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*Message from Ray Washmera, President:*

Happy New Year to You All !

It's hard to believe it's already the end of January 2009. It seems like it was just Thanksgiving, Christmas and New Years! Time is flying and it waits for no one. (Boy, it's getting harder to look in the mirror as well.)

The NSIMA members of the month are McKeany-Flavell's "next generation". They are Craig Ruffolo, Kevin Combs, Michael Caughlan, and Nicole Thomas. Craig and Nicole spearhead the information/intelligence areas; Kevin and Michael are heavily involved in the commodity sales arenas. All are young, bright, hard working, shining stars of the McKeany-Flavell Company and the Company is proud of all their efforts.

The NSIMA board is planning this year's activities and considering its speakers. We want speakers who will speak on timely topics, have interesting presentations, and are dynamic personalities. If any of you have suggestions, we are always interested in your thoughts and wishes. We are also considering increasing the Association's profile and activities. One suggestion was to host an activity during the National IFT Convention in 2010. Any thoughts? If you have any other suggestions, please let us know as well.

Attached are articles collected during January we believe you'd find interesting. Please enjoy.

Our membership drive has begun and we thank you for joining again. Those who have not, what are you waiting for? And to those who have not been members before, we welcome you and look forward toward your participation.

Good selling and Take care,  
Raymond A Washmera  
President

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- [1/21 - The Financial Crisis: Bad and Getting Worse, but Put Away that D-word](#)
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01/08/2009; by Lourdes Guzman, USDA Foreign Agricultural Service

# Mexico Market Development Reports

## Market Snapshot: Health Food Market

### **Report Highlights:**

The increased demand for health food in Mexico is being driven by rising incomes and the expansion of the middle and upper classes. This market is expected to continue to grow at an average annual rate of 10 percent

Mexico's health food market has developed rapidly over the past 10 years due to an increase in consumer awareness to the benefits of a healthy diet. This market segment is estimated at about \$1 billion per year. Health foods are sold through food specialty stores, supermarkets, drugstores, department stores and health clubs. As the overall per capita income rises, and the middle and upper middle class grows, more Mexicans are pursuing healthier lifestyles. These trends have led to an increase in the demand for health foods, particularly among those consumers from 20 to 50 years old. This market is expected to continue to grow at annual average rate of 10 percent.

### **Best Prospects**

The health food market is comprised of products consumed because of their health benefits such as low-calorie, low-fat, low-carbohydrate, high-fiber, high-protein, vitamin enriched, gluten free, etc. This category does not include products that are "light" which use different forms of artificial sweeteners (diet drinks, yogurts, etc.) which are not necessarily "healthy". Some of the best prospects for this market are: power bars, including simple breakfast bars, snack/lunch bars, and bar meal supplements for athletes, diet/fiber supplements and meal replacements, diet meals, soy products, whole grain bakery products, breakfast cereals, pastas and nut/grain mixes. In addition, other products of interest are general specialty grocery products, including low fat, low carb, low calorie, sugar-free (without artificial sweeteners) such as mayonnaise, salad dressings, sauces, jams, jellies, soups, canned meats, cookies and crackers and many other bottled or canned products.

### **Consumption**

Mexican consumers ranging from 20 to 50 years of age are the most health conscious. Generally, these are consumers who live in major metropolitan areas and have the budget to purchase health food products. They account for approximately 5 percent of the population, or 4-5 million people, out of a total of approximately 108 million Mexicans. Demand for health foods has also reached the Mexican hotel & restaurant (H&R) sector. In the past 5 years the number of restaurants that have included on their menus healthier or diet meals has increased dramatically. These menus focus on low calorie and low fat meals. However, this sector is not importing processed health foods yet except for a few desserts and some ingredients such as soy paste. The H&R industry still prefers to buy fresh raw ingredients and prepare them in a healthy manner for lower calorie dishes. This sector is not yet familiar with innovative health food products. A good distributor and marketing approach could open a niche market in the H&R industry.

## **Competition**

Through domestic production, Mexico meets about 70 percent of consumer demand for health foods. Domestic production has been increasing rapidly in the past 5 years and is estimated at around \$700 million. Production is expected to continue to grow at an average annual rate of 10 percent over the next 5 years. Currently, it is primarily focused on bakery products, power bars, cereals, nut/grain mixes, soy milk and juices, low fat ice-cream and other low fat dairy products. The fastest growing sector is in the production of soy products. Soy is being extensively used in the processing of various meat products, cheese, soymilk and juices.

There are no official import figures for health food products since they enter the country through general food product tariff codes making it impossible to determine exact import amounts. However, it is estimated that about \$300 million or 30 percent of the market is supplied by imported health foods. The U.S. accounts for 65 percent of total imports. The main imported products are soy products and ingredients, food and fiber supplements, power bars, and ready to eat meals. The health foods market will grow and offer good opportunities for U.S. exporters, though as popularity grows, domestic production will increase and expand into new products. Domestic production will remain the primary competitor for imported U.S. products.

## **Certificate of Origin**

Under NAFTA, imports of health foods considered as food supplements require a special import permit. A Sanitary Previous Import Permit is required, along with a Sanitary Certificate and a questionnaire on Good Sanitary Practices must be completed. This Secretariat of Health requirement is administered by a newly formed agency called COFEPRIS-Federal Commission for Health Risk Protection (see contact section for more info). To obtain this permit, the importer has to present a chemical analysis of the product, specifying each product contained in the formula and the quantity. Also, two product labels as presented in the country of origin must also be presented. The product is then analyzed and defined as a food supplement or a medication. The basic Mexican import document is the Pedimento de Importación (customs entry document), which must be presented to Mexican Customs along with the commercial invoice in Spanish and a bill of lading. Products qualifying as "North American" must be accompanied by the NAFTA certificate of origin to receive preferential treatment. This is issued by the exporter and does not have to be validated or formalized.

January 11, 2009; by Victoria St. Martin, **The Times-Picayune**

## **Despite a promising crop, Louisiana sugar farmers are worried about the competition from Mexico**

The 2008 sugar cane crop survived Hurricanes Gustav and Ike in September, a rare snowfall in December and a drought, but some industry watchers say rising operational costs such as fuel and sugar imports are what could hurt farmers the most.

Although this year's crop, with its high sugar content, could be a repeat of last year's respectable harvest of 13 million tons of cane that yielded 222 pounds of raw sugar per ton, farmers fear that an increase in the amount of imported Mexican sugar could drive down market prices along with profits.

Input costs for items such as gasoline and fertilizer that are essential to the sugar cane business have risen while the price of raw sugar has remained stagnant or dropped, experts say. And the amount of sugar and products containing sugar from Mexico has jumped dramatically since trade restrictions and tariffs were lifted in early 2008.

For instance, in October 2007 17,562 metric tons of imports came from Mexico, according to statistics gathered from the United States Customs and Border Protection. In October 2008, that figure was 77,184.

"Imports for Mexico and other sugar importing countries are bearing down, competing with domestic production and driving prices down," said Jim Simon, general manager of the American Sugar Cane league, a lobbying group for farmers.

