

Message from Ray Washmera, President;

Hello all NSIMA Associates and Friends:

I hope August was good to you. It was good to our Association. At the August Sugar Outing, we held our annual Board of Directors meeting and our annual luncheon. Much was accomplished. Attached please find our minutes, which will explain some of those accomplishments. At this meeting, we selected our Officers for the next year. They are: Chip Smith-Secretary, Mike Crowder- 2nd Vice President, Jerry Kramer- 1st Vice President, and yours truly- President. Please contact them and thank them for volunteering their time for our Association. Another important topic discussed was the how to attract new people onto our board and into our Association. We welcome any suggestions and volunteers as well.

Following our Board Meeting, our luncheon went extremely well. Peter Meyer, our speaker, shared his thoughts about the nutritive sweetener markets, their present and future influences and gave us insight into those markets. It was informative and well received. Thank you, Peter, we appreciate your effort and insights greatly. Bob Lindon spoke on sugar and I spoke to the corn and corn sweetener markets as well. Bob did his usual great job! Thank you, Bob.

Per the board's decision last year, our Logo and Website committees moved forward and developed both. At the luncheon, I presented our new logo and our new website. I believe most attendees were impressed. With this newsletter, each of you will receive your NSIMA website address, and instructions. You will soon be able to input and update your own official NSIMA pages within our website. Please log on to our temporary developmental address at <http://devel.nsimas.org/index.html>, select the "MEMBERS" link on the upper left hand side window, click on the "View the Searchable Members Database" button, scroll down to your own listing and click on the "Click to view profile" button. Check out the information we have entered. If anything needs to be updated, we will give everyone your individual "Members Login" username and password when we are launched on the WWW and you will be able to change your own info. With this launch, the NSIMA will have a new tool for its members and a new tool for marketing our Association to future members as well. We hope you are excited as we are. Please take the time to make sure your information is correct. We also would appreciate reviewing the rest of the site, making sure it is as complete and accurate as possible. If you see anything, please contact Bruce Penner at penner@cass.net with the proper information. We also are looking for testimonials. Please help. The testimonials will offer terrific comment and advertising for our NSIMA.

Wishing you a great September and Fall,
Sincerely, Ray Washmera

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THE BAY CITY TIMES

Beet payment gets plowed under - Farmers feeling squeezed as Michigan Sugar Co. votes not to pay growers for second summer in a row

Friday, July 28, 2006; By TOM GILCHRIST, TIMES WRITER

Ken Hecht figured that after getting through last summer without a payment from his beet-processing company, he'd receive a check this time.

So when Michigan Sugar Co. announced last week that its grower-owners would not receive an August payment for the second year in a row, it left a sour taste with some area farmers, including Hecht.

"I was expecting a payment, because our bills keep rolling in," said Hecht, 60, who farms near Vassar in Tuscola County and is one of 1,150 growers who own the Monitor Township-based beet cooperative.

"Those bills always come, and farmers are on the bottom end of things - when the price of gas goes up, we can't put a surcharge on commodities when we take our grain to the elevator," said Hecht, who, with his sons, grows 400 acres of beets for Michigan Sugar.

Michigan Sugar's Board of Directors - a group of farmers themselves - made the decision not to issue any August payment.

For the Hechts, it means losing out on upwards of \$7,000-\$8,000.

Ideally, said Michigan Sugar spokesman Ray VanDriessche, growers would receive four payments for the 2005 beet crop - in December of last year, and in April, August and October of this year.

"The August payment is kind of a discretionary payment looking at what sales have been like, and what the market price is for sugar and all our co-products such as sugar-beet pulp that we sell as pellets for livestock feed," VanDriessche said.

With the price of natural gas down considerably from a year ago, directors decided "that rather than make an August payment - which is one of the smaller payments - they would invest in buying natural gas to store it up," VanDriessche said.

Ken Hecht said he understands the reasoning for not issuing a payment.

"But in the meantime, we would have liked to fill our fuel tanks, too, for the coming harvest," Hecht said. "We need to stay positive and look for a good October payment, I guess."

Tom Zimmer, 64, a farmer near Unionville in Tuscola County and chairman of Michigan Sugar's Board of Directors, said the board's April payments to growers were "a little more than we anticipated, with the understanding there wouldn't be any August payment."

Zimmer said directors made a good business decision by purchasing extra natural gas.

"We thought it was better to use that money and buy natural gas about 35 percent cheaper than what we paid for it last year," Zimmer said.

"When you burn as much natural gas as we do, that's a huge item."

But increasing sugar prices led some farmers to expect at least something a little sweet in the mailbox.

"I think the reason most people are ticked off about not getting an August payment is because the price of sugar is up," said Brian Adam, 37, a Sebawaing farmer who raises 430 acres of beets with help from his brothers, Mark and Scott, and the three men's father, Larry Adam.

Michigan Sugar directors "are just spending too much money down at the factories right now, and spending money where they don't need to be spending it," Brian Adam said.

Company leaders could have sown seeds of goodwill by issuing an August payment less than two years after growers took financial hits when some beets rotted in Michigan Sugar piles, Adam said.

"That one hurt," he added.

The company blamed the losses on poor piling conditions caused by drastic swings in temperatures and warm rain during the winter that began late in 2004.

"The company doesn't have to issue an August payment under the contract, but being in the situation we're in with the way payments have been, and with the disaster we had two years ago, we're struggling out here and a payment would be greatly appreciated," Adam said.

VanDriessche said sugar-beet growers have received a total of \$29.25 per ton for their 2005 crop, following payments in December and April.

That total surpasses the total payment per ton at this time last year, he said.

Ken Hecht, however, said bills still come to farmers in the summer, such as purchases of fungicide to fight leaf spot disease on beet plants, a problem made worse by hot and humid weather.

Hecht's son, 25-year-old Jacob Hecht, said the Hechts might have to apply the fungicide three or more times this summer. But, he said the non-payment in August could bear financial fruit later on.

"It will cause a slight strain on the local area, but hopefully it results in something positive," he said.

July 28, 2006, 10:42PM

U.S., Mexico end sweetener rift

Nations agree on import quotas, end to tariff in '08

Reuters News Service

MEXICO CITY - The United States and Mexico have ended a heated, decade long dispute over sugar and sweetener trade, lifting all barriers from 2008 under the North American Free Trade Agreement.

The two countries agreed to reciprocal tariff-free import quotas prior to 2008, Mexico's government said late Thursday.

The deal allows free trade from 2008 in the products that go to make Coke and other soft drinks and are also heavily used in the baking industry.

It includes the United States accepting 500,000 tons of sugar imported from Mexico tariff-free between 2006 and 2007 and Mexico getting 500,000 tons of high-fructose corn syrup from U.S. producers.

For Sugar Land-based Imperial Sugar Co., more Mexican sugar imports are a "mixed blessing," said Patrick Henneberry, senior vice president of the company.

"As raw sugar, we welcome them with open arms as a supplier," because Imperial can refine the sweet stuff at its refineries in Gramercy, La., or Savannah, Ga.

But refined sugar from Mexico could compete against Imperial's sugar, or the Sugar Land company could market the product, as it has in the past.

The accord ended a trade battle that pitted the powerful U.S. sugar and sweetener lobbies against Mexico's heavyweight sugar industry, with tens of thousands of cane growers and mill workers.

Mexico wanted to export its excess sugar to the United States, which the U.S. sugar industry staunchly blocked, and the United States saw its high fructose corn syrup exports to Mexico cut off by a tax on soft drinks made from the sweetener.

Sugar shortfalls in the United States — in part because of damage to cane fields and sugar mills by hurricanes Katrina and Rita last year — helped to end the dispute.

The U.S. Corn Refiners Association welcomed the deal on Friday, although it said it did not fully compensate for losses of more than \$4 billion in the past 10 years from Mexico's barriers to U.S. exports of the corn syrup.

It said the agreement guarantees access for the syrup to the Mexican market, eliminates the soft drink tax and removes all tariffs on exports of the syrup.

"It sets in motion an irreversible path to free trade in January 2008, as the NAFTA intended," said Audrae Erickson, the group's president.

The NAFTA accord between the United States, Canada and Mexico began in January 1994.

Mexico's economy ministry said it expected Mexican producers to export around 600,000 tons of sugar to the United States in the 2005-06 export cycle, which ends in October.

Chronicle reporter Jenalia Moreno contributed to this story.

<http://www.sun-herald.com/NewsArchive4/073006/tp18de18.htm?date=073006&story=tp18de18.htm>

07/30/06

U.S. Sugar relaunches Suga-Lik Web site

U.S. Sugar Corporation's Molasses and Liquid Feed Department has launched a completely redesigned Web site for its Suga-Lik brand liquid feed products, the leading choice of cattlemen in the Southeastern United States for pasture supplements for beef herds and mixed rations for dairy cattle.

The revamped Web site, which is still located at www.suga-lik.com, features easier web navigation and expanded product information for the complete line of fully fortified supplement products. Over one hundred different formulas are researched, developed, formulated and manufactured by U.S. Sugar.

"We are proud to display the American Feed Industry Association's Safe Feed/Safe Food certification seal and look forward to better serving our consumers with this easier to use, information-packed Web site," said Patrick Whidden, Director of the Molasses & Liquid Feed Department at U.S. Sugar.

U.S. Sugar's Molasses and Liquid Feed Department is also a certified feed facility recognized by the Facility Certification Institute (www.certifiedfacility.org). This designation assures customers that Suga-Lik products, which are made from pure sugar cane molasses, do not contain FDA-banned mammalian protein products.

The revised Web site provides customers with additional resources such as dealer contact information, links to helpful research and industry organizations, and Suga-Lik's quarterly beef technology newsletter, "Feed For Thought," featuring useful articles about cattle health and nutrition and the Florida cattle industry.

By HEATHER MIKES

U.S. Sugar Corporation

2006 NSIMA Board Meeting

August 2nd, 2006

In attendance: Ray Washmera, Jerry Kramer, Tom Petty, Bruce Penner, Neale Smith, and Chip Smith

10:10 – Discussion goes to the matter of courting new board members. Bob Lindon feels he does not belong due to a conflict of interest, the board feels otherwise and wishes he would remain. Dan Irwin was supposed to be on the board, Ray will follow up with him. Larry Bockleman is offered as a possible member.

