op owners.

History

ProGold was completed November 1996 for $260 million. At the time, it was the largest investment in any single agricultural processing facility in the state of North Dakota. After quickly going into debt because of plummeting fructose prices, the then-three co-ops that owned it entered into a 10-year lease with Cargill.

Cargill's operation is said to grind roughly 30 million bushels of corn per year, and is credited for providing a demand point for the price of corn in the area. The plant has operated almost non-stop since it started, although it hasn't spun off profits to owners as it originally planned. Most corn comes from 1,700 Golden Growers members, but non-members also deliver there.

"It's going to be a real good deal for the Golden Growers, in that we'll have the plant paid off early next year," said Carl Larson, Sr., Fullerton, N.D., chairman of the board of both ProGold L.L.C., and the Golden Growers Cooperative, a corn farmers cooperative which owns 49 percent of the plant.

The deal

In the beginning, American Crystal Sugar Co., owned 46 percent of the shares, but eventually bought out the 5 percent that were owned by another sugar cooperative, Minn-Dak Farmers Cooperative of Wahpeton. Now, Crystal is the majority shareholder with 51 percent.

Consequently, Joe Talley, Crystal's chief operating officer, was the lead negotiator for the ProGold team on the new lease.

"Joe is a real numbers man," Larson says. "He put a value on everything and was the right guy to be leading our charge."

Talley said negotiations on the lease renewal intensified over the past six months. "The process went very well," Talley said. "Cargill is very good to work with, although we're both looking out for our shareholders." He said the deal offers ongoing stability with a reputable company. He said that both parties recognized that the market "is going to be very volatile" and 10 years is a long time. "There is a fair share of risks and opportunities," Talley said.

Red Geurts, assistant vice president and general manager for Cargill Corn Milling in Wahpeton, had worked in the same capacity for ProGold before the original lease, said he looks forward to "another decade of solid partnership" with ProGold and the corn growers in the region.

"We're happy to report that we've come to an agreement with Pro-Gold to renew our lease on the Wahpeton corn milling plant through December of 2017," Geurts said. "This continues a 10-year relationship that has been good for Cargill and, we believe, good for the farmers of eastern North Dakota and western Minnesota. The workforce here is absolutely top notch, and the facility itself remains one of the most modern in the country."

In any negotiations, there were a number of ways it could go, he said. "The results we got meet the needs of all parties in the negotiations and I think we're all happy with the way it turned out."

Larson, who was on the Golden Growers board from the beginning, says the initial agreement with Cargill was also a good deal that was managed well. Golden Growers received its part of the rent and put it into repayment of the debt, rather than distributing income to members. This allowed the co-op to enter lease negotiations with less pressure. "When you can negotiate from a position of strength, without worrying about where you're going get your next payment, you're able to cut a better deal."

Larson says the timing for an agreement "couldn't be better" because the sweetener prices have increased recently. According to industry analysts, prices are about 50 percent higher today than they were three years ago. Larson goes off the 15-member Golden Growers board at the end of the year, after serving his maximum terms. The original board drew straws for staggered terms.

Patrick Benedict of Sabin, Minn., the original Golden Growers chairman, remains on the board for another two years, but previously stepped moved to treasurer, and remains on the executive committee.

Mark Dillon, executive vice president of Golden Growers, acknowledged that across the co-op's history, members have had "cause for disappointment" as they haven't received returns on their investment, except for paying off debt.

The lease

The new lease, coming as the original of about $155 million loan is paid off in the first quarter of 2008. Assuming ProGold's board releases funds to the two owner co-ops, Golden Growers will have "actual cash flow going to the bottom line," which is the first since the November 1995 equity drives. "From that perspective, our members would be feeling relatively optimistic," he said.

Crystal has annual revenue of about $1.2 billion. Crystal's share of any proceeds from the renewed ProGold/Cargill lease likely will go back to general corporate funds at Crystal, Talley said.

Dillon said Golden Growers will have "decisions to make regarding business opportunities, and investment opportunities," but yet will be "very sensitive to the fact that our members have waited a long time to see a cash return."

Larson said the new lease allows "all kinds of opportunity for expansion without jeopardizing what we have in place."

At Golden Growers' most recent annual meeting, the co-op said it would look at converting to another business entity possibly to a limited liability corporation, which would allow nonfarmers to own shares.

http://www.american.com/archive/2007/november-11-07/the-farm-bill-fiasco

Nov. 8, 2007; by Liz Mair, American.com

The Farm Bill Fiasco

Though serious agriculture reforms are needed, they face an uphill battle in Congress, writes LIZ MAIR.

This week, the 2007 farm bill hit the Senate floor—and already, everyone from fiscal conservatives and free traders to environmentalists and celebrities has found something to hate about it.

What's wrong with the legislation? For one thing, it increases government price supports and continues to make federal subsidies available to wealthy farmers. While the Bush administration sought to deny subsidies to farmers earning more than $200,000 per year, farm-state lawmakers had other ideas. Indeed, according to the fiscal watchdog Citizens Against Government Waste (CAGW), the 2007 farm bill would take just 7,000 farmers off the dole, compared to some 38,000 who would be removed under the Bush proposal.

There are other problems. The bill contains provisions that violate international trade agreements; and its high subsidies pose a threat to the ongoing Doha Round of global trade talks. Administration officials are advising President Bush, who signed the bloated 2002 farm bill, to veto the legislation—and it's attracting sharp criticism in other quarters, as well.