One analyst estimated that 2008 input costs rose almost 20- to 30-percent over the previous year, while the price of raw sugar fell from 24 cents a pound last summer to about 20 cents or lower by the fall.

Michael Salassi, a professor of agriculture economics with the LSU AgCenter, said the biggest increase has been in fuel and fertilizer. For an average farm of 1,500 acres, the usual \$1 million production price tag rose by \$200,000. Fuel and fertilizer costs nearly doubled in the spring, Salassi said.

In December 2007, nitrogen, which is used to fertilize crops, cost 54 cents per pound. It rose to a \$1 by the spring of 2008. Diesel, which is purchased by the truck load, rose to \$20,000 from \$10,000 at one point this year, he said.

Louisiana is the second-largest sugar producing state in the nation behind Florida. Louisiana farmers produce about 20 percent of the nation's sugar from both beets and sugar cane. However, the growing number of imports is a very real concern, some Louisiana farmers say.

According to federal trade figures, 629,526 metric tons of sugar were exported from Mexico to the U.S. in the fiscal year that ended in September. For the current fiscal year, Mexico imports are on pace to top a million metric tons, nearly doubling last year's figures.

Like many Louisiana sugar cane farmers, Jessie Breaux works the same land his great-grandfather farmed many years ago.

Breaux, 57, leases 2,400 acres of land in St. Mary Parish for sugar cane production. His is one of the nearly 700 such farms in 23 parishes in Louisiana that makes cane farming a \$2 billion industry with a workforce numbering 27,000.

As harvesting season winds down this month, Breaux said he and many other farmers are facing the twin challenges of rising operation costs and price fluctuations and "have our belts tight."

In order to account for the losses, he said he has cut down to the bare bones, he's not purchasing equipment and reducing the amount of fertilizer he uses. He's also lowering the number of trips through the field he and his employees make with machines to cut down sugar cane.

"I'm making 12-percent less sugar than I did last year," said Breaux, who is also president of the American Sugar Cane League. "Sucrose is high, but it's still not helping me overcome my loss in tons. Everything I do has gone up."

For Leslie Rodrigue, a St. John the Baptist Parish farmer, the harvest was a little above average this year because the sucrose content was high.

The high sugar content -- a product of a mostly dry season -- did not help farmers with costs, said Rodrigue, who along with five employees harvested 900 acres in St. John.

For farmers, the secret to keeping the teetering boat afloat is to increase production to increase yield and efficiency, said Rodrigue.

Always the optimist, Breaux said the dedicated farmer's motto is: "Next year's going to be better."

"We're going to stay here and we aren't going anywhere," he said. "We're all managing our businesses as well as we can to stay alive until things get better. We deal with it one day at a time."

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- [Charts showing why the 2008 sugar cane crop will be larger than 2007.](#)

## IMPORTED SUGAR

Sugar cane farmers in Louisiana are concerned about the increasing amount of imported sugar from Mexico, which they say is flooding the market and driving down prices. Since trade restrictions were lifted early last year, imports from Mexico have soared.

### U.S. imports of sugar and certain sugar-containing products from Mexico

In metric tons, raw value



Source: United States Customs and Border Protection

<http://news.prnewswire.com/DisplayReleaseContent.aspx?ACCT=104&STORY=/www/story/01-12-2009/0004952751&EDATE=>

Jan. 12, 2009; **PR News.com**

## **Merisant Worldwide, Inc. and U.S. Affiliates to Pursue Financial Restructuring Merisant Company and its Subsidiaries Will Continue Normal Operations While in Chapter 11 Company to Request Court Approval for \$20 Million Debtor-in-Possession Financing**

CHICAGO, Jan. 12 /PRNewswire/ -- Merisant Worldwide, Inc., a global leader in tabletop sweeteners, announced today that in order to strengthen its financial health and long-term growth prospects, the company and its U.S. affiliates have filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware to restructure its balance sheet. The company's U.S. and global businesses will continue normal operations.

"During the last four years, we took aggressive measures that succeeded in cutting costs and making Merisant more efficient as well as building a platform for future growth," said Paul Block, chairman and chief executive officer of Merisant. "Yet despite these efforts, recent turmoil in the financial and credit markets has made it impossible for us to refinance our debt, without which we cannot complete the restructuring of our business.

"Restructuring our balance sheet is the best way for us to maximize the success of our company and its many products. We expect that Merisant will emerge from this process stronger and better able to compete, and thus this filing and balance sheet restructuring is in the best interests of the company and its stakeholders.

"During this restructuring, we will continue to support our current brands and launch PureVia(TM), our exciting all-natural, zero-calorie sweetener, in partnership with PepsiCo, as well as advance our plans to introduce natural sweeteners in other markets. On December 17, Reb A, the stevia-based extract that sweetens PureVia(TM), became the first stevia extract to receive generally recognized as safe (GRAS) status from the Food and Drug Administration, and we've seen tremendous interest in PureVia(TM) in response to that news," said Block.

Block added, "I want to assure our customers, vendors and employees that this restructuring will not disrupt daily operations -- our U.S. and global businesses will function normally throughout this process. Simply put, this balance sheet restructuring is about reducing the company's debt, not disposing assets, reducing the workforce or reconfiguring our operations."

Merisant also announced today that it has secured a \$20 million debtor-in-possession (DIP) financing facility from Wayzata Investment Partners in order to ensure that it has adequate liquidity to operate while it restructures its debt. Furthermore, the company announced that as part of the DIP financing it is working on a consensual basis with the majority holder of its 91/2% Senior Subordinated Notes on a plan of reorganization that, if approved by the Bankruptcy Court, would significantly deleverage the company's balance sheet.

The Blackstone Group and Sidley Austin LLP represent the company as financial adviser and outside legal counsel, respectively.

In addition to its Chapter 11 petitions, the company filed customary "first-day" motions (First-Day Motions) seeking Bankruptcy Court authorization to, among other things: incur and deploy the DIP financing; maintain its existing cash management system; pay certain pre-filing employee wages and otherwise maintain employee benefits; fulfill certain pre-filing vendor obligations; maintain utility services; pay certain outstanding taxes; and honor its customer programs in the ordinary course of business. The company anticipates that its First-Day Motions will be approved by the Bankruptcy Court in the early stages of its Chapter 11 proceeding.

For further information on Merisant's financial restructuring, please visit [http//](http://), or call 312-840-6000. The company will announce updates regarding its ongoing operations plans as they become available.

### **About Merisant**

Merisant is a worldwide leader in the marketing of low-calorie tabletop sweeteners. In addition to Equal(R) and Canderel(R), Merisant markets its products under 18 other brands in over 90 countries. For more information visit .

Note to editors: Equal and Canderel are registered trademarks of Merisant Company. PureVia is a trademark of Whole Earth Sweetener Company LLC, a wholly owned subsidiary of Merisant Company.

Contact: Joe Poulos  
Edelman (312) 240-2719

SOURCE Merisant Worldwide, Inc.