10:15 – Board should look for brokers that handle other ingredients (cocoa, soybean, nut meats....)

10:20 – Board should make an effort to explore marketing possibilities. The board sets a goal of having a booth at the 2007 IFT in Chicago. A marketing committee of Tom Petty, Ray Washmera, Neale Smith, and Chip Smith is formed.

10:28 – Ray presents the NSIMA website to the board. The logo is presented and an explanation of its merits is given. Ray gives Bruce Penner credit and thanks for his work done in the planning and execution involved in the conception of the website. Ray asks the board members to gather testimonials from buyers and principals for display on the website.

10:45 – Discussion of Officers:

Secretary – Chip Smith

1st Vice President – Jerry Kramer

2nd Vice President – Mike Crowder

President – Ray Washmera

10:58 – Meeting Closed

THIRSTING FOR A CUBA LIBRE

Friday, August 04, 2006

NEW YORK (KWR) August 3, 2006 -- As the world contemplates news regarding Fidel Castro's surgery and the changes that might accompany a transition in Cuba, many investors are looking to position themselves for the gains that might be achieved.

Although news today from La Havana seems to suggest Fidel is on the mend, whether he bounces back and regains control in Cuba has yet to be seen. However the deterioration of his health is plain to see; his voice is but a harsh whisper, he missed the annual parade for the first time since the revolution this year, and clearly has trouble walking more than a short distance. Rumors that the surgery undertaken was to remove a malignant cancer tumor are unconfirmed (even denied by Cuba itself) but strong. His brother, Raul, 75, will have a tough act to follow and it is also believed by many that he too is not in the best of health. The USA has made their stance on Cuba plain for decades, and will have huge political and financial support from the wealthy Cuban ex-pats of the Miami area. We believe if the change in Cuba doesn't happen today, it is only a matter of time before those in favor of the "transition to democracy and free markets" make their move, be it before or most likely -- after the funeral of the venerable statesman, now just days away from his 80th birthday.

Whatever the future holds and whatever government assumes power, we see Cuba as primed for an injection of foreign capital and economic expansion. With this in mind, it seems an opportune moment to look at possible investment opportunities with Cuban exposure.

Cuba's main export is sugar, and with pure sugar plays hard to find, most eyes on Wall St would turn to Imperial Sugar (IPSU) to take advantage of the low production and transport costs to the US market that Cuban sugar would enjoy. Add the excellent earnings reported this week by IPSU, and the double figure jump seen on Wednesday is understandable. We see further upside in this company.

Sherritt International (S.TO) is Cuba's biggest foreign investor and involved in the lucrative business of oil production off the Northern coast of the island. The profits from this business account for 23% of current quarterly revenues. However there may be a big problem for Sherritt in an open market scenario. They also currently run the country's largest nickel/cobalt mine in a joint venture with the Cuban government. This mine accounts for 20% of their earnings. Nickel alone accounts for 20% of export revenues for Cuba. The rub is that before the Revolution of 1958, this mine was wholly owned by Freeport McMoran (FCX), who would almost certainly try to claim it back if political changes brought in a free market government. That claim may or may not succeed, but would certainly cast a cloud over Sherritt and future earnings. Thus we would avoid S.TO for the moment even though it is well positioned in Cuban industry, with a wide array of assets on the island, including hotels, tourism and agribusiness. On the other hand, while one should not consider FCX as a Cuba play per se, we do

believe it otherwise offers good value given its other properties, with this being a potential plus should this issue be resolved in its favor.

The tourism industry is also enjoying strong growth in Cuba, with 7% YoY expansion reported for the last 5 years. If US sanctions are lifted, however, given its proximity 90 miles off the Florida coast that should expand dramatically. Any tourist related company that has existing ties with Cuba might come up on the radar of investors. We believe that Copa Airlines (CPA), even without any extra Cuban business, is one of the most undervalued airlines out there today. Add the expansion of its existing flight schedule into Havana airport and they become doubly attractive. It is, of course, sensitive to the price of oil, but still retains a PE of 10x and 43% YoY earnings growth. Carnival Corp (CCL), running their Caribbean luxury cruise ships, would be another company to consider. Hoteliers already established include Cuban market leader Sol Melia (SOL.mc), quoted on the Madrid bourse, enjoying robust growth internationally and with a stock price close to all time highs.

Cuban cigars are famed throughout the world as being of the highest quality. Although the large conglomerates like Imperial Tobacco and Phillip Morris would swallow up the production volumes with hardly a ripple on their balance sheets, we would be on the lookout for new enterprises willing to import Cuban cigars to niche markets in the USA.

A final play to consider would be mutual funds. Herzfeld Caribbean, a fund with the evocative ticker of CUBA, has enjoyed a fine week, with volumes 40 times average and a 30% spike in its price. The company has investment in Cuban exposed companies that would benefit from expansion under the current and more liberal governments, to quote their spokesman. On August 1st, it traded at a 5.44% premium to net asset value, and its five largest shareholdings included Florida East Coast Industries (FLA), Watsco Inc. (WSO) and Consolidated Water (CWCO), Florida Rock Industries (FRK) and Seaboard Corporation (SEB).

All this said, the present socialist government in Cuba is not yet out of power and the gold rush longed for by many Cuban-Americans and others may not arrive as quickly as expected. It's also worth noting that Raul Castro, as the head of the Cuban military, will continue to benefit from the loyalty of these forces. However there would be little chance of seeing Cuban soldiers shooting at Cuban civilians live on CNN as the socialist government in Cuba has consistently been sympathetic to the views of the populace. As a result this support is more likely to be institutional in nature. If there is any groundswell of opinion from the street level in a post-Fidel scenario, Raul is not likely to oppose it. Although believed to be more pragmatic than his older brother, he does lack his political legitimacy and charisma, and no doubt recognizes the "revolution" is in for tough days ahead. Therefore he will seek to draw upon his base in the military to make the adjustments necessary to ensure survival.

In conclusion, we see plenty of opportunity to benefit from any change to the current government regime in Cuba. However, one should take into account that political changes are often painful experiences (we are reminded of the Former Soviet states). Buying into any fly-by-night stock may soon end in tears, but there is undoubtedly chance for the wise investor to get in early to one of the most promising areas of potential macroeconomic expansion on the planet.

04/08/2006 – By Stephen Daniells, **ConfectioneryNews.com**

NutraSweet targets blended sweetener for best profile

Researchers from NutraSweet and Duke University are working in tandem to produce blends with more desirable sweetness profiles.

"With the growing trend in the commercial market towards the use of sweetener blends in a variety of media, putting emphasis on designing a sweetener blend that yields the best possible temporal profile for a given medium is of increasing importance," wrote the researchers in the journal *Food Quality and Preference*

A number of [sweeteners](#), both natural and artificial, are available to food formulators. Indeed, the sweetener industry is enjoying considerable growth above the industry average as consumers with growing health and weight concerns turn away from sugar-heavy foods and beverages to 'lite' versions.

According to market analysts Freedonia, the sweetener market is set to grow at around 8.3 per cent year on year until 2008: considerably higher than growth in the ingredients industry currently at about 3 to 4 per cent. Previous studies, said the researchers, have focused on individual sweeteners, or limited combinations, and were more interested on the temporal profile than on measuring the so-called "time to maximum sweetness" - a measure of how quickly the sweet taste is experienced in the mouth.

"While time to maximum sweetness intensity is a standard timeintensity parameter and has been shown to be an important variable in the perception of many oral stimuli, it has not been studied previously for a broad range of binary and ternary sweetener blends," wrote lead author of the study, Susan Schiffman from Duke University Medical Center.

Sixteen different sweeteners were considered, including protein sweeteners, such as thaumatin, dipeptide sweeteners, such as neotame and aspartame, carbohydrate sweeteners (sugars), such as fructose and sucrose, and [sugar](#) alcohols, such as mannitol and sorbitol. The full list tested is as follows: [sucralose](#), neotame, mannitol, acesulfame-K, sorbitol, saccharin, fructose, sucrose, cyclamate, stevioside, aspartame, rebaudioside-A, neohesperidin dihydrochalcone (NeoDHC), alitame, thaumatin.

Three different sweetness levels were examined for each binary blend, and the blends were formulated to be equally sweet as 3, 5, and 7 per cent sucrose solutions. The binary blends that were reported by the trained panelists as being 'synergistic' were further evaluated with addition of a third sweetener to produce ternary blends.

The researchers report that sweetener blends that contained the protein thaumatin were associated with the latest time to maximum sweetness intensity. Blends containing stevioside, neotame, NeoDHC, alitame, or rebauadioside-A had later times to maximum sweetness intensity compared to blends with sugars and sugar alcohols, reported the researchers.

The explanation for these later times to experience maximum sweetness may be the size and complexity of the chemical structures of these particular sweeteners, since thaumatin and neoDHC in particular are relatively large molecules. This indicates three things, said Schiffman: *"Their size may (a) slow the rate of diffusion to the receptor, (b) cause them to require more time to orient properly relative to the receptor, and (c) require a multi-step process in order to make all of the binding interactions between the sweetener and the receptor."*

It was also found that many of the blends displayed times to maximum sweetness intensity that were in-between the earliest and latest of its constituent parts.

"These data indicate that the time to maximum sweetness intensity of "late" sweeteners can be shortened by blending with earlier onset sweeteners," said the researchers.

Such basic research on sweetener blends could be of interest to a wide range of food formulators, but the researchers called for further work to better understand the time properties of the sweeteners in other media. In this study only solutions in water were studied.

"Providing the consumer with a product that is both early in onset and time to maximum sweetness intensity like sucrose, the standard for sweetness, is clearly a task that is essential in sweetener and sweetener blend development," said Schiffman.

The scientists said that they had already started looking at the effect of specific blends in a cola soft drink, and preliminary data (which were not presented) suggests that the time to maximum sweetness is further influenced by other ingredients in the beverage.

Posted on Mon, Aug. 07, 2006; By Mikkel Pates, **Agweek Staff Writer**

AGWEEK EXCLUSIVE: JUST JOE

Famalette speaks about life after the corner office

FARGO, N.D. - They called him "Smoking Joe."

