



# Newsletter

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



Issue # 9

December 29, 2006

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*Message from Ray Washmera, President;*

I wish you wonderful holidays! I hope they are full of love, joy, and wonderful memories.

This has been a most successful year for our members. We now have an official NSIMA website enabling each member to have their own individually updateable page. As of today, December 29th, 14 members have re-enlisted. We thank you for such a positive response, and look forward to hearing from everyone else.

On a personal note, I will be out of service for a while. I've decided to have back surgery. I will require a couple of months of bedrest. So I will miss talking with you for a few weeks and I will not be attending business functions like the Colloquium.

But you can be assured, I will be thinking of you.

NSIMA is in good hands. My colleagues are prepared, willing and able to help you however your needs. Please don't hesitate to call them.

Again, I wish you all the best this holiday season.  
God bless

Ray

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PS: Ray penned the above last week. As of today, he has come out of surgery, and is doing great!  
Craig Ruffolo

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# Sugar mill denied state support

## Blanco steers panel to reject Bunkie plan

Friday, December 01, 2006; By Robert Travis Scott

BATON ROUGE -- With Gov. Kathleen Blanco exerting her influence, the State Bond Commission voted 9-4 Thursday to reject state support for a proposed \$135 million sugar syrup mill in Bunkie.

The decision dealt a blow to Agriculture Commissioner Bob Odom and Senate President Donald "Doc" Hines, D-Bunkie, who championed the project as a vital stimulus for the agricultural economy of central Louisiana.

After an extensive hearing in which proponents framed the vote as a referendum on the future of Louisiana agriculture and opponents painted the project as a risky venture for state taxpayers, the four members of the Senate on the panel, including Hines, voted to support the mill.

But the House members and state officials on the commission voted against it, including Blanco's Chief of Staff Jimmy Clarke and Commissioner of Administration Jerry Luke LeBlanc. State Treasurer John Kennedy, the commission chairman who strongly opposed the mill project, said it was Blanco's orders that tilted the vote.

"The governor stood tall, and I commend her," Kennedy said. "This was a very tough thing for her today."

The Bunkie mill project came on the heels of a similar mill that Odom built in Lacassine that came in over budget and with more than a year's delay starting operations. In proposing the Bunkie mill, Hines tried to distance his initiative from Odom and the Lacassine situation, but the project still became one of the more high-profile political issues of the Blanco administration.

Had the Bunkie mill passed, opponents had pledged to paint the project as an example of government waste that would plague Blanco's re-election campaign next year.

### Transportation aid sought

LeBlanc said the governor would ask for legislation during the special lawmaking session this month to give central Louisiana farmers some relief from the high costs of hauling their cane to distant mills, a burden that the Bunkie plant was supposed to alleviate.

"It's going to be a long drive home today," a dejected Hines said.

The nearest sugar mills to Bunkie are about 90 and 100 miles away. The Bunkie mill would have turned cane into crude syrup, which could then be shipped in more compact liquid form to the traditional mills farther south for processing into raw sugar, thereby reducing transportation costs. Hines said the mill would pave the way for alternative fuel plants in the region using sugar products as feedstock.

Investment house Merrill Lynch was proposing to sell bonds to raise half the cost while the state would issue bonds to cover the other half. If the mill went under, the Merrill Lynch bondholders would get the mill as collateral and the state would draw on a stream of tax revenue from racetrack slot machines to pay the debt.

### Key recommendation

The day's testimony included a recommendation by Blanco's secretary of economic development, Michael Olivier, to reject the mill. The agency had found both positive and negative features of the proposal.

Olivier said the department did not conduct a comprehensive economic analysis of the project, but he said the mill would help create jobs and retain business in the multiparish region. The state's guarantee for payment of

half the bonds would result in a low enough interest rate on the bonds overall for the project to have a chance of being profitable, Olivier said. That rate needs to be no higher than 7 percent or the mill would not make enough money to pay its debt, he said.

Hines made a motion to approve the mill provided the bonds could be sold at no more than 7 percent interest. It was that motion that was defeated. Odom did not testify and stayed out of the hearing room.

At first Olivier suggested that if private investors were willing to take the risk, then the state should be willing to go along.

"The real test for this is third-party confirmation -- the financial markets," Olivier said. "Let the markets decide."

But he tempered those remarks by outlining the risks, the uncertainties and the "minimal" return on investment that the project represented. Some panel members were not clear on where he stood, but after being pressed he said his recommendation was for the commission to defer the plan, a term that amounts to a rejection.

### Mixed feelings

As a representative of a rural Louisiana area and an ally of the governor, House Speaker Joe Salter, D-Florien, was one of the players who felt caught in the middle. He voted against the proposal, but he expressed mixed feelings after the hearing.

"I think it has merit," Salter said of the project. "I'm not sure I did the right thing."

Still, he said, "I was not convinced it (building the mill) was the right thing to do."

One mill supporter, Sen. Joe McPherson, D-Woodworth, said it would make more sense to invest in the Bunkie plant than to pay for subsidies to the sugar farmers in the form of tax credits. He said the decision came down to politics, not the merits of the mill proposal.

Emotional testimony in favor of the mill came from Sen. Ben Nevers, D-Bogalusa, whose constituents include many Louisiana dairy farmers.

"Is it high risk? I guess I have to say it is," said Nevers, whose voice was obviously choked with strong feelings. "I have to defend the farmer in this."

Lt. Gov. Mitch Landrieu, who voted against the project, said the mill proposal has been kicked around for nearly two years in various forms but got its first full-fledged hearing on Thursday, a long overdue occasion.

He said the state and farmers should be plotting a long-term strategy for the highest priority projects that would improve the fortunes of farming in Louisiana, and he wondered where the Bunkie mill proposal fit into that outlook.

"Has anybody really thought about the big picture?" Landrieu asked.

Panel member and House Appropriations Committee Chairman John Alario, D-Westwego, was traveling overseas and could not attend Thursday's meeting. The vice chairman of the committee, Rep. Warren Triche, D-Thibodaux, stood in for him. Nevers sat in for Senate Revenue and Fiscal Affairs Chairwoman Willie Mount, D-Lake Charles.

Friday, December 1, 2006; by Dave Wilkins, Capital Press

## **Beet crop sets record - *Best yields ever, says sugar executive***

Mild fall temperatures helped extend the growing season, contributing to a record yield for Idaho's sugar beet crop.

Yields will average more than 31 tons per acre this year, said Vic Jaro, president of the Amalgamated Sugar Co.

"This is our best yielding crop ever," he said.

What makes the record-setting yield so remarkable is that farmers were about a month late getting the crop planted.

"We had a very wet spring and couldn't get the crop in," Jaro said.

"Here we were three to five weeks behind and yet we ended up with a record crop," he said. "It's unbelievable."

Temperatures this summer may have been a bit above normal, but nothing really unusual, Jaro said.

What really made the difference was the mild weather during September and October that helped extend the growing season.

Southern Idaho didn't get a hard freeze until late October.

"I don't think the beets quit growing until they were harvested," Jaro said. "I think that's where the biggest difference was - in the fall."

Amalgamated growers harvested just over 201,000 acres of sugar beets this year in Idaho, Oregon and Washington state.

Normally, Idaho beet growers finish harvest about Nov. 1, but this year the last beets didn't come out of the ground until Nov. 19.