Jan. 14, 2009; **Marketwatch.com**

## **10-Q: AMERICAN CRYSTAL SUGAR CO /MN/**

(EDGAR Online via COMTEX) -- Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition for the Three Months Ended November 30, 2008 and 2007

This report contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements include, among others, those statements including the words "expect", "anticipate", "believe", "may" and similar expressions. The Company's actual results could differ materially from those indicated. Risk factors that could cause or contribute to such differences include, without limitation, market factors, weather and general economic conditions, farm and trade policy, and available quantity and quality of sugarbeets. For a more complete discussion of "Risk Factors", please refer to the Company's 2008 Form 10-K.

### **Overview**

The harvest of the Red River Valley and Sidney sugarbeet crops grown during 2008 and to be processed during fiscal 2009 produced a total of 10.7 million tons of sugarbeets, or approximately 25.4 tons of sugarbeets per acre from approximately 422,000 acres. This represents a decrease in total tons harvested of approximately 14.1 percent compared to the 2007 crop. The sugar content of the 2008 crop is 17.6 percent as compared to the 18.1 percent sugar content of the 2007 crop. The Company expects to produce a total of approximately 31.3 million hundredweight of sugar from the 2008 crop, a decrease of approximately 14.5 percent compared to the 2007 crop.

Net Proceeds from Member and Non-Member Business for fiscal 2009 are expected to be approximately 13 percent lower than in fiscal 2008. This decrease is primarily due to fewer tons harvested and a decline in the sugar content of the sugarbeets resulting in the decreased production of sugar and agri-products. This decrease is partially offset by anticipated higher net selling prices for sugar and agri-products.

### **Comparison of the Three Months Ended November 30, 2008 and 2007**

Revenue for the three months ended November 30, 2008, was \$323.1 million, an increase of \$18.8 million from the three months ended November 30, 2007. The table below reflects the percentage changes in product revenues, prices and volumes for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007.

Product	Revenue	Selling Price	Volume
Sugar	10.5 %	7.5 %	2.8 %
Pulp	-12.8 %	40.5 %	-37.9 %
Molasses	-40.8 %	6.7 %	-44.5 %
CSB	26.2 %	26.1 %	0.1 %
Betaine	4.5 %	16.1 %	-10.0 %

The increases in selling prices for our products reflect strong markets due to supply and demand factors. The decreases in the volumes of pulp and molasses sold were due in part to lower product availability resulting from a 22.6% decrease in pulp produced and a 12.8 % decrease in molasses produced in the first three months of this fiscal year as compared to same time period last fiscal year. Lower beginning inventory levels for both pulp and molasses this year as compared to last year also contributed to the reduction in the availability of products for sale.

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Rental revenue on the ProGold operating lease was \$6.2 million and \$6.8 million for the three months ended November 30, 2008 and 2007, respectively.

Cost of sales for the three months ended November 30, 2008, exclusive of payments to members for sugarbeets, increased \$52.2 million as compared to the three months ended November 30, 2007. This increase was primarily related to the following:

\* At the end of each reporting period, product inventories are recorded at their net realizable value. The change in the net realizable value of the product inventories from the beginning of the reporting period is recorded on the balance sheet as either an increase or decrease to inventories with a corresponding dollar for dollar adjustment to cost of sales on the statement of operations. The increase in the net realizable value of product inventories for the three months ended November 30, 2008 was \$58.0 million as compared to an increase of \$88.9 million for the previous year's three month period ended November 30, 2007 resulting in a \$30.9 million unfavorable change in the cost of sales between the two years as shown in the table below:

Change in the Net Realizable Value of Product Inventories			
For the Three Months Ended November 30			
(In Millions)	2008	2007	Change
Beginning Product Inventories at Net Realizable Value	\$ (150.6)	\$ (156.4)	\$ 5.8 (1)
Ending Product Inventories at Net Realizable Value	208.6	245.3	(36.7)(2)
Increase in the Net Realizable Value of Product Inventories	\$ 58.0	\$ 88.9	\$ (30.9)

(2) The change is primarily due to a 27.8 percent decrease in the hundredweight of sugar inventory as of November 30, 2008 as compared to November 30, 2007 partially offset by an 11.5 percent increase in the per hundredweight net realizable value of sugar inventory along with higher quantities and per ton net realizable value of pulp inventory as of November 30, 2008 as compared to November 30, 2007.

\* Due to lower than anticipated sugar production and inventory levels during the first quarter of this year, the Company's sugar marketing agent, United Sugars Corporation, purchased and sold additional sugar to meet our customers' needs. As a result, the costs associated with purchased sugar increased \$16.4 million for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007.

\* Factory operating costs increased \$3.8 million for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007, primarily due to higher costs associated with coke, limerock and chemicals.

Selling, general and administrative expenses increased \$5.4 million for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007. Selling expenses increased \$6.3 million primarily due to the increased freight and packaging costs for sugar partially offset by lower freight costs for pulp and molasses resulting from lower sales volumes. General and administrative expenses decreased \$ .9 million due to general cost decreases.

Total Other Income increased \$4.3 million for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007. This was due primarily to the receipt of \$4.8 million in November 2008 related to a legal settlement.

Non-member business activities resulted in a gain of \$ .3 million for the three months ended November 30, 2008 as compared to a gain of \$1.7 million for the three months ended November 30, 2007. The decrease was primarily related to the reduced earnings of Sidney Sugars and reduced income from the activities of ProGold.

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### **Food, Conservation and Energy Act of 2008**

The Food, Conservation and Energy Act of 2008 (the Farm Bill) enacted in May, 2008, contains several provisions related to the domestic sugar industry, aimed at achieving balance and stability in the U.S. sugar market while minimizing the cost to the Federal government. The Farm Bill applies to the 2008 through 2012 crop years. Generally, the Farm Bill:

- \* maintains a non-recourse loan program,
- \* sets a minimum overall allotment quantity for U.S. producers at no less than 85% of domestic consumption,
- \* maintains a system of marketing allocations for sugarbeet and sugar cane producers,
- \* restricts imports of foreign sugar and
- \* provides a new market balancing mechanism to divert any oversupply of sugar from sugar producers to ethanol producers.

Under the Farm Bill, sugar processors can borrow funds on a non-recourse basis from the Commodity Credit Corporation (CCC), with repayment of such funds secured by sugar. If the price of sugar drops below the forfeiture price, the processors can forfeit the sugar securing the loans to the CCC in lieu of repayment. Processors may also obtain CCC loans for "in-process" sugar or syrups at 80 percent of the loan rate.

The Farm Bill incorporates gradual loan rate increases for raw and refined sugar. For raw sugar, the loan rate will increase three-quarters of a cent per pound, raw value, phased-in in quarter-cent increments over crop years 2009-2011. Raw cane loan rates will remain at 18.00 cents/lb in 2008 then rise gradually to 18.75 cents by 2011, and they will remain at 18.75 cents/lb for the 2012 crop year. Refined beet sugar loan rates are set at 22.90 cents/lb for the 2008 crop and thereafter are set at a rate equal to 128.5 percent of the loan rate per pound for raw cane sugar for each of the 2009 through 2012 crop years.