He was the fifth president of American Crystal Sugar Co., under co-op leadership one of the most influential and colorful human catalysts for change in Red River Valley agriculture in the past two decades. He was president and chief executive officer from 1993 to 1995, but he challenged a sugar beet co-op to think outside the box. He spoke with expanse and his talks alluded to "Fegment," the wand-wielding mouse in the Disney movie classic "Fantasia."

Famalette had his detractors, but he had a vision. He was among the first to talk about taking Crystal from 300,000 acres to 500,000 acres, a strategy that continues today. He was a catalyst for the creation of United Sugars Corp., a multi-company marketer of sugar, and the creation of ProGold L.L.C., the \$260 million corn fructose plant in Wahpeton, N.D.

Famalette left the Red River Valley like a whirlwind, taking his then-young family to the San Francisco area, where he went to preside over Tri-Valley Growers, a large fruit and vegetable cooperative. But after two years of financial progress, TVG got into a wrenching financial implosion that would send Famalette out of his fast-lane career.

Eight years later, Famalette talks for the first time about what he's learned from it all.

Red River Valley days

Famalette, now 58, grew up in Pennsylvania and received his bachelor's degree at Kings College in Wilkes-Barre, Pa. He was a debater and became skilled at forming arguments. He cut his teeth marketing for companies such as Pepperidge Farms, Continental Grain and International Multifoods.

Upon coming to Fargo-Moorhead, Famalette remembers a conversation with Al Bloomquist, the revered prior president and co-op visionary who helped lead the conversion from a corporation in 1972. Bloomquist "took me aside at Crystal and said he wanted me to remember one thing: 'American Crystal doesn't need to be fixed. It needs to be shepherded,'" Famalette recalls.

But Famalette wanted to lead.

Among his key accomplishments was nudging the leaders of three beet cooperatives into joining together into United Sugars Corp., to market their sugar together instead of competing. The concept was so important to Famalette that he dramatically theatrically offered to quit his job if his personality stood in the way of it happening.

He also pushed for an ill-fated "full service sweetener" concept and supported the idea for ProGold L.L.C. The \$260 million venture was completed in 1997, after he was gone. Because of a meltdown in fructose price, the owners of that plant leased it out to Cargill for 10 years. Crystal now the majority owner and others are in the process of renegotiating that lease today. Many investors believe the plant was a mistake, but Famalette doesn't. "My attitude is it still is running, and there were a lot of people on boards that wanted to do it," Famalette says. "These co-ops have a tendency to forget that they vote."

Lure of California

Famalette says he knew what he faced when he went to California and TVG. "It was clearly a turnaround," he says.

As in other farmer-owned co-ops, TV shareholders were farmers first and wanted their company to purchase their entire crop at a profit to their farms. Unlike American Crystal, which just involved the beet crop, the TVG involved nine different

commodities. When Famalette went to California, he took some American Crystal and International Multifoods executives with him. One who came along was Ralph Morris, former general counsel for Crystal.

He also brought some of the so-called "new generation" co-op thinking from North Dakota, while it was still at its height. "Before I went, Ralph told me the place was already bankrupt," Famalette says. "I thought I could fix it. I thought I could help it to stand as another example of a farmer-owned co-op that could truly work."

The way Famalette describes it, there were two key differences between TVG and American Crystal.

First was the way growers were paid. American Crystal members are paid by the ton, based on quality, but within a relatively small yield range from year to year. Tri-Valley was buying produce by the acre and in crops where production could swing wildly from year to year.

The second difference is that unlike Crystal "equity" shareholders weren't the only suppliers. The co-op offered "cash contracts" to non-equity members, and even some equity members had cash contracts. "That was the reason the equity was leaving the company and we didn't have enough equity to float our business," he says.

"If the company paid both the cash grower and equity grower the same amount per ton, and there was no premium for membership at the end of the day, the person who invested money in the company had no benefit that the cash grower didn't have," Famalette says.

The result of this was that the ratio of debt-to-equity had been allowed to increase. The company had \$185 million in equity and was disappearing at \$8 million a year. The company was losing its ability to leverage debt.

Despite all of this, in the first two years, Tri-Valley made money under Famalette. "We cut costs and increased our marketing," Famalette says.

Richard Sexton, a professor of agricultural and resource economics for the University of California-Davis, was the lead author on a USDA Rural Development-funded study that said Famalette cut costs too much, a charge he vehemently denies. Famalette says there were 680 people on the executive staff. The "head production person never left," and cuts were internal.

California's new game

In a big year, TVG harvested 90 million cases of fruit and vegetables in a year, but really could sell about 60 million cases.

"Every month of the year, we had at least 30 million cans in inventory," Famalette says, noting that about 4,200 of the company's 12,000 employees simply took care of those cans in inventory. The company had 15 warehouses of 100,000 square feet each. Just the damage to this inventory was a big issue. It was standard business to lose \$4 million in damaged goods every year packages that would get dented or banged so they'd be out of code. "Inventory was a huge problem," Famalette says.

Famalette decided to go for a premium market.

On the fruit side, Famalette's strategy was to put in glass in the produce aisle. His reasoning: Fruit in a jar could be sold for \$3.99 per unit, while the same amount of fruit might go for 79 to 89 cents in a can. The company sold its produce under two premium brands S&W Foods and Orchard Select. The best pears and peaches would go into these jars. "We did them by hand that's how successful they were," Famalette says. "We wanted to show we could grow the company if we started marketing the company like brand people." Del Monte later did it, but had the money to expand it.

Famalette was among the first to promote individual servings of fruit in plastic, single-service containers, but they were undercapitalized.

Famalette was extremely busy during this period. The phone was constantly ringing. "No one thought I could save this company. Absolutely I was having fun," he recalls.

Famalette, who raised some eyebrows at Crystal because of a \$300,000 salary, had received a large signing bonus to move from Crystal to TVG, a company that did \$900 million in business and operated internationally. The TVG offer was three to four times as much, depending on whether he hit financial targets. Famalette was in a rarified atmosphere, with a membership in exclusive golf clubs and a house in La Quinta, Calif., and membership in some of the fine golf courses. As he had in Fargo, Famalette had enjoyed owning and driving fancy sports cars.

In 1997, he remembers a meeting of company chief executive officers in Claremont, Calif., at the home of Peter Drucker, the celebrity author on U.S. corporate management. Drucker was interested in Famalette's plan to change the way farmers were paid at TVG to a more equity-based system. The author asked Famalette to send him annual reports.

"We had a two-hour meeting," Famalette recalls. "He said it's just amazing what you're trying to do. But he said it's not going to work in a co-op. They're not going to let you run the enterprise like it's an enterprise." Famalette's pride and confidence in his board wouldn't let him agree, even though he thought Drucker was the greatest. "That was the highlight of my career, sitting with Peter Drucker," Famalette recalls.

A gigantic crop, the perfect storm

In 1997 and 1998, the TVG crop was huge. "By contract both cash and member equity we were obligated to bring in the tons," Famalette says.

A normal harvest was 25 percent to 50 percent more than the co-op could sell. "This was 40 (percent) to 70 percent more than we needed the tree crops were huge peaches, the pears," Famalette says.

Naturally, to buy a harvest meant going out and borrowing money, with interest. "The fact that you brought in more than you possibly needed meant spending money you didn't have," Famalette says. One ton of fruit would produce nine cases. Each case meant people needed to process a commodity that ultimately would not be needed in the marketplace.

Famalette remembers arguing with growers and board members to offer growers a nominal amount for disposing of part of their crop. "Instead of giving them \$250 a ton for peaches, let's give them \$100 a ton to throw it on the ground," Famalette recalls. That didn't fly.

Another option was to negotiate not to pay for all of the tonnage. "We had a contractual obligation to take the crop in, but we didn't have a contractual obligation about the price we paid." That idea didn't fly either.

"We had a contractual obligation to bring in the tons of a huge crop," Famalette says. "The result of that was too many goods, chasing too few purchases. We sold 60 million cases and the price dropped \$1.50 per case because of the inventory. So \$90 million disappeared at the same time we were buying more crop than we needed putting it in cans and cases and having costs go up."

From the 1997 fiscal year to the 1998 year, there was a revenue swing of \$125 million. Famalette counts it as a success that he managed the company so that it lost only \$58 million. After Famalette left, accountants later pegged the loss to more than \$70 million.

Over three years, Famalette's board had changed from the one that hired him. One day, the chairman of the board, Jim Cooley, and Famalette's old friend, Morris, walked into his office. "They said I was being let go," Famalette says. "They had a right to expect that I would solve the problem, and the real truth of the matter was I couldn't help the fix. We disagreed on what was wrong and what you had to do to fix it."

Fighting the TVG ghost

The effect of the TVG debacle was "spectacular" when it came to hurting his career, Famalette says. He immediately tried to find a job, but the first 20 years of his career didn't seem to matter. It was frustrating and disheartening, he recalls. He discovered he was "overqualified for everything" for which he applied.

Two years after his exit, TVG went bankrupt and always was in the news. Also, a group of shareholders brought a suit against Famalette and the board. In 1998 and 1999, Famalette did pretty well on the stock market, but even that went bad in 2000.

Famalette started noticing a disturbing pattern in his job interviews. At the end of each one, the TVG topic would come up. "We'd talk about TVG the loss and the lawsuit and you'd walk away and not get a job offer. Every interview helped me spell the word 'humility.' It was scary. "I think we immediately started changing our lifestyle, circling the wagons, getting rid of assets," Famalette says. "We kept the kids clothed and fed and kept looking for work."

By 2001 or 2002, he'd stopped playing golf. His beloved Dwynn went back for her teaching certificate and now teaches eighth grade science.

Famalette was doing some substitute teaching in a high school history class. There was a point, in about 2002, when Famalette hit a new low. "There was a job that was in charge of marketing and sales for a company," Famalette recalls. "Now the last time I had a marketing and sales job was at Pepperidge Farms. I'd had P&L (profit-and-loss) responsibility since I was 25 years old. Now this person (interviewer) standing there was saying he didn't think I could do this. "I said, 'Holy smokes.' I was walking uphill and fighting a ghost. I didn't know who I was fighting."

