Testimony of
Galen Lee
President, Nyssa Nampa Beet Growers Association

U.S. House of Representatives
Committee on Agriculture
Field Hearing on the 2012 Farm Bill
Nampa, Idaho
May 1, 2010

Thank you, Mr. Chairman and members of the Committee, for bringing this important field hearing to Idaho. My name is Galen Lee, and I appreciate this opportunity to speak on behalf of more than 1,100 sugarbeet growers in Idaho, Oregon and Washington regarding the 2012 Farm Bill.

I especially want to express my gratitude to Congressman Minnick, who stands as a strong voice for Idaho agriculture on your Committee. We are proud that he, and Congressman Simpson—who is co-chair of the House Sugar Caucus—will work to maintain a strong sugar policy in the next Farm Bill. I also want to welcome Congressman Schrader, in whose district all the U.S. sugarbeet seed is grown. We look forward to working with you in the months ahead.

I farm in New Plymouth, Idaho, which is about thirty-five miles northwest of here. My family and I grow sugarbeets, asparagus, peppermint, alfalfa and corn; we are also dairy farmers and have a beef herd. My family has been farming for more than 100 years and growing beets since 1970 for the Amalgamated Sugar Company. I am President of the Nyssa-Nampa Beet Growers Association and a member of the Board of Directors of the Snake River Sugar Company.

Sugarbeets have been grown in Idaho for 107 years. They are an important cash crop in irrigated areas along the Snake River. In 1996, the 1,134 beet growers of the Snake River Sugar Company—a grower-owned cooperative of growers in Idaho, Oregon and Washington—purchased the Amalgamated Sugar Company, now located in Boise. Three factories—in Mini-Cassia, Nampa and Twin Falls—typically produce more than 13% of U.S. beet sugar production. Our grower-owned cooperative is the key supplier of sugar to the northwestern United States and other critically-important markets.

In Idaho, sugarbeets are a $1 billion industry that supports about 7,000 direct and indirect jobs. The loss of this industry would shift 180,000 acres of sugarbeets into other crops and depress prices, especially for potatoes and onions.

Ultimately, our future depends on good farm and trade policy.

Food Security
Sugar is an essential ingredient in our nation's food supply. As an all-natural sweetener, bulking agent and preservative, it plays an important role in about 70% of processed food products and is called for in a multitude of favorite home recipes. Dependence on unreliable and unstable foreign suppliers is a threat to our food security, which is why a strong, diversified and reliable domestic industry has long been recognized as important to the nation.

U.S. sugar producers are globally competitive, but for decades we have been threatened by unfair competition. Roughly 120 countries produce sugar and all their governments intervene in their sugar markets in some way. Many countries subsidize their producers and dump their surpluses on the world market for whatever price it will bring. This depressed, so-called "world price" has averaged below actual global costs of producing sugar for many years. American producers are competitive, but cannot be expected to compete against these foreign treasuries and unfair predatory trade practices.

Importance, Size, Efficiency
In addition to the critical role it plays in local economies, sugar is a significant job producer and revenue-generator nationally. The U.S. sugar producing industry, with sugarbeets and sugarcane grown or processed in 18 states, generates over 146,000 jobs and more than $10 billion per year in economic activity. These jobs range from the cane fields of Hawaii and the beet fields of Idaho to the cane sugar refineries in New Orleans, New York City, and other cities.

The United States is the world's fifth-largest sugar producer. We are also the fifth-largest sugar consumer and the world's second-largest net importer. And, we are good at what we do. Our sugar farmers are among the lowest cost producers in the world. We are doubly proud of this distinction because we have achieved it while being fair to our workers and responsible stewards of the land. Farmers in the developing world, who dominate the world sugar market, generally operate with little or no enforced requirements for worker safety and benefits, or for air, water, and soil protection. Our standards, and compliance costs, are among the highest in the world.

Restructuring
Despite our efficiency, we are an industry that has been under enormous stress. From 1985 until 2009, we did not receive any increase in our price support level. Over this long period of essentially flat nominal prices, the real price we received for our sugar dropped sharply because of inflation. (Figures 1-2)

Only the producers who could match the declining real price with efficiency gains and lower production costs were able to survive. More than half could not. From 1985 to 2009, 54 of America's 102 cane mills, beet factories, and cane sugar refineries shut down, with terrible consequences for the local families and communities. Just since 1996, 35 mills, factories, and refineries have closed. (Figures 3-4)

Trade Challenges
The U.S. is one of the most open sugar markets and one of the world's largest sugar importers. The U.S. provides access to its market to 41 countries, as it is required to do under trade laws. Virtually all are developing countries, and most are highly supportive of U.S. sugar policy because it provides an import price at which many can recover their costs of production.

In addition to coping with the problems of rising costs, pests, disease, and natural disasters, American sugar farmers have had to deal with another threat: trade agreements that have ceded more and more of the American sugar market to foreign producers – even if the foreign producers are subsidized and inefficient. And more such concessions are being contemplated.

Trade agreements force the U.S. to provide duty-free access for 1.4 million short tons of sugar each year, whether the country needs the sugar or not. This amounts to about 15% of domestic sugar consumption.

In addition, under the NAFTA, Mexico now enjoys unlimited access to the U.S. sugar market. It is difficult to predict how much sugar Mexico might send north each year. Key variables include Mexican sugar production, government decisions (one-fourth of the sugar mills are owned and operated by the Mexican government), and the pace at which corn sweetener, mostly from the U.S., replaces sugar in the massive Mexican beverage industry. Mexican sugar exports to the U.S. have varied widely in the past, and could in the future – over 1.4 million short tons last year, but only about 0.5 million forecast for this year. (Figure 5)

Furthermore, the U.S. is negotiating a Doha Round of the WTO that would result in additional market access concessions. The TPP (Trans-Pacific Partnership) trade negotiations, recently launched by the Obama Administration, could also eventually result in substantial market commitments for sugar to the many countries lining the Pacific Rim. Such trade concessions threaten to reduce U.S. sugar producers' access to our own market even further, and reduce prices as well, making it impossible for those of us who are struggling to survive. (Figure 6)

Previous Farm Bill
In the 2002 Farm Bill, USDA had only two tools to balance U.S. sugar supplies with consumer demand.

1. It could limit foreign supplies to minimum import levels required by the World Trade Organization (WTO) and other trade agreements.
2. It could limit domestic sugar sales through marketing allotments. Each year, USDA would forecast domestic sugar consumption, subtract required imports, and allow U.S. producers to supply the balance.
    - If U.S. production was insufficient to fill demand, USDA could increase imports by expanding the tariff-rate quota (TRQ).
    - If U.S. production exceeded the allotment quantity, American producers had to store the excess at their own expense, not the government's.

This market-balancing system worked reasonably well until 2008, although misjudgments in setting the TRQ in 2006 seriously depressed the U.S. sugar market. That's when Mexico gained unlimited access to our market under the NAFTA, and USDA effectively lost control of the market.

The 2008 Farm Bill

Congress, in its wisdom, designed a sugar policy that is working to the considerable benefit of consumers and at zero cost to taxpayers, and is giving the remaining American sugar farmers a chance to survive. And, it fully complies with the rules of the WTO.

While retaining the basic-market-balancing tools described above, Congress made a number of important improvements in 2008. The Farm Bill minimizes the erosion of American sugar farmers' share of their own market by limiting reductions in their marketing allotments to not less than 85% of consumption. It's worth noting that in many years, imports amount to much more than 15% of the U.S. market.

If imports exceed the difference between domestic market allotments and consumption, USDA will divert surplus sugar into fuel ethanol production and restore balance to the sugar market for food. The added ethanol production would be consistent with national goals to reduce American dependence on foreign oil and improve air quality.

