Growers to defend U.S. sugar policy

By JOHN O'CONNELL
Capita Press

John O'Connell/Capital Press
Snow partially covers a pile of sugar beets in Aberdeen, Idaho. Sugar growers say it's a priority to win over new lawmakers on U.S. sugar policy, which was retained in the 2014 Farm Bill.

Defending the U.S. sugar program will be the sole priority for 55 sugar producers planning a trip to lobby policymakers in Washington, D.C., from late February to early March.

On Feb. 5, the American Sugar Alliance also sent a letter to freshmen lawmakers explaining the importance of the sugar program, and highlighting a global subsidization trend that would threaten U.S. growers, if not for the policy's protection.

Alliance spokesman Phillip Hayes believes Congress spoke "loud and clear" when it passed a strong sugar policy in the 2014 Farm Bill. But Hayes warns sugar growers can't afford to be complacent now about the policy, which allows 1.5 million tons per year of sugar imports from 41 trade partners.

Under the North American Free Trade Agreement, Mexican sugar has open access to the U.S. However, the governments of Mexico and the U.S. recently agreed to new import restrictions on Mexican sugar in response to U.S. producers' concerns about the dumping of subsidized Mexican sugar on their market.

Since the case was filed, the U.S. wholesale sugar price has risen from 26.5 cents per pound to 36 cents per pound.

Hayes said it's too early to know where freshmen lawmakers stand on sugar policy, but Republicans in particular are influenced when he tells them the industry's goal is to have trade barriers removed when there's a level playing field

Despite competing with countries that have poor labor standards, he said, the U.S. is in the top 20th percentile for sugar production efficiency, and is the most efficient producer of beet sugar. The problem, he said, is other countries dump sugar on the world market to maintain high domestic prices and offer subsidies that keep inefficient producers in business.

Brazil, which offers $2.5 billion in annual baseline sugar subsidies, has implemented new programs to promote cane sugar-derived ethanol. The nation has also approved $65 million in direct subsidy checks to sugar farmers and a $2 billion farm loan package. India has increased its sugar export subsidy from $53.45 per ton to $65 per ton.

Until other nations stop subsidizing, Hayes said "unilateral disarmament cannot be an option."

"What we're looking to do in 2015, and we're already starting to do it, is really catalog the increase in (foreign) subsidization and making sure that information gets out to Capitol Hill," Hayes said.

American Falls, Idaho, sugar beet grower Lamar Isaak flew to Washington, D.C., with growers last winter and believes his arguments changed lawmakers' minds. Isaak tells them U.S. sugar policy protects the nation's food security. He said Idaho growers haven't selected who will go this winter, but there's always broad interest.

New lawmakers, however, can expect to hear an opposing argument about sugar policy from the Coalition for Sugar Reform, which represents the major confectioners and sugar buyers.

"The Coalition is focusing its lobbying efforts on educating new members of Congress on the costs of the sugar program to American taxpayers, consumers and businesses across the country," said Coalition spokeswoman Jennifer Cummings.

USDA projects return of no-cost sugar program

By JOHN O'CONNELL
Capital Press

WASHINGTON, D.C. — USDA has projected the nation's sugar program will operate at no cost to taxpayers for the next decade.

The program provides loans to co-ops and processors that are used to buy farmers' crops, and places quotas on imports from many countries. The program only costs the treasury if the price of sugar falls to the point where the crop is forfeited to repay the loan.

In Fiscal Year 2013 the agency invested $259 million to help growers cope with prices well below production costs. Agency actions included purchases of sugar for ethanol production, thereby removing a glut from the food supply chain, and accepting forfeited sugar in lieu of loan repayments.

USDA officials say the positive sugar outlook, included in an annual report to support the president's federal budget proposal, was made possible by recent agreements between the U.S. and Mexican governments and the Mexican sugar industry to resolve the dumping of subsidized Mexican sugar onto the U.S. market.

The U.S. sugar industry advocated for duties on Mexican sugar imports last winter to address the flooding of the U.S. market. Temporary tariffs were enacted in response, but were suspended in December 2014 due to the agreements, which set minimum prices and export limits on Mexican sugar.

The suspension agreements are under appeal.

"We strongly support the suspension agreements so that we do not repeat the costs of 2013," Michael Scuse, USDA under secretary for Food and Foreign Agricultural Services, said in a press release.

Under the 2012 Farm Bill, Congress directed USDA to operate the sugar program at no cost to taxpayers. Sugar is on a short list of commodities projected by the agency to have a revenue-neutral program, including honey, tobacco, extra long staple cotton, wool, mohair and pelts.

American Sugar Alliance economist Jack Roney said U.S. sugar will have operated at no cost for 22 or 23 years, if USDA's projection proves to be true.

ASA spokesman Phillip Hayes believes USDA's intervention averted "massive forfeitures."

"Now that there is a suspension agreement in place, the USDA assumes the policy will return to no cost for the next 10 years," Hayes said. "The no-cost component to sugar policy is one of its main attributes."