In 2004, after five years, the suit was dropped and settled, but the impact was heavy. Famalette's two friends at TVG Morris and Cooley both died of heart attacks during the course of it.

For three years, Famalette went to work for an Internet company. Today, he heads a strategic consulting business for consumer product companies, called "Real-Time Strategy L.L.C." The company's focus is "using new technologies and the Internet for creating break-thru Brand strategies and joint venture opportunities," according to his resume. He also is working on two books about the food industry and leadership: "Food Fight," which examines America's ag industrial companies' changing future, and "Boxes, Brands and Bastards," which looks at the strategic differences in success factors for the leaders in America's grocery store merchants (boxes) and those of America's consumer product manufacturers (brands)."

Famalette says his career and his life are not as connected anymore. He takes much of his satisfaction in family.

The Famalettes' daughter, Ashley, is 20, and doing well in college. Joey is 14 and 1 inches taller than his father "an A student and a good baseball player."

One night, after the family had "pretty much lost everything," his son, Joey, asked Famalette whether he missed those cars. "I said I enjoyed them, but for the right reason I enjoyed driving them. But I'll tell you, if in fact, somebody said I'll give you the keys to a fantastic car and all you have to do is walk away from your family and spend all of your time working, I wouldn't do it."

Famalette says he's started noticing things like how well-off people treat supermarket clerks or how self-important people can't live without the cell phone ringing. Famalette says there are many lessons in his experience, but one is clear. "Life is like a journey up a mountain. You have successes; you build things; you have friends. And then a loose pebble and an unbelievable vortex of the stars, you can lose your footings and start downhill. People you've helped on the way up disappear. I have a different definition of friends than I had in 1998."

Famalette says there are many people who took pleasure in his fall. "It's incredible," he says. "Maybe it's because I was so cock-sure of myself, but I think there's a culture in this country to tear down things that are successful."

Famalette looks back on his days at Crystal as some of his best. He and Dwynn take particular pride in helping to assemble a cookbook of shareholder recipes, of all things. "The lifestyle and life we had when we were at Crystal was probably one of the best parts of our lives," Famalette says. "The kids were young. It was a great company, a great community. It took a lot for us to leave."

08/07/2006; by (From BARRON'S) By Bill Alpert

Ethanol: The Corn Conundrum

Ethanol is having a bumper year. Prices for the corn-based gasoline additive have spiked, along with oil prices. Bountiful harvests have held down the cost of corn, the primary feedstock for making the grain alcohol. So ethanol refiners are enjoying booming sales and record profit margins.

And Wall Street is throwing money at it all. Shares of the nation's largest ethanol refiner -- the agri-giant Archer Daniels Midland (ticker: ADM) -- are up 68% this year (as anticipated in our story "Power by the Bushel," April 3). The stock of pure-play ethanol refiner Pacific Ethanol (PEIX) leapt fourfold this year, before dropping back. Initial public offerings by the large refiners VeraSun Energy (VSE) and Aventine Renewable Energy (AVR) raised more than \$700 million between them, while another ethanol refiner, Hawkeye Holdings, has registered for its debut.

If oil prices remain high, then U.S. fuel consumption of ethanol could at least double from the 2005 level of four billion gallons. But industry executives like Archer Daniels Chief Executive Patricia Woertz have set their sights even higher. Last week, in announcing the company's record earnings for its June 2006 fiscal year, Woertz said ethanol demand could triple.

"It looks like it has room to grow to 14 billion or 15 billion [gallons per year]," she said, "which is a full 10% blend in the gasoline pool in the United States." Unfortunately, before ethanol refiners can reach that goal, they might reach the limits of the country's corn supply. America's entire corn crop would satisfy just 12% of gasoline consumption, leaving no corn to feed livestock and humans. So there just won't be enough corn for corn ethanol to grow from a fuel additive into a large-scale substitute for fossil fuel. Crop years vary, too.

Dry weather this year in the Corn Belt has already worried some commodity traders. The competition between fuel and food will play itself out in corn prices. Higher corn prices will be great for growers, if not for the hungry people in countries like Egypt who depend on U.S. corn exports.

But more expensive corn would surely narrow the record margins that ethanol refiners now enjoy and the generous valuations of their shares. Corn, of course, isn't the only crop that can supply motor fuel. Soy and rapeseed are already used to make biodiesel fuel. Many companies are trying to reduce the costs of making ethanol from nonfood sources, like the cellulose in grasses and trees.

But corn-ethanol production is the best-proven technology. After all, moonshiners were making grain alcohol for centuries before the Whiskey Rebellion of the 1790s. Henry Ford used ethanol to fuel some Model Ts. In the 1970s, Duane Andreas, then the chief of Archer Daniels Midland, used the oil embargoes and his generous campaign contributions to win government subsidies for ADM's ethanol production.

Subsidies were essential because nobody could make ethanol profitably when the alternative was \$20 a barrel oil. Nowadays, a typical ethanol refinery grinds corn, adds water and enzymes, and then burns natural gas to cook the resulting slurry until the corn's starch changes to sugar. The slurry goes into fermentation tanks, where yeast converts the sugar to alcohol and carbon dioxide. The alcohol then gets filtered out and the remaining corn mash is dried into an animal feed called distiller's dried grains. Even with spot prices above 75 bucks a barrel for oil, the ethanol market enjoys government subsidies at many levels. Corn farmers get crop subsidies.

Gasoline refiners who add ethanol can claim a 51-cent-per-gallon tax credit. Tariffs deter imported ethanol from Brazil. Without modification, automobiles can burn a blend that's 15%

ethanol and 85% gasoline, but General Motors and Ford earn extra credit toward their government fuel-economy obligations when they sell cars equipped to run a blend of 85% ethanol and 15% gasoline that's known as E-85. Ethanol's latest government boost came last year, when the Energy Policy Act of 2005 included provisions known as the Renewable Fuels Standard, which mandate that gasoline blenders increase the amount of ethanol mixed in gasoline.

The RFS calls for the nation's use of ethanol (or its soy-based cousin, biodiesel) to rise from last year's level of four billion gallons to a level of 7.5 billion gallons in 2012. Total consumption of motor gasoline in the U.S. is expected to rise from about 140 billion gallons in 2005 to almost 155 billion gallons in 2012, according to forecasts by the Department of Energy. So the RFS ethanol goal for 2012 represents about 5% of the country's expected consumption of gasoline.

Ethanol production will probably surpass the government's goals by 2008 -- four years ahead of the federal mandate. That's because the gasoline industry is substituting ethanol for an additive known as MTBE, which reduces tailpipe emissions but has been banned in many states as a suspected pollutant of groundwater.

The gasoline industry's MTBE phaseout has sent the price of ethanol gushing this year -- along with the spike in gasoline prices in the wake of Hurricane Katrina and war in the Middle East. Since January, ethanol's wholesale price spurted from about \$2 a gallon to more than \$3.80. Meanwhile, the steadily rising productivity of America's corn farms held corn prices near the bottom of their historical range of \$1.50 to \$2.75 per bushel (each bushel yields about 2.8 gallons of ethanol).

That's meant record "crush" spreads between corn and ethanol prices -- the industry's shorthand measure of the profitability of ethanol plants. In the past year, the difference between ethanol and corn prices has soared from less than 50 cents to about \$3.10 a gallon.

That's lifted the annual return on capital for some ethanol plants toward 50% and set off a stampede of new investment in ethanol refining. Archer Daniels is the leading ethanol producer. The Decatur, Ill.-based company makes 29% of the country's ethanol and plans to invest billions in capacity additions. On Tuesday's earnings call, the company said it was breaking ground this month on a Columbus, Neb., plant that will make 275 million gallons a year when it comes on line in early 2008. A few months later, a similarly sized new plant should open in Cedar Rapids, Iowa.

The two new plants would boost ADM's production capacity by 50%. Ethanol has provided good returns to ADM lately. In the fiscal year ended June, ADM's operating profits from corn bioproducts increased year-over-year from \$259 million to \$446 million. In total, ADM earnings rose 26% from the prior fiscal year, to \$1.3 billion, or \$2 a share, on a 2% rise in revenues to \$36.6 billion. ADM shares have also bubbled up on an ethanol premium. At their recent level of 42, the company's shares valued the business at \$31.8 billion (including debt).

Deutsche Bank analyst Eric Katzman estimates the ethanol premium in ADM shares by first valuing the rest of the company's businesses. Most of ADM revenues come from milling commodities like oilseeds and wheat. At cyclical peaks, those commodity businesses earn 6% to 7% operating margins.

If ADM's nonethanol sales grow to \$37 billion for the fiscal year ending June 2008, Katzman figures that a 6.5% margin would yield \$2.60 in nonethanol earnings per share. By 2008, ADM should have expanded its ethanol production to 1.5 billion gallons a year. By 2008, the Deutsche Bank analyst guesses, ethanol prices will drop to about \$2.20 a gallon, because other producers will have added a couple of billion gallons a year in capacity, and gasoline marketers will have finished their MTBE phaseout.

If ADM can earn 27% operating margins on its 2008 ethanol production, ethanol's contribution to fiscal 2008 earnings would be 90 cents a share, bringing total ADM earnings to \$3.50 a share for fiscal 2008. Commodity businesses merit an earnings multiple of 12 to 13 times earnings,

Katzman says, and after discounting back those 2008 earnings (by 9% a year), he arrives at a present value of \$37 for ADM stock.

With the shares at 42 these days, investors are implicitly betting that ADM's ethanol margins will be 40%, not 27%. It's no surprise that Katzman rates them a Hold. ADM didn't respond to Barron's requests for an interview. Trying to catch up in the U.S. ethanol market is ADM rival Bunge (BG), which is also the world's largest soy distributor. Since May, the White Plains, N.Y.-based company has announced three joint ventures to produce ethanol in Mississippi, Illinois and Iowa -- each in collaboration with farmer-owned companies.

Investors have gotten giddier over ethanol pure-play Pacific Ethanol. Wall Street's bender started late last year, when the company disclosed an \$84 million stake placed by an investment trust of Microsoft's Bill Gates. From January to May, shares in the Fresno-based company ran from about 10 bucks to 44.50, before reversing course to a recent 19.21. That leaves Pacific Ethanol with a stock-market capitalization of about \$775 million.

