



Challenges Facing the Beet Sugar Industry

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American Family Farmers

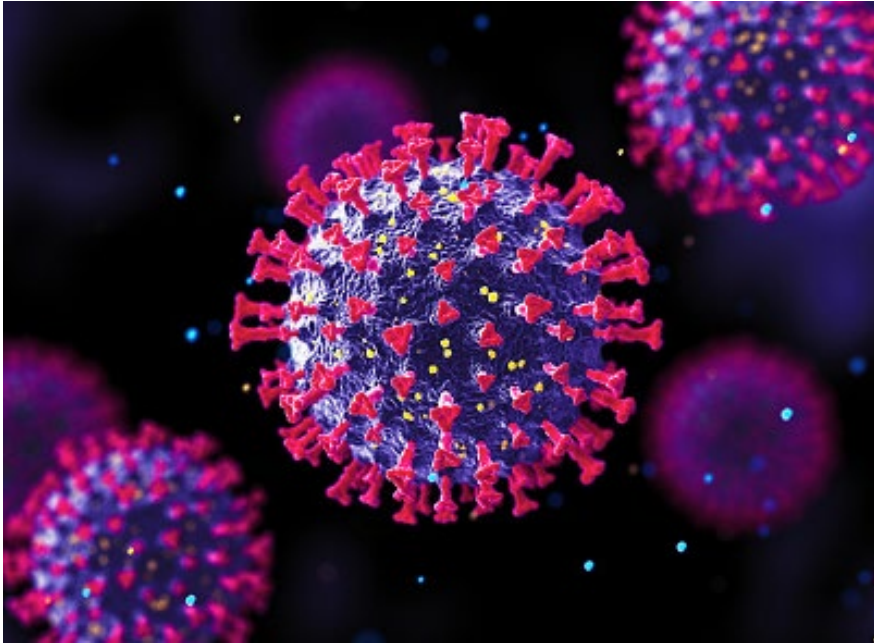
- 10,000 multigenerational family farmers
 - Progressive, efficient and competitive
 - High labor and environmental standards
 - Climate Smart: Best practices and continuous improvement





Who we are

- 1.1 million acres in 11 states
- Nine Cooperatives own all 21 sugar beet factories, dozens of storage and distribution centers
- Produce 54% of domestic sugar production
- Strategically important to the nation's food supply
 - 1) Raw material
 - 2) Refining Capacity
 - 3) Storage
 - 4) Location
- Why is this important?