The United States Department of Agriculture (USDA) has historically maintained raw and refined sugar prices above the forfeiture price without cost to the U.S. Treasury by regulating the supply of sugar in the U.S. market through management of a tariff rate quota system. Currently, forty exporting countries retain guaranteed preferential access to the U.S. market under World Trade Organization (WTO) and Free Trade Agreement (FTA) rules. Mexico's access has been unlimited since January 1, 2008. This Farm Bill sets a minimum overall allotment quantity for U.S. producers at no less than 85% of domestic consumption and provides a market balancing mechanism if there is an oversupply in the domestic sugar market. If the Secretary of Agriculture determines there is an oversupply of sugar, the new market balancing mechanism requires the Secretary to divert the excess sugar from sugar producers to ethanol producers while minimizing the cost to the U.S. Treasury. Although the market balancing mechanism will provide sustainability to the sugar industry in the short term, there is no assurance that the sugar-to-ethanol program will be in place after the Farm Bill expires.

The marketing allotments and allocations set forth under the Farm Bill affect the sugar produced from the 2008 crop through the 2012 crop. On an annual basis, the marketing allotments and the corresponding allocation to the Company will dictate the amount of sugar the Company can sell into the domestic market. The Company's marketing allocation for the 2008 crop is currently set at approximately 35 million hundredweight. The Company's allocation may reduce or increase the amount of sugar the Company can market for a given year, thus affecting the number of acres of sugarbeets required for processing to produce that amount of sugar.

### **North American Free Trade Agreement**

The North American Free Trade Agreement (NAFTA) governs sweetener trade between the United States and Mexico. Under the NAFTA, tariffs on over-quota imports of sugar from and exports of sugar to Mexico expired on January 1, 2008. Imports of Mexican sugar could cause material harm to the United States sugar market. The Company has no way to predict the extent to which Mexico will take advantage of its export opportunities.

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#### Regional and Bilateral Free Trade Agreements

Under the current administration, the United States government is pursuing an aggressive agenda on international trade. It is seeking to negotiate new free trade agreements with a number of countries and regions that are major producers of sugar. The primary agreements affecting sugar that are completed or are being negotiated, to the Company's knowledge, include the Peru Free Trade Agreement, Colombian Free Trade Agreement, Panama Free Trade Agreement, as well as, agreements with the Free Trade Area of the Americas, the Association of Southeast Asian Nations, South Africa, Thailand, and others. The Company believes these agreements, if they reach fruition, could negatively impact the Company's profitability. If increases in guaranteed access or reductions in sugar tariffs are included in these agreements, excess sugar from these regions could enter the U.S. market and put pressure on domestic sugar prices.

The Peru Free Trade Agreement has been ratified by the U.S. Congress. Negotiations have been completed on the U.S.-Colombian Free Trade Agreement and the U.S.-Panama Free Trade Agreement but they have not been ratified by the U.S. Congress. The Company does not know when these trade agreements will be brought before Congress for a vote.

The Doha Round negotiations of the WTO continue to be pursued by the U.S. Administration and some of its international counterparts. It is unclear at this time whether negotiations will be completed. If the negotiations are completed, the outcome of any negotiated arrangement could have significant adverse consequences for the Company.

The U.S. sugar industry and the Company, as an influential member of such industry, recognize the potential negative impact that could result if these agreements are entered into by the United States and are taking steps to attempt to positively influence the outcome. The Company and the sugar industry intend to continue to focus significant attention on trade issues in the future.

The impact of the various trade agreements on the Company cannot be assessed at this time due to the uncertainty concerning the terms of the agreements and whether they will ultimately be implemented. It is possible, however, that the passage of various trade agreements could have a material adverse effect on the Company through a reduction in acreage that can be planted by the Company's shareholders and by the growers for Sidney Sugars Incorporated, and/or a reduction in sugar selling prices, and a corresponding reduction in the beet payment to the shareholders and the Company earnings.

### **Environmental**

The Company is subject to extensive federal and state environmental laws and regulations with respect to water and air quality, solid waste disposal and odor and noise control. The Company conducts an ongoing compliance program designed to meet these environmental laws and regulations. The Company believes that it is in substantial compliance with applicable environmental laws and regulations. From time to time, however, the Company may be involved in investigations or determinations regarding non-material matters that may arise.

On November 25, 2008, the Company entered into a stipulation agreement with the Minnesota Pollution Control Agency (MPCA) related to hydrogen sulfide emissions from its Crookston, East Grand Forks and Moorhead, Minnesota factories. This agreement requires the Company, among other conditions, to pay a penalty of \$185,000 and to develop and implement Hydrogen Sulfide Management Strategies at each of the Minnesota factories. As part of the Hydrogen Sulfide Management Strategies, the Company has agreed to make certain capital expenditures over the next three years and implement specified changes in operating procedures to contain hydrogen sulfide emissions at the Minnesota factories. The required capital expenditures are currently estimated to be approximately \$12 million. The costs associated with operational changes are not currently known.

The Company works closely with all affected government agencies to resolve environmental issues that arise and believes they will be resolved without any adverse effect on the Company.

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The Company has identified capital expenditures for environmental related projects at the Company's factory locations of \$29.0 million.

### **Liquidity and Capital Resources**

Under the Company's Bylaws and Member Grower Contracts, payments for member-delivered sugarbeets, the principal raw material used in producing the sugar and agri-products it sells, are subordinated to all member business expenses. In addition, the beet payments made to member growers and non-member growers are paid in three payments over the course of a year, and the member payments are made net of any anticipated unit retain for the crop. These procedures have the effect of providing the Company with an additional source of short-term financing. This financing arrangement may result in an additional source of liquidity and reduced need for outside financing in comparison to a similar business operated on a non-cooperative basis.

Because sugar is sold throughout the year (while sugarbeets are processed primarily in the fall, winter and spring) and because substantial amounts of equipment are required for its operations, the Company has utilized substantial outside financing on both a seasonal and long-term basis to fund its operations. The majority of such financing has been provided by a consortium of lenders led by CoBank, ACB.

The Company has long-term debt availability with CoBank, ACB of \$184.8 million, of which \$53.3 million in loans and \$70.3 million in long-term letters of credit were outstanding as of November 30, 2008. The unused long-term line of credit as of November 30, 2008, was \$61.2 million. In addition, the Company had long-term debt outstanding, as of November 30, 2008, of \$50 million from a private placement of Senior Notes that occurred in September of 1998; \$3.6 million from a private placement of Senior Notes that occurred in January of 2003; \$70.4 million from seven separate issuances of Pollution Control and Industrial Development Revenue Bonds; and a term loan with Bank of North Dakota of \$ .8 million.

The Company also has a seasonal line of credit with a consortium of lenders led by CoBank, ACB of \$345.0 million, against which there was a \$144.0 million outstanding balance as of November 30, 2008 and a line of credit with Wells Fargo Bank for \$1 million, against which there was no outstanding balance as of November 30, 2008. The Company's commercial paper program provides short-term borrowings of up to \$325 million of which approximately \$30.5 million was outstanding as of November 30, 2008. The Company had \$2.1 million of short-term letters of credit outstanding as of November 30, 2008. Any borrowings under the commercial paper program along with outstanding short-term letters of credit will act to reduce the available credit under the CoBank, ACB seasonal line of credit by a commensurate amount. The unused short-term line of credit as of November 30, 2008, was \$169.4 million. In addition, the Company had an outstanding non-recourse loan with the CCC, as of November 30, 2008, of approximately \$51.0 million, against which 2.2 million hundredweight of sugar was pledged as collateral.