Senators Charles Grassley, an Iowa Republican, and Byron Dorgan, a North Dakota Democrat, want to cap annual subsidies at $250,000 for a two-person farming household, which for some farmers would represent a significant cut. Green outfits, such as Grist magazine and the nonprofit group Environmental Defense, are unhappy with the lack of attention given to land conservation and sustainability efforts. Earlier this week, a former Environmental Defense lobbyist dismissed the farm bill in a comment to the LA Times as "horse manure [rolled] in powdered sugar."

Between political calculations and the undoubted strength of the farm lobby, the chances of achieving real reforms in the Senate farm bill look slim.

Urban politicians, meanwhile, are concerned about the allotment given to the Food Stamp Program. The farm bill does increase Food Stamp spending from $4.2 billion to $5.3 billion over the next five years, but that may not be enough for lawmakers focused on reducing malnutrition among the inner-city poor. The "healthy eating" campaigners, including actress Alicia Silverstone, are also upset. Silverstone claims the farm bill includes too many "subsidies for … foods that are fueling the epidemic of childhood obesity."

Instead, she supports the so-called FRESH Act, which would radically overhaul the current U.S. agriculture regime. Introduced by Senators Frank Lautenberg, a New

Jersey Democrat, and Richard Lugar, an Indiana Republican, the FRESH Act would replace subsidies for several major crops with a free insurance program for all farmers. It would save the feds an estimated $19 billion, most of which could be diverted to conservation and nutrition programs and the rest of which could be used to fund deficit reduction. It should therefore appeal to fiscal conservatives, free traders, environmentalists, and health nuts alike.

But don’t expect it to win widespread approval. Senators such Iowa Democrat Tom Harkin, chairman of the Agriculture Committee, and Georgia Republican Saxby Chambliss have a lot riding on passing the farm bill in its current form. Both are up for reelection next year, and both represent states where farmers (and the farm lobby) are an important constituency. Harkin has never won a Senate race with more than 56 percent of the vote; and a recent poll showed Chambliss winning just 36 percent support (with 40 percent undecided).

In a broader sense, the Democratic Party has a lot riding on the bill’s passage, too. Last year, the Democrats won previously Republican House seats in agriculture-heavy districts such as Kansas’s 2nd district, now represented by Nancy Boyda, and Ohio’s 18th district, now represented by Zack Space. Failing to deliver a sufficiently “healthy” farm bill could put those seats in jeopardy. That may have been one reason why the avowedly “reform-minded” Democratic House majority balked at introducing farm savings accounts, a bold free-market concept pushed by Representatives Ron Kind, a Wisconsin Democrat, and Jeff Flake, an Arizona Republican.

Between political calculations and the undoubted strength of the farm lobby, the chances of achieving real reforms in the Senate bill look slim. True, crop prices and household incomes have hit record levels; it therefore like a good time to revamp U.S. farm policy. But a similar argument could have been made in 2002, when Bush signed the largest farm bill in history. This year’s legislation is no less bloated with wasteful spending. As always, agriculture reform is proving an uphill battle http://www.baltimoresun.com/business/bal-bz.domino10nov10,0,7149181.story

November 10, 2007; By Allison Connolly, Baltimore Sun

Sugar flows at Domino

Holes still gape, but refinery is up and running week after blast

The familiar yellow and white bags of Domino sugar are once again rolling off the conveyor belts at the Key Highway plant, one week after an explosion blew out windows and rendered the powdered sugar mill a total loss.

There is more work to be done, with windows still being boarded up yesterday. But managers picked up mops and workers volunteered overtime to get production lines operating again in advance of the busy holiday baking season.

"It was a spectacular effort," refinery manager Stuart FitzGibbon said at a news conference yesterday at the Museum of Industry on Key Highway. The trademark Domino sign gleamed orange-red atop the nine-story sugar plant and a white plume of smoke rose from its stacks, signaling it was back in business. But a number of windows on multiple floors remained gaping holes.

Investigators are still looking into what caused the explosion on the ninth floor and a fire on the sixth floor that appears to be unrelated. They are paying close attention to the system that manufactures confectioners' sugar, which takes up floors 7, 8 and 9. Dust explosions are a risk in sugar manufacturing and authorities immediately suspected the dust collection system. The dust raised when sugar is moved from one place to another can be volatile if the right conditions exist.

Damage estimates are in the "tens of millions," FitzGibbon said. About 175 of the plant's 400 workers were at the 85-year-old plant at the time but no one was seriously injured. Much of the process is automated, and only a few workers are needed to monitor the lines, FitzGibbon said, which prevented more casualties. "I feared there was dead people," FitzGibbon said, recounting his first thoughts after the blast.

When Charles Benton heard the boom, his mind raced back 10 years to Nebraska, when a similar blast at a sugar plant killed one of his co-workers and injured numerous others and leveled a third of the building. As he evacuated the building, Benton feared the worst. "You know the effects of a dust explosion, but when you see it firsthand, it's amazing," he said.

Safety manager Lou Sorrentino was in South Carolina working on his laptop when he got an e-mail to call the plant "ASAP" and that it was "URGENT." "When I saw it was in capital letters, I knew it was bad," he said.

Within a few hours of the 10 a.m. incident he was back at the plant, where he worked well past midnight.

The explosion left a mess of glass and metal inside the building, which workers immediately began sweeping up once the building was deemed structurally safe.