Slicing is scheduled to continue through mid-February at the Nampa factory and through mid-March at the Twin Falls and Paul plants.

Preliminary tests indicate that the sugar content from this year's crop will come in a little below average - somewhere in the range of 16.3 to 16.5 percent. A sugar content of 17 percent is average for the company.

Amalgamated growers took advantage of hurricane-caused sugar cane shortages last year, grossing more than \$40 per ton on the 2005 crop.

They may not do quite as well this year, but it could be close.

"We're still reasonably optimistic about the market," Jaro said.

Market disruptions caused by last year's hurricanes prompted the U.S. Department of Agriculture to gradually open the door to more sugar imports.

Initially, the U.S. sugar industry had no objections to additional imports, but more recently has voiced concerns that the USDA may have overshot the mark.

The American Sugar Alliance objected to an agreement announced this summer that allows Mexico to ship up to 250,000 metric tons of raw and refined sugar into the United States duty-free during the current marketing year (Oct. 1, 2006, through Sept. 30, 2007).

Additional imports could flood the domestic market and drive sugar prices down, the group has warned.

Some refined sugar shipments from Mexico have failed to meet U.S. quality standards and have had to be reprocessed at American sugar refineries, ASA officials said.



December 05, 2006 09:14 AM Eastern Time

## **Imperial Sugar Announces Release Date and Conference Call for Fiscal 2006 Fourth Quarter and Year-End Financial Results**

SUGAR LAND, Texas--(BUSINESS WIRE)--Imperial Sugar Company (NASDAQ:[IPSU](#)), announced today that it will release fiscal 2006 fourth quarter and year-end financial results before the market opens on Tuesday, December 12, 2006.

Company officials will conduct a conference call, starting at 11:00 a.m. EST, Tuesday, December 12, 2006. Imperial Sugar President and CEO Robert Peiser, and Senior Vice President and CFO Hal Mechler, will discuss the company's operating results for its fiscal fourth quarter and year ended September 30, 2006, its current financial position and its business strategies.

Participants wishing to listen and participate in a brief question-and-answer session after the presentation can dial 1-866-383-8119 and enter the Participant Passcode: 92833040. The conference call can also be accessed via live audio webcast by visiting Imperial Sugar's web site at <http://www.imperialsugar.com> and clicking on the "Q4 2006 Imperial Sugar Earnings Conference Call" icon under "Investor Relations". For those who are unable to listen to the call during its live broadcast, a replay of the entire presentation will be available on the company's web site beginning one hour following the conclusion of the call. In addition to the webcast replay, a telephone replay will also be available beginning one hour following the conclusion of the call that can be accessed by dialing 1-888-286-8010 and entering the Passcode: 90283956. Both replays will be available through January 11, 2007.

**Please note:** Participants planning to listen to the call via the Internet may need to download Windows Media Player® to hear the call if this feature has not been previously installed on their computers.

### **About Imperial Sugar**

Imperial Sugar Company is one of the largest processors and marketers of refined sugar in the United States to food manufacturers, retail grocers and foodservice distributors. The Company markets products nationally under the Imperial®, Dixie Crystals® and Holly® brands. For more information about Imperial Sugar, visit [www.imperialsugar.com](http://www.imperialsugar.com).

### **Contacts**

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## Minn-Dak optimistic on crops this year

Wednesday, December 06, 2006 By Jonathan Knutson, The Forum

***Call it a tale of two crops – one a record, the other a rain-soaked disappointment.***

Minn-Dak Farmers Cooperative held its annual meeting Tuesday in Fargo. About 200 shareholder-members attended. The Wahpeton-based cooperative reported harvesting a record 3 million tons of sugar beets this fall.

“Wow,” David Roche, Minn-Dak’s president and chief executive officer, said of the 2006 crop.

The crop will be processed this winter, with financial results reported at the 2007 annual meeting. In contrast, Minn-Dak harvested only 1.8 million tons of sugar beets in 2005. Heavy rains that began in the spring and continued throughout the growing season drowned out many fields and hurt yields in others, the company said.

As a result, the company’s revenue in the fiscal year ending Aug. 31, 2006, dropped to \$177 million, down from \$190 million in the previous fiscal year and the least since the \$158 million in 2002.

“Fiscal 2006 is a year we would look to quickly forget,” Roche said. The cooperative is optimistic that the 2007 fiscal year, which will reflect the 2006 crop, will be better, he said.

The “changing political landscape” in Washington also is cause for optimism, said Mike Hasbargen, Minn-Dak’s chairman and a Breckenridge, Minn., farmer. Democratic control of the U.S. House and Senate means more prominent roles for several longtime sugar supporters, including Rep. Collin Peterson, D-Minn., Rep. Earl Pomeroy, D-N.D., Sen. Byron Dorgan, D-N.D., and Sen. Kent Conrad, D-N.D. Hasbargen also mentioned Minnesota Sen.-elect Amy Klobuchar, who this summer promised Minn-Dak growers to work against trade deals that hurt them.

The current U.S. farm bill expires next year, and Congress will begin writing a new one this winter. “Now that we have bipartisanship back in the Congress, we are more confident that the new farm bill will mirror the unprecedented success of the 2002 (farm) bill,” Hasbargen said. “History has shown us that it takes a bipartisan effort to create good ag policy.”

Bill Hejl, an Amenia, N.D., farmer and president of the World Association of Beet and Cane Growers, also spoke Tuesday. He said growing world demand for ethanol creates both challenges and opportunities for the sugar industry.

Minn-Dak was formed in 1972. It has 477 shareholder/farmers, 260 year-round employees and 240 harvest employees.

Moorhead-based American Crystal Sugar Cooperative, the region’s other sugar beet cooperative, holds its annual meeting Thursday in Fargo.

## **Mexico to change soft-drinks tax that targeted high fructose corn syrup**

10:31 a.m. December 6, 2006; ASSOCIATED PRESS

MEXICO CITY – The Mexican government is planning changes in a special soft-drinks sales tax to eliminate discrimination against beverages made with high fructose corn syrup.

The 2007 budget proposal to Congress on Tuesday calls for the tax on beverages to be lowered to 5 percent from 20 percent, and charged on all soft-drinks.

The so-called “fructose tax” was imposed by the Congress in 2002 amid a long-standing dispute between Mexico and the U.S. over sweeteners, and initially applied only to drinks made with sweeteners other than cane sugar.

The dispute involved a number of measures taken by Mexico against imports of U.S. high fructose corn syrup to protect its sugar industry and to press demands that the U.S. grant Mexico greater sugar import quotas under the North America Free Trade Agreement.

The U.S. complained about the fructose tax to the World Trade Organization, which ruled against Mexico. Several Mexican beverage makers also had taken court action against the tax.

A previous attempt by the government to eliminate the tax was narrowly defeated in the Senate in 2005.

Since then, however, the two trade partners have come to an agreement that paves the way for a liberated sweeteners market starting in 2008. That agreement called for an end to the fructose tax.

# American Crystal reports positive numbers

By The Associated Press

FARGO, N.D. (AP) - The final average payment to American Crystal Sugar Co. growers for the 2005 crop is the second-best in company history, its president and CEO says.

The average payment is \$50.25 per ton, Jim Horvath said Thursday during the cooperative's annual meeting.