Global Disruptors Covid, Climate and Conflict

Sugar: All Natural, Multifunctional Ingredient in Packaged Foods

Flavor
enhancer/balancer,
aroma

Provides bulk

Texture/mouthfeel

Shelf-life/microbial
stability

Fermentation

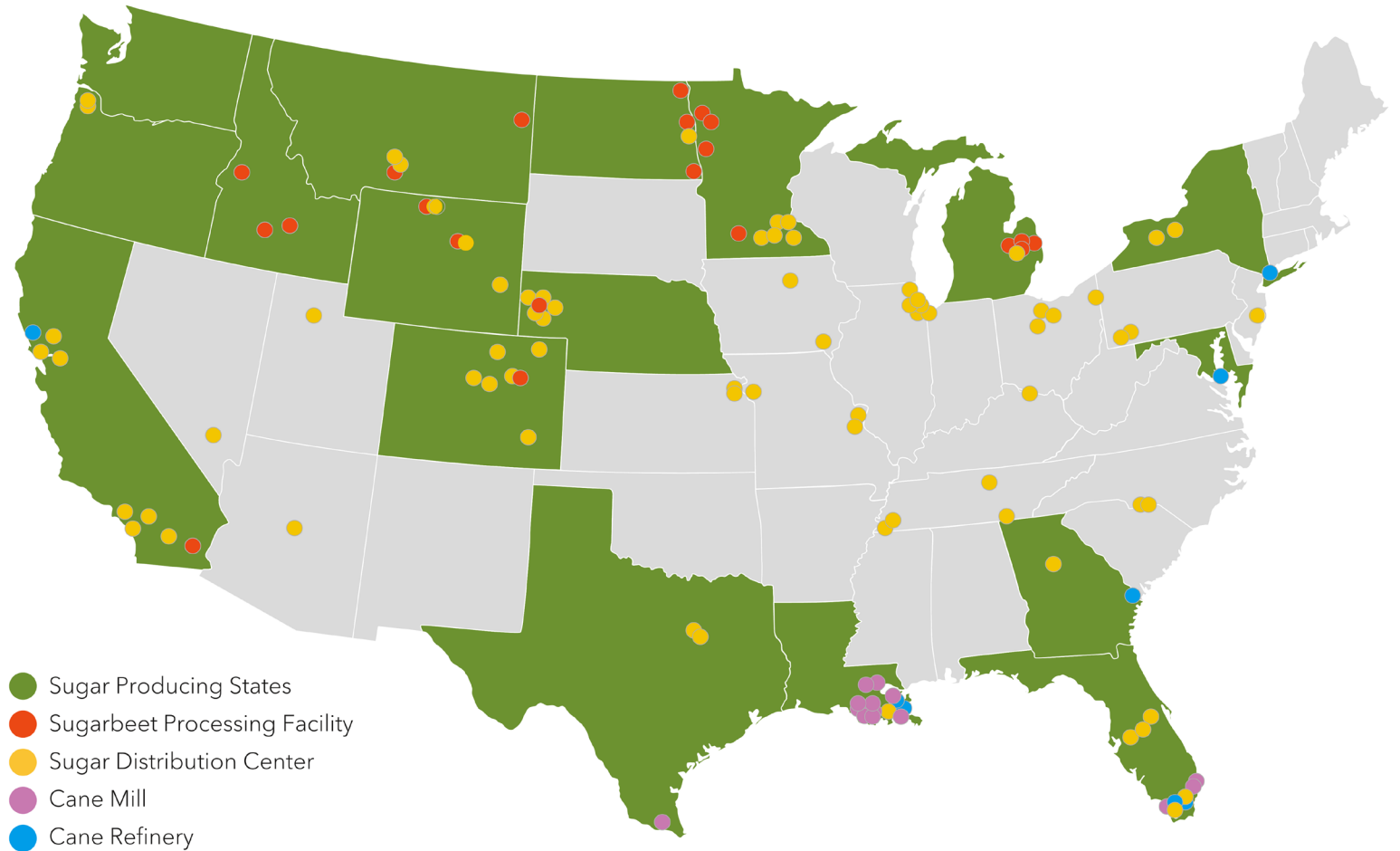
Freezing point
depression

Color

Moisture retention

Food Security
=
National Security

Sugar: Strategic
Commodity and
Industry





Keeping America Strong

- Beets supply enough sugar for 140 million people
- Store sugar in strategic locations
- No shortages during pandemic
- \$11 billion to U.S. economy
- Generates 98,000 good jobs, many in rural America





Storing and Delivering “Just In Time”
to Food Manufacturers

The Future

NEXT EXIT



Warning Signs of a Beet Industry Under Stress

- **1: Consolidation:**
Since 1981
23 beet factories closed
21 factories remain
- **2: Ownership:**
 - All factories owned by growers.
 - No interest by outside investors due to high risk and low returns.
 - Cooperatives make no profits.
 - Farmers are the last owners of the processing facilities.
- **3: Share Values:** Some shares are low, at or below zero value.



Factory Closure

February 6, 2023

Structure and Economics

- Produced high quality crop
- Growers were not shareholders in the cooperative. No obligation to plant the crop.
- 45,000 acres down to 18,400
- 300 factory employees
- Beet factories do not reopen