The company provided workers free meals and paid them overtime for staying past their shift.

Several workers said yesterday that they were surprised that they were able to recover so quickly. All of the inventory had to be dumped. Every machine had to be cleaned. The floors had to be scrubbed.

Normally, the noise from the machines and conveyor belts annoys workers, said Mark Folderauer, president of the United Food and Commercial Workers' Local 392. But not yesterday.

"There was a smile on their faces," he said. No workers will be furloughed, he said.

The plant, which is operated by American Sugar Refining Co., is once again pumping out granulated sugar, brown sugar and holiday specialty products but not confectioners' sugar. The powdered sugar mill's equipment must be totally replaced, Sorrentino said. Until then, other plants across the United States and Canada will pick up the slack.

http://ap.google.com/article/ALeqM5jNwNOS30IxpX87N7TF2Fi_ZUa6ywD8SONAN80

Nov. 7, 2007; By Andrew Bridges, Associated Press

Battle Over 'Natural' Food Designation

WASHINGTON (AP) — It's a fight that has the nation's largest chicken producers squabbling, Big Sugar and Big Corn skirmishing and Sara Lee mixing it up with Farmer John. Lawmakers, too, have joined the fray, which already is thick with dueling petitions and at least one lawsuit. Meanwhile, government food regulators are uncertain how to proceed.

The question is at face value a simple one: When can food products, from chicken breasts to soda pop, rightfully be labeled as "natural?"

Wrapped up in it, however, are some far trickier questions: Is it ethical to charge for saltwater that increasingly pumps up supermarket chickens? Is the sodium lactate used as a flavoring and preservative in sliced roast beef "natural?" How about the high-fructose corn syrup that sweetens sodas?

Equally simple answers appear elusive.

"It's worth bringing in the rabbis to analyze these situations because it's complicated, it's subtle. You can argue from both sides. It has fine distinctions," said Michael Jacobson, executive director of the Center for Science in the Public Interest.

The watchdog group's take on the matter is clear: It has threatened to sue soft-drink companies like 7-Up producer Cadbury Schweppes Americas Beverages for promoting as "100 percent natural" drinks sweetened with high-fructose corn syrup.

It also has complained that chicken producers are pumping up (and weighing down) their "all-natural" birds with salt water and broth, a growing practice that 40 members of Congress recently called misleading and deceptive.

Poultry giant Tyson Foods Inc. says its marinated chickens are all natural because they contain no artificial ingredients. And its survey work suggests consumers prefer marinated chicken over "conventional chicken" anyway since it's tender and juicier, company spokesman Gary Mickelson said.

Tyson competitors, like Sanderson Farms Inc., say not so fast.

"Under any definition of the term, natural chicken does not contain salt, phosphates, sea salt, preservatives, carrageenan, nor is it pumped with up to 15 percent solution and other ingredients," Lampkin Butts, president and chief operating officer of Sanderson Farms, told a federal hearing last year.

Still, even Tyson supports revisiting the Agriculture Department's definition of "natural." In the mean time, it proposes a two-tier definition that would cover chicken, beef and pork that contains no added ingredients, plus those meats prepared with all-natural ingredients.

Other food companies have chosen their own sides in the debate. They have lodged petitions, comments and lawsuits with the government and are holding out that a definitive answer on what is (and isn't) natural is forthcoming.

At stake is a shot at increasing their share of the estimated $13 billion-a-year market for "natural" foods and beverages — a market whose 4 percent to 5 percent annual growth outpaces that of the overall grocery category, according to Packaged Facts, a market research company.

Any sort of federal ruling would, alternately, either narrow or broaden current rules and regulations that govern use of the "natural" label.

A critic maintains that the push is a bald-faced bid to manipulate federal policy for financial gain, something the feuding parties are quick to accuse each other of doing, and not to add to the public good.

"What looks like a neutral issue or question, such as the meaning of 'natural,' is not neutral at all," said former Labor Secretary Robert Reich, who tackles the issue in the recently published "Supercapitalism."

Reich says the issue "has profound competitive consequences. Certain companies — sometimes whole sectors of a whole industry — will be advantaged or disadvantaged by how agencies define words that may appear in labels."

Meanwhile, the Food and Drug Administration and Agriculture Department both say they are weighing how to move forward.

The FDA generally allows foods to be labeled as "natural" if such a claim is truthful and not misleading and the product does not contain added color, artificial flavors or synthetic substances, spokeswoman Kimberly Rawlings said. Agriculture Department policy roughly mirrors the FDA's, though it adds that "natural" meat and poultry products cannot be more than minimally processed.

That's not good enough for industry.

The Sugar Association, in a February 2006 FDA petition seeking clarity on the issue, claims the original chemical state of sweeteners like high-fructose corn syrup — made by its arch rivals — is altered so significantly during processing that "the allowance of a 'natural' claim is exceedingly misleading," trade group president and CEO Andrew Briscoe III wrote the agency. The group represents producers of sucrose, made from sugar beets and cane.

The Corn Refiners Association fired back in opposition, saying the sugar industry's claim would draw an unjustified and inconsistent distinction between sucrose and the high-fructose corn syrup its member companies make — and which presumably would no longer be considered "natural."

"The Sugar Association's petition is a thinly veiled attempt to obtain a marketing advantage for sucrose over (high-fructose corn syrup)," Corn Refiners president Audrae Erickson said in November 2006 comments to the FDA.