The company is in the midst of building five ethanol refineries, which could produce 220 million gallons in 2008. Meanwhile, it distributes ethanol made by others. In the 12 months through March, it lost \$9 million, or 31 cents a share, on sales of \$124 million. The vote of confidence by Gates' Cascade Investment merits only so much weight, given that the investment consists of preferred shares that convert to common at an effective price of \$8 a share.

During the stock's blow-off this spring, insiders sold more than \$100 million worth of shares. In July, the company registered eight million shares and warrants held by investment firms -- representing about 20% of Pacific Ethanol's outstanding stock. As of mid-July, about the same number of shares were sold short.

It costs only \$1.30 to \$1.60 a gallon to build an ethanol refinery, according to Moran Stanley analyst Eric Pipa. So Pacific Ethanol's enterprise value of \$630 million (subtracting cash) is twice the replacement cost of the plants that it's building. Bill Gates paid a better price.

After Archer Daniels, the largest U.S. ethanol producer is VeraSun. The Brookings, S.D.-based company has two ethanol plants and is building three more, for a total production capacity of 560 million gallons a year -- with the help of \$230 million netted in a June initial public offering. In the 12 months ended March, VeraSun earned \$1.3 million on sales of \$302 million after about \$22 million in interest on its \$210 million in outstanding debt.

The company's shares have retraced from their post-IPO high of more than 30 bucks, to a recent 23.71 -- but that still values the enterprise at almost \$2 billion (including debt). Even though Pipa's firm, Morgan Stanley, underwrote VeraSun's IPO, he rates the shares a Hold, noting that share buyers would be paying twice the replacement cost of VeraSun's planned refining capacity. He'd start buying the stock only in the low 20s.

Under a contract that runs through March of 2007, VeraSun has been selling all of its ethanol output through one of its competitors, Aventine Renewable Energy. Aventine raised \$261 million in an IPO of its own in June, which it's using to retire debt and expand ethanol production from two plants that currently produce 150 million gallons a year.

Aventine is contemplating expansions to add capacity for an added 600 million gallons a year by 2009. The Pekin, Ill.-based Aventine showed an impressive \$1.05 billion in revenues for the 12 months through March, but about 75% of those sales represented ethanol distributed on behalf of other producers, like VeraSun. Most of those sales will quickly disappear next year, when VeraSun ends its distribution deal.

But Aventine says that its own ethanol production accounted for most of its reported earnings for the 12 months through March, which were \$38 million, or about \$1.05 a share. At a recent price of 28.39, the stock market is valuing Aventine at about \$1.3 billion, when it would cost only about \$330 million to build Aventine's funded production capacity of 206 million gallons a year.

Some 2.6 million shares were sold in the IPO by insiders, including investment funds and individuals who'd previously participated in Aventine private placements. On July 25, Aventine registered an added 21 million shares for those insiders. At the stock's current premium to replacement cost, selling the shares seems like the right decision. Waiting in the wings to complete its own initial offering is Hawkeye Holdings.

That entity owns two large ethanol plants and was taken over on June 30 by a partnership run by Boston-based private-equity investor Thomas H. Lee. Hawkeye then registered to raise up to \$350 million in an IPO. If the offering succeeds, Lee will have pulled off an incredibly quick flip. Apart from a some small startups, like Xethanol (XNL), the remaining biofuel plays are privately held businesses like Cargill or foreign-domiciled companies like the Madrid-listed Abengoa (ABG.MC), an engineering and construction firm that's also one of the leading-edge producers of ethanol in the U.S. and Europe.

Ethanol sales chipped in about 20% of Abengoa's 2 billion euros in total revenues in 2005 and a like portion of its profits. At a recent price of 18 euros, Abengoa shares trade at 23 times the company's 2005 earnings of 0.73 euros a share. That's a more modest valuation than Abengoa's stateside peers. The U.S. now has 101 ethanol plants, with aggregate capacity to produce 4.8 billion gallons per year, says the Renewable Fuels Association, a trade group. By the middle of next year, capacity additions could lift the industry's output to seven billion.

Throughout the ethanol industry's quarter-century gestation, some scientists doubted whether using ethanol even helped the environment, after accounting for fossil fuels used in ethanol's production. The latest accounting seems to have settled that debate in favor of biofuels. In the July 25 issue of the Proceedings of the National Academy of Sciences, a team of Minnesota-based researchers concluded that ethanol yields 25% more energy than the fossil fuels used to produce it. What's more, the making and consuming of ethanol produces 12% less greenhouse-gas emissions than gasoline.

The real risk from all these planned ethanol plants is that they'll use up vast quantities of corn. America's entire corn and soy crop could supply fuel volumes equal to just 12% of gasoline demand and 6% of diesel demand, notes a University of Minnesota ecology professor, David Tilman, an author of the July 25 Proceedings article. That's not a full accounting, however. Netting out the fossil fuel used to produce those biofuels, the nation would actually be trimming less than 3% from its fossil-fuel consumption. Realistically, what will happen is that corn prices will rise.

That's wonderful for farm families and should help reduce government farm subsidies. But unless gasoline prices continue their steep rise, tight corn supplies will clamp down on the huge crush spreads that started the stampede to invest in ethanol refineries. Corn already makes up half the cost of goods sold for an ethanol plant. According the Washington-based World Resources Institute, the price of corn would rise at least 17% if ethanol production reached 10% of U.S. gasoline consumption.

To increase corn supply, farmers will have to shift substantial acreage from other crops or significantly boost corn yields. It's not likely there will ever be enough corn to fuel many E-85 vehicles. And for that matter, ethanol gets only two-thirds the mileage of gasoline, so consumers may balk at paying comparable prices. Better ethanol sources than corn would be grasses and fast-growing poplar trees, says Minnesota's Tilman. Using enzymes and large "digestion" vessels, the cellulose in those plants can be converted into fermentable sugar.

But today's technology for producing such "cellulosic" ethanol requires higher capital and operating expenditures than does corn processing. Corn prices, meanwhile, are starting to move up. VeraSun's prospectus notes that its average corn cost in the March 2006 quarter was just \$1.87 a bushel. At the Chicago Board of Trade, per-bushel prices are now about \$2.40. Hedging may give ethanol makers some grace period, but the industry will be lucky, indeed, if it escapes having its crush margins ground down.

August 08, 2006; By Susan Salisbury , **Palm Beach Post**

Lawmakers, experts don't see big changes in sugar policy

ASHEVILLE, N.C. — The current farm bill has widespread support among U.S. agricultural producers, including Florida sugar cane growers, who strongly favor extending it for another five years.

But everything from the recent suspension of World Trade Organization talks to the federal budget deficit and midterm elections will influence whether that extension occurs, sugar growers learned from a variety of politicians and experts Monday during a conference in Asheville, N.C.

Florida sugar farmers and industry representatives are among close to 400 people attending the 23rd International Sweetener Symposium sponsored by the American Sugar Alliance.

Former U.S. Rep. Larry Combest, who was chairman of the House Agriculture Committee until 2003, told attendees he does not see support for any radical change in farm policy. He urged growers to question those who want to switch the industry from its current menu of marketing allotments to a direct-subsidy program that would cost an estimated \$1.3 billion a year. "Will they be there for you when those programs begin to come under attack?" said Combest, who served as a GOP member from Texas. "Look carefully at what's behind the reasoning for their suggestions."

Combest and U.S. Sen. Saxby Chambliss, R-Ga., agreed the failure of the WTO's recent Doha Round will play an important role in the next farm bill. There's a possibility a new farm bill could be crafted that would not be in line with a WTO agreement that would come later, and that could lead to litigation from other countries. "We want to make sure our policy is WTO-compliant," said Chambliss, who chairs the Senate Agriculture Committee. "I do not know where the WTO is going."

Another change facing the nation's sugar industry is the opening of totally free trade between the United States and Mexico, set to begin Jan. 1, 2008. "I think we are all believers at this point that NAFTA is going to be an integrated market," said Donald Carson, executive vice president at Florida Crystals Corp. in West Palm Beach. "We look upon the Mexican market as a growth market." U.S. producers are working to form an export trading company, an exception in the law that allows the companies to work together but that does not violate anti-trust laws, Carson said.

Florida's sugar crop, at around 2 million tons in a non-hurricane year, took a big hit from Hurricane Wilma last October, with the 2005-06 crop coming in at 1.36 million tons, said Daniel Colacicco, director of dairy and sweeteners analysis for the U.S. Farm Service Agency. Colacicco said Florida producers are scheduled to receive \$40 million in federal relief by the end of September for damage suffered as a result of Wilma.

Louisiana's sugar industry will receive \$40 million for Katrina and Hurricane Rita, and Texas will receive \$400,000.

The 2006-07 Florida crop is forecast at 1.745 million tons of sugar out of a total of 8.345 million tons of U.S. production. Local sugar growers said the conference is a good opportunity to meet with colleagues from the 18 other states that make sweeteners from sugar, sugar beets and corn.

"This is where all the players are," said Rick Roth, president of Roth Farms east of Belle Glade.

Mark Sodders, president of Lakeview Farms in Pahokee, said he wanted to attend the gathering in order to understand "the future of the sugar market. Every acre of sugar I plant is a four- to five-year decision," Sodders said. "We want to know where the industry is going."

August 12, 2006; By Andrew Buncombe, **New Zealand Herald**

Cuba's green revolution

To the right lay revolutionary tomatoes and to the left lay revolutionary lettuces, while in the glass in my hand - filled to the brim and frothing with vitality - was the juice from revolutionary mangoes. It was thick, unfiltered and fabulously sweet. It was also organic.

"Yes, it is very good. It's all natural," said Miguel Salcines Lopez, his brow dotted with sweat from the midday sun. "Growing food in this way is much more interesting. It is much more intelligent," he adds.

Almost five decades after the now ailing Fidel Castro and his comrades overthrew the dictator Fulgencio Batista and seized power in Cuba, another revolution, largely unnoticed by most visitors and tourists, is well under way on this Caribbean island.

And Salcines and his small urban farm at Alamar, an eastern suburb of the capital, Havana, are at the centre of a social transformation that may turn out to be as important as anything else that has been achieved during Castro's 47 years in power.