The payment for the 2006 crop, which was just harvested, is forecast at \$43 per ton, about average, he said.

Horvath said the 2005 crop was smaller than average and sugar content was only slightly better than average, but the sugar market was strong. "This was due mainly to market disruptions caused mainly by the hurricanes in Florida and Louisiana and ... a smaller beet crop," he said in a statement.

The 2006 crop yielded more than 25 tons per acre, 13 percent higher than the previous record, Horvath said. Growers plowed under 8 percent of their acres because the crop was too big to process.

American Crystal is considering expanding its processing plant in Drayton, Horvath said.

# Growing Energy

December 10, 2006; By Thomas K. Grose, **U.S. News & World Report**

LONDON-Americans' dietary disconnect is often evident. Sure, 72 percent of consumers understand the health benefits of a balanced diet. But only 33 percent practice healthful eating. Still, about 80 percent say they want food companies to develop healthier foods-so long as they taste good, that is. "Marketing is always solving a paradox," says Iain Ferguson, CEO of Britain's Tate & Lyle, a leading food manufacturer. "The paradox we're helping to solve is, 'I want to enjoy eating it, but I don't want it to show around my waistline.'"

Actually, Tate & Lyle is something of a paradox itself. It has long been a maker of sugars and starches. But in a low-carb world, Tate & Lyle has sped up its transformation from a commodities supplier to a leading producer of value-added food and industrial ingredients, all created from renewable resources (particularly corn and sugar cane). What's more, it's betting that future growth lies with "functional foods"-processed foods that not only are nutritious but make people healthier or help fend off diseases.

Value-added ingredients offer Tate & Lyle new ways to generate growth in a stable commodities environment, says Julian Hardwick, an analyst at ABN AMRO. "It's been making very good progress in terms of delivering on that strategy." Indeed, it boasted a 9 percent jump in sales, to \$3.8 billion, in its results for the first half of its fiscal year, announced last month. Operating profits leapt 26 percent to \$357 million.

In Britain, Tate & Lyle is best known as a consumer brand, a purveyor of sugars and Lyle's Golden Syrup, which comes in a distinctive can that first appeared in 1885. Nevertheless, North America accounts for 70 percent of the company's operating profits. Yet Americans could be forgiven if they've never heard of Tate & Lyle-in the States, its clients are other brands. One product U.S. consumers will recognize is the popular artificial sweetener Splenda, made from sucralose, which was developed by Tate & Lyle. Sucralose is derived from sugar but calorie free.

Tate & Lyle's U.S. ambitions have led to rapid expansion. It has doubled capacity at its McIntosh, Ala., sucralose plant; it's building a corn mill in Fort Dodge, Iowa, to provide raw materials for specialty starches and ethanol; it's expanding a starch plant in Sagamore, Ind.; and in Loudon, Tenn., with partner DuPont, it just opened a plant to produce Bio-PDO, a glucose-based, high-end substance that can be used in products ranging from carpets to cosmetics to de-icers. Tate & Lyle estimates the potential market for Bio-PDO at \$3.5 billion. It's also enthusiastic about the future of polylactic acid, a biodegradable plastic made from sugars.

**Plant to plastic.** Tom Welton, a chemist at London's Imperial College, predicts that eventually all chemical compounds will be derived from plants, not petroleum. Critics may question using

corn to make plastics when millions of people go hungry, he says. "But world hunger isn't caused by a lack of food but by a lack of distribution." Still, if biofuels and biomaterials take off in a big way, growing enough crops in a sustainable way to meet demand could prove difficult.

Food ingredients, however, remain Tate & Lyle's biggest slice of the cash pie, bringing in 80 percent of revenues. And Splenda was its first megasuccess. Sales last year totaled \$254 million, and its profit margin was an impressive 48 percent. Although the patent on the formula has expired, Splenda is still protected by 35 other patents. Last May, the company sued a Chinese manufacturer and eight importers for patent infringement, and so far three defendants have settled out of court. Some artificial sweeteners have been hit by health scares. But many food-safety regulatory bodies have vetted sucralose. "The evidence is very robust that it poses no detrimental health risk," says Toni Steer, a nutritionist with Britain's Medical Research Council.

Tate & Lyle is also interested in probiotics, or foods that contain healthful bacteria; prebiotics, which stimulate the growth of natural disease-fighting bacteria in the gut; omega-3 oils, typically found in fatty fish, which may have health benefits; and dietary fiber. For example, CEO Ferguson says, there are clear fibers that could be added to bottled waters.

Last summer, it launched Tate & Lyle Ventures, a \$45 million fund charged with backing innovations in functional foods and industrial biomaterials. So far, it's close to funding two out of the first 100 projects it has looked at. Tate & Lyle isn't alone in investing in food-and-health research. Many food companies, including the American Cargill and Switzerland's Nestlé, now have venture funds hunting for breakthrough foods.

Aficionados of unmolested foods may be wary of this trend, perhaps balking at the notion of putting fish oils in, say, granola. For example, the Whole Foods Market chain eschews overly processed foods and won't carry products sweetened with Splenda. But Steer cautions that it's a mistake to be "incredibly rigid about these things. We cannot shun functional foods that can help us have a more healthy diet." Modern lifestyles dictate that convenience and heat-and-eat foods are here to stay, she says, and "if we can improve them, why not?"

Tate & Lyle isn't abandoning sugar, however. For good reason: Analysts say that as the developing world's middle classes continue to grow, they're also likely to adopt the West's taste for sugary treats. And while the outlook for Tate & Lyle's sugar business in Europe is modest, that's mainly because of a change in the European Union's sugar price regime. Sales are still growing. Says Jeremy Batstone, an analyst at brokerage Charles Stanley & Co.: "I don't think Europe has got over its sugar addiction yet." Sweet words for a sugar company—even one that's betting on fatter profits from artificial sweeteners and more healthful foods.

December 11, 2006; **AFX International**

## **Ethanol industry expansion felt in U.S.**

SIOUX FALLS, S.D. (AFX) - The rapid expansion of the ethanol industry is being felt far from American shores. It's also helping boost Asian imports of distillers grain.

The U.S. Grains Council is working to expand markets for dried distillers grains with solubles, or DDGS -- a byproduct of the alternative fuel used as high-protein livestock feed -- in Japan, Taiwan, Vietnam and China, said Cary Sifferath, the council's Japan senior director. "If we can find export markets for it, we can keep export prices up," Sifferath said recently by telephone from his office in Tokyo. "Most corn board members are very keen for us to keep working on that."

When ethanol plants turn corn into fuel, the process uses only the starch, which is about 70 percent of the kernel. The protein, fiber and oils left behind are concentrated into distillers grain. A 56-pound bushel of corn produces about 2.8 gallons of ethanol and 17 pounds of distillers grain, according to the American Coalition of Ethanol.

The wet distillers grain can be sold locally, but it can also be dried to increase shelf life, allowing it to be shipped over longer distances. Turning wet distillers grain into DDGS involves separating the liquid from the mash, partially dehydrating that liquid into a syrup and adding it back into grain.

Ethanol plants nationwide produced 9 million metric tons of distillers grain in 2005, a 23 percent increase from the 7.3 million metric tons produced during the previous year, according to the Renewable Fuels Association. With the huge increase in ethanol plants coming online, that number is expected to far surpass 10 million metric tons in 2006, industry experts said.