Hayes said the projection also sends a signal that prices paid to sugar farmers will remain above forfeiture levels. At 36 cents per pound, Aberdeen, Idaho, farmer Andy Povey said the sugar price isn't much better than break-even. But he said it sure beats losing money.

"It looks like there are positives compared to what there has been in the last two or three years," Povey said.

Jennifer Cummings, a spokeswoman for sweetened product manufacturers with the Sweetener Users Association, noted the most recent Congressional Budget Office forecast anticipated the sugar program will cost taxpayers $163 million over 10 years.

Hayes said CBO's projection is based on outdated information, and he expects it will change when CBO makes a revised projection in March.

John O'Connell/Capital Press
A truck waits to load sugar beets from a piling ground in Southeast Idaho during mid-January. USDA projects the nation's sugar program will return to operating at no cost to taxpayers for the next decade.

Idaho bill would ensure state primacy over seed industry

By SEAN ELLIS
Capital Press

BOISE — A bill introduced in the Idaho Legislature would ensure the Idaho State Department of Agriculture has primacy over local governments when it comes to governing the state's seed industry.

Idaho's Pure Seed Law already gives ISDA statewide jurisdiction over the regulation of Idaho's $500 million seed industry, including the registration, labeling, sale, storage, transportation, distribution, planting and use of seeds.

The bill would strengthen ISDA's jurisdiction by adding the words "cultivating, producing and processing" and defin those activities.

The bill was introduced in the House Agricultural Affairs Committee Feb. 10 by Rep. Clark Kauffman, a Republican farmer from Filer.

The committee unanimously approved printing it on a voice vote. A public hearing on the proposed legislation will be held later.

The ISDA has set up zones for the growing of certain seeds. For example, industrial rapeseed can't be grown in a zone where canola seed is grown, and certain types of seed can't be grown where sweet corn seed is grown.

Those zones are meant to avoid cross-pollination and maintain the purity of seeds and are based on drainages or other factors that make agronomic sense for those particular seeds, Kauffman said.

The amendment to the law would ensure a county or city government couldn't ban the growing of a certain seed, and would prevent them from banning the planting and use of genetically engineered seeds.

"This is to protect those zones and make sure the state is in control of them and not local government," Kauffman said. "We think primacy for areas of pure seed ... should be under the jurisdiction of the department of agriculture rather than (local entities)."

Seed is an important part of the state's agricultural industry and the bill would ensure the people with the expertise maintain jurisdiction over it, said Doug Jones, executive director of Growers for Biotechnology.

"The state has the expertise, where the counties don't," said Jones, a Twin Falls farmer and former chairman of the House ag committee. "Keep it at the state level where the expertise is and where they see the big picture and can help protect the agricultural industry."

He said the bill would also prevent a county or city from banning a seed processor, an event that could severely damage a large part of the state's farming industry.

"If a county says, 'We're not going to allow you to process that kind of seed in your plant,' that's a real problem," he said. "That means they have to relocate the plant or you lose the production of that commodity to some other state or region."

Apple imports could be another challenge for country's growers

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — Washington's record apple crop has shrunk another 2.5 million boxes, which may help support prices as import competition mounts in March and April.

The 2014 crop was estimated by the industry at 155 million boxes on Nov. 1, 150 million on Dec. 1 and Jan. 1 and was 147.5 million as of Feb. 1.

Lesser quality fruit is probably being dumped, as are some sizes and grades that marketers are unable to sell, said Tim Evans, general sales manager at Chelan Fresh Marketing.

The shrinkage should have a positive effect on prices, which remain low except for Honeycrisp and club varieties, Evans said. Prices for Gala are slightly higher.

"The real test comes in March when imported fruit comes in and storability of Washington fruit becomes an issue," said Desmond O'Rourke, an agricultural economist and consultant in Pullman.

Price pressure will develop if Washington apples aren't storing well and need to be sold and Southern Hemisphere marketers see the U.S. as their best export prospect for their new crop, O'Rourke said.

That could happen, he said, because of the strength of the U.S. dollar, weakness of the Euro and the Chinese economy slowing more quickly than expected.

Chile and New Zealand may find bigger profit margins in the U.S. than Europe, he said. China decreased all imports, including fruit, by 20 percent in January, O'Rourke said.

"The U.S. market will look very attractive this year to the Southern Hemisphere guys, and it's bad for us because we have all this fruit," he said. "We've never before had this much volume this late in the year with them eying us as a prime market."

Evans said the Red Delicious supply was down 740,000 boxes, Fuji was down 887,000 boxes, Granny Smith was down 296,000 boxes, Gala was down 200,000 boxes, Golden Delicious was down 156,000 boxes and Cripps Pink was down 130,000.

"The real surprise was Fuji," he said. Lower color and increased lenticel breakdown that leads to decay is showing up in late-picked Fuji that was marginal when picked, he said.