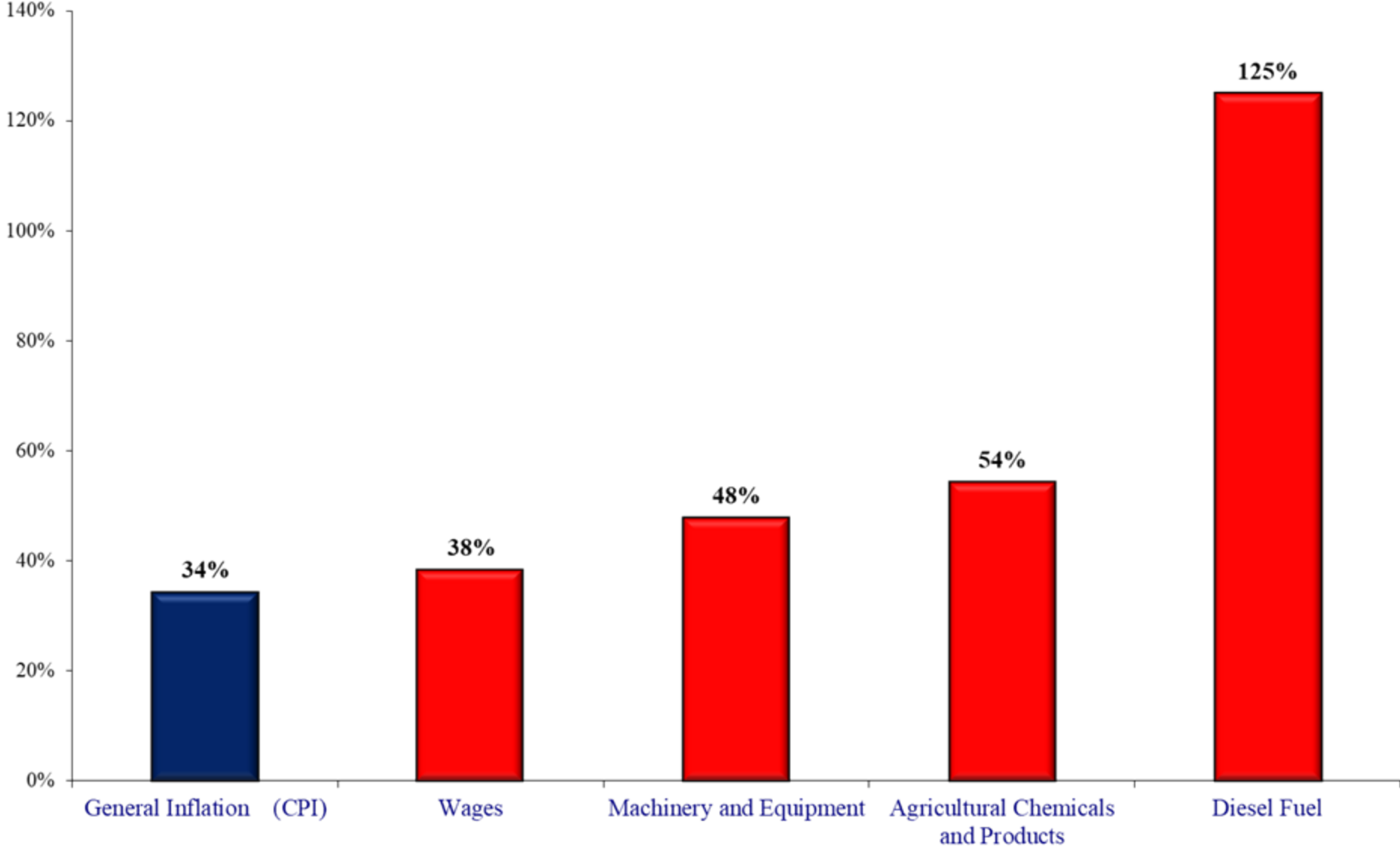
Sidney Sugars (Northeast Montana)