Meanwhile, in October 2006, Hormel Foods Corp., the maker of Farmer John and other brands, filed its own "natural" petition with the Agriculture Department, seeking in short to outlaw any natural claim on luncheon and other meats that contain sodium lactate.

The corn-derived additive is used as a flavoring and preservative. Only when a meat product uses sodium lactate as a flavoring, however, can it still be considered for a "natural" label, said Laura Reiser, a spokeswoman for the Agriculture Department's food safety and inspection service, citing a recent department decision.

"The change in the definition of 'natural' creates an exception for sodium lactate that misleads consumers who believe they are buying a product free of chemical preservatives, when they are not," Hormel spokeswoman Julie Craven said.

In January 2007, in clarifying remarks filed with the USDA in support of Hormel's petition, the Sugar Association's Briscoe weighed in and said providing a precise definition of what's natural "would help eliminate misleading competitive practices" — a clear swipe at his corn-syrup competitors.

Sugar produced from sugar beets and cane has lost ground to high-fructose corn syrup, which now accounts for a majority of the sweeteners shipped to the food and beverage industry, according to USDA statistics.

Sara Lee Corp. then followed in April 2007 with a petition to the FDA that presses that agency to define "natural" in a way consistent with the USDA. The Sara Lee petition also makes a case for considering sodium lactate "natural." The company's Hillshire Farms brand, for example, uses it as an ingredient.

"Natural preservatives, such as sodium lactate sourced from corn, are derived from plants, animals, and/or microflora and, thus, are 'natural' ingredients," its petition reads in part.

Hormel fired back in late September, filing a lawsuit that seeks a court order in part to force the USDA to rescind past approvals of "natural" labels on meat and poultry products that use sodium lactate as a preservative.

"The 'natural' thing has always been such a morass," said Urvashi Rangan, a Consumers Union senior scientist and policy analyst.

http://baltimore.bizjournals.com/baltimore/stories/2007/11/12/daily18.html

November 14, 2007; by Rachel Sams, **Baltimore Business Journal**

McCormick to acquire spice maker Lawry's in $605M deal

As **McCormick & Co.** gets ready for the holiday season, the company is giving itself a present -- agreeing to buy the assets of well-known spice maker **Lawry's** from conglomerate **Unilever**. McCormick's shopping budget is a little bigger than most: The company will pay $605 million in cash for Lawry's assets. The deal provides spice giant McCormick with an entry into the wet marinade business, where Lawry's holds the largest market share in the U.S., McCormick said.

The deal is expected to close next year, subject to regulatory approval. The purchase includes the rights to the Lawry's and Adolph's brands, related inventory and a small number of production lines. It does not include any manufacturing facilities or employees. McCormick has agreed to pay Unilever a $30 million termination fee if the deal does not clear federal antitrust review.

McCormick has a wish list of companies it would like to acquire if they ever become available, and Lawry's has been on that list for more than a decade, McCormick CEO Robert Lawless said in an interview Wednesday. Unilever, which has been selling off "non-strategic" brands, put the company up for auction, Lawless said. The auction process was confidential, so McCormick did not know who it was bidding against, he said.

"This is a property we've sought after, and we're pretty excited about it," he said.

This is the acquisitive McCormick's first deal since mid-2006, when it bought Thai food company **Epicurean International**. Sparks-based McCormick (NYSE: MKC) is paying nine times EBITDA (earnings before interest, taxes, depreciation and amortization) for Lawry's assets. McCormick will finance the deal through cash from operations, bank lines of credit and commercial paper borrowings, which companies use for short-term credit needs.

McCormick expects the deal to immediately add to earnings. Acquiring Lawry's assets fits in with McCormick's long-term goal to grow sales by 4 percent to 6 percent, the company said. Lawry's has annual sales of about $150 million, mostly in the U.S. and Canada. More than two-thirds of sales are to consumers, with about 12 percent of sales to food-service industry customers.

McCormick can cut costs by using its Hunt Valley manufacturing facilities to produce Lawry's seasonings, the company said. Some of those savings will be reinvested to boost sales growth through product innovation and more focused marketing, McCormick said.

http://www.foodnavigator.com/news/ng.asp?n=81416-efsa-neotame-nutrasweet

Nov. 16, 2007; By Jess Halliday, FoodNavigator.com

No safety concerns over neotame, says EFSA

Neotame has moved a step closer to being approved for use in the European Union as a sweetener and flavour enhancer, following a positive safety opinion from EFSA.

Neotame,, which was developed by The NutraSweet Company in the US, is a derivative of aspartame. It is said to be around 7,000 to 13,000 times sweeter than sugar, but to have a sugar-like taste and no calories. It is also said to be 30 to 60 times sweeter than aspartame, depending upon the food application.

Its proposed use is as a sweetener and flavour enhancer as a replacement for sucrose and other sweeteners in a range of products including carbonated and non-carbonated soft drinks, as well as beverage mixes, dairy beverages, non-dairy desserts, ice creams and sorbets, yoghurts, confectionery, chewing gum, fruit preparations and salad dressings.

Approval in Europe would open up a huge new market for the additive, and give manufacturers a new tool in a competitive marketplace for sweeteners that has been marred by safety fears in the past - but where there is great potential for sugar replacements in better-for-you products.