In addition to the use of ethanol as a market balancing mechanism, two other Farm Bill measures are helping to stabilize the market and improve producer prospects:

1. The first increase in the sugar support price since 1985. The raw cane sugar loan rate rose by ¼ of a cent per pound this year, and will rise the same amount in fiscal years 2011 and 2012. Refined beet sugar rates will rise by a commensurate amount. In fiscal year 2012, the raw cane loan rate will be 18.75 cents per pound and the refined beet sugar rate will be 24.09 cents.

2. USDA may not announce a TRQ above the minimum required by trade agreements until halfway through the crop year (April 1), unless there is a supply emergency. By April, much more is known about actual U.S. sugar production and consumption and the volume of imports from Mexico. This will prevent a recurrence of situations such as that in the summer of 2006, when USDA announced an excessive TRQ for the coming year, the market was badly oversupplied, and producer prices languished for almost two years.

Consumer Benefits

American food manufacturers and consumers continue to benefit from reliable supplies of sugar that has been produced responsibly and is reasonably priced, high in quality, and safe to consume. In real terms, corrected for inflation, U.S. wholesale and retail prices have declined substantially over the past three decades. Food manufactures and consumers in the rest of the developed world pay about 10% more for sugar than Americans do. Taking per capita income levels into account, sugar is more affordable in America than in virtually every other country in the world – rich or poor. (Figures 7-12)

Taxpayer Benefits
Sugar is the only major commodity program that operates at no cost to taxpayers, and government projections through 2020 say it will remain no cost over all these years. Projections prior to the enactment of the 2008 Farm Bill suggested significant costs because of excessive imports from Mexico, low prices, and government loan forfeitures. But thanks to steady consumption growth, stable domestic production, manageable import levels from Mexico, and sound program management by USDA, costly surpluses have not occurred. (Figures 13-14)

The 2012 Farm Bill
The U.S. sugar industry has endured a wrenching restructuring over the past two decades. American sugar farmers remain are grateful to the Congress for crafting a sugar policy that is balancing supply and demand, ensures consumers of dependable, high-quality supplies, and is improving market prospects for sugar producers. The policy achieves all these goals at zero cost to American taxpayers.

With some prospect of continued market stability, producers should be able to re-invest in their operations, further reduce their costs of production, and survive. We strongly urge the continuation of this successful, no-cost policy in the next Farm Bill.

Thank you again, Mr. Chairman, for holding this important hearing and for all that you and the Committee do for American agriculture. We look forward to working with you in the future.