Spurred into action by the collapse of the Soviet Union and the impact this had on its subsidised economy, the Government was forced to take radical steps to feed its people. The solution it chose - essentially unprecedented within the developed and undeveloped world - was to establish a self-sustaining system of agriculture that by necessity was essentially organic.

Laura Enriquez, a sociologist at the University of California Berkeley, said: "What happened in Cuba was remarkable. It was remarkable that they decided to prioritise food production. Other countries in the region took the neo-liberal option and exported 'what they were good at' and imported food. The Cubans went for food security and part of that was prioritising small farmers."

Cuba is filled with more than 7000 urban allotments or "organoponicos", which fill perhaps as many as 32,000ha. They have been established on tiny plots of land in the centre of tower-block estates or between the crumbling colonial homes that fill Havana. I visited a small garden of tomatoes and spinach that was dug just a few hundred metres from the vast concrete square of Plaza de la Revolution. More than 200 gardens in Havana supply its citizens with more than 90 per cent of their fruit and vegetables.

Of all these gardens, the Vivero Organoponico Alamar is considered one of the most successful. Established less than 10 years ago, the .7ha plot employs about 25 people and provides a range of healthy, low-cost food to the local community.

Salcines led a brief tour of his garden, stopping to point out things of which he was particularly proud: a shed of tomatoes that produced five tonnes of fruit in six months, a self-designed metal pyramid structure that focused natural energy and benefited the plants and the gardeners, a worm farm wriggling with California red worms, and the bright marigolds planted at the end of each row of vegetables to attract bees and butterflies. He was also proud of his crop of mint.

"The Hotel Nacional [Havana's state-run landmark hotel once frequented by the likes of Al Capone] uses our mint for its mojitos [cocktails]," he said. "It's because it's organic." The economics of various organoponicos differ. At the Metropolitana Organoponico in the city centre, two of the four workers who tend the plot said the land was owned by the Government and everything grown there was split 50-50. "It's very good. It means that food does not have to be brought into the city," said one.

At Alamar, Salcines said once the workers had grown their set quota of food and given that to the Government, the surplus was theirs to sell and the profits were divided among them.

Such a sense of co-operation - with free meals for the workers - added to the sense of idealism at Alamar, the sort of socialist idealism that has earned Cuba international supporters, despite Castro's dictatorial rule and his repression of political dissent.

Such farms barely existed in the 1980s when Cuba was reliant on subsidies from the Soviet Union.

Its agriculture was designed with one aim in mind - to produce as much sugar cane as possible, which the Soviets bought at more than five times the market price, in addition to purchasing 95 per cent of its citrus crop and 73 per cent of its nickel.

In exchange, the Soviets provided Cuba with 63 per cent of its food imports and 90 per cent of its petrol. Such a relationship made Cuba vulnerable. With the collapse of the Soviet Union, such subsidies halted almost overnight. The future looked bleak.

Nowhere was the impact felt more strongly than in the stomachs of the ordinary people. Figures produced by the UN Food and Agriculture Organisation (UNFAO) suggest that the daily calorie intake of the average Cuban fell from about 2600 calories a day in the late 1980s to between 1000 and 1500 by 1993.

With no subsidies and limited resources, the Cuban regime looked inwards and decided to maximise food production. By necessity, this meant a back-to-basics approach.

With no Soviet oil for tractors, or fertiliser, it turned to oxen; with no Soviet oil for its fertiliser and pesticide, it turned to natural compost and the production of natural pesticides and beneficial insects.

It is estimated that more than 200 locally based centres specialising in biopesticides annually produce 200 tonnes of verticillium to control whitefly, and 800 tonnes of beaveria sprays to control beetles.

Professor Jules Pretty, of the University of Essex's department of biological sciences, wrote: "Cut banana stems baited with honey to attract ants are placed in sweet potato fields and have led to control of sweet potato weevil. There are 170 vermicompost centres, the annual production of which has grown from 3 to 9300 tonnes. Crop rotations, green maturing, intercropping and soil conservation have all been incorporated into polyculture farming."

Remarkably, this organic revolution has worked. Annual calorie intake is now about 2600 a day, while UNFAO estimates the percentage of the population considered undernourished fell from 8 per cent in 1990-2000 to about 3 per cent in 2000-02. Cuba's infant mortality rate is lower than that of the US and, at 77 years, life expectancy is the same.

Everyone appears to agree that this organic approach is more efficient than the previous Soviet model that stressed production at all costs.

Fernando Funes, head of the national Pasture and Forage Research Unit, said: "In that old system it took 10 or 15 units of energy to produce one unit of food energy. At first we did not care about economics, [but] we were realising just how inefficient it was."

Cuba took a second step in the mid-1990s to try to save its economy by establishing mass tourism.

While this has provided the Government with millions of dollars in hard currency, it has also produced a dual-track society with a clear divide between those who have access to foreign currency - or the Cuban convertible peso - and those who make do with the lowly Cuban peso, which cannot be used to buy many goods.

By contrast, Salcines believes the introduction of organoponicos - a loosening of government control that also helped to establish small restaurants and some private businesses - has been a success. He also believes these allotments have stayed true to Cuba's revolutionary ideas.

"Not everything is perfect," he said. "But if you look what capitalism has done for other countries in the region, I believe that the situation for poor people is better in Cuba. Our society is more equal."

Experts believe Cuba may be one of the only countries to have adopted wholesale a self-sustaining system of agriculture. Champions of organic, non-intensive agriculture might cite Cuba as an example that other countries could adopt rather than follow the large-scale, industrial agriculture system, but could Cuba's labour-intensive example be repeated without the availability of large numbers of enforced workers?

"I don't know. I think it is true that it has required much labour," said Professor Pretty. "The thing is that it has also produced a lot of food ... People are also closer to their food production. [In the West] we are worried that we don't know about where our food comes from. In Havana, people are closer to their food production and that may also have psychological benefits."

I also visited the other side of Cuba's dual-track economy. The Hotel Nacional has hosted the likes of Winston Churchill and Fred Astaire, and more recently Naomi Campbell and Leonardo DiCaprio. On a lawn overlooking the ocean, I paid the equivalent of an ordinary Cuban's weekly wage for a mojito. It tasted great, but it didn't taste of the revolution.

August 9, 2006; By Andrew Martin, **The Chicago Tribune**

U.S. sugar growers, users work on deal

WASHINGTON -- Food and candy manufacturers are sweetening on American sugar farmers.

After years of scathing rhetoric that included calls to eliminate the federal sugar program that protects U.S. farmers from foreign competition, a coalition of trade organizations and manufacturers has quietly softened its position.

Now, there's little talk about eliminating the program, but plenty of discussion about how to reform it to benefit both sugar farmers and sugar users.

"There has been a shift in how we look at this issue," said Stephanie Childs, a spokesman for the Grocery Manufacturers Association. "We still believe the program needs to be reformed. But it needs to be reformed in a way that we have a strong and stable domestic supply."

The shift was evident at this year's Sweetener Symposium, an annual event conducted by the American Sugar Alliance that is under way in Asheville, N.C. In previous years, sugar users almost always declined invitations to participate; at this year's event six representatives from food manufacturers and trade organizations attended, said Phillip Hayes, spokesman for the American Sugar Alliance.

"This is a huge turnout for them," Hayes said.

The change of attitude was prompted, in part, by quality issues in the wake of last year's hurricanes, which damaged the U.S. sugar crop and a major refining facility outside of New Orleans. Because of the storms, the U.S. Department of Agriculture loosened quotas to allow more foreign sugar into the country to meet users' needs.

But there were problems with the imported refined sugar, said Margaret Blamberg, an economist with the American Cane Sugar Refiners' Association.

She said the imported refined sugar arrived in burlap bags that had to be ripped open by hand, slowing down the process. Furthermore, the sugar was contaminated with burlap fuzz, metal shavings and rodent droppings, so it had to be refined again, she said.

"In dealing with the bags, it was just a nightmare," she said. Blamberg also said food manufacturers had become used to "just-in-time" sugar deliveries from U.S. suppliers, meaning that users don't need to keep vast inventories on hand. But the imported sugar was often delayed; for instance, Mexican shipments were often hung up trying to go through border crossings.

Sarah Thorn, senior director of international trade at the Grocery Manufacturers Association, said the problems in the wake of the hurricanes "drove home to our procurement guys that there is a need for a domestic supply."

But Thorn said her organization was also trying a new political tact. Where they had previously sought to challenge sugar policy by trying to amend farm legislation, she said they are now trying to work out a compromise solution with sugar growers beforehand. She said such tactics were successful in

reforming the federal peanut program in the 2002 farm bill.

By extending an olive branch, the manufacturers may have diffused a potentially explosive fight over sugar policy that most recently flared during negotiations over the Central America Free Trade Agreement, which was narrowly approved last year despite a furious effort by the sugar industry to defeat it.

Though both sides are now communicating, it isn't exactly a love fest.

Representatives of the sugar growers argue that the current program is working just fine, especially since it doesn't cost taxpayers money and keeps sugar prices stable for grocery shoppers. Users of sugar insist that the current program makes sugar more expensive for consumers and manufacturers.

"We feel strongly that the current program isn't the right one," said Randy Green, president of the Sweetener Users Association, a trade association.

The current U.S. sugar program is different from other farm programs that pay subsidies to farmers for growing such things as corn, cotton and rice. Instead, the sugar program controls the amount of sugar that can be sold in the United States and uses tariffs to keep out foreign sugar, which is cheaper.

Chicago's candy industry has been among the most vocal critics of the sugar program, saying that the high cost of sugar has forced companies to move operations abroad.

Critics of the sugar program say that it won't be free to taxpayers much longer. Under terms of the North American Free Trade Agreement, Mexican sugar will be allowed to flow unrestricted into the United States starting next year. Some predict that the infusion of Mexican sugar will depress U.S. sugar prices and force the government to pay sugar growers millions as part of a price support plan.

Among the options that food manufacturers are now recommending is a subsidy program for sugar just like other farm commodities. Under such programs, farmers can sell as much of their crop as they want, which tends to drive down prices since there is more supply.