Most of the distillers grain exported from the U.S. in 2005 went to Ireland, Mexico, Spain, Canada and the United Kingdom, according to the USDA's Foreign Agricultural Service office.

Brian Jennings, executive vice president of the American Coalition of Ethanol, said the industry has traditionally focused less on finding markets for ethanol's byproduct than the corn-based fuel itself. 'But now the industry is very cognizant that distillers grains are a critical piece of the puzzle and they're working to do the research and development to make distillers grains more digestible and more acceptable to all livestock diets,' he said. 'So it's not just beef and dairy cattle, but there's also emphasis now on swine and on poultry.'

In Taiwan, rising feed ingredient prices are helping to increase that country's distillers grain imports, which are expected to reach 100,000 metric tons this year -- more than 20,000 tons above what the U.S. Grains Council set as a target. The council last month hosted more than 200 feed mill technicians, nutritionists, importers, livestock ranchers and poultry farmers for a seminar in central Taiwan, where the country's hog and poultry farmers are concentrated.

And some of the major players in China's feed market visited Minnesota and Illinois last month to learn more about using distillers grain in poultry and swine rations, said Todd Meyer, the Grain Council's senior director for China. The group of Chinese ranchers and feed millers attended a DDGS course at the University of Minnesota, stopped by a **grain elevator** and loading facility, and met with various companies and marketing board members. Many of those visiting from China indicated they would use two to three times more distillers grain if the supplies were steadier, Meyer said.

In Japan, monthly DDGS imports shot up in April, with 7,073 metric tons coming into the country -- 4,451 tons of which were sent by the United States. That's an increase of more than 800 percent from the previous year, according to the council. Most of the DDGS imported into Japan will go to the egg and dairy industries, Sifferath said, but it's also being looked at as feed for hogs, poultry and cattle. Japanese consumers prefer more fat in their meat, so the council has been conducting a swine feeding trial to determine what effect DDGS feed will have on pork fat content.

**WASDE-440-17** – December 11, 2006

SUGAR: Projected 2006/07 U.S. sugar supply is increased 111,000 short tons, raw value, from last month, mainly due to higher production, which more than offsets lower beginning stocks. Production is increased 177,000 tons, based on processor estimates compiled by the Farm Service Agency. Beet sugar production is increased 191,000 tons to a record 5.1 million tons, while Hawaii cane sugar production is lowered 24,000 tons. Louisiana cane sugar production is unchanged based on data reported by sugarcane processors prior to recent freezes. Sugar use is unchanged. For 2005/06, processor revisions reduce ending stocks 63,000 tons.

U.S. Sugar Supply and Use 1/

| Item                | 2004/05                     | 2005/06<br>Estimate | 2006/07 Projection |          |
|---------------------|-----------------------------|---------------------|--------------------|----------|
|                     |                             |                     | November           | December |
| =====               |                             |                     |                    |          |
|                     | 1,000 short tons, raw value |                     |                    |          |
| Beginning stocks    | 1,897                       | 1,332               | 1,761              | 1,698    |
| Production 2/       | 7,877                       | 7,399               | 8,518              | 8,695    |
| Beet sugar          | 4,611                       | 4,444               | 4,901              | 5,092    |
| Cane sugar          | 3,266                       | 2,955               | 3,617              | 3,603    |
| Florida             | 1,693                       | 1,367               | 1,736              | 1,736    |
| Hawaii              | 258                         | 223                 | 263                | 249      |
| Louisiana           | 1,157                       | 1,190               | 1,420              | 1,420    |
| Texas               | 158                         | 175                 | 198                | 198      |
| Imports             | 2,100                       | 3,443               | 2,206              | 2,203    |
| TRQ 3/              | 1,408                       | 2,588               | 1,821              | 1,818    |
| Other program 4/    | 500                         | 349                 | 325                | 325      |
| Other 5/            | 192                         | 506                 | 60                 | 60       |
| Supply, total       | 11,874                      | 12,174              | 12,485             | 12,596   |
| Exports             | 259                         | 203                 | 200                | 200      |
| Deliveries          | 10,188                      | 10,341              | 10,415             | 10,415   |
| Food                | 10,019                      | 10,184              | 10,250             | 10,250   |
| Other 6/            | 169                         | 157                 | 165                | 165      |
| Miscellaneous 7/    | 95                          | -68                 | 0                  | 0        |
| Use, total          | 10,542                      | 10,476              | 10,615             | 10,615   |
| Ending stocks       | 1,332                       | 1,698               | 1,870              | 1,981    |
| Stocks to use ratio | 12.6                        | 16.2                | 17.6               | 18.7     |

1/ Fiscal years beginning Oct 1. Includes Puerto Rico. Historical data are from FSA, "Sweetener Market Data" (SMD) 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 shortfall of 75,000 tons. 4/ Includes sugar under the re-export and polyhydric alcohol programs. 5/ For 2005/06, high-tier (450) and other (56). For 2006/07, high-tier (50) and other (10). 6/ Transfers to sugar-containing products for reexport, and for nonedible alcohol and feed. 7/ Includes SMD miscellaneous uses and the difference between SMD imports and WASDE imports.

## Western Sugar campaign nears midpoint

December 17, 2006; By SANDRA HANSEN, Ag Editor

The year 2006 was exceptional for western Nebraska and eastern Wyoming sugar beet growers. Excellent yields were reported throughout the Western Sugar Cooperative growing area that stretches from Alliance to Kimball and to Wheatland, Wyo.

"It was one of the best years we've had in a long time," said Jerry Darnell, Western's Nebraska agriculture manager. "We had 94 contracts with over 10,000 pounds of sugar per acre, and 73 contracts with over 30 tons an acre."

Producers harvested 54,900 acres, with an average yield of 22.5 tons per acre and 17.2 percent sugar, the highest in Western's four-state growing area.

According to Darnell, the storage piles are in excellent shape, with temperatures averaging in the upper 30s and lower 40s. This in spite of some near record high temperatures recorded this fall and a few 60-degree days in early December.

The campaign is expected to run into the first week of February 2007.

In Colorado, agriculture manager Randall Jobman said the harvest is going well after a wet start. He said rain in late September and early October caused some delays.

According to Jobman, about 46,000 acres were harvested in the Colorado growing region between Wellington, Crook and Wray.

Yield averaged 23.85 tons per acre with a 16.07 percent sugar content.

Jobman said the storage piles are in good shape, heading toward a mid-February end of campaign.

To the north, Tony Zitterkopf, agriculture manager for the Billings, Mont., and Lovell, Wyo., area, said the campaign is going well, after a very wet start.

"We had seven inches of rain during harvest," Zitterkopf said. "That's equal to or more than we usually get during the entire growing season."

Now that things have dried out, the storage piles are doing well, and campaign should be complete by early February in Montana, and the end of February in Wyoming.

Western's Wyoming area encompasses Cody, Lovell and Graybull, where 19,235 acres were harvested. Montana growers harvested 25,782 acres in an area centered on Billings, and covering Forsythe, St. Xavier and south to the Montana/Wyoming state line.

Wyoming growers managed a crop that yielded 17.07 percent sugar and 20.98 tons per acre. In Montana, the average was 15.72 percent sugar content, and 28.9 tons per acre.