The Company had outstanding purchase commitments totaling \$3.3 million as of November 30, 2008, for equipment and construction contracts related to various capital and maintenance projects.

The liquidity changes that have occurred in the Company's financial statements from August 31, 2008, to November 30, 2008, were primarily due to normal business seasonality. The first three months of the Company's fiscal year includes: the completion of the sugarbeet harvest; the startup of the processing campaign; the final payments to growers for sugarbeets delivered from the previous year's crop; and the initial payments to growers for sugarbeets delivered from the current year's crop.

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The net cash used by operations was \$200.7 million for the three months ended November 30, 2008, as compared to \$210.7 million for the three months ended November 30, 2007. This decrease in the use of cash of \$10.0 million was primarily the result of the following:

\* Changes in the Amount Due Growers of \$10.0 million were due to a higher final total grower payment last year and a higher estimated per ton member grower payment this year as compared to last year at this time. These were partially offset by a reduction in the current year's total estimated grower payment due to a reduction in tons harvested.

\* Changes in Advances to Related Parties of \$5.2 million were due primarily to the timing of the cash requirements of our marketing agents.

\* Changes in Accounts Payable of \$4.5 million and changes in Other Liabilities of \$4.4 million were due to a higher beginning of the year balance last year resulting from an early campaign start-up in August.

\* Changes in inventories of \$3.0 million were primarily due to a smaller increase in finished products of \$9.6 million partially offset by an increased value of unprocessed sugarbeets of \$5.9 million along with an increase of \$ .7 million of supplies and parts inventory.

\* Changes in Other liabilities of \$4.0 million were due primarily to normal accruals and the timing of payments against those accruals.

\* The above changes were partially offset by the change in Accounts Receivable of \$15.8 million due to increased collections last year on a larger beginning of the year receivable balance resulting from increased sales.

The net cash used in investing activities was \$5.6 million for the three months ended November 30, 2008, as compared to \$11.6 million for the three months ended November 30, 2007. The decrease of \$6.0 million was primarily related to decreased purchases of property and equipment of \$4.2 million.

The net cash provided by financing activities was \$206.3 million for the three months ended November 30, 2008, as compared to \$222.4 million for the three months ended November 30, 2007. This decrease of \$16.1 million was primarily due to decreased proceeds from short-term debt of \$15.4 million, decreased proceeds from long-term debt of \$3.1 million, distributions to Minority Interest of \$3.1 million partially offset by decreased payments on long term debt of \$5.6 million. The Company anticipates that the funds necessary for working capital requirements and future capital expenditures will be derived from operations and unit retains along with short-term and long-term borrowings.

January 16, 2009; By Carol Ryan Dumas, **Ag Weekly**

## **Sugar beet producers won ground in 2008**

TWIN FALLS, Idaho - It was not only an interesting year for sugar beet growers, it was also a successful year, said Mark Duffin, executive director of the Idaho Sugarbeet Growers Association.

Speaking at the 2009 Snake River Sugarbeet Conference in Twin Falls, Duffin said one of the biggest highlights was the national elections - particularly the presidential election.

While the industry was very familiar with candidate Senator John McCain, growers didn't know much about President-elect Barak Obama, he said.

"Senator McCain we knew very well (as) opposing the farm bill and sugar program," Duffin said. "With Obama, we didn't know what we had there. (He) sided with the big Chicago candy companies but did support the farm bill."

McCain wanted to balance the budget with the "sugar subsidy," which doesn't exist, he said. On the other side, Obama made a campaign commitment to the farm bill, rural communities and keeping farmers on the land during the rough spots.

And Obama has made a "commitment to listening to sugar producers," he added.

Obama's pick for ag secretary, former Iowa Governor Tom Vilsack, is from a farm state - although not one that produces sugar - and has supported farm programs, Duffin said.

As for Congress, there's a lot of turnover and a lot of work ahead to educate new congressmen on the sugar program and trade agreements.

"Many lost their seats for supporting free-trade agreements" that weren't up to snuff, Duffin said, adding sugar producers will continue to lobby for "fair-trade" agreements.

The 2008 Farm Bill was also a success story, Duffin said, one that took years of work on the sugar industry's part to bring to fruition.

"The strong support in this farm bill did not happen by accident; it took a lot of work," including PAC contributions and sugar growers' Washington, D.C., staff, grower teams and Amalgamated union workers lobbying Congress, he said.

“There were three anti-sugar amendments that were soundly defeated,” he added.

A sugar caucus was also established on the House side last year, and new Idaho Congressmen Jim Risch and Walt Minnick have already reached out to the industry.

Another success was getting the support price in the form of the loan rate raised from 22.9 cents a pound in 2008 to 23.45 cents in 2009, 23.77 cents in 2010, and 24.09 in 2011. The three previous farm bills provided no increase, he said.

On the international front, the Doha Round of the World Trade Organization brought some real concern to growers in 2008.

“We were very nervous in late fall and this winter (that) the lame duck administration (would) sign something that wouldn’t be acceptable to us,” he said.

Over 1.5 million tons of duty-free sugar is already allowed to come into the United States, and WTO negotiations could have increased that dramatically. Plenty of concerns were raised over several bilateral trade agreements, but concerns with Mexico’s unlimited sugar exports to the United States under NAFTA topped the list.

The new farm bill, however, establishes a sugar ethanol program, wherein surplus sugar caused by imports will be removed, and guarantees 85 percent of domestic need will be filled by U.S. growers. It also changes when the U.S. Department of Agriculture sets sales allotments for U.S. companies. Allotments used to be set in late summer but will now be set later in the marketing year, April 1.

Another issue the industry is feeling more confident about is the use of Roundup Ready sugar beets. Last year was the first full year of growing the beets, Duffin said. With it came big price increases for the herbicide and a lawsuit challenging the government’s decision to allow the use of GMO sugar.

The industry brought the chemical concerns to Monsanto to get the companies assurance that enough herbicide would be produced in the coming years.

As for the lawsuit, brought in January 2008, plaintiffs claim sufficient environmental impact studies were not conducted. Arguments are set to be heard April 3.

Duffin said he is confident the ruling will be in favor of growers and the industry.

He is also looking for improvements in federal crop insurance and hoping for funding for transportation infrastructure as 2009 unfolds.

Jan. 19, 2009; By Elizabeth Weise, **USA TODAY**

## **FDA: 'Postpone' eating foods containing peanut butter**

The Food and Drug Administration says Americans should "postpone" eating cookies, crackers, candy and ice cream that contain peanut butter or peanut paste while the agency works to establish which products are tainted with the strain of salmonella typhimurium which has sickened 474 people nationwide and is implicated in six deaths.

"Product specific information will become available in the next few days," says Stephen Sundlof, director of FDA's Center for Food Safety and Applied Nutrition.

While snack products are potentially contaminated, supermarket peanut butter is not.

It appears that the only peanut butter linked to the outbreak was an institutional brand sold in 5 to 50 pounds tubs to schools, hospitals and nursing homes under the King Nut and Parnell's Pride label. It was never sold at the retail level and is not available at supermarkets and grocery stores, FDA says.