But the sugar industry said a subsidy for sugar growers would simply shift the costs from sugar users to taxpayers in the form of subsidies. A study commissioned by the American Sugar Alliance estimates that a sugar subsidy plan would cost taxpayers as much as \$1.3 billion a year.

"These people are purchasers. Their job is to get it as cheap as possible," said Luther Markwart, executive vice president of the American Sugar Beet Growers Association. "Now what they've done is say, 'We recognize that we really want you guys. We really need you guys. We want to get it cheaper.'

"That means the taxpayer needs to pick up the tab," he said.

August 09, 2006; By Laura Maggi, **The New Orleans Times-Picayune**

Foreign firm will make La. ethanol

It will receive sugar mill stake in return

BATON ROUGE -- A Colombian cement company will get a stake in the taxpayer-financed sugar syrup mill Agriculture Commissioner Bob Odom built in southwest Louisiana, under a deal outlined Tuesday that would require the outfit to build an ethanol plant on the same site. The Louisiana Agricultural Finance Authority voted overwhelmingly to allow Odom to sign an agreement with Cementos Andino S.A., a Colombian company that recently sold its cement business and is looking to get into the ethanol industry. Odom would not make the actual agreement available because it had not yet been signed.

But discussion during the Finance Authority board meeting revealed that the plan is for the company to build a \$50 million facility next to the syrup plant that will distill the cane juice into ethanol. In exchange, the company will get an 80 percent stake in the limited liability company set up by the Lake Charles Cane Cooperative, the group of farmers in southwest Louisiana who are supposed to use the \$45 million syrup mill.

William Potter, the only member of the board to vote against the resolution to allow Odom to sign the deal with Cementos Andino, said that arrangement essentially gives the company an 80 percent stake in the syrup mill. That is because the state has a lease/purchase agreement with the farmers' company. While the farmers in exchange get a 20 percent interest in the ethanol plant, Potter said the arrangement does not offer the state sufficient protection.

The agreement calls for giving the Colombian company its share of the farmer's company, and essentially the syrup mill, in January of next year, which is before construction would likely begin on the ethanol facility. Potter, managing director of accounting firm Postlethwaite & Netterville, said it would make more sense to transfer the interest after the ethanol plant has been built and is operational. The company must make a \$300,000 payment to the state for the agreement to go into affect. The lease signed by the farmers calls for the first payment of \$100,000 to be made by Dec. 31, 2007. If the farmers activate their option to purchase the mill, the terms remain the same, Odom said.

During the LAFA meeting, staff members of the state Department of Agriculture and Forestry said that they have checked out Cementos Andino, making sure that they are a legitimate company with the assets to build an ethanol production facility. Daniel Lichtl, a New Orleans-based lawyer with Fowler, Rodriguez & Chalos, who represents the company, said the recent sale of its cement business has given it sufficient capital to build a plant.

Larry LeJeune, an agency employee who worked on the syrup mill project, said he went to Colombia to visit with company officials and engineers hired by the firm that have expertise in the sugar and ethanol businesses.

During debate, Potter said that he was concerned that the agreement would allow the firm to use feedstock to make ethanol from outside Louisiana if it was not economically feasible to use the home-grown products. "It bothers me that we are going to end up with a transaction that they don't use Louisiana products, and we are backing the deal," he said.

But Jim Gelpi, an attorney for Odom, said there has to be some provision in the product that allows the company to keep running the mill in an economical way if Louisiana products are too expensive.

Lichtl said the intention of the company is to use Louisiana sugarcane and byproducts like molasses to make ethanol. The benefit of the arrangement is that the company will bring needed expertise and business acumen to the running of the syrup mill, as well as investment capital to the ethanol plant, said Gelpi. An ethanol facility could make it more likely that the mill will be profitable, as it would allow local farmers to increase their cane production without breaking federal growing quotas.

The mill was financed from \$45 million worth of bonds backed by \$12 million annually in taxes from slot machines at horse racing tracks. While those tax dollars will be used to pay down the bonds, the farmers are supposed to pay the state back for the facility from the mill's operating proceeds.

But the mill was not ready in time for this past harvest season, as was initially planned. The original purpose of the mill was to help the local farmers save on transportation costs. This is because the syrup made at the facility can be shipped by rail to private mills near New Iberia for further processing, which would be cheaper than trucking the bulky cane stalks.

WASDE-437-16; August 11, 2006

SUGAR: Projected 2006/07 U.S. sugar supply is increased 630,000 tons, raw value, from last month, due to higher beginning stocks and imports. Imports are increased 480,000 tons based on increased tariff rate quota (TRQ) imports; high-tier imports are reduced 50,000 tons. The TRQ increase is based on USDA's July 27, 2006, announcement of sugar program provisions. Sugar use is unchanged.

For 2005/06, total supply is increased 150,000 tons. Production is reduced 31,000 tons based on processor estimates compiled by the Farm Service Agency. Additional imports under the TRQ are increased 105,000 tons, comprising 70,000 tons of the announced global refined sugar TRQ, 25,000 tons of the 2006/07 raw sugar TRQ, and 10,000 tons of specialty sugar. High-tier sugar imports are increased 75,000 tons, as most of the increase has already entered. Sugar use is unchanged.

WASDE-437-16 - U.S. Sugar Supply and Use 1/

| Item | 2004/05 | 2005/06 Estimate | 2006/07 Projection | |
|---------------------|---------|---------------------|-----------------------------|--------|
| | | | July | August |
| ===== | | | | |
| | | | 1,000 short tons, raw value | |
| Beginning stocks | 1,897 | 1,332 | 1,431 | 1,581 |
| Production 2/ | 7,877 | 7,334 | 8,345 | 8,345 |
| Beet sugar | 4,611 | 4,349 | 4,800 | 4,800 |
| Cane sugar | 3,266 | 2,985 | 3,545 | 3,545 |
| Florida | 1,693 | 1,368 | 1,745 | 1,745 |
| Hawaii | 258 | 239 | 265 | 265 |
| Louisiana | 1,157 | 1,202 | 1,350 | 1,350 |
| Texas | 158 | 176 | 185 | 185 |
| Imports | 2,100 | 3,415 | 1,818 | 2,298 |
| TRQ 3/ | 1,408 | 2,630 | 1,318 | 1,848 |
| Other program 4/ | 500 | 300 | 325 | 325 |
| Other 5/ | 192 | 485 | 175 | 125 |
| Supply, total | 11,874 | 12,081 | 11,594 | 12,224 |
| Exports | 259 | 200 | 200 | 200 |
| Deliveries | 10,188 | 10,300 | 10,415 | 10,415 |
| Food | 10,019 | 10,150 | 10,250 | 10,250 |
| Other 6/ | 169 | 150 | 165 | 165 |
| Miscellaneous 7/ | 95 | 0 | 0 | 0 |
| Use, total | 10,542 | 10,500 | 10,615 | 10,615 |
| Ending stocks | 1,332 | 1,581 | 979 | 1,609 |
| Stocks to use ratio | 12.6 | 15.1 | 9.2 | 15.2 |

1/ Fiscal years beginning Oct 1. Includes Puerto Rico. Historical data are from FSA, "Sweetener Market Data" except imports (U.S. Customs Service, Census Bureau). 2/ Projections for 2006/07 are based on processors' submissions compiled by the Farm Service Agency. 3/ Actual arrivals under the tariff rate quota (TRQ) with late entries, early entries, and TRQ overfills assigned to the fiscal year in which they actually arrived. For 2006/07, includes only U.S. commitments under current trade agreements, minus shortfall of 50,000 tons. The Secretary will establish the actual level of the TRQ at a later date. 4/ Includes sugar under the re-export and polyhydric alcohol programs. 5/ Includes high-tier and other. 6/ Transfers to sugar-containing products for reexport, and for nonedible alcohol and feed. 7/ Residual statistical discrepancies.

Imperial Board Declares 6-Cent Regular Quarterly Dividend

by **Bob Dunn**, Aug 11, 2006, 07 29 am

Imperial Sugar Company's board of directors has declared a regular quarterly cash dividend of 6 cents per share, payable on Sept. 1 to shareholders of record as of Aug.22.

The Sugar Land company noted the latest quarterly dividend will be paid at a higher rate established in January 2006, and continues the regular dividend program that has been in effect since January 2005.

<http://www.grandforks.com/mld/grandforks/15247839.htm>

Aug. 11, 2006; by Mikkel Pates, Grand Forks Herald

Crystal to start harvest campaign 10 days early

MOORHEAD - American Crystal Sugar Co. will start harvest about 10 days early this year because of a projected large crop.

Spokesman Jeff Schweitzer said pre-pile harvest will start Aug. 21 in Minnesota's Moorhead and Crookston factory districts, as well as the Hillsboro and Drayton factory districts in North Dakota. Factory start-up will be Aug. 23.

The East Grand Forks district will start pre-pile harvest Aug. 26 and processing Aug. 28.

“Those dates are contingent on good harvesting conditions where we have an adequate supply of beets coming into the factories that will allow us to continue through the processing season.”

Pre-pile harvest typically starts the first week of September.

Another Country Finds Splenda Ads are Misleading Consumers

*Australian Ad Authority Upholds Complaint
Against Johnson & Johnson, Recommends Ad Be Discontinued*

Washington, D.C. [August 17, 2006] – The Advertising Claims Bureau of Australia has upheld a complaint against Johnson & Johnson for misleading consumers about the artificial chemical sweetener Splenda. According to the ruling, the advertisement “is likely to mislead or deceive consumers” because “reasonable members of the public viewing the advertisement are likely to conclude that a significant portion of the SPLENDA® products are comprised of a modified form of sugar.”

With this decision, Australia joins New Zealand in finding Splenda ads to be misleading, thus deceiving consumers. In July 2005, the New Zealand Advertising Standards Authority determined that a Splenda ad deceived consumers into thinking Splenda is all natural like sugar. Both the New Zealand and Australia rulings recommended the misleading ads be discontinued. Moreover, numerous lawsuits have been filed in the U.S. challenging Splenda’s misleading advertising slogan “made from sugar, so it tastes like sugar.”