Figure 1

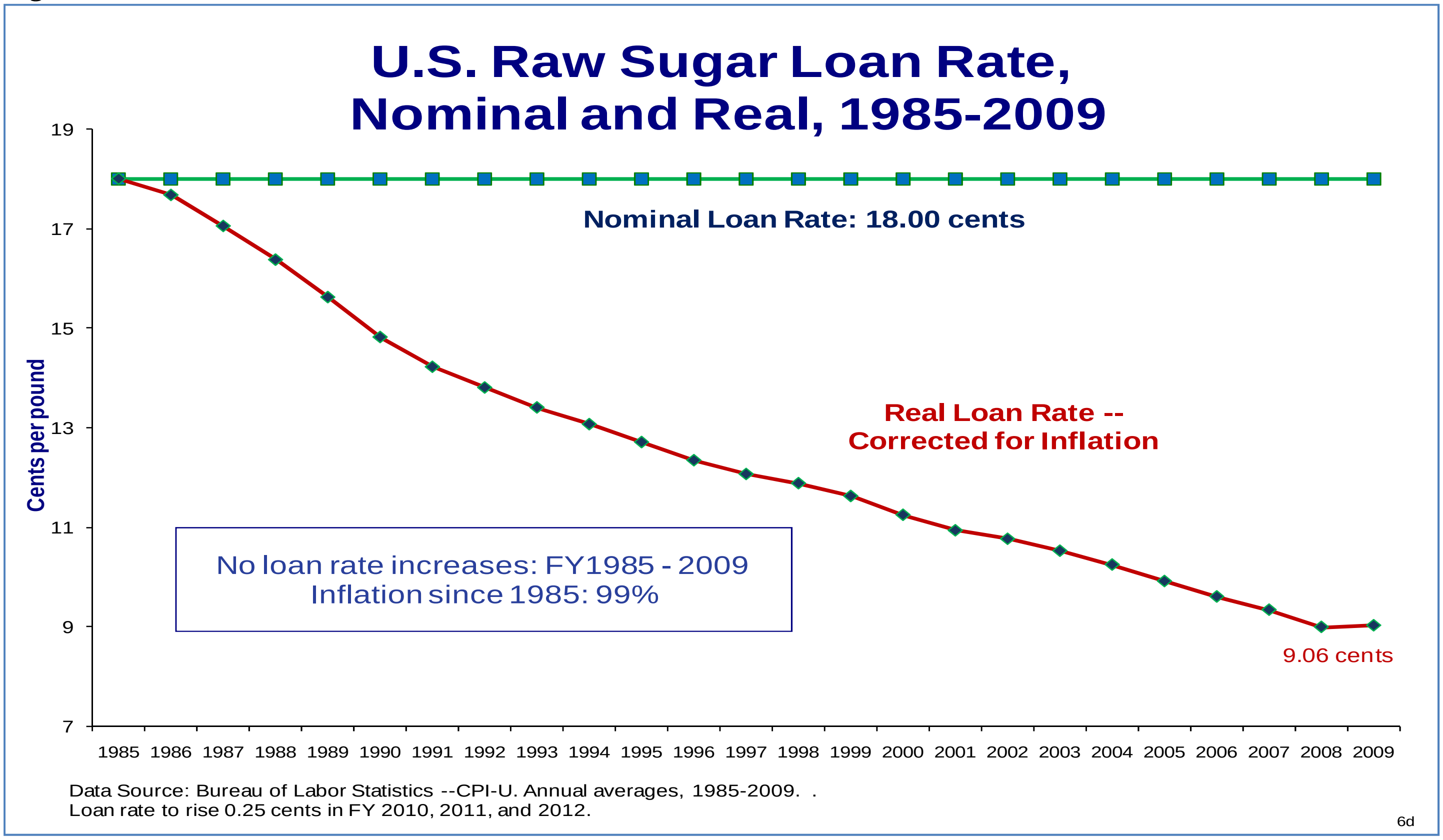

Figure 2

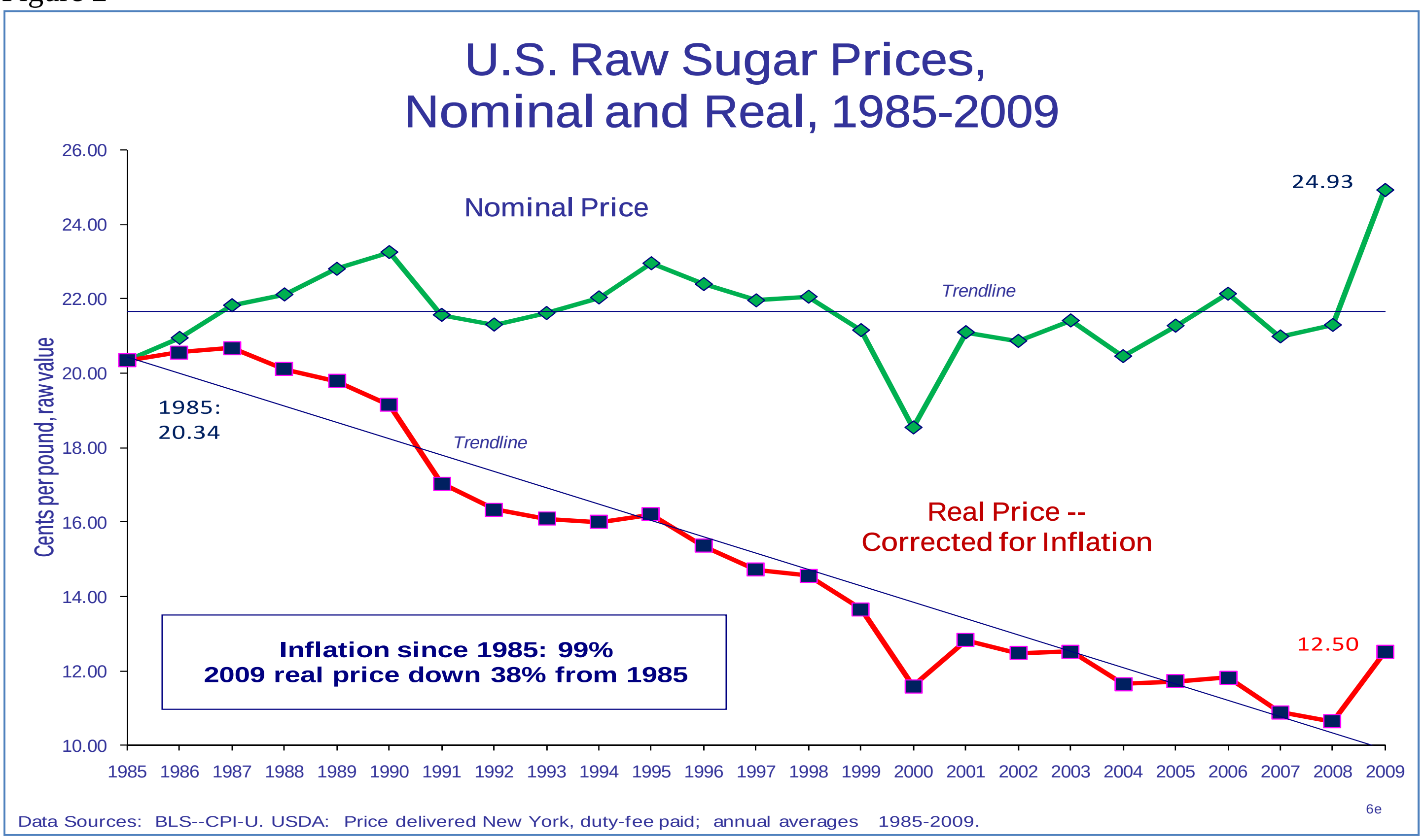

Figure 3

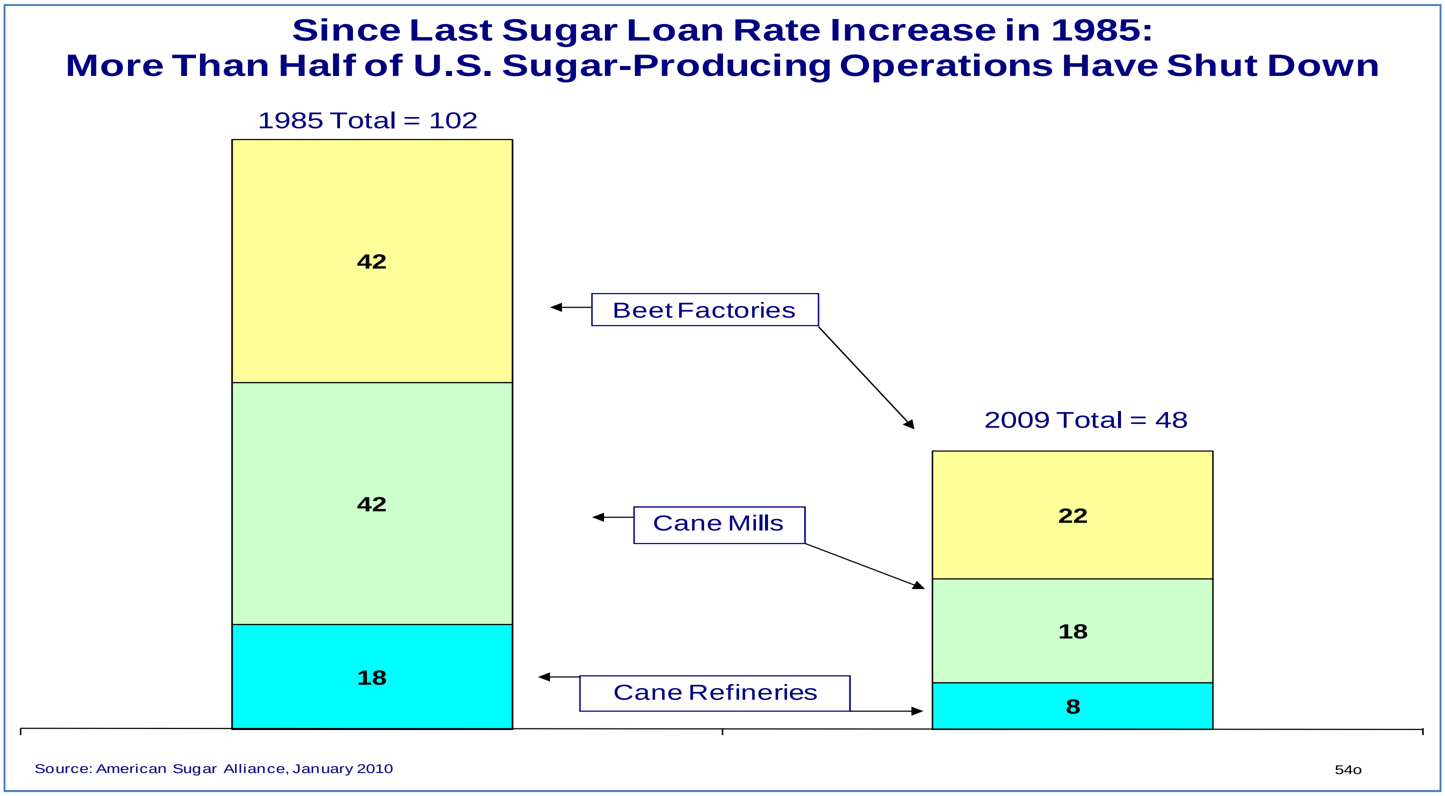

Figure 4

35 Sugar Mill and Refinery Closures, 1996 - 2009

BEET CLOSURES	CANE CLOSURES	
Spreckels Sugar, Manteca California, 1996	Ka'u Agribusiness Hawaii, 1996	Evan Hall Sugar Cooperative Louisiana, 2001
Holly Sugar, Hamilton City California, 1996	Waialua Sugar Hawaii, 1996	Caldwell Sugar Cooperative Louisiana, 2001
Western Sugar, Mitchell Nebraska, 1996	McBryde Sugar Hawaii, 1996	Glenwood Sugar Cooperative Lousiana, 2003
Great Lakes Sugar, Fremont Ohio, 1996	Breaux Bridge Sugar Louisiana, 1998	New Iberia Sugar Cooperative Louisiana, 2005
Holly Sugar, Hereford Texas, 1998	Pioneer Mill Company Hawaii, 1999	Jeanerette Sugar Company Louisiana, 2005
Holly Sugar, Tracy California, 2000	Talisman Sugar Company Florida, 1999	Cinclare Central Facility Louisiana, 2005
Holly Sugar, Woodland California, 2000	Amfac Sugar, Kekaha Hawaii, 2000	Atlantic Sugar, Belle Glade Florida, 2005
Western Sugar, Bayard Nebraska, 2002	Amfac Sugar, Lihue Hawaii, 2000	U.S. Sugar, Bryant Florida, 2007
Pacific Northwest, Moses Lake Washington, 2003	Hawaiian Commercial & Sugar, Paia Hawaii, 2000	South Louisiana Sugar Cooperative Louisiana, 2007
Western Sugar, Greeley Colorado, 2003		Gay & Robinson, Kaumakani Hawaii, 2009
Amalgamated Sugar, Nyssa Oregon, 2005	CANE REFINERY CLOSURES	
Michigan Sugar, Carrollton Michigan, 2005	Aiea, C & H Hawaii, 1996	Sugarland, Imperial Texas, 2003
Spreckels Sugar, Mendota California, 2008	Everglades, Imperial Florida, 1999	Brooklyn, Domino New York, 2004

Note: In 2010, 22 beet factories, 18 raw cane mills, and 8 cane refineries remain in continuous operation, a 41% drop since 1996.
U.S. Sugar, FL, has announced plans to close after 2015.