As for products that might contain the tainted peanut butter and peanut paste, FDA is encouraging companies that bought from the Peanut Corporation of America's Blakely, Ga., plant to inform consumers their products might be contaminated.

**FIND MORE STORIES IN:** [Colorado](#) | [Indiana](#) | [Wisconsin](#) | [Arkansas](#) | [Food and Drug Administration](#) | [Austin](#) | [Wal-Mart](#) | [Madison](#) | [Pride](#) | [Asheville](#) | [Costco](#) | [Craig Wilson](#) | [Agriculture](#) | [Safeway](#) | [Marsh](#) | [Center for Food Safety](#) | [Applied Nutrition](#) | [Mountain Home](#) | [Blakely](#) | [Stephen Sundlof](#) | [Parnell](#) | [Brownsburg](#) | [David MacKay](#) | [King Nut](#) | [Woodman](#) | [Peanut Corporation of America](#) | [Hy-Vee Inc](#) | [Food Market](#)

Tests by the Georgia Dept. of Agriculture found peanut butter from the plant tested positive for salmonella, but tests to determine if that salmonella is an exact DNA match to the outbreak strain are still ongoing.

The agency is asking companies that make peanut butter or paste containing products that aren't linked to products from the Georgia plant also make that known to the public.

For the FDA's up-to-date list of affected products, visit: [www.fda.gov/oc/opacom/hottopics/salmonellatyph.html#recalls](http://www.fda.gov/oc/opacom/hottopics/salmonellatyph.html#recalls)

The list of items affected by the salmonella-tainted peanut butter from the plant rose substantially Friday night when the Kellogg Company added 12 new items to its list, including select snack-size packs of Famous Amos Peanut Butter Cookies and Keebler Soft Batch Homestyle Peanut Butter Cookies.

Kellogg said the products "have the potential to be contaminated with salmonella."

"The actions we are taking today are in keeping with our more than 100-year commitment to providing consumers with safe, high-quality products," said David Mackay, president and CEO, Kellogg Company.

Kellogg is one of 85 companies which bought peanut butter and peanut paste produced in the Georgia plant.

PCA Friday expanded its recall of peanut butter and peanut paste made at the plant to include all peanut butter produced on or after August 8, 2008 and all peanut paste produced on or after September 26, 2008.

The peanut butter was sold in containers ranging in size from five to 1,700 pounds. The peanut paste was sold in sizes ranging from 35 pounds to tanker containers, the company said in a release.

Peanut paste consists of ground, roasted peanuts and is used as an ingredient in cookies, crackers, cereals and ice creams, says FDA's Sundlof.

Supermarkets nationwide worked Friday and Saturday to remove potentially tainted products.

A spokesperson for Wal-Mart said the Bentonville-Ark.-company had contacted each of its stores so they immediately can "pull and hold" the crackers.

Costco pulled the Kellogg crackers off store shelves Tuesday night even before Kellogg had made its announcement, says Craig Wilson, Costco's vice president of food safety.

There was an empty gap Saturday on the shelves of the Marsh grocery store in Brownsburg, Ind., where several varieties of Keebler snack crackers with peanut butter fillings had been removed.

Dan Fredrickson, manager of the Woodman's Food Market in Madison, Wis. says he thought his shelves were empty because his supplier recently stopped shipping the product. But he said in any recall, he said his store acts quickly.

"It's off the shelves as soon as we are notified," Fredrickson says.

In Colorado, managers at several Fort Collins-area King Soopers and Safeway grocery stores said they received the recall notice Thursday and immediately pulled the crackers from their shelves.

Ron Freeman, chief financial officer for Asheville, N.C.-based Ingles markets says all the Keebler and Austin products placed on hold were taken off its shelves on Thursday.

"We pulled them all as soon as realized they were being recalled," he said.

West Des Moines- based Hy-Vee Inc. is holding the products until they receive more information about them.

The firm will "err on the side of caution. When something like this is not easily identified, we like to act in the best interest of our customers," says Chris Friesleben, director of communications.

That extends even to the firm's bakery items, she says. "We have peanut butter cookies and other things we bake, and we're not even making those anymore in our bakery plant. We're going to suspend production for awhile."

Grocery stores in Mountain Home, Ark., have pulled the Austin and Keebler brand of peanut butter crackers off their shelves and some stores were offering customer refunds of the products.

"As soon as a recall is issued, we send it out to the stores," says Jim Wieland, director of pricing at Harps and Price Cutter Food Stores at its general office in Springdale, Ark.

For the full Kellogg list, see [www.fda.gov/oc/po/firmrecalls/kellogg201\\_09.html](http://www.fda.gov/oc/po/firmrecalls/kellogg201_09.html)

For FDA's Frequently Asked Questions list about the outbreak, visit:

[www.fda.gov/oc/opacom/hottopics/salmonellatyph/faq.html](http://www.fda.gov/oc/opacom/hottopics/salmonellatyph/faq.html)

Jan 20, 2009; By Charles Abbott, REUTERS

## Senate confirms Vilsack as agricultural secretary

WASHINGTON (Reuters) - The U.S. Senate confirmed former Iowa Gov. Tom Vilsack as U.S. agriculture secretary on Tuesday, a job he plans to use to promote renewable energy including biofuels and put healthier food in America's school meals.

Vilsack was among five of President Obama's cabinet nominees to be approved on a unanimous vote a couple of hours after Obama took office.

With 100,000 employees, the Agriculture Department has a portfolio that ranges from anti-hunger programs like food stamps to running the national forests, paying crop subsidies, promoting farm exports, aiding rural economic development and directing agricultural research.

Nearly one-fifth of Americans live in rural America.

As secretary, Vilsack, 57, will face two tasks immediately -- working with Congress to renew USDA's child nutrition programs, which cost more than \$15 billion a year, and deciding whether to tighten USDA's eligibility rules for farm subsidies.

During his confirmation hearing last week, Vilsack said the child nutrition programs, which include school lunch and breakfast, could be a tool for ending childhood hunger by 2015, a goal set by Obama. He said he wanted to bring more fruits and vegetables into schools and more locally grown food.

The related Women, Infants and Children feeding program, costing \$6 billion a year, also needs reauthorization this year.

Obama has backed a \$250,000-a-year "hard" cap on crop subsidies "so we help family farmers" and closing loopholes that allow "megafarms to get around payment limits."

A lawyer, Vilsack has no direct experience in agriculture but during two terms as Iowa governor, ending in 2006, was active on agricultural issues.

The last farmer to serve as agriculture secretary was Jack Block, of Illinois, in the early 1980s, in the Reagan era.

January 21, 2009 in Knowledge@Wharton

## The Financial Crisis: Bad and Getting Worse, but Put Away that D-word

It began as the "subprime crisis" in 2007, and then mushroomed into a full-blown global recession in 2008. And still, despite mammoth government intervention, the bad news keeps getting worse. Are we now teetering on a precipice, ready to plunge into another Great Depression? Can the latest proposals pull the economy out of its nosedive?