The Australian decision validates yet again concerns that consumer advocates in the United States have been voicing for years. In a statement made in February 2004, Michael F. Jacobson, Executive Director of the Center for Science in the Public Interest, a leading consumer rights group, remarked, “‘Made from sugar’ certainly sounds better than, say, ‘made from chlorinated hydrocarbons.’ He went on to say, “Splenda’s artificiality may present a marketing challenge, but that’s not an excuse to confuse consumers and lead them to believe that Splenda is natural or in any way related to sugar.”

In fact, Splenda does not contain any sugar whatsoever. It is manufactured in a chemical plant in a process that uses chlorine. The sweetness of Splenda is due to the chlorocarbon chemical (sucralose) that contains three atoms of chlorine in every one of its molecules. Splenda is a chemical artificial sweetener; however, Johnson & Johnson would like consumers to believe it is somehow more natural than other artificial sweeteners...which it is obviously not.

“Consumers have the right to know what artificial sweeteners are in the foods they are buying at the grocery store and feeding their families,” said Andy Briscoe, President of the Sugar Association. “Splenda ads are not honest about its chemical composition. Splenda is not natural in any way. There is no sugar in the final product of Splenda. Johnson & Johnson is spending millions of dollars to falsely advertise their product and they are responsible for misleading consumers. Just Google ‘Splenda’ and you will see consumers and doctors alike are speaking out about how they have been misled.”

To learn more about the truth about Splenda, please contact Lauren Poplawski at Qorvis Communications at 202-496-1000 or lpoplawski@qorvis.com or visit the website www.truthaboutsplenda.com.

Aug. 21, 2006; By Mikkel Pates, **Grand Forks Herald**

Crystal sets contingency plan for destroying beets **Up to 10 percent of beet acres could be plowed under**

MOORHEAD, Minn. - For the first time ever, American Crystal Sugar Co. has put shareholder-growers on notice about a contingency plan for destroying beets in the field.

In mid-October, the co-op board could order up to 10 percent of its beet acres plowed under if - and only if - the crop "balloons" to levels that can't be safely processed by the end of May.

Tom Astrup, vice president for agriculture, acknowledged Aug. 15 that the contingency plan has been discussed internally since May. A memo detailing the plan out to shareholder-members Aug. 11, along with an explanation: "The first two sets of field samples we pulled in August showed the highest tonnage we have ever seen for that time of year," Astrup writes.

Processing capacity

The co-op typically shoots for a 10 million-ton crop to match the processing capacity in its five plants.

This year, it's predicting 21 to 22 tons per acre on 508,000 acre base, which would put the crop at 10.6 million to

11.2 million tons. It would take "normal amounts of precipitation between now and Oct. 1 to achieve these projected yields," Astrup says.

But if the crop should somehow increase to an average of 22.6 tons per acre - 11.5 million tons total - the contingency plan could kick in.

For now, growers are being asked to "mark out" 10 percent of their "stock acres to be left in the field until we can make a final decision." (The measurement won't involve the 2 percent overplants that were allowed this year.)

"With proper legal authorization, shareholders may consolidate 'at-risk' acres of multiple shareholder entities into a field which is operated by the same growing unit," Astrup says in the letter. The acreages destroyed "must be contiguous" and "rectangular in shape," in most cases.

The farmer's decision to earmark acreage likely will be made before the end of August, and Crystal's ag staff can be contacted for assistance - preferably by Sept. 15, Astrup says. Acres identified must not be destroyed or harvested before the board's decision on the plan.

"In the unlikely circumstance that we actually require you to leave some acres in the field, we will be auditing all shareholders after harvest to ensure compliance," Astrup says, adding that failure to comply will be

interpreted as a breach of contract. Astrup says there have been few complaints about the plan, but there have been "a lot of questions from growers wanting to understand the economic reasons for it."

Record crop?

There already had been signs the co-op could be dealing with a record crop.

Spokesman Jeff Schweitzer confirmed to Agweek two weeks ago that the pre-pile harvest would start about 10 days earlier than normal - Aug. 21 in four factory districts and Aug. 26 for the East Grand Forks district. But Schweitzer made no reference to the contingency plan.

The same day, Astrup sent his letter to the growers.

Full-scale harvest is set to start on the normal date, about Oct. 1. After about half of the total beets are harvested, the co-op board will decide whether the contingency plan is necessary.

"Whatever we decide, will be when we're about half done, which is typically about Oct. 10," Astrup says, noting yield estimates can swing plus or minus a ton between now and the end of the year. "The final yield could be lower or it could be higher," he says.

"We don't want to get into a situation where growers are done harvesting and sit for five days and then have to harvest that remaining 10 percent."

Maximizing grower profit

Comparing large crops of the past is somewhat difficult.

The 1998 crop had the largest yield-per-acre record at 22.2 tons, but on a smaller, 480,000-acre crop. In the 1999 processing year, which involved that crop, Crystal had to destroy about 400,000 tons of beets that had been in storage but were spoiling. The company's processing and storage capacities are much greater today than then.

The 2006 crop started out dry, but beets are deep-rooted and appear to have reached for the subsoil moisture that had been available. The dry conditions also reduced the effects of beet diseases and probably mean fewer abandoned acres. Now, during the past couple of weeks, most places in the Red River Valley have received at least a couple of inches of rain.

Astrup that while no one wants to plow beets under, the issue boils down to maximizing grower profit.

It's cheaper to destroy beets in the field than it is for farmers to harvest them, haul them and for the co-op to keep them stored, only to have to pay costs to remove spoiling beets from piles and spread them back out onto the fields in the spring.

He declines to specify those costs, saying he doesn't want to give too much information to contractors who might bid on beet removal, if that should become necessary.

Aug. 25, 2006; By Kevin Bonham, **Grand Forks Herald**

AGRICULTURE: Begin the beets

Pre-pile harvest points to possible bumper crop

Hank Koza drives a full load of beets out of RP Farms Inc. southeast of Crookston Thursday during pre-pile. Robert Pester fills another truck driven by Bill Montague in the background.

A bumper sugar beet crop could be on the horizon as the 2006 pre-pile sugar beet harvest shifts into full swing throughout the Red River Valley.

The American Crystal Sugar Co. plant in East Grand Forks began pre-pile operations Thursday, while plants in Drayton, Crookston and Moorhead have been operating since Monday.

Ralph Pester says pre-pile yields are better than average, ranging from 16 to 20-plus tons per acre at RP Farms Inc., just southeast of Crookston.

"It's looking real good right now," he said. With good weather through the harvest season, he said it could be one of the best years ever. RP Farms Inc. is operated by Mark Pester, Ralph's son, along with Ralph's brother, Robert.

Although the Pester farm is just one unofficial indicator, Crystal officials are preparing for huge production numbers throughout the valley.

Earlier this month, Crystal predicted a harvest of 10.5 million to 11.2 million tons, or 21 to 22 tons per acre, based on 508,000 acres. The company notified shareholder-growers that production could top 11.5 million tons, or 22.6 tons per acre. If that happens, the company could institute a contingency plan that would require growers to leave 10 percent of their acreage unharvested. However, officials said it is too early to estimate final yields or production levels.

Bonham reports on regional issues. Reach him at (701) 780-1269, (800) 477-6572, ext. 269; or kbonham@gfherald.com

http://www.bakingbusiness.com/daily_eneews.asp?ArticleID=80861#CAAN

August 25, 2006; by Josh Sosland; Bakingbusiness.com

World wheat crop cut again

LONDON — Projected wheat production in 2006-07 was lowered another 3 million tonnes in data issued Aug. 24 by the International Grains Council. At 593 million tonnes, the wheat crop would be down from 618 million tonnes in 2005-06 and from 629 million in 2004-05.

The cut in wheat production from July reflected a decline in the European Union, partly offset by a higher estimate for China. Hot and dry weather early in the summer cut into E.U. yields.

Wheat ending stocks in 2007 were forecast at 177 million tonnes, down 1 million from the July forecast and down 18 million tonnes, or 13%, from 135 million tonnes in 2006.

Aug 26, 2006; by James Trahan, **theadvertiser.com**

Mexico expected to have surplus sugar

FROM THE FARM SERVICE AGENCY - The United States has consulted with Mexico and the two parties have determined jointly, in accordance with Annex 703.2 of NAFTA, that Mexico is projected to be a net surplus producer of sugar for the next marketing year. In accordance with that determination, the U.S. Department of Agriculture is announcing that Mexico will be permitted to enter up to 275,578 short tons raw value, or 250,000 metric tons, raw or refined sugar duty free in fiscal year 2007.

Mexico will provide duty-free access to the Mexican market for an equivalent amount of U.S. high fructose corn syrup during the same period of October 2006 through Sept. 30, 2007.

The July World Agriculture Supply and Demand Estimates Report clearly indicates that total sugar production from 2006 crop sugar beets and sugar cane, along with carry-in stocks to reasonable levels. Additional imported sugar will be required, over and above the minimum WTO tariff rate quota import quantities. The domestic sugar making allotments will continue in effect for fiscal year 2007. The USDA seeks to meet the statutory objective of an orderly market operation of the program at no cost to the taxpayer to the maximum extent practicable.

The USDA report listed the tariff rate quotas for the 2006 fiscal year and 2007. Both the refined sugar tariff rate quota and specialty sugar tariff rate quota for both years have been increased. The reason given for the increase is that due to the unprecedented disruption to the U.S. sugar market, the supply of refined sugar in the United States is below optimum levels. The upward adjustment in the refined tariff rate quota should provide adequate supplies to sugar users until full production of the 2006 sugar crop is well under way.

It was pointed out in the USDA report that due to considerable uncertainties involving the underlying estimates, USDA will closely monitor stocks, consumption, imports and all other program variables on an ongoing basis. During the year appropriate adjustments will be made to the Overall Allotment Quantity as required to ensure an adequate supply for the domestic market, avoid forfeitures and prevent market disruptions.

The Farm Service Agency will, on an individual processor basis, adjust fiscal year 2006 allocations and announce initial fiscal year 2007 state allotments and sugarcane and sugar beet processor allocations.

(James Trahan is director of the Lafayette Parish Farm Service Agency, an agency of the U.S. Department of Agriculture. He can be reached by calling (337) 262-6601, ext. 201, or by writing to P.O. Box 2189, Lafayette, LA 70502-2189.)