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Figure 5

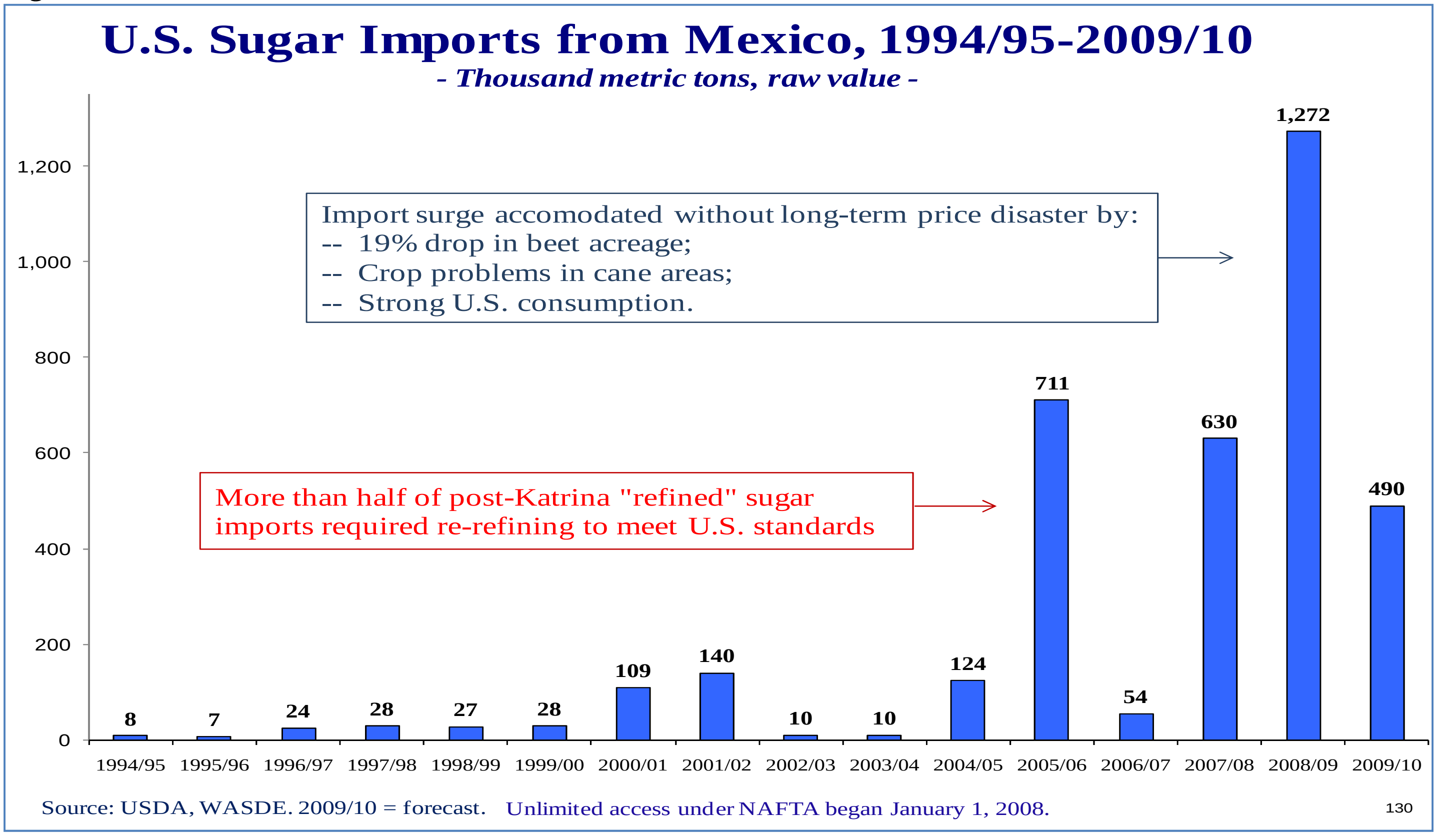

Figure 6

U.S. Sugar Import Concessions:
In Place, Proposed, or Being Negotiated

	Minimum Import Amount WTO	FTAs	Total	Comment
	-Metric tons, raw value-			
In Place				
WTO (40 countries)	1,139,175	--	1,139,175	Uruguay Round commitment
NAFTA - Mexico[1]	10,212	Unlimited	Unlimited	Unlimited access began January 1, 2008
CAFTA/DR[2]	311,700	119,060	430,760	Grows, on average, by 3,153 mt/yr years 2-15; by 2,640 mt/yr thereafter
Peru[3]	43,175	11,000	54,175	Grows by 180 mt/yr forever
Negotiated, not yet approved				
Colombia	25,273	50,000	75,273	Grows by 750 mt/yr forever
Panama	30,538	7,000	37,538	Grows by 60mt/yr for 10 years
Being negotiated				
WTO:	If and when completed by Congress, the Doha Round of WTO trade negotiations would result in a substantially increased tariff-rate quota (TRQ) for sugar and a reduced tariff.			
TPP (Trans-Pacific Partnership):	These negotiations could result in substantial, additional concessions to sugar-producing countries throughout the Asia-Pacific region (including Western Hemisphere countries) through renegotiation of existing FTA's or negotiation of new FTA arrangements.			

[1] Canada excluded from the sugar provisions of the NAFTA.

[2] CAFTA/DR access for CY 2009; includes 2,000 tons of specialty sugars for Costa Rica. CAFTA countries' WTO access included in WTO total.

[3] Peru FTA includes 2,000 tons of specialty sugars not subject to net exporter status.

Note: CAFTA/DR and Peru FTA net-exporter provisions (exports to world market minus imports from world market) could limit the access of the Dominican Republic some years and Peru in most years.