Grower Concerns



Since 2010: Farmers' Costs Have Soared

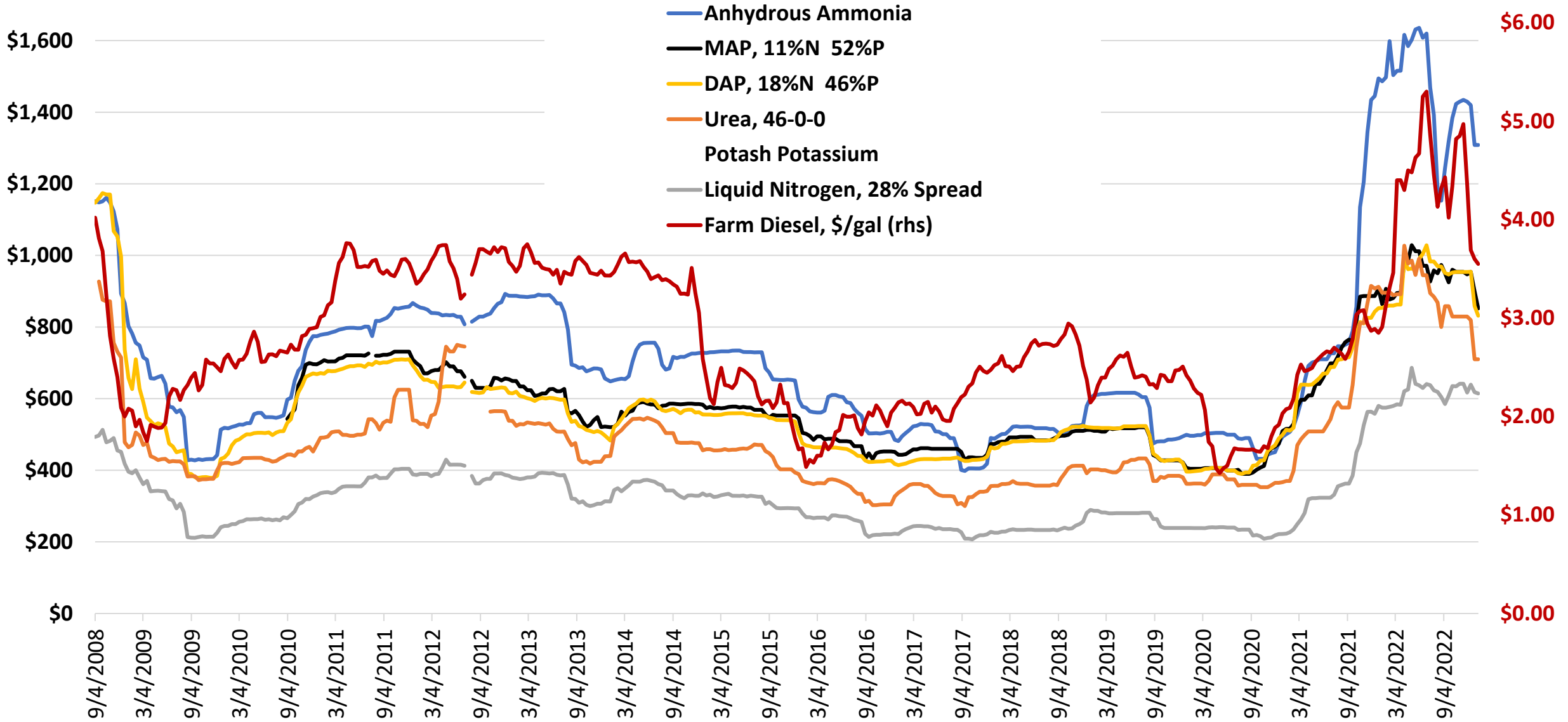


Input cost data source: U.S. Bureau of Labor Statistics, Prices for 2010 and 2022 (to date).

Illinois Farm Costs of Production, \$/ton

\$/ton

\$/gal



Source: USDA/AMS, Illinois Dept. of Ag.

Higher Processing Costs

Hundreds of millions in maintenance and capital costs for beet industry.

50% of wholesale sugar price goes to process the crop.



Cash Flow Squeeze

- Unit “Retains”: Interest free loan to coop that is paid back in 5-10 years!
- 2 years from initial field prep to final payment.
- Tighter margins means banks demanding more collateral for operating loans.
- Farmers depend 100% on market price.
No government subsidies.



Threat: Volatile Climate Risks

Drought, Flood, Freeze, Wind, Pile Storage

Freeze



Drought



Risk Management Tools

- **Crop Insurance:** adequate coverage and affordable premiums.
Only covers 50-85% of costs.
- **Vulnerability:** Unharvested crop and pile losses means less sugar and reduces income for all shareholders.



Crop Protection Tools: Cost & Availability

Leaves



Roots



Weeds



Court Rulings and Regulations

- The National Bioengineered Food Disclosure Standard
- The SECURE Rule
- Chlorpyrifos
- Endangered Species Act
- Active Ingredient Registration and Reregistrations
- Emergency uses (Section 18s)



Research: Public and Farmer Funding

Focus

- 14 targeted areas of research
- Pile storage
- Weeds
- Fungi
- Insects
- + Soil health
- + Climate Smart
- + Seed breeding

USDA-ARS: 9 locations

- Pullman, WA
- Kimberly, ID
- Fort Collins, CO
- Sidney, MT
- Fargo, ND
- E. Lansing, MI
- New Orleans, LA
- Beltsville, MD
- Wyndmoor, PA

10 University Locations

- Colorado State University
- Michigan State University
- Montana State University
- North Dakota State University
- Oregon State University
- University of Nebraska
- University of California –Davis
- University of Idaho
- University of Minnesota
- University Of Wyoming

Plant Breeding: More Productive Plants

Time and cost to bring to market.

- Bioengineering
- U.S. is the global leader
- Gene Editing (CRISPR)



Labor: Available, Trainable, Affordable

- Farm

- Factory



Competing Crops

• Production & Pricing

- Easier to grow
- Less specialized equipment
- Lower risk
- Lower cost
- Strong pricing for next 3 years as a result of Ukraine conflict

• Challenges for Beet Growers

- Obligation for long term factory costs
- Stock values in some areas are low to negative. Bankers view stock as a liability not an asset.
- Retirees can't sell their shares and obligated to plant the crop.



Succession:
What does
THEIR future
require of US
today?



Growers Need Strong Sugar Policies

- **Trade Policy:** Respond to foreign subsidies and dumping of sugar
- **Farm Policy:** A safety net that reflects current and future production costs
- **Policy Administration:** Reflects the farmers need to get all of our income from the marketplace.
- Efforts to weaken these policies will only drive more producers out of business.

Conclusion

- Beet sugar remain a strategic and reliable supplier to keep food supply safe & secure.
- Need stability and profitability now to invest in farms and factories for the future.
- Need strong farm and trade policies for sugar farmers to meet these objectives.





Thank You