Early harvest started on Sept. 13 in Montana, and on Sept. 18 in Wyoming. Regular harvest began on Oct. 2. Western growers from Colorado, Montana, Nebraska and Wyoming will hold their annual meeting Jan. 24, 2007, at Casper, Wyo.

## **Sugar distributor takes space**

Saturday, December 16, 2006; By Larry Rulison, Business writer

BETHLEHEM -- A Boston-area firm has set up shop in Selkirk, with plans to distribute sugar that comes into the Port of Albany.

Barrett Distribution Centers Inc. of Franklin, Mass., started using 100,000 square feet in a large, vacant warehouse at 158 West Yard Road two months ago. The company is distributing sugar imported from Mexico by ED&F Man Holdings Ltd. of London.

The sugar arrives at the port on ships carrying 2,200-pound sacks; it is eventually used by large commercial clients in food products.

"We wanted a facility in close proximity to the port," Barrett said.

The operations help the Bethlehem Industrial Development Agency partially fill a 350,000-square-foot building that has been vacant since a former tenant, Daisytek International Corp., filed for bankruptcy in 2003. The building itself is owned by the Galesi Group, a Rotterdam developer.

For the past year, IDA officials had been negotiating with another company, Plasticware LLC, which wanted to put a plastics factory in the warehouse. But Plasticware, backed by New York City investors, is now interested in building the factory in Corinth at the former International Paper Co. site.

George Leveille, chairman of the IDA, said he was excited about Barrett Distribution, which is a third-generation family-owned business.

"Very classy," he said. "Class operation. Old family business."

The IDA got Barrett a state sales-tax exemption for equipment for the facility, although that benefit will be less than \$100,000.

The IDA also has been awarded \$1.3 million from the state Department of Transportation to build a 2,600-foot rail extension from the building to a CSX rail line.

Arthur Barrett said the company could eventually take more space if it gets other customers. Plans are to have 10 employees there by next year and 25 by 2008.

## Lacassine ethanol plant may be 'salvation of Louisiana agriculture'

Arnessa M. Garrett

LACASSINE - "Ethanol could be the salvation of Louisiana agriculture," says Commissioner of Agriculture and Forestry Bob Odom. He and others are hoping the future begins here.

Plans to build an ethanol plant at the site of Lacassine Sugar Mill are under way with engineers from India visiting the plant last week for the first time to examine its operations.

The \$56 million mill, built with state taxpayer money, is now owned by a partnership of area farmers and Andino Sugar Development, LLC, a company with headquarters in Colombia. They say they plan to put a plant to make ethanol from sugar syrup produced on the site by 2008.

To understand why Odom and many in the industry hold out such hope for producing ethanol from sugar cane, it's necessary to understand the challenges facing south Louisiana farmers today.

The high cost of diesel fuel and fertilizer are driving some out of the business. Rice prices are at historic lows. After Hurricane Rita, farmers in Vermilion Parish have had to deal with saltwater intrusion onto their fields, making rice difficult to grow. The sugar industry isn't faring much better. Sugar prices have declined 20 percent in a year, and drought has reduced yields for the last four years.

This year's cane crop looked to be the best in years, but that was until a late freeze followed by drenching rains made harvesting difficult, according to Howard Cormier, LSU Ag Center county agent for Vermilion Parish.

"You cannot continue to pour dollars into ... an enterprise that has a low profit margin, and right now with sugar cane, that is the picture," he said.

At Lacassine, the mill produces syrup that is now shipped to other processing facilities for refining into sugar. The farmers save on transportation costs because syrup is cheaper to transport than raw cane.

But the mill doesn't see the syrup as its only product. The bagasse, which is the fiber left over after the cane is processed, is used to fuel the mill's boiler to generate steam. The steam is used to operate a turbine which produces electricity that can run the mill.

The mill produces more electricity than it needs, so it is selling the excess to Entergy, said mill manager Albert Katriyan.

The goal is for the mill to be completely self-sufficient, he said.

"We make our own water," he said. "We evaporate water out of the juice when we make it into syrup."

Odom said this is the way all mills will have to operate in the future.

"I'm of the opinion they have to do electricity, fuel and food. ... They can't stay in business if they don't do that," he said.

Ethanol is a biofuel that can be produced from a number of agricultural products including corn. Brazil has embraced ethanol and is now the world leader in production. Its ethanol is produced from cane, as the Lacassine mill proposes to do, but most of the ethanol now being produced in the United States is made from corn.

In Brazil, cane is much cheaper than it is in the United States, said Ben Legendre, sugar specialist at the LSU AgCenter. Some have questioned whether a plant at Lacassine will be able to produce ethanol economically. "With corn there seems to be competitive advantage, but corn prices are going up," he said.

In the future, ethanol could be produced from other plants and grasses, or biomass as it is called in the industry, even the "chicken trees" that grow in some parts of south Louisiana. But that technology is several years away.

Alex Santacoloma, president of Andino Sugar, said his company has done the numbers and the technology the company will bring to the ethanol plant will make it cost-effective to produce ethanol from cane in the United States. The technology is being used not only in Brazil but in places such as India and South Africa, he said. "I think Louisiana has big potential for ethanol out of sugar and a huge potential out of cellulose in the future. The refiners are here ready to make the market," he said.

Cormier said he has heard agriculture experts talk about how ethanol has the potential to change the entire agriculture industry in Louisiana. Farmers who are now producing rice may decide to produce sugar if ethanol production makes it more profitable. Then the market for rice may improve as supply decreases. Sugar farmers, able to divert some of their product to fuel, could see prices go up for food uses. "As farmers weigh their options there's at least hope they will have more options," he said. But some of those are many years away, he admits. "This is what is evolving as the big picture. In the short term, everyone's still struggling," he said.

December 20, 2006; by Ron Sterk, Milling & Baking News

# Biodiesel gaining fast

KANSAS CITY — Although far outdistanced by ethanol in production and use in the United States, biodiesel is the fastest growing renewable fuel domestically and already is the primary biofuel in Europe.

U.S. production of biodiesel in 2006 is projected between 200 million and 250 million gallons, about three times the volume produced in 2005, which was three times the amount produced in 2004, according to the National Biodiesel Board (N.B.B.). Still, U.S. biodiesel output is far less than that of ethanol in the U.S., projected at 5,000 million gallons this year, and biodiesel in Europe, expected to be near 1,800 million gallons, according to European Biodiesel Board (E.B.B.) data.

The biodiesel industry's rapid growth indicates it was "at the right place at the right time," said Jenna Higgins-Rose, director of communications for the N.B.B., an organization of biodiesel producers.

As of November, 87 biodiesel plants were in operation in the U.S. with annual production capacity of 582 million gallons, N.B.B. data shows. Another 65 plants were under construction and 13 were being expanded with total annual production capacity of 1,400 million gallons. Some of those plants were not scheduled for completion until late 2007, while several were to come on line by the end of this year.

The discrepancy between listed biodiesel capacity and actual production may be attributed to a combination of factors, Ms. Higgins-Rose said, including the listing of plants that might not be operating currently, the possible overstating of capacity by some plants, and the fact that capacity is based on plants running 24 hours a day and seven days a week, which they don't. She added that the investment in new plants and expansion of several existing facilities spoke to the growing demand for biodiesel.