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Figure 7

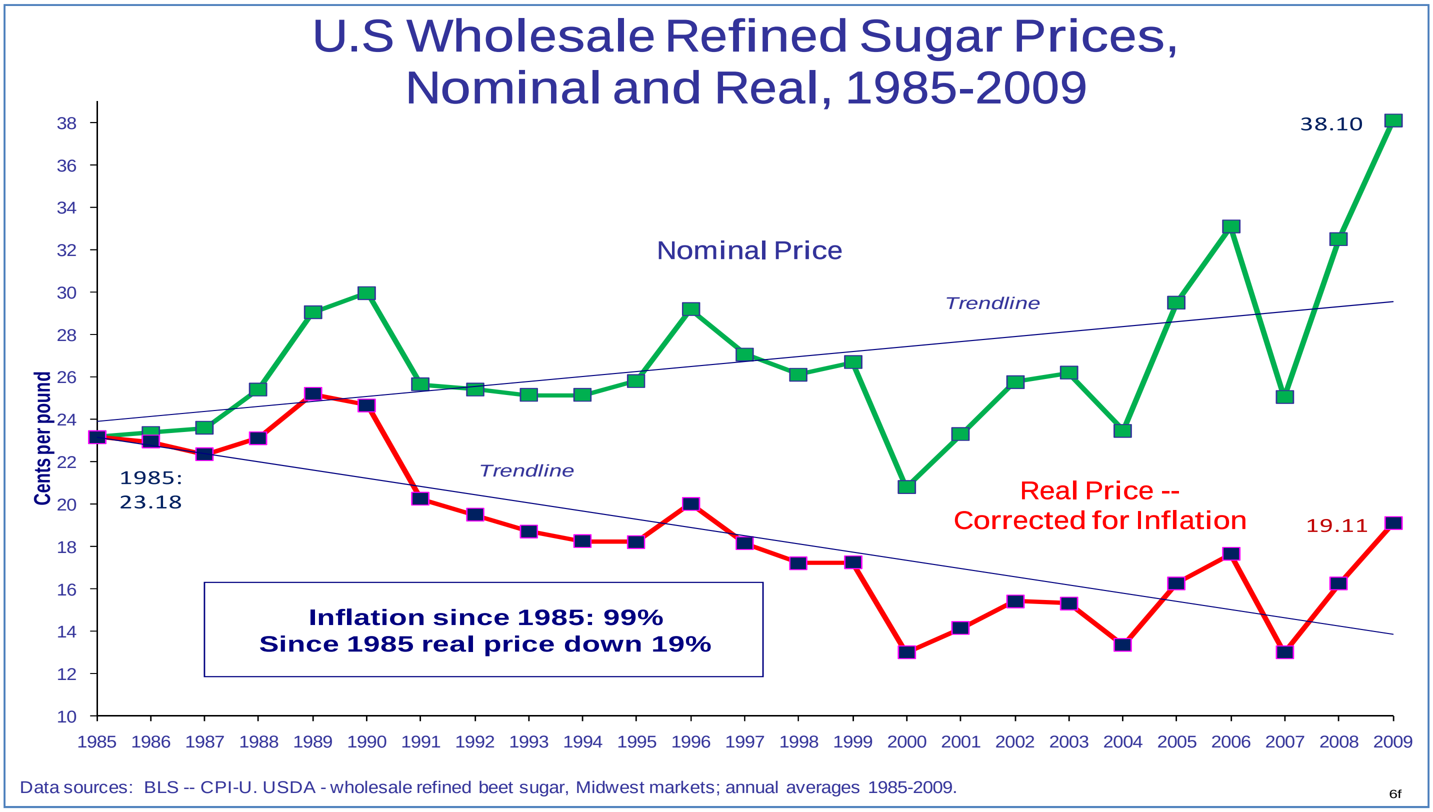

Figure 8

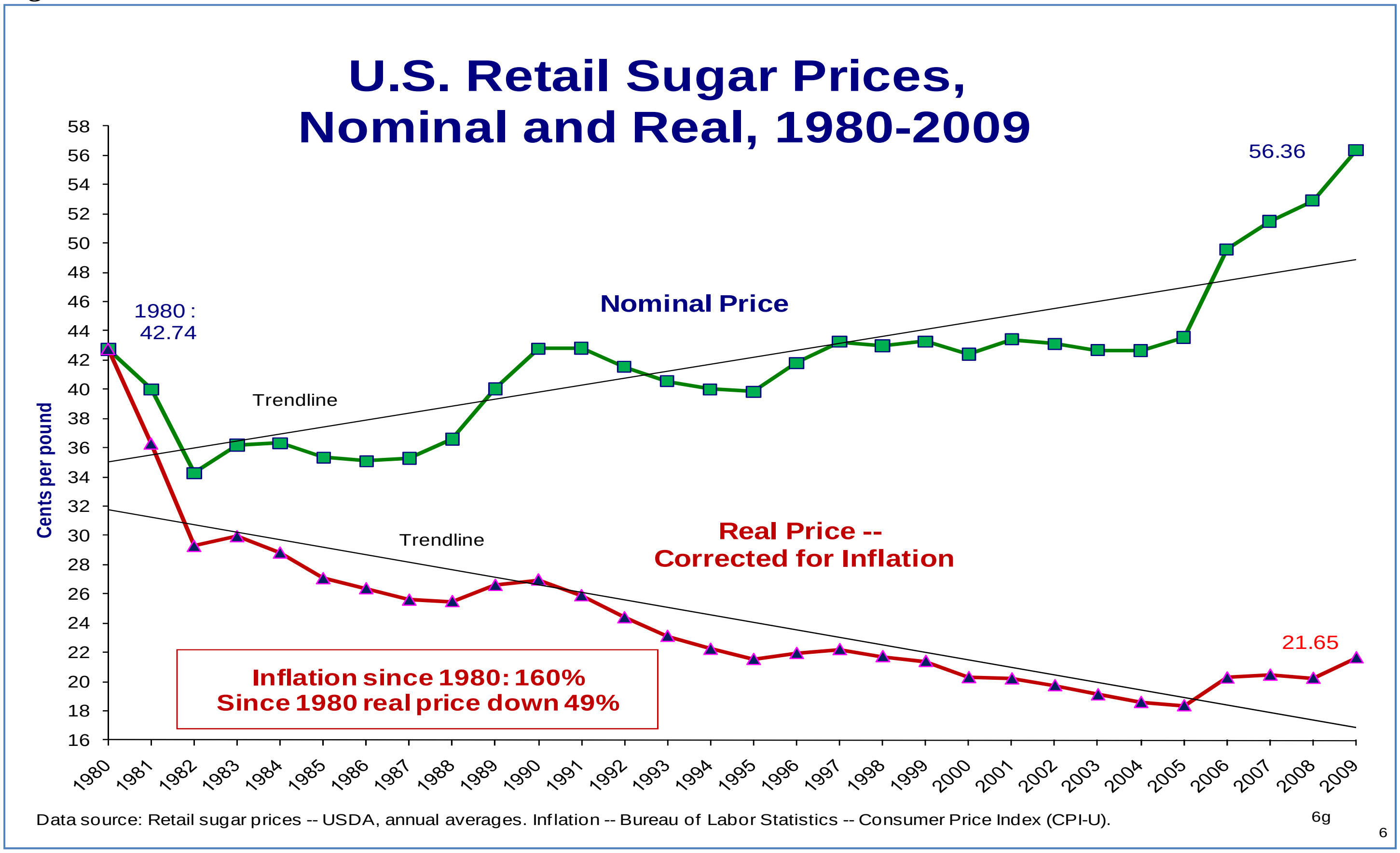

Figure 9

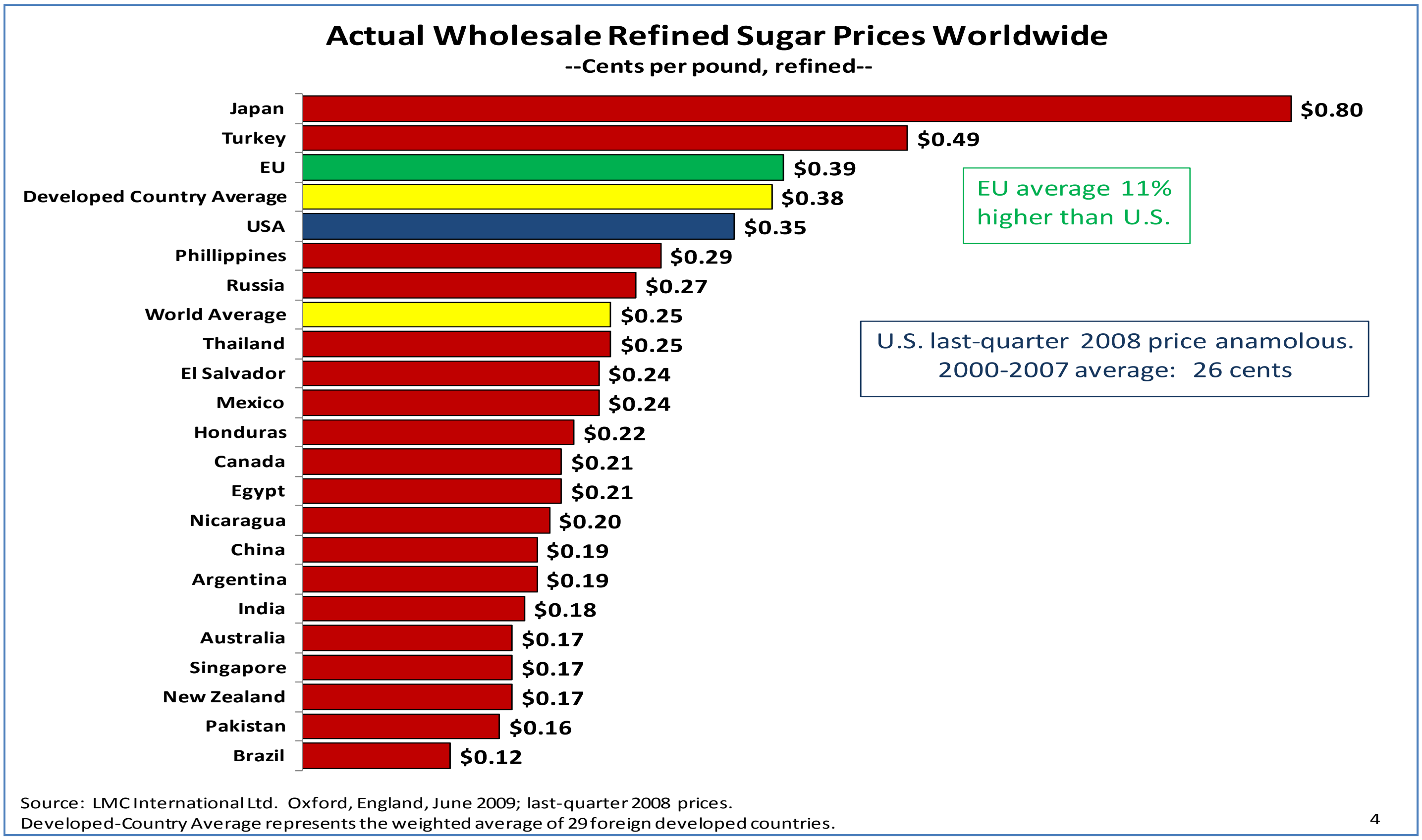

Figure 10

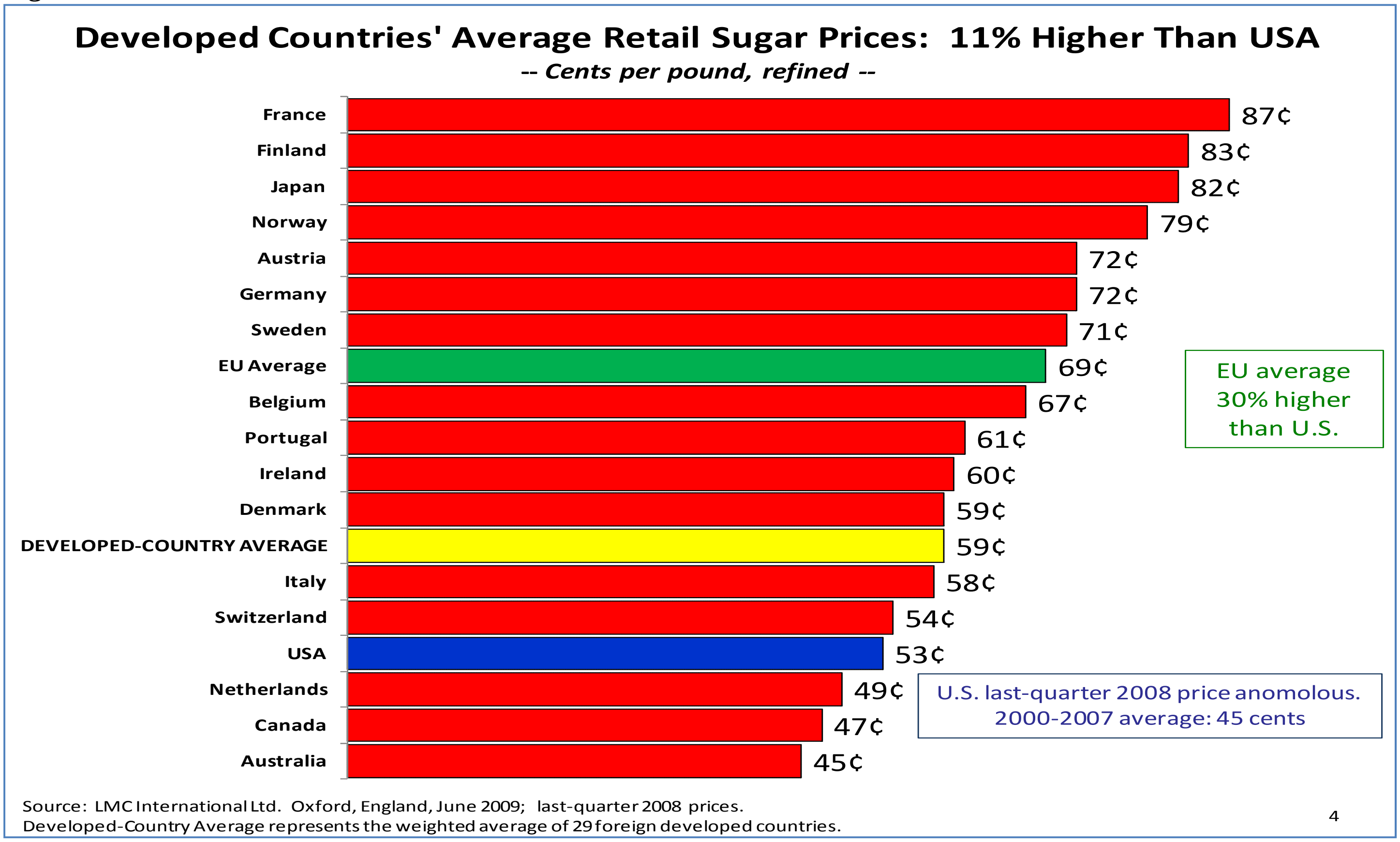

Figure 11

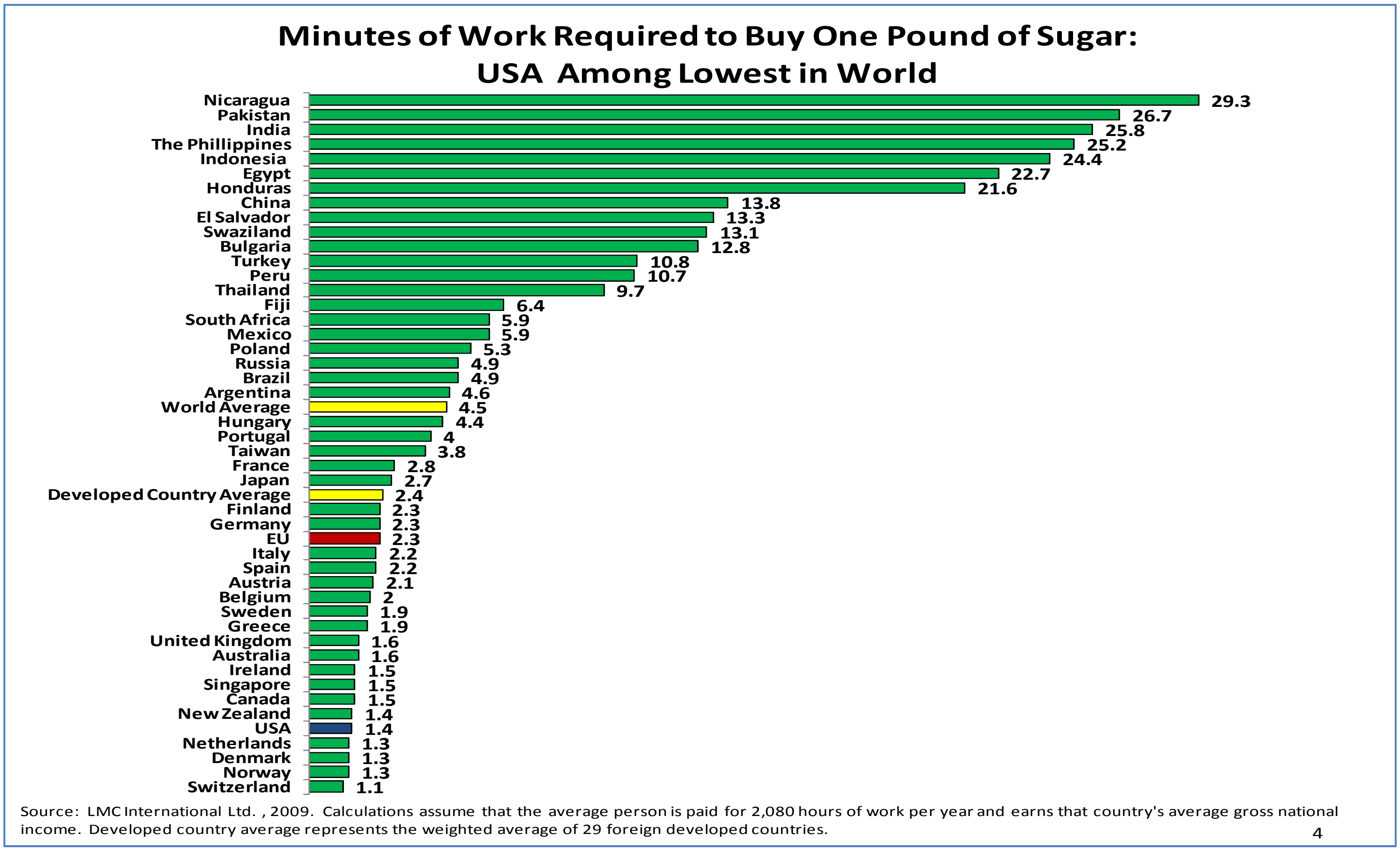

Figure 12

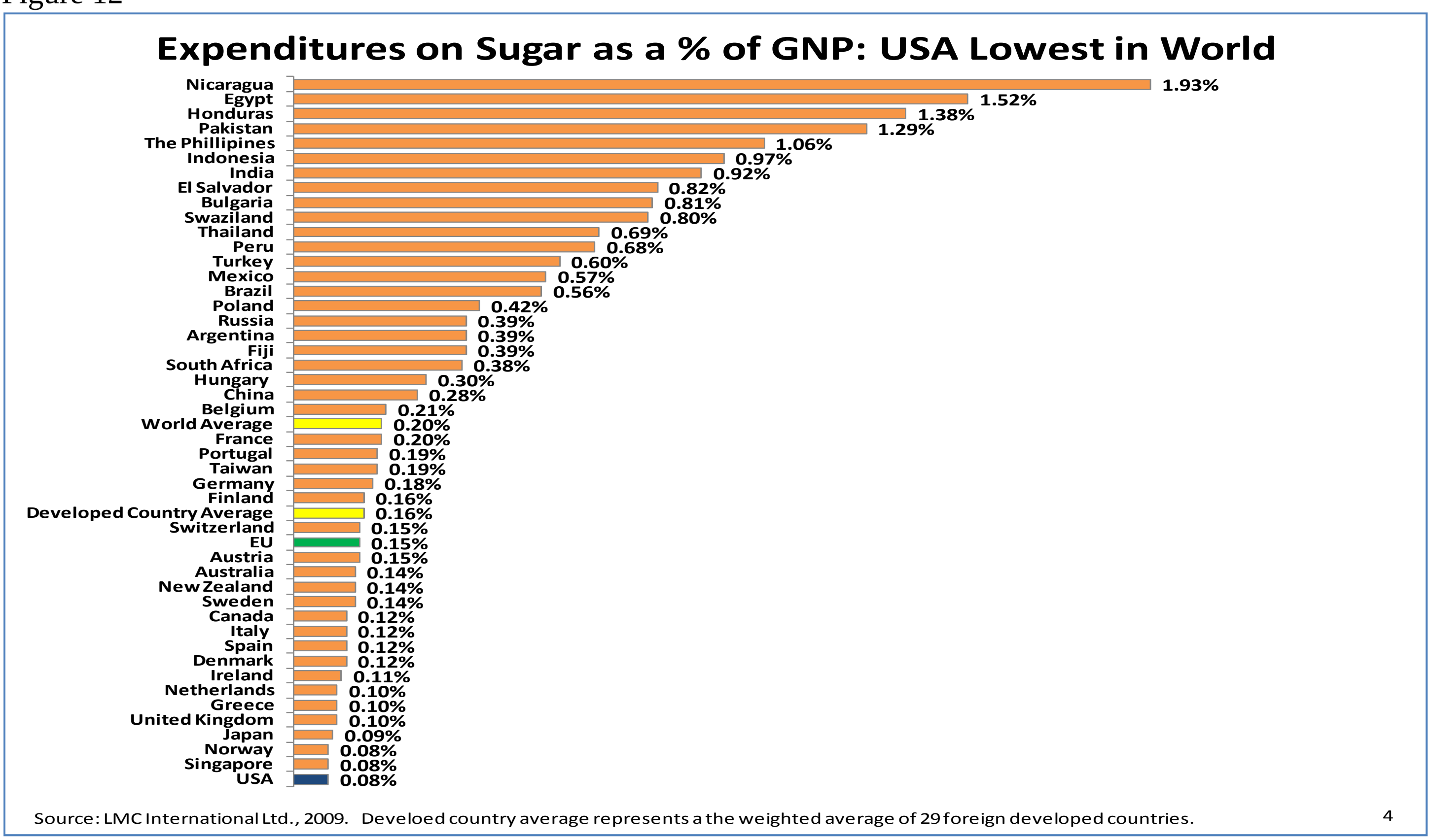

Figure 13

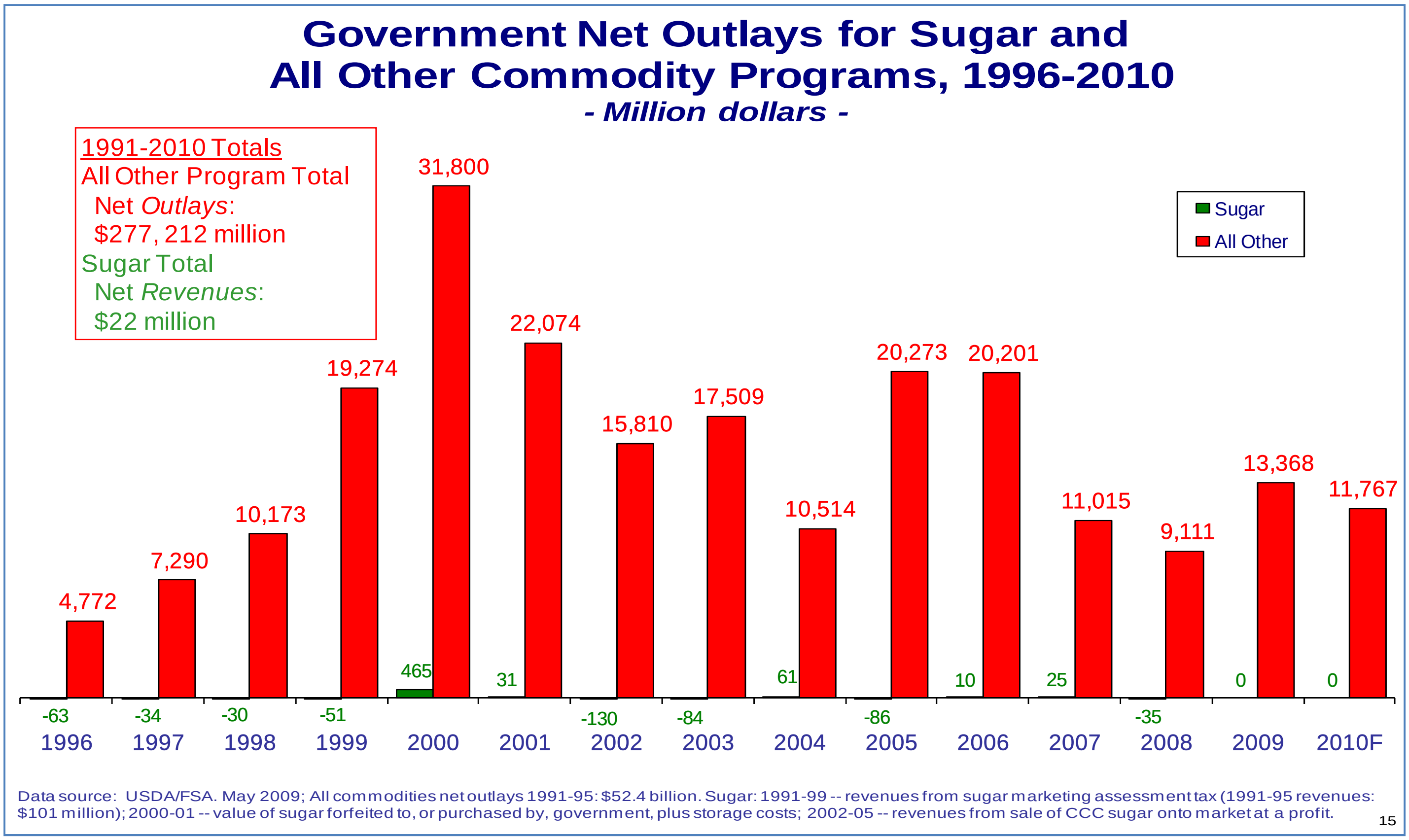
Government Net Outlays for Sugar and
All Other Commodity Programs, 1996-2010
- Million dollars -
1991-2010 Totals
All Other Program Total
Net Outlays:
$277, 212 million
Sugar Total
Net Revenues:
$22 million
Sugar
All Other
4,772
7,290
10,173
19,274
465
31,800
31
22,074
15,810
17,509
61
10,514
20,273
10
20,201
25
11,015
9,111
0
13,368
0
11,767
-63
-34
-30
-51
-130
-84
-86
-35
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010F