Neotame is already approved for use as a food additive in several countries, including the US, Australia, New Zealand and Mexico and, following an evaluation by the Joint FAO/WHO Expert Committee on Food Additives in 2003, was assigned a an acceptable daily intake of 0-2 mg per kg of body weight.

It remains unapproved in the EU, however, despite EFSA having originally having been asked to provide a scientific opinion on safety record in May 2003 - and a decision was expected late 2004. An EFSA spokesperson was unable to comment on any reasons for the timeframe prior to publication deadline.

The regulatory decision following EFSA's opinion now rests with the European Commission.

In its opinion, published in the *The EFSA Journal* (2007) 581, 1-43, the authority's Panel on Food Additives, Flavourings, Processing Aids and Materials in Contact with Food concluded that *"neotame is not carcinogenic, genotoxic or associated with any reproductive/developmental toxicity".*

Its opinion is based on assessment of animal studies on diet preference, sub-chronic effects, chronic effects, carcinogenicity, reproductive and developmental toxicity, and genotoxicity.

The human clinical testing programme was to evaluate metabolism and pharmacokinetics, and safety in healthy subjects and those with diabetes. The panel also looked at data on stability and degradation products.

The only negative effect in the animal studies was seen to be increased activity in alkaline phosphatase of hepatic origin in dogs that were given very large doses of between 600 and 1200 mg per kg of body weight in 13- and 52-week trials. It said that the no-observed-adverse-effect level (NOAEL) was 200 mg per kg of body weight, and therefore established an ADI of 0-2 mg per kg body weight. This was calculated on the bases of a 100-fold safety factor.

"Conservative estimates of neotame dietary exposure both in adults and children suggest that it is very unlikely that the ADI would be exceeded at the proposed use levels".

Typical usage levels vary from eight to 17 mg/kg for beverages, and from 15 to 35 mg/kg for solid foods. For gums, the typical usage level would be 250 mg/kg.

A report from US research firm The Freedonia Group projected that demand for alternative sweeteners in the US would increase 4 percent per year, to reach $1.1bn in 2010 - up from $772m in 2000 and $935m in 2005. It said that neotame remains a relatively new product, and has not as yet established a strong market presence.

http://www.dailynews.com/news/ci_7487500

11/16/2007; By Troy Anderson, Los Angeles Daily News

Sugar industry goes sour on Splenda

Have you heard the skinny on sugar?

Destined to become among the most bittersweet trials of the century, big sugar is taking on sugar substitute Splenda for the hearts and minds - and waistlines - of health-conscious Angelenos.

A key hearing in a three-year legal fight between the Sugar Association and Johnson & Johnson Co. - the parent company of the maker of Splenda - takes place in Los Angeles on Monday.

The association seeks $1 billion in damages from McNeil, PPC, Inc. and McNeil Nutritionals, LLC, subsidiaries of Johnson & Johnson, alleging that the companies engaged in deceptive advertising with their Splenda slogans: "Made from sugar, so it tastes like sugar" and "Good for the whole family."

A federal jury trial is set for January in Los Angeles. And the decision to hold the trial in a city famous for its obsession with physical beauty, dieting and natural foods is no accident.

"We felt it made sense because jurors here would be receptive to the message that they don't want to be misled by corporations about things they are going to be eating for the rest of their lives," said Dan Callister, a Washington, D.C., attorney for the Sugar Association.

The No. 1 sugar substitute in the market - found in thousands of products, from Diet Coke to Juicy Fruit - Splenda is a household name.

In the lawsuit, the association alleges that sucralose, the sweetening ingredient in Splenda, is a man-made chlorocarbon

that requires a complex process that converts sucrose - or sugar - into a number of different intermediary chemicals before using "phosgene gas - a deadly weapon used during World War II - as the chlorinating agent to yield sucralose."

McNeil officials deny their slogans are misleading, saying sucralose is made through a patented, multistep process that starts with sugar and replaces three hydrogen/oxygen groups on the sucrose molecule with three chlorine atoms.

A poll by the Center for Science in the Public Interest, a consumer watchdog group, found that 47percent of Americans surveyed believe Splenda is a "natural product." And Splenda's competitors allege that misperception has contributed to Splenda's dominance in the market.

The association of American sugar farms is also seeking to bar McNeil from continuing to use these slogans for Splenda, which is used in more than 4,000 brands worldwide, with about 60percent of the $500 million artificial sweetener market last year.

"This lawsuit really goes to the core about what people are putting into their bodies and whether they are really informed about what is natural or artificial," said Adam Fox, a Los Angeles attorney for the Sugar Association. "This lawsuit presents the possibility of resulting in the largest damages award for any false advertising suit in history."

The association alleges that Johnson & Johnson knew its advertising was causing consumers to believe that Splenda was not an artificial product. Despite rulings in France, Australia and New Zealand that have found Johnson & Johnson's advertising of Splenda to be deceptive, the company continues to promote Splenda as derived from sugar, association officials said.

McNeil officials declined to comment directly but referred to a statement prepared for the Sugar Association's lawsuit. The statement said the association's claims are without merit, that Splenda was introduced in 2000 and that, since then, the company has always provided accurate information about the product.

"Splenda sweetener products have been used safely by millions of consumers worldwide since 1992, including pregnant and nursing women, children and individuals with diabetes," according to the statement. "Sucralose (Splenda brand sweetener) has been the subject of one of the most extensive and thorough safety testing programs ever conducted on a new food ingredient."