While the bulk of existing and new plants are in the Midwest, a growing number are scattered eastward to the Atlantic coast, with a few in the West. Concentration of biodiesel plants is not nearly as heavy in the Midwest as that of ethanol plants, reflecting the broader growing area of soybeans compared to corn and the potential use of a wider range of feedstock for biodiesel. According to the U.S. Department of Energy (D.O.E.), 55% of U.S. biodiesel plants are able to use any animal fat or vegetable oil as feedstock, including recycled cooking grease, while the other 45% can use only vegetable oil.

## **What is biodiesel?**

The Alternative Fuels Data Center calls biodiesel a renewable fuel that may be manufactured from new or used vegetable oils and animal fats. Biodiesel produces significantly less air pollutants such as particulates, hydrocarbons and carbon monoxide compared with petroleum diesel fuel. Blends of up to 20% biodiesel with 80% petroleum diesel (B20) generally may be used in unmodified diesel engines, the D.O.E. said. Biodiesel also may be used in its pure form (B100) but may require engine modification.

Three different processes may be used to make biodiesel, including conversion of oil to its fatty acids and then to biodiesel, direct acid catalyzed esterification of an oil with methanol and base catalyzed transesterification of an oil with methanol. The latter, called the base catalyzed reaction, is the most common process used and most cost-effective because it requires low temperature and pressure, has a high conversion rate, is a direct conversion to biodiesel with no intermediate steps and does not need exotic materials of construction, N.B.B. publications said.

The base catalyzed reaction process involves, for example, 100 lbs of oil or fat reacting with 20 lbs of methanol and a catalyst such as sodium or potassium hydroxide (lye) resulting in the production of 100 lbs of methyl ester (biodiesel), 10 lbs of methanol and 10 lbs of glycerol, according to "A Biodiesel Primer" prepared by the Methanol Institute and the International Fuel Quality Center. The alcohol is recycled for additional biodiesel production and the glycerol may be purified to pharmaceutical quality.

The limited amount of byproducts from the biodiesel manufacturing process contrasts with several byproducts from the manufacture of ethanol, of which distillers grains, typically sold as livestock feed, is the largest in volume. Interestingly, Vera-Sun Energy Corp., Brookings, S.D., one of the United States' largest ethanol producers, recently said it had developed and was seeking to patent a process to remove corn oil from distillers grains that could be used to make biodiesel.

### **Similarities of biodiesel and ethanol**

There is a tendency to compare biodiesel and ethanol because both are seen as viable, domestically-produced renewable fuel alternatives to fossil fuels, both have state and federal production incentives, both have environmental benefits and both have their share of detractors.

"The petroleum industry has not built new refineries for over 30 years," Joe Jobe, chief executive officer of the N.B.B., said at a recent conference on Advancing Renewable Energy. "Renewable fuels get to the core of the president's goal of reducing imports from the Mideast. Ethanol and biodiesel are two things we can do to quit funding terrorism in the Mideast."

The ethanol industry appears to have taken off like gangbusters, with more and larger production facilities, and even a significant support in several states as a replacement for banned gasoline additive methyl tertiary butyl ether (M.T.B.E.).

The success of the older ethanol industry has paved the way for biodiesel, Ms. Higgins-Rose said.

"We see ethanol as our older brother," she said. "We hope biodiesel follows a similar path."

The biodiesel and ethanol industries have benefited greatly from government support, both in policy and in subsidies. President Bush, along with Secretary of Agriculture Mike Johanns, Secretary of Energy Samuel Bodman, as well as many Democrats and Republicans from both houses of Congress, have touted renewable energy, with biodiesel and ethanol at the forefront, as a way to lessen dependence on foreign oil. More recently, Mr. Johanns said the new farm bill for the first time ever will focus on production of renewable energy when it is written in 2007.

As with ethanol, production and marketing subsidies and research funding for biodiesel were included in the Energy Policy Act of 2005, which set a renewable fuels standard level and laid the groundwork for energy policy through 2012.

"The federal tax incentive is huge," Ms. Higgins-Rose said. "It helped make biodiesel cost competitive."

The N.B.B., based in Jefferson City, Mo., opened an office in Washington earlier this year to help maintain that support.

"Federal policy is extremely critical to continued development of biodiesel," Ms. Higgins-Rose said. "We have seen strong bipartisan support, and we expect it will continue with the new Congress."

Similar to the boost ethanol got as a replacement for M.T.B.E., biodiesel benefited from a demand boost when new ultra low-sulfur diesel fuel standards took effect this year. Low-sulfur diesel created lubricity problems in engines — something that could be eliminated by the blending of as little as 2% biodiesel. The N.B.B. tracked more than 275 pieces of biodiesel-specific state legislation in 2006.

### **Biodiesel part of food versus fuel debate**

Both biodiesel and ethanol have opponents, mostly focusing on the subsidy and the food versus fuel debate. Using grains and oilseeds for fuel instead of food, as well as rising prices for commodities as the result of demand to produce renewable energy are at the center of the disagreement. The argument could be made that biodiesel impacts the food chain to a greater degree since soybean oil and most other oils used for biodiesel could be directly used for food whereas most corn used for ethanol would have been livestock feed.

Oil World, an oilseeds analytical group based in Hamburg, Germany, in November forecast global soybean oil use at 37 million tonnes in 2006-07 (October-September), up 2.7 million tonnes, or 8%, from 2005-06 because of

increased demand for the manufacture of biodiesel. The group expected soybean oil use to exceed production for the first time in four years.

Some food companies have protested the use of grains and oilseeds to produce fuel. Alan Jope, a vice-president at Unilever, recently said the use of rapeseed and palm oil would have dramatic consequences, driving up food costs in Europe. Earlier this year, Minneapolis-based Cargill also weighed in on the negative effects of using grains for fuel.

But Archer Daniels Midland Co. has been a strong proponent of using food crops for fuel. Mark Zenuk, a vice-president for the Decatur, Ill.-based company, forecast on a recent analysts' conference call that global biodiesel production would rise 350% by 2010, to 16 million tonnes. ADM, already the largest producer of ethanol in the U.S. and of biodiesel in Europe, indicated it planned to be the leader in global biofuel industries.

### **Biodiesel markets are distinct**

While there are several similarities between biodiesel and ethanol, there also are many differences.

Although younger than the ethanol industry, biodiesel has potentially wider use with ethanol touted as a gasoline additive and/or replacement while biodiesel is seen not only as a diesel fuel substitute but also as an alternative to heating oil No. 2.

Further, ethanol has been heavily promoted as a way to extract the U.S. from dependence on foreign oil. While biodiesel also will contribute to fuel security, promotion has tended more toward environmental benefits because it is much cleaner burning than regular diesel fuel, to the point biodiesel has been termed a "green fuel" because of its emission reducing characteristics. Biodiesel is used in more than 600 fleets in the U.S., including military, postal service, state and private vehicles, at least in part due to its clean fuel status, the N.B.B. said.

Biodiesel has garnered visible support from environmentalists and entertainers. Several actors, actresses and musicians have touted the benefits of biodiesel, the most interesting possibly being country music icon Willie Nelson, who even has a web site: .

### **Some unique problems for biodiesel**

Ensuring fuel quality standards in biodiesel from the manufacturing plant to the final point of sale has been a major obstacle for the industry, said Ms. Higgins-Rose. If the fuel is off specification "just a little" it may cause engine problems, she said. To ensure quality throughout the biodiesel supply chain, the N.B.B. has vigorously worked to certify marketers, and has sponsored the BQ9000 program, a voluntary quality standard that now has 40% industry participation.