Data source: USDA/FSA. May 2009; All commodities net outlays 1991-95: $52.4 billion. Sugar: 1991-99 -- revenues from sugar marketing assessment tax (1991-95 revenues: $101 million); 2000-01 -- value of sugar forfeited to, or purchased by, government, plus storage costs; 2002-05 -- revenues from sale of CCC sugar onto market at a profit.
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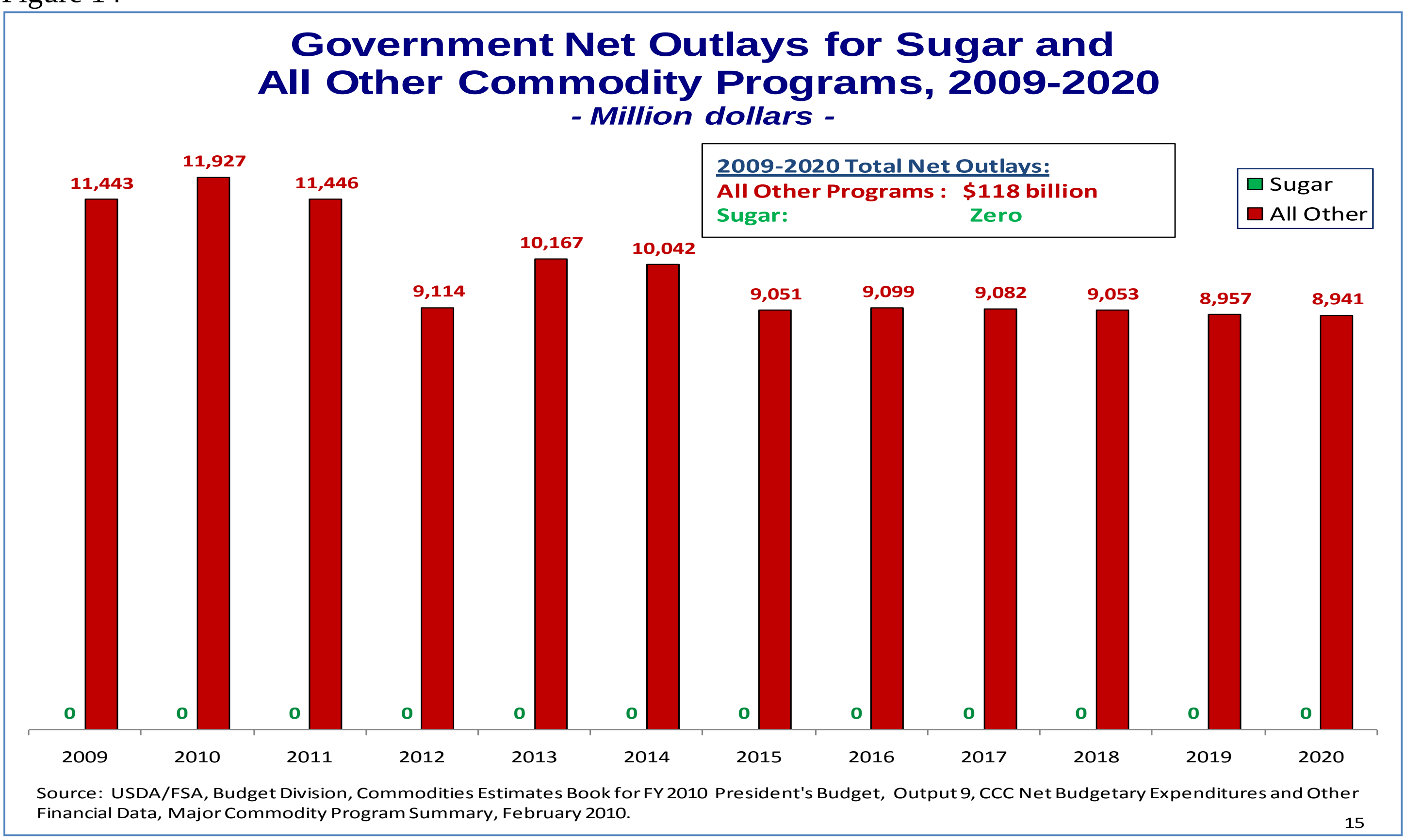
Figure 14


Government Net Outlays for Sugar and
All Other Commodity Programs, 2009-2020
- Million dollars -
2009-2020 Total Net Outlays:
All Other Programs : $118 billion
Sugar: Zero
Sugar
All Other
11,443
11,927
11,446
9,114
10,167
10,042
9,051
9,099
9,082
9,053
8,957
8,941
0
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Source: USDA/FSA, Budget Division, Commodities Estimates Book for FY 2010 President's Budget, Output 9, CCC Net Budgetary Expenditures and Other Financial Data, Major Commodity Program Summary, February 2010.
