Sugar Industry in Sharp Decline in Colo., Nation

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Rural Rocky Ford, Colo., ambitious Idaho Falls, Idaho, quiet Findley, Ohio, prosperous Longmont, Colo., and expansive Santa Ana, Calif., have one thing in common—dead sugar industries.

Smokeless sugar mills bear testimony to the recent demise in each locality. Beet-sugar factories in these and a half dozen other communities throughout the country have been closed in the past four years.

Great Western Sugar Co. of Denver, traditionally the nation's largest beet-sugar processor, has shut down four sugar mills and one byproducts plant, including four in Colorado, in the past three years.

American Crystal Sugar Co., now a farmers' cooperative based in Moorhead, Minn., but for many years operating in Denver as a publicly held corporation, has closed its lone remaining Colorado mill, in Rocky Ford, after the 1976 harvest.

PROFITLESS FOR nearly two years, the Colorado Springs-based Holly Sugar Corp. in the past two years has closed its relatively small, 1,688-ton-daily mills in Santa Ana and Delta, Colo.

U&I Sugar Co. in Salt Lake City, best known brand name in the Northwest, announced last fall it wouldn't contract for beets this year for its Idaho Falls and Garland, Utah, mills. The company entered into a tentative deal to sell its huge Moses Lake, Wash., factory and another Washington plant to a local co-op.

Buckeye Sugar Co. of Ottawa, Ohio, isn't believed to be planning to reopen its mill in Ottawa.

The slicing capacity of the country's beet-sugar industry thus has been reduced by about 21,000 tons a day from the 216,000 tons the industry boasted in 1975, said Clarence Davan, senior vice president, corporate services, at Great Western.

ACREAGE DEVOTED to sugar beets nationally has shrunk from 1,517,000 in 1975, a robust planting year due to extraordinarily high prices received for the 1974 crop, to 1,274,000 in 1976.

However, plantings were running 1.4 million to 1.5 million acres during the 1960s, so there has been an average loss of 150,000 to 200,000 acres from what once was normal. The acreage hit a recent low of 1,216,000 acres in 1977.

Colorado seems to be hardest hit of the states once big in beets.

Great Western, acquired by the Hunt interests of Dallas in 1974, three years ago closed its 2,100-ton plant at Eaton, just north of Greeley, and two years ago eliminated its 3,100-ton Longmont and 2,100-ton Brighton factories.

Great Western also closed its molasses and monosodium glutamate facility in Johnstown, although the buildings there will be used for its new high-fructose corn-syrup plant.

SO COLORADO is left with only Great Western's more efficient mills — at Greeley, Loveland, Fort Morgan, Sterling and Ovid. And the Arkansas Valley industry that boasted growers from western Kansas to Pueblo has come to an end.

The Arkansas Valley once was dotted with mills stretching from Holly near the Kansas border to Las Animas, Swink, Sugar City and Rocky Ford, where the last factory was operated for several years by the Colo-Kan Co-op after takeover of American Crystal by the Minnesosta cooperative.

Beet growing as a joint farmer's and manufacturer's enterprise was ended two years ago on Colorado's Western Slope when Holly closed its small operation there.

The Longmont and Brighton Great Western closings resulted in additional acreage cutbacks of about 40 percent, Davan said, and cut even deeper into the western Kansas-eastern Colorado acreage in the Goodland-Burlington area. The beet acreage there dropped from about 50,000 in the early 1970s to 22,000 last year. Great Western no longer had the excess capacity of those factories to absorb the surplus beets grown around Goodland and Burlington.

JIM MARKS, PRESIDENT of Great Western, explained that freight costs rose until the rail haul to Longmont and Brighton was no longer feasible.

Colorado sugar-beet plantings and tonnages dropped drastically from the beginning of the decade to the present. Beet cropping was down 35 percent from the 1970-74 five-year average of 331,500 acres to 84,000 acres in 1975. And beet production declined 33 percent from the 1970-74 average of 2.31 million tons to 1.53 million tons last year.

As the industry was deteriorating so dramatically, Great Western, the company identified so closely with the Colorado beet-sugar business, was experiencing nearly a 20 percent cutback in slicing capacity, now down 9,000 tons to 36,500. Acreage planted to beets by its contracting farmers had shrunk from 284,000 acres in 1974 to 237,500 last year.