There is plenty to worry about. But while many experts say this crisis is the worst since the Depression, that does not mean it will be as bad.

Unemployment and other economic gauges will continue to worsen, but unless governments make a major misstep, like igniting a worldwide trade war, economies should stabilize and recover on a "very flat path" that could take several years, says Wharton finance professor [Marshall E. Blume](#).

Japan went through a similar bank crisis in the 1990s without tumbling into a full-blown depression, adds Wharton finance professor [Jeremy J. Siegel](#). "Given that we're reacting faster than Japan, I think you can make a good inference that [a depression is] not going to happen here," he says.

Many estimates call for gross domestic product in the U.S. to shrink by 2.6% in the first quarter of 2009, Siegel notes. That's bad, but small compared to the 27% decline from 1929 through 1933. A depression is generally defined as a drop of 10% or more.

Still, there is more bad news than good, and the depth of the problem can be measured by the lack of consensus on what to do about it. Consider this gloomy observation in a January 20 *Wall Street Journal* story about the British government's abrupt decision to pump billions more into what the writer called the country's "flagging" financial-rescue plan: "Governments on both sides of the Atlantic are struggling to keep up with the deepening economic crisis -- and may be running out of ammunition to battle it."

In the U.S., banks continue to withhold loans despite huge infusions of government cash, and Goldman Sachs estimates that financial institutions will lose \$2 trillion on loans, with only half of that realized to date. Banks are even starting to call in loans to borrowers, such as home builders, who have made all their debt payments on time. Troubles are now expanding to commercial real estate firms. The numbers of layoffs, bankruptcies and foreclosures are growing. Household names, such as Circuit City electronics stores, are closing their doors, and problems have worsened at Citigroup and Bank of America despite government help.

There is little consensus on how to remedy the problem. Indeed, the U.S. government is again considering buying up toxic assets held by financial firms, a plan adopted last fall and then immediately scrapped in favor of direct cash infusions to banks.

The tale of woe and confusion is much the same around the world. The economic slowdown is so steep as to cause oil prices to drop to around \$40 a barrel, from more than \$140 last summer. Trade is so sluggish that shipping rates have plunged to astonishing lows. The European Commission warned on January 20 that the 27 nations of the European Union are likely to experience a "deep and protracted recession."

At the request of then President-elect Barack Obama, the Senate on January 15 voted to release the second half of the \$700 billion Troubled Asset Relief Program. (No action by the House is required.) Comments from Obama administration officials suggest much of this \$350 billion may be used to buy

"bad assets" held by financial institutions. Those include mortgage-backed securities and other holdings that have plunged in value and become all but untradeable. Getting these assets off the financial institutions' books was at the heart of the TARP program when it was proposed in September by Treasury Secretary Henry Paulson and Federal Reserve chairman Ben Bernanke.

Paulson and Bernanke say that removing the toxic assets would remove uncertainty about the banks' health, and encourage the banks to resume lending, seen as the key to turning the financial crisis around. But after Congress approved TARP, Paulson instead pumped the money directly into troubled banks, taking some preferred shares and warrants in exchange, arguing the banks needed quicker help because they had turned out to be in worse shape than previously thought. But the banks remain reluctant to lend, and it is not clear the first half of the TARP fund was the good investment Paulson said it was. The Congressional Budget Office estimated in a January 16 report that taxpayers would lose \$64 billion of the first \$247 billion in TARP spending.

Whether the government should now revive the asset-purchase plan is subject to debate. Wharton finance professor [Richard Marston](#) thinks the direct infusions will restore banks' lending ability faster than asset purchases would, but the government should in return demand a bigger ownership stake than it has. "The Treasury should find a way to inject capital where the taxpayer ends up with large stakes in the banks -- even if they are not formally nationalized. The bank shares are going to soar with recovery, and someone is going to make a fortune." That should be taxpayers if they take on the cost and risk of propping up the banks, Marston argues.

According to Blume, there is so much uncertainty that it is impossible to know which bank-rescue approach is best. Cash infusions can help very quickly, while the asset purchases take longer. But if direct infusions mean toxic assets are left on the banks' books, doubts about the banks' long-term health will remain. Other institutions would then be reluctant to do business with them, and investors would refuse to provide private capital, which ultimately is key to the banks' return to health.

### **Building a 'Bad Bank'**

Also under discussion in Washington is the creation of a "bad bank" to buy the toxic assets. This government-run bank, partly owned by the banks that sell it the assets, would hold those assets, sell them or bundle them into securities for sale to investors. A big question: What should the bad bank pay for those assets if there are no recent sales to show what they are worth? FDIC chairman Sheila C. Bair has said the assets could be purchased at "fair value," which is a price the banks set themselves.

"The idea of setting up a 'bad bank' in which to transfer bad debt may be a good idea," Marston says. But he finds the price dilemma troubling, since paying fair value could cause the government to pay more than it will eventually recover by reselling the assets. "Do we pay market prices for the debt, in which case it does not help the banks? Do we pay above-market prices" and take shares of the banks in exchange?

Under yet another approach, modeled on that used for Citigroup and Bank of America, the government would provide taxpayer-backed insurance against losses in toxic assets that stay on banks' books. But that, too, could leave the public shouldering the banks' losses. Wharton finance professor [Franklin Allen](#) argues that the best approach would be "temporary nationalization" of those banks that get public help. That would allow the government to install its own managers, clearing out executives who have presided over so much trouble.

### **Controlling TARP**

"This injection of capital without any [government] control is just not working," says Allen, noting that the banks had not resumed lending after the first TARP infusion. "This [second \$350 billion in] TARP money

is not going to be used well, and it's going to end up in a black hole. What keeps happening is they give money and then the banks keep coming back for more."

Siegel, too, feels that TARP support should have more strings attached, such as a requirement that banks not call in loans to borrowers who are solvent, creditworthy and up to date on their payments. "I'm not optimistic about this [second half of the] TARP money. Clearly, the first half didn't seem to help."

Obama administration officials also have said they want to use part of the new round of TARP funding -- perhaps as much as \$100 billion -- to help homeowners avoid foreclosures. Advocates say this is only fair, since huge sums have gone to rescue corporations, and many argue that stemming foreclosures will help stop the freefall in home prices which has been a major cause of the banks' losses. Hence, attacking the foreclosure problem could lead to more lending by banks, giving the economy the fuel it needs to start growing again.

There are various ways to use government money to put a dent in foreclosures, from providing direct assistance to homeowners to insuring lenders against further losses if they modify loan terms. It is not yet clear what approach the Obama administration favors

Nor is it a given that reducing the number of foreclosures will have much effect. Allen believes the economic problems are now so widespread that shoring up the housing sector would not help turn things around the way its advocates hope, so that public spending on foreclosures might be wasted. "I think the crisis has moved on from real estate," he says.

Allen and Siegel note that some banks already have expanded programs to renegotiate loan terms to help borrowers stay in their homes. Accepting reduced payments can be less costly for the lenders than foreclosure, especially if there are no buyers for foreclosed properties. J.P. Morgan, for example, recently announced a vastly expanded plan to modify loans on its books as well as those among more than \$1 trillion in loans sold to investors.