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Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Galen Lee dba Sunnyside Farm

2. Business Address: 3191 S.W. 1st Ave.
New Plymouth ID 83655

3. Business Phone Number: 208-278-3191 208-573-3408

4. Organization you represent: Nyssa-Nampa Sugarbeet Growers & Snake River Sugar Company Cooperative

5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:

sugar beet farmer

6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:

BS Ag Engineering at Univ. of Idaho
American Sugarbeet Growers Assoc. Board member
Idaho Mint Growers Assoc. Vice President
Payette County Farm Bureau Vice President

7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:

President of Nyssa-Nampa Sugarbeet Growers
Board member of Snake River Sugar Co.

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Galen Lee

Business **Address:** 3191 S.W. 1st Ave. New Plymouth, Idaho 83655

Telephone: 208-278-3191 cell: 208-573-3408

Organization you represent (if any): Nyssa-Nampa Sugarbeet Growers Association and Snake River Sugar Company growers cooperative

1. **Please list any federal grants or contracts (including subgrants and subcontracts) <u>you</u> have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do <u>NOT</u> require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source:__________ **Amount:**__________

Source:__________ **Amount:**__________

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) <u>the organization</u> has received since October 1, 2007, as well as the source and the amount of each grant or contract:**

Source:__________ **Amount:**__________

Source:__________ **Amount:**__________

Please check here if this form is NOT applicable to you: X

Signature: Galen Lee by MRP.

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.