

Testimony of Jackie Theriot
Chairman,
American Sugar Cane League

Before the
Farm Service Agency
US Department of Agriculture

Regarding the New Entrant Application
From the Arizona Sugar Factory, LLC
For 2003 and Subsequent Crops

January 29, 2003

My name is Jackie Theriot. I am Chairman of the American Sugar Cane League, General Manager of the Louisiana Sugar Cane Cooperative in St. Martinsville and Secretary-Treasurer of the Louisiana Farm Bureau. Thank you for the opportunity to provide perspectives from the Louisiana sugar cane industry as you consider the first application for a new entrant into the sugar program as provided for in the 2002 farm bill.

Sugarcane production in southern Louisiana began in 1751 and the industry has been a vital part of the state's economy for much of the intervening 250 years. Louisiana produces approximately 16% of the sugar grown in the US and the economic benefit to the state is estimated at \$1.7 billion. Some 27,000 employees are involved in the production and processing of sugar within the state.

Sugarcane was produced on over 450,000 acres in 25 parishes in 2002 and production for 2001/02 is estimated at approximately 1.58 million short tons (raw value). In contrast, USDA currently projects 2002/03 production at 1.34 million tons. This projection is likely to be reduced further as more accurate harvest reports are received following the completion of harvest in late January.

As you know, the 2002 farm bill included language to allow new entrants to the US sugar program, including new processors located in a new entrant mainland State (Sec359d (E)(iv-vii)). Subsection (v) calls for the Secretary to consider any adverse effects that provision of the new entrant allocation or allotment may have on existing cane processors and producers in mainland states, while subsection (vi) specifies that the applicant processor demonstrate the ability to process, produce, and market raw cane sugar for the crop year for which the allotment is applicable. My comments will address both of these subsections.

First, as you know, the Louisiana sugar industry was devastated by two tropical storm systems that slammed the Louisiana coastal regions in late 2002. While the full extent of the damage will not be known for several weeks, USDA has already reduced Louisiana's cane production estimates by 180,000 short tons (raw value) over the past two months and we anticipate that as much as 600,000 tons of production may have been lost as a result of Hurricane Lili and Tropical Storm Isidore. Including losses resulting from

processing the storm-damaged cane, we project total sugarcane losses in Louisiana, in dollar terms, at approximately \$312,000,000.

My own factory saw a 26% reduction in sugar from last year's levels and many of our growers are on the brink of financial ruin. Our experiences are mirrored in other parishes throughout the sugar-growing region of Louisiana.

In short, consideration of this application comes at a time when Louisiana's producers and processors are suffering catastrophic losses as a result of weather-related disasters. On the other hand, if the storms had not drastically reduced the cane harvest this year, approval of this application would have forced Louisiana to store sugar displaced by the reduced allotments we would receive. Furthermore, the recent increase of the overall allotment quota (OAQ) and decision to sell off CCC-held stocks are likely to reduce income from the sale of what sugar cane we have successfully processed. Clearly, any decision to reduce our marketing allotments for the coming year would have a significant adverse effect on the Louisiana cane industry.

As described above, the farm bill specifically provided that a new entrant processor or new entrant state must have a demonstrated ability to process, produce and market (including the transfer and delivery of the raw cane sugar to a refinery for further processing and marketing) raw cane sugar for the crop year for which the allotment is applicable. The applicable provision specifies that this ability to process, produce and market sugar cane be consistent with language in section 359c. Under section 359c (e) (3), the Secretary is to base decisions on the equitable distribution of mainland allotments on:

- past marketings of sugar, based on the average of the 2 highest years of production of raw cane sugar from the 1996 through 2000 crops;
- the ability of processors to market the sugar covered under the allotments for the crop year; and
- past processings of sugar from sugarcane, based on the 3-year average of the 1998 through 2000 crop years.

Clearly, this new entrant will not have an adequate history of production, processing and marketing to utilize for the purposes of showing an ability to process, produce and market raw cane sugar under the new entrant

provision. However, there are other criteria that we can examine to better determine the viability of the new entrant's request for an allotment.

On the production side of the equation, how many acres of cane are currently under contract and what are the projected production levels for the next five years? How many growers are involved and how many acres per grower? Where are the growers located in relation to the factory? Who are these growers? When were the fields planted and at what rate? What varieties were planted and what are the yield evaluations for tons of cane per acre and sugar per ton of cane?

What irrigation methods are used and what is the status of water availability? What are the rates of fertilization and pesticide usage? What harvesting methods are used and how large is the transport fleet and average distance to the factory?

Have zoning and environmental permits been acquired and are there other local and state permits that need to be addressed? How will trash left in the fields be handled?

Regarding the factory, is it new or used? What additional work will be done to the facilities? What is the power source? What are the plans for disposal of bagasse? Have boiler permits been acquired if bagasse is to be burned for power? What will the new entrant do regarding filter cake and fly ash disposal? Can the factory produce raw or white sugar? What are the marketing intentions for the sugar?

Based on our limited knowledge of the new entrant in question, it seems highly unlikely that the entrant could produce a sizable crop this year, certainly not in range of the 10,000 short tons (raw value) requested for the 2003 marketing year. Further, we have serious doubts about the ability of the entrant to market and process even a fraction of that amount.

Should this application be approved for 2003, Louisiana would absorb a significant amount of the resulting reallocation of allotments in the mainland United States, probably in excess of 4,000 short tons. By 2005, Louisiana's allocations would be reduced by five times that amount.

Louisiana's sugar industry believes that it is essential to the long-term viability of the US sugar program that new entrant applications be carefully

analyzed to ensure that only those with a demonstrated ability to produce, process and market cane in new entrant states be made eligible for the program. A thorough analysis at this preliminary stage in the process is necessary to prevent an erosion of program effectiveness by speculators and others who would abuse this process for nefarious purposes.

The American Sugar Cane League urges the Administration to seek detailed answers to the above questions and to carefully weigh those answers before approving the new entrant application. I am also attaching a statement for the record from the Louisiana Farm Bureau that echoes many of the concerns I have outlined today.

Thank you.

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