A primary complaint about biodiesel has been that it "gels" or thickens to the point it will not flow or clogs filters in cold weather. The N.B.B. has taken steps to educate users about how to avoid gelling problems, which also may occur with regular diesel fuel.

A blend of 20% or less biodiesel that meets A.S.T.M. D 6751 fuel standards and is properly treated for winter should not have gelling problems, Ms. Higgins-Rose said.

"Biodiesel takes careful winter management," she added.

Another issue has been availability since biodiesel production is concentrated in the Midwest and East and is not carried by many fuel stations. The N.B.B. said biodiesel now is available in every state, and the number of retailers selling it is growing rapidly, although blends offered may differ.

### **Soybeans vie for acres in U.S.**

Because of the position of corn/ethanol as the commodity leader, it is generally seen in the trade that soybeans will have to "fight" for area to keep farmers from switching to corn. The key determining factor is the return per acre farmers receive based on the price for a bushel of corn compared to that of soybeans. When corn shot to 10-year highs earlier in the fall, soybeans had to keep pace in an effort to "buy" acres from corn. Much will depend on the corn/soybean price relationship later in the winter when farmers are making spring planting decisions. The consulting group Promar International in a 2005 study done for the United Soybean Board projected that in the U.S.

"soybean area holds its own against corn" through 2012-13, but that "wheat and the other coarse grains are the projected losers."

The U.S. Department of Agriculture estimates every 50 million gallons of biodiesel produced raises soybean prices 1%. If soybeans were \$7 a bu, and biodiesel production was 250 million gallons, about 33c of the price of soybeans could be attributed to demand of soybean oil for fuel. March 2007 soybeans on the Chicago Board of Trade were near \$6.70 a bu late last week, compared with March 2006 the same time last year near \$6.

Soybean oil use for biodiesel has compensated for a large portion, though not all, of the loss in demand for soybean oil due to the no trans fat trend, vegetable oil brokers contend. Values for March soybean oil futures last week were near 29c a lb, about 8c, or 35%, above a year ago.

Projections of breakeven prices for biodiesel production vary widely. In its study, Promar showed profitability when crude oil was at \$50 or more a barrel and soybean oil was 25c or less per lb.

It takes approximately 7½ lbs of soybean oil to make one gallon of biodiesel, and one bushel of soybeans yields just over 11 lbs of soybean oil.

### **Production, use growing globally**

Europe leads the world in biodiesel with 2006 production projected to exceed 6 million tonnes (about 1,800 million gallons), up 91% from 3.2 million tonnes (960 million gallons) in 2005 and compared with 1.9 million tonnes (570 million gallons) in 2004, according to data from the European Biodiesel Board. Germany is by far the largest producer at 2.7 million tonnes this year, followed by Italy (857,000 tonnes), France (775,000 tonnes), and the U.K. (445,000 tonnes). By comparison, U.S. biodiesel production in 2006 will be about 800,000 tonnes. Biodiesel makes up 80% of E.U. biofuels, with ethanol the other major component. Biodiesel represents about 1.5% of the conventional E.U. diesel market, the E.B.B. said. The favorite feedstock for biodiesel in Europe is rapeseed oil, with sunflowerseed oil and palm oil also used. (1 million tonnes of biodiesel = 300 million gallons.)

Malaysia, Indonesia and the Philippines also are developing biodiesel industries to utilize more of their expanding palm oil crops, which currently depend heavily on exports. Those countries have come under fire from environmentalists for deforesting large areas in an effort to increase palm production in anticipation of demand from the biodiesel sector.

In Brazil, the world leader in ethanol production and use, the biodiesel industry is in its infancy, despite that country's position as the second largest soybean producer in the world. In China, which also is developing its ethanol industry, biodiesel production is minimal.

In the United States, U.S.D.A. chief economist Keith Collins recently noted supplies of vegetable oils and animal fats are small compared to the diesel fuel market.

"For the 2005 soybean crop, biodiesel production accounted for 5% of soybean oil use," Mr. Collins said. "But only one year later, 2006, we expect biodiesel to consume 13% of total soybean oil use."

Biodiesel production in 2006 will equal less than 1% of the estimated 38 billion gallon diesel fuel market. And should all the plants under construction and expanding produce at full capacity of about 2 billion gallons, it still would be only 5% of diesel fuel demand.

But at least the vast difference should bode well for the young U.S. biodiesel industry.

"There is huge demand for biodiesel," Ms. Higgins-Rose of the National Biodiesel Board said.

# Sugar cane burning upsets area residents

Thursday, December 21, 2006; BY CHRISTI LANDRY, THE DAILY IBERIAN

FRANKLIN — The St. Mary Parish Council will look into the creation of a committee designed to address residents' concerns about the burning of standing sugar cane.

St. Mary Parish resident Dale Robicheaux voiced his concerns about the practice to the council during its meeting Wednesday. He said some sugar cane farmers are not following voluntary guidelines offered by the LSU Ag Center to lessen the effects of the burning.

"I appear before you tonight representing the voice of a large number of frustrated citizens in our parish. We're sick and tired of being bombarded with large piles of falling ash and smoke from burning cane fields," said Robicheaux. "I believe that the time has come for you as a council to act in the interest of the public you are elected to serve to help stop the burning of sugar cane standing up in fields," he said.

Robicheaux asked for public hearings to discuss the issue and an ordinance from the council addressing the practice.

While the problem is experienced by many throughout the parish, Robicheaux said not all sugar cane farmers are to blame for the ash and smoke.

"This entire problem is caused by a handful of individuals that have knowingly and willingly subjected the majority of citizens in this parish to deal with this horrible, messy situation," said Robicheaux.

"The problem has been caused with these individuals not caring about everyone else in the parish but themselves. They are deciding to light fires in those fields when the conditions are wrong to burn cane."

James McClelland, the council's legal adviser, said the parish cannot regulate air and water quality in the parish.

"Water quality and air quality are governed by the federal government. In that statute, they defer to the state to enforce their own air quality and water quality. That's why we have the DEQ. In that legislation, it says that local government and municipalities could not pass their own regulations," said McClelland.

A good way to start reducing the incidents is to follow the guidelines, a sugar cane farmer informed the council.

Mike Robicheaux, co-owner of Frank Martin Farms, said that if LSU guidelines are followed by all farmers, it would nearly eliminate the ash.

"We have to be cautious in whatever we do. It is an economically viable tool for agriculture to use but it has to be used in a manner that doesn't affect our neighbors," he said.

While the guidelines would cut back on the ash, Mike Robicheaux said they are more involved to follow and problems still can occur. Recently, he said he had to burn and followed the guidelines but the wind changed, causing smoke and ash to affect residents.

"I would rather see controls put on, if anything, instead of an outright ban because sometimes you get into a situation where you have to burn," he said.

"If the council sees fit to set up some type of study committee to study guidelines, I would appreciate if you would consider putting people from the agricultural community own it," he added.

"It's a few farmers that are creating a problem in the Franklin area. The agriculture community is working to solve the problem," he said.

The council will review the guideline provided by Dale Robicheaux and will consider the item at its next meeting in January. No action was taken on the item.