## **Too Many Homes**

"I think [foreclosures are] a very important problem, but I think it's being worked out by the private sector," Siegel says. The root problem, according to Siegel: There are too many homes and too many were bought at inflated prices. "The price of homes has to fall. There's no way to stop that from happening."

Blume, too, doubts the government can effectively stop the wave of foreclosures. With the economy worsening and unemployment rising, fewer and fewer people can afford the homes they have, and many potential buyers lured by bargain prices can't find banks to give them mortgages. "I have not yet seen a plan to help reduce foreclosures that gets to ... the problem ... that people bought houses they could not afford. If you reduce the interest rate a little bit, they still can't afford them."

He concludes that there may be no alternative but to let the housing market adjust on its own. "Ultimately, all these houses will be off the market," Blume says. "Somebody will buy them and then the market will stabilize."

But there's no telling, he adds, how long that will take, or how far home prices will have to fall.

Jan 27, 2009; Reporting by Maggie Fox; editing by David Wiessler, REUTERS

# Studies find mercury in much U.S. corn syrup

WASHINGTON (Reuters) - Many common foods made using commercial high fructose corn syrup contain mercury as well, researchers reported on Tuesday, while another study suggested the corn syrup itself is contaminated.

Food processors and the corn syrup industry group attacked the findings as flawed and outdated, but the researchers said it was important for people to know about any potential sources of the toxic metal in their food.

In one study, published in the journal Environmental Health, former Food and Drug Administration scientist Renee Dufault and colleagues tested 20 samples of high fructose corn syrup and found detectable mercury in nine of the 20 samples.

Dufault said in a statement that she told the FDA about her findings but the agency did not follow up.

Dr. David Wallinga, a food safety researcher and activist at the nonprofit Institute for Agriculture and Trade Policy, said he followed up on the report to find mercury in actual food. "When I learned of that work, I said that is interesting but we don't just go out and eat a spoonful of high fructose corn syrup," Wallinga said in a telephone interview.

"We went and looked at supermarket samples where high fructose corn syrup was the first or second ingredient on the label," he said. These 55 different foods included barbecue sauce, jam, yogurt and chocolate syrup.

"We found about one out of three had mercury above the detection limit," Wallinga said.

The Corn Refiners Association challenged the findings.

"This study appears to be based on outdated information of dubious significance," the group said in a statement.

Wallinga and colleagues said they believed the mercury got into the food during manufacture, at plants that use mercury-grade caustic soda produced in industrial chlorine plants, although his team was unable to show this.

"Our industry has used mercury-free versions of the two reagents mentioned in the study, hydrochloric acid and caustic soda, for several years," Audrae Erickson, president of the Corn Refiners Association, said in a statement.

Wallinga said the studies were based on samples taken in 2005, the most recent available.

Many studies have shown that fish can be high in mercury. Wallinga said consumers should know about other potential sources so they can limit how much they eat. "The best mercury exposure is no exposure at all," he said.

"Even at low levels methylmercury can harm the developing brain. The last thing we should intentionally do is add to it," Wallinga added.

He said his team did not test foods that did not contain corn syrup to see if they were also high in mercury.

Jan. 28, 2009; By TOM LUTEY, The Billings Gazette

## As demand piles up, sugar prices for '09 are showing strength

Here's some sweet news for sugar beet farmers waiting for their 2008 crop to be bagged: high sugar prices, which peaked last fall, are sticking around, and large buyers, with little sugar on the shelf, should be ready to pay up.

The conditions are right for moving some product, which should be ready for market in the next couple of weeks at the Western Sugar Cooperative refinery in Billings, said Mike Hofer, the co-op's vice president for agriculture. The cooperative should finish refining sugar in early February. Demand has driven the bulk market price for sugar to \$35 per hundredweight. That's 45 percent more than sugar's going rate in January 2008.

Most of the co-op's sugar is sold to businesses that then bag the product for retail sale in their own private label packaging. Wal-Mart is a private-label buyer of Western Sugar.

Bulk market prices have occasionally been higher, but only when extraordinary circumstances rocked the market. Bulk sugar crossed the \$40-per-hundredweight mark in 2005, but only after Hurricane Katrina clobbered Louisiana, which produces more than 16 percent of the country's sugar.

This year, in addition to lower stockpiles, the price is being buoyed by an explosion Feb. 7, 2008, at the Imperial Sugar Refinery in Port Wentworth, Ga. The explosion killed 14 workers and shuttered the cane sugar refinery, which produced 9 percent of the nation's sugar. The plant refined 6.5 million pounds of sugar daily, according to the Imperial company reports. Its closure for repair helped push prices upward, Hofer said. "It just really means there's not as much surplus in the markets," Hofer said. "Bulk sugar has been trading at about \$35 per hundredweight since September. It's a good, strong price."

Factory workers are currently slicing the beets into thin strips called cossettes. Raw sugar juice is extracted from the slices, filtered, separated and then dehydrated until all that remains are sugar crystals.

Co-op members are encouraged by current prices, as well as the declining value of other commodities, which should make stable-priced sugar beets attractive to plant, grower Paul Stieber said. The market price for sugar has been stable to the point of being flat for several years, according to the American Sugar Alliance. That stability worked against producers in 2008 as prices for wheat, corn and barley surged, leaving sure-priced sugar beets behind. Now commodities prices, which rose quickly, are being tempered by fertilizer and pesticide costs that also soared. The costs of growing beets on the other hand, decreased in 2008 as the farmers switched to Roundup-ready seeds.

Roundup is a powerful herbicide that doesn't have to be applied to crops as often as other chemicals. Being able to use the Roundup meant growers didn't have to disturb their crops as often, or apply as many gallons of herbicide. Allowed to grow without interruption, the 2008 sugar beets came out of the ground healthier and larger than previous crops, despite a cold spring that got beets off to a slow start. Beet health is important because the harvested crop is stored outdoors in piles, and a few rotten beets can spoil the harvest while it waits for be refined, Hofer said. The beet piles this year have stayed cool, meaning they haven't shown signs of rot, which shows up like heat from a compost pile. The cooperative watches for storage problems by inserting heat probes throughout its beet piles. Every 15 days, workers fly over the piles, scanning them with infrared cameras to look for signs of trouble.

The American Sugar Alliance reports that the next challenge for beet prices will come April 1, when the U.S. Department of Agriculture determines how much foreign sugar it will allow to be imported duty-free. Sugar imports are a constant battle between U.S. sugar companies, who want less competition, and food services buyers, who see imports as a way of keeping sugar prices low.

January 29, 2009

The January issue of the SUGAR AND SWEETENERS OUTLOOK is available in PDF format. You are able to view this publication at:

<http://usda.mannlib.cornell.edu/usda/current/SSS/SSS-01-29-2009.pdf>

Acrobat Reader 5.0 or higher is required to view and print this document. To download and get help using the Adobe Acrobat Reader, please go to:

<http://www.adobe.com/products/acrobat/readstep2.html>

The next issue of SUGAR AND SWEETENERS OUTLOOK will be released on May 28, 2009. This report examines world and U.S. production, consumption, trade, stocks, and prices for beet and cane sugar, and high fructose corn syrup.

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