In response to the Sugar Association's lawsuit, McNeil has filed a counter-lawsuit seeking to stop it from making alleged false and misleading claims about Splenda.

Sucralose is one of several sweeteners that can help people cut down on calories, control weight, manage diabetes and potentially prevent cavities, according to the American Dietetic Association.

Dr. Paul Simon of the Los Angeles County Department of Public Health said sweeteners play a key role in helping people combat obesity.

http://www.2theadvocate.com/news/politics/11423571.html?showAll=y&c=y

Nov 16, 2007; By Michelle Millhollon, The Advocate

Bond panel blocks sugar refinery tax aid

The state Bond Commission on Thursday refused to release $100 million in special tax incentives for a new sugar refinery in Reserve amid concerns the project would shutter a struggling Gramercy facility.

The proposed refinery, which would be owned by cane growers and mills in 23 parishes as well as a mega international food provider, would be the largest facility in the United States.

Commissioners on a 6-4 vote “permanently deferred” action on the project that had won preliminary approval without objection last month.

An Imperial Sugar executive predicted the project would put 400 people out of work at the company’s existing Gramercy cane sugar refinery.

“We’re not running our refinery at full capacity now,” said Brian Harrison, vice president of technology for Imperial Sugar.

Lori Brannon, a consultant for St. James Parish government, said the parish does not want to have to find new jobs for 400 people.
“We’re against it. We’re against the use of public funds to compete with private industry,” she said.
Backers of the proposed refinery said they are simply seeking Gulf Opportunity Zone bonds that were created to spur economic activity. They pointed out that the commission has granted the bonds to hotels and other competitive businesses.

“I’m hard (pressed) to find a project in the GO Zone that doesn’t compete with someone else,” said Lonnie Champagne, general manager of Louisiana Sugar Cane Products Inc.

The proposed million-ton-per-year refinery is a joint collaboration between Sugar Growers and Refiners, called SUGAR — a cooperative of sugar cane mills and 700 growers — and Cargill.
SUGAR’s members include nine mills associated with Louisiana Sugar Cane Products Inc., which markets 75 percent of the sugar produced in the state.

Champagne said Imperial refuses to do business with him, forcing him to explore the possibility of shipping his raw sugar to New York for processing.

“Do they want to buy my sugar? No. They’ve turned me down several times,” he said.
Harrison said Imperial is committed to the sugar industry after emerging from a 2001 bankruptcy filing.
However, he said, the company now only has two refineries: the one in Gramercy and another one in Savannah, Georgia.
The Gramercy refinery only is projected to run 265 days this year, Harrison said.
“It’s the project we’re against, not the growers or the mills,” he said.

Champagne said Imperial's struggles illustrate that it is no longer feasible to have a middle man involved in the process of turning cane into white sugar.

The mills grind the cane into raw sugar, which then goes to a refinery for processing and packaging. The mills and the growers should be in the refining business themselves, he said.

Gov. Kathleen Blanco's chief of staff, Jimmy Clarke, expressed frustration that he didn't know about the "hostility" over the project sooner. "I'm having a hard time digesting" the new information, he said.

Imperial's objections came on the day the commission was scheduled to vote on final approval of tax incentives for the new refinery. The project sailed through preliminary approval consideration last month.

"Why weren't you here before?" Clarke asked Harrison.

Harrison said Imperial overlooked the project on the last meeting's agenda. "That's our fault," he said.

State Treasurer John Kennedy asked why Imperial did not enter into a joint venture with the cane growers.

Harrison said they were not able to reach an agreement.

Clarke tried to defer the matter to give himself more time to look at the project.

Senate President Don Hines, D-Bunkie, objected. "We'll be here for another three months," he said.

Secretary of State Jay Dardenne also raised an objection but on different grounds.
He said the bond commission essentially told project backers that preliminary approval was tantamount to final approval.

Clarke disagreed with Dardenne's assessment.

In the end, the commission "permanently deferred" the project.

Champagne said he is not certain what the decision will mean for the project. "It's a crossroads for the Louisiana sugar industry," he said. "Do you stay the same, stick your head in the sand, or do you move forward?"

Voting in favor of deferment: Louisiana Department of Culture, Recreation & Tourism Secretary Angele Davis; Hines; state Sen. Clo Fontenot, R-Livingston; House Speaker Joe Salter, D-Florien; state Rep. Taylor Townsend, D-Natchitoches; and state Rep. Charlie DeWitt, D-Lecompte.

Voting against deferment: Clarke; Dardenne; Commissioner of Administration Jerry Luke LeBlanc; and Assistant Attorney General Richard McGimsey.

http://www.modbee.com/business/story/124010.html

Nov. 17, 2007; By John Holland, The Modesto Bee

Record almond harvest anticipated at expanded Salida processing plant

SALIDA -- The world's biggest almond processing plant has grown even bigger to handle the record harvests coming from Central Valley orchards.

The Sisk Road plant, owned by Blue Diamond Growers, has new sorting lines and additional cold storage space as part of a $20 million-plus improvement effort over the past three years.

The extra capacity is coming in handy this fall, as farmers send yet another record harvest -- an estimated 1.33 billion pounds -- to Blue Diamond and other processors.

"The crop came early and it came fast," said Darrell Nelson, director of engineering and maintenance for Blue Diamond, during a plant tour Wednesday. "In fact, we had 22 days of over 5 million pounds received."