## Sugar Program Factors into Farm Bill

Dec. 27, 2006 - According to Ag Secretary Mike Johanns, the sugar program needs to be changed in the next farm bill.

USDA Secretary Mike Johanns told Dow Jones Newswires that "the sugar program is part of the farm bill debate." The USDA sugar program uses a tariff rate to protect U.S. sugar producers. Johanns says the program needs to be fixed, and wants to see that change in the 2007 farm bill.

"You have to do something with this program," Johanns says. "How best to approach that is still a debatable issue, but I don't believe there is anybody here in Washington that would make the case that this program continue as it is without recognizing that you could have additional sugar coming in which could lead to forfeitures. Some way, some how, we will have to deal with that."

The 'additional sugar' Johanns refers to is Mexico's, as an agreement between the U.S. and Mexico will allow for significant Mexican sugar imports into the U.S. beginning October 2007. U.S. producers worry that they will have to forfeit their sugar to the USDA to keep afloat.

Senate Agriculture Committee member Norm Coleman, R-Minn., suggests that ethanol could provide a solution for U.S. sugar producers.

"I hope we look at a sugar-to-ethanol policy where it would be possible to rake some of the excess imports and put it into energy," he says.

Sugarcane is a more efficient source of ethanol feedstock than corn. Brazil, the world's largest producer of ethanol, makes its ethanol from sugarcane.

## Sugar plant officials keep an eye on forecasts

Wednesday, December 27, 2006; **By TOM GILCHRIST, Bay City Times**

Paul D. Pfenninger is in charge of 1.8 million tons of sugar beets, sitting in piles at 17 locations as far away as Ontario, Canada.

But he's not in charge of the weather, and warm December temperatures have his full attention. "So far, so good, that's all I can say. I'll count my lucky stars," said Pfenninger, vice president of agriculture for Michigan Sugar Co., commenting about the quality of sugar beets, which store better in cold weather.

Two winters ago, some beets rotted in storage piles, costing growers millions of dollars. The company blamed the losses on poor piling conditions caused by drastic swings in temperatures and warm winter rain.

"Rain doesn't help the beets any," Pfenninger told The Times on Tuesday. "We prefer not to have the precipitation going through the pile, but there's nothing we can do about it. We've had ample rain, which is one of the reasons we're concerned."

But several factors have worked in favor of growers, according to Pfenninger. Cool soil temperatures prevailed in the latter half of October when many farmers harvested beets, and "the cooler a beet is when it goes into the pile, the longer it will store," Pfenninger said. "In spite of the warm weather, the beets have stored extremely well," he said.

Company workers also started accepting beets early in a year when farmers realized a record yield of 23.6 tons of beets per acre on average. The larger beets, compared with smaller ones, allow more air flow through a storage pile. "We saw the big crop coming and we started receiving beets on Sept. 14, which is the earliest start ever, and we started slicing beets (as part of the sugar-making process) the next day," Pfenninger said. "We have no major concern if the weather holds. If the temperature would stay at 35 degrees for a high and 25 for a low every day, that's not all bad. "But once it gets cold, we'll pray that it stays cold."

Pfenninger may have to wait for a while, according to Steve Considine, meteorologist at the National Weather Service office near White Lake in Oakland County. Today's high temperature should hit 37 degrees in Bay City, about eight degrees higher than normal - with high temperatures creeping upward to about 45 degrees on Saturday. "When I see the thermometer pushing 50 degrees, that's when we start to get a little nervous," Pfenninger said.

Michigan Sugar Co. has sprayed white-colored lime slurry on top of some beets at storage yards in Monitor Township, Sebawaing and in Saginaw County's Blumfield Township. The lime reflects sunlight, keeps beets along a pile's outer edge from dehydrating and neutralizes some of the acidity in beets, helping protect equipment, according to Pfenninger.

Considine calls for rain this weekend, although Pfenninger watches temperature changes closely. "The worst-case scenario is a freeze-and-thaw cycle," Pfenninger said. "We haven't seen that yet." Last week, a plane with thermal detection equipment was flown over beet-storage piles in Bay, Arenac, Midland, Saginaw, Gratiot, Tuscola, Huron and Sanilac counties, as well as in Ontario. No thermal hot spots were found, Pfenninger said.

<http://www.latimes.com/business/la-fi-soybeans28dec28,1,2320258.story?coll=la-headlines-business>

# Soybeans may grow scarce

Traders say the price of the commodity could double next year as demand rises and farmers allot fewer acres to it.  
From Bloomberg News

December 28, 2006

Soybean prices may be headed for their biggest jump in three decades as farmers plant more fields with corn.

Growers in the U.S. are preparing to sow the fewest acres of soybeans in 10 years. At the same time, demand is rising, creating conditions that traders say may double this year's average price of \$5.98 a bushel and allow soybeans to replace corn as the best-performing farm commodity.

"The day of sub-\$6 soybean prices is over," said Dan Basse, president of agricultural research firm AgResource Co. in Chicago. "Demand is growing too fast for production to keep pace."

Soybeans are used in about 60% of processed foods consumed by developed nations.

Consumers could feel the pinch because food makers including Paris-based Groupe Danone and Orrville, Ohio-based J.M. Smucker Co. would charge more to make up for costlier vegetable oil derived from soybeans, said Prudential Equity Group analyst John McMillin in New York.

Higher prices in the U.S. would boost costs globally because soybean futures on the Chicago Board of Trade are used as a benchmark to set the commodity's price in other countries.

Canola and palm prices also would rise, increasing expenses for Decatur, Ill.-based Archer Daniels Midland Co. and Bermuda-based Bunge Ltd., the world's largest vegetable-oil producers.

The price of soybeans could reach \$13 a bushel by the end of 2007, up from \$6.74 now, said Terry Roggensack at Hartfield Trading Partners in Chicago, who accurately forecast a rally in 2003.

The price surge in the 1970s prompted farmers in Brazil and Argentina to turn barley fields over to soybeans, creating an industry with \$21 billion in annual sales.

The annual return on soybeans over the last two decades has lagged behind corn as U.S. demand surged for ethanol, a gasoline additive distilled from corn. During that time, global soybean supplies grew faster than consumption as new drought-resistant seeds boosted production in the U.S. and farmers in Brazil and Argentina expanded cultivation into wild grasslands.

Trading patterns already show investors' interest shifting to soybeans from corn.

The number of outstanding corn contracts on the Chicago Board of Trade reached a record 1.43 million last month, and have since declined 3.5% to 1.38 million. The number of outstanding soybean contracts in that time rose as much as 9% from about 395,000 on Nov. 20 to a record 431,971 on Dec. 14, exchange data show.

Grain processors and speculators are betting soybeans will outperform corn during 2007. Soybeans to be delivered in November are 8.8% more expensive than soybeans for January delivery. The price of corn for December 2007 delivery is 9.2% less than for March.

"As more acres are diverted to corn, the picture for the soybean balance sheet gets tighter and tighter," said William Plummer, who manages \$106 million of commodity futures at Range Wise Inc. in Chicago.

Not everyone is convinced there will be a soybean shortage. Brazil and Argentina, which account for 43% of the world's supply, may produce bigger crops, and a price rally before U.S. planting begins in the spring may encourage farmers to cancel plans to switch to corn.

Soybeans are the world's fourth-largest crop by acreage, after wheat, rice and corn.