He and other company officials declined to disclose Blue Diamond's total tonnage. They did say the Salida expansion was a major one and will help with statewide crops that could reach 1.5 billion pounds by 2010.

Blue Diamond, founded in 1910, is a cooperative owned by valley growers. It is the largest almond processor in California, which provides about 80 percent of the world's supply.

Almonds were No. 2 in gross income among farm products in the Northern San Joaquin Valley last year, bringing an estimated $833 million to growers. Only milk brought more.

The Salida plant, opened in 1969, receives about two-thirds of Blue Diamond's raw almonds during the August-to-December harvest. The rest go to the Sacramento headquarters operation.

The Salida plant cleans, sorts and pasteurizes the almonds and packs them in containers ranging from 50 to 2,200 pounds. At this stage, they still are whole kernels that have not been roasted, flavored or otherwise enhanced.

Most of these almonds are shipped to companies that make candy, cereal, baked goods and other products in the United States and abroad.

Some of them go to the Sacramento plant, where they are further processed for use by home cooks or for the line of snacks sold under the Blue Diamond label.

The Salida plant's work force growss to about 330 during the processing season, which runs from August to May or June, said Kim Kennedy, general manager of industrial operations.

That's up about 80 thanks to the expansion. About 50 to 75 people work year-round at the 42-acre site, attending to maintenance and other tasks.

During harvest, a steady stream of trucks delivers almonds that have been hulled and shelled. The loads are dropped through grates on the truck scales, then ride conveyor belts more than

40 feet into the air. The belts drop them onto cone-shaped piles that can weigh as much as 43 million pounds.

Much of the sorting is done by cameras and lasers, upgraded in the recent improvement project. But the plant still relies on people watching almonds going by on belts, looking for substandard nuts and foreign material.

"All almonds have to be seen by a human eye before we package them," Nelson said. "We're very rigid about that."

Quality matters if Blue Diamond and other processors are to continue building worldwide demand for almonds.

That is happening, the cooperative's leaders said at its annual meeting in Modesto this week. In the past, large crops have led to low prices for growers, but this has not been the case for most of this decade, board Chairman Clinton Shick said.

"This is nearly unheard of in the history of agriculture," said Shick, a grower in Kern County, "but it happened in our industry because demand has continued to expand worldwide."

Blue Diamond this week reported $658.3 million in sales in the year ending Aug. 31. This was short of the record $674.5 million the previous year, but Shick said that figure was inflated by unusually high prices per pound, the result of a short crop.

Doug Youngdahl, president and chief executive officer, said grower prices have settled at about $2 a pound. This is enough to cover production costs and profit, but not so high that it chases off some of the almond buyers the industry has cultivated, he said.

Almonds long had a reputation for containing unhealthy fat, but recent studies have shown that moderate consumption can protect people from heart disease, obesity and other problems.

"We're blessed to grow a wonderful food that people want," Shick said. "Our product tastes good. Its health attributes continue to drive sales ever higher."

http://www.bizjournals.com/milwaukee/stories/2007/11/26/daily2.html

November 26, 2007; **The Business Journal of Milwaukee**

Harley-Davidson's Lione adds board role

Gail A. Lione

Gail Lione, executive vice president, general counsel and secretary of **Harley-Davidson Inc.**, has been appointed to the board of **Imperial Sugar Inc.** of Sugar Land, Texas.

Lione, 58, also holds director or trustee positions with several other organizations, including **Sargento Foods Inc.**, of Plymouth; Bradley Center operator Bradley Center Sports & Entertainment Corp.; the **University of Rochester**, Rochester, N.Y.; and the **National Association of Manufacturers**, of Washington, D.C.

Lione has been with Milwaukee-based Harley-Davidson (NYSE: HOG) for 10 years and also serves as president of the **Harley-Davidson Foundation**.

Refined sugar processor Imperial Sugar markets the Imperial, Dixie Crystals and Holly brands. It markets its products to food manufacturers, retail grocers and food service distributors.

For Immediate Release

Hal Mechler
Sr VP and CFO
281-490-9652

Imperial Sugar and Ingenios Santos
Form Joint Venture for Sugar Distribution in Mexico and the US

SUGAR LAND, Texas and MONTERREY, Mexico – November 26, 2007 – Sugar Land, Texas-based Imperial Sugar Company (NASDAQ: IPSU) and Monterrey, Mexico-based Ingenios Santos, S.A. de C.V ("Santos") announced today the creation of a joint venture that will market sugar in Mexico produced in that country, or imported from the United States. In addition, the joint venture will facilitate exports of sugar produced in Mexico into the United States.

The joint venture, which will be named Comercializadora Santos Imperial S. de R.L. de C.V., will be equally owned by the two partners and will market all of the sugar produced by the six mills owned by Santos. Additionally, the joint venture will market any sugar produced by Imperial in the United States that might be imported to Mexico and will facilitate the exportation of Mexican sugar to the United States, which Imperial Sugar would market.

Total production by Santos in 2008 is expected to be approximately 450,000 tons which includes both refined and standard sugar and 150,000 tons of molasses. Total U.S. production by Imperial Sugar is approximately 1.4 million tons of refined sugar annually. The amount of sugar that will flow between Mexico and the U.S. is expected to depend on a variety of factors, including relative pricing between the two countries, customer demand and logistics dynamics. The parties are seeking to attract additional sugar produced by other mills in Mexico, thereby increasing the joint venture's domestic and export marketing capacity.

While much of the initial marketing effort of the joint venture will be focused on Mexican industrial customers, it is anticipated that a portion of its sugar will be packaged and sold into the Mexican retail market, building on Imperial Sugar's strong branded approach in the U.S. and its reputation as a leading innovator of sugar retailing. The parties are also contemplating setting up packaging facilities in Mexico that could be used to serve US retail markets.

Imperial Sugar's President and CEO Robert A. Peiser said, "The opening of the border between the US and Mexico on Jan. 1, 2008 presents us with a unique opportunity to join forces with a well-respected Mexican sugar producer. Our expertise in packaging and marketing coupled with Santos' established production in Mexico and their strong knowledge of the local sugar industry will allow Imperial Sugar to participate in a combined marketplace that is approximately 150 percent the size of the US market alone, and will provide both of our businesses with additional operating flexibility."

Peiser continues, "We expect this venture will not only expand our sales efforts to Mexican customers but will enable us to better serve our US companies who have significant manufacturing interests in Mexico. We are very pleased to have built a relationship with such a quality organization as the Santos group and look forward to working with them on additional ideas that will be beneficial to both companies."

Alberto Santos, Sr., of Ingenios Santos, commented, "Mexico's sugar market is in the midst of a dramatic evolution and we are excited to be on its leading edge. We believe that customers on both sides of the border will benefit from a venture that combines the talents found in both Imperial Sugar and Ingenios Santos. Through this venture, Mexican sugar customers will enjoy more security of supply, increased consistency and innovative packaging options not available before. Also, U.S. customers operating in Mexico will be able to procure sugar from a supplier they have worked with for many years."

The joint venture will be headquartered in Monterrey and operations are expected to begin this quarter. It will be managed by a local staff with oversight from both Imperial Sugar and Ingenios Santos.

While not a direct purpose of the joint venture, Imperial Sugar expects that a closer relationship with the Santos group could possibly facilitate the sourcing of raw sugar in Mexico for its refinery in Savannah, GA which imports all of its raw sugar requirements. To a lesser extent, such raw sugar could be utilized by its refinery in Gramercy, LA to the extent that the supply of raw sugar from Louisiana growers is less than might be required for its operations there.

The venture will be made possible by the full implementation of the North American Free Trade Agreement (NAFTA) on Jan. 1, 2008 affecting sugar trade between the United States and Mexico. Previously such trade had been restricted and subjected to certain tariffs. After January 1, sugar will be able to flow in either direction subject to market forces.

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. The Company markets products nationally under the Imperial®, Dixie Crystals® and Holly® brands. For more information about Imperial Sugar, visit www.imperialsugar.com.

About Ingenios Santos, S.A. de C.V.

Ingenios Santos, S.A. de C.V., a privately held company, is one of the leading sugar processing and marketing concerns in Mexico. The operator of six sugar mills dispersed in key sugar cane growing regions throughout Mexico, the company is controlled by the Santos family of Monterrey, headed by Alberto Santos, Sr. In addition to numerous business interests, Santos has held various positions in government, including a post as former Senator from the state of Nuevo Leon. For more information about Ingenios Santos, visit www.santos.com.mx.

http://www.chron.com/disp/story.mpl/business/5330975.html

November 27, 2007; By Jenalia Moreno, Houston Chronicle

Imperial Sugar gains a partner in Mexico

Venture will take advantage of open border

Imperial Sugar Co. and Monterrey, Mexico-based Ingenios Santos announced Monday they have formed a joint venture to market and trade sugar between the two nations.

One of a handful of agricultural products still subject to tariffs, sugar can freely pour across the U.S.-Mexico border beginning Jan. 1 when the North American Free Trade Agreement is fully implemented, 14 years after the pact went into effect.

"For us, this alliance is very exciting because we are going to participate in the United States and Mexican markets," said Alberto Santos Boesch, chief executive officer at Ingenios Santos, which owns six sugar mills in four sugar cane-growing Mexican states and employs 2,200 people.

Equally owned between the two sugar companies, Comercializadora Santos Imperial will have its headquarters in Monterrey, and officials are in the hiring process. The two companies are considering opening packaging facilities in Mexico to serve the U.S. market.

The joint venture allows the two companies "to take advantage of the flows of sugar either north or south, depending upon the pricing dynamics, the economies of each of the two markets," said Hal Mechler, senior vice president and chief financial officer of the company that employs 800 workers in its Sugar Land headquarters and at its refineries in Savannah, Ga., and Gramercy, La.

Imperial, based in Sugar Land, plans to serve U.S. candy makers, bakers and other food manufacturers who operate in Mexico as well as the U.S., Mechler said.

Ingenios Santos primarily serves industrial customers, such as soft-drink makers in Mexico, but it plans to get into the retail market through its partnership with Imperial. It plans to introduce packaged products popular in the U.S., such as sugar in resealable plastic pouches, brown sugar cups and sugar shakers to Mexico.

Santos expects to produce 450,000 tons of refined and standard sugar and 150,000 tons of molasses next year. Imperial produces 1.4 million tons of refined sugar annually.

For consumers, opening the border could help alleviate supply-and-demand pressures on sugar prices, said Parr Rosson, professor and economist at Texas A&M University.

Sugar imports continue to concern U.S. growers every time the government negotiates trade agreements with other nations, Rosson said.

jenalia.moreno@chron.com