DOES THIS retrenchment mean the sugar-beet industry is dying?

The consensus is no, even though the picture has been bleak since the 1975 crop price "fell out of bed" and at least one major company expects a further acreage reduction this year.

The big new favorable element, as far as most of the industry is concerned, is the rough agreement the industry seems to have reached with Congress and the administration on legislation that would guarantee beet growers a price of 16.5 cents per pound (raw sugar basis).

This would result from a combination of 3.35 cents a pound in import fees, a tariff of 2.5 cents a pound on imported sugar, a 0.8-cent allowance for freight and insurance and a 0.5-cent direct payment to the grower. This action would have the effect of raising the price per ton paid for raw beets by about $3.50 per ton, Mark said.

MARK SAID IF the industry gets the legislation President Jimmy Carter has said he would sign, it should be possible for both growers and processors to stay in business. But, he said, without such legislation they would be forced to reassess whether or not they could justify staying in a business consistently unprofitable for nearly everybody for the last several years.

Why should the consumer be forced to pay several cents more per pound of sugar just to make it possible for domes-
Sugar Agreement Gets Approval of House And Goes to Senate

By a WALL STREET JOURNAL Staff Reporter
WASHINGTON—The House voted 367-to-30 to carry out the 1977 International Sugar Agreement, a pact between about 80 sugar-exporting and importing nations to stabilize the world price.

Sugar's price jumped 2.1 cents on the New York Coffee, Sugar & Cocoa Exchange to 21.9 cents a pound for May delivery, but analysts attributed the gain to a recovery from recent steep losses rather than to the House action. The world price currently is above the level the pact has set as its maximum and there is little sugar left under the pact's administration to be released to dampen prices, the analysts noted.

Industrial users of sugar were buying supplies yesterday to take advantage of the day's prices, which were low in comparison with levels of recent weeks, analysts added.

The House killed a similar ratification measure last year because it was tied to controversial proposals to establish a domestic sugar price support program and to set wage floors for domestic sugar workers. Neither of those proposals was included in the measure passed yesterday.

The Senate still must follow suit before the measure goes to President Carter, who supports it. But a favorable Senate vote seems assured; the Senate ratified the agreement in 1979 by an 80-to-11 vote.

The international agreement seeks to stabilize the world sugar price between 11 cents and 21 cents a pound, by accumulating a stockpile that could be released to the market when prices exceed 19 cents a pound. Fees on each pound of sugar traded would finance the stockpile. If the world price fell below 11 cents a pound, importing nations party to the agreement would restrict purchases from exporting nations that aren't party to the pact.

Some opponents wanted yesterday's House vote to be delayed until after a meeting of the International Sugar Organization, which begins in London later this week. At the meeting, producer nations are expected to try to increase the 11-cent-to-21-cent price range stipulated in the agreement to a 13-cent-to-25-cent range, or higher. A change in the formula wouldn't require another congressional vote because the international agreement gives the ISO authority to make such adjustments.

Processors In Disagreement On Sugar Industry Remedies

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Priced beet- and cane-sugar producers and processors to stay in business?

Since the world raw-sugar price is just under 9 cents a pound and there is plenty available, nobody questions that the price of sugar on the shelf in U.S. supermarkets would be lower if market forces were allowed to prevail.

However, Mark said, any short-term consumer benefits of the next two or three years from the low world sugar prices would be more than offset by escalating prices once U.S. production effectively was removed.

MARK POINTED OUT there is a narrow margin between world sugar consumption and production, with the United States beet-cane production of about 6 million tons currently accounting for just over 8 percent of the world refined-sugar production of 90 million tons.

The majority of the industry contends that unless the government extends a helping hand now, the industry will deteriorate to the point where it won't be an effective market factor. And this relatively small decrease in world production would be large enough to intensify demand and set off a spiral in sugar prices.

Not all industry leaders agree. John Bunker, president of Holly, said he doesn't see the problem as one that government can do much about.

Noting that Holly has closed the Delta and "Santa Ana plants and seen its acreage slip considerably around Hereford, Texas, site of its newest factory, Bunker said, "The toughest problem we have is the cost of energy."

BUNKER SAID THE cost of pumping water, in the Texas Panhandle has gone up 10 times in the past decade — farmers now have to pay $2 for a thousand cubic feet of natural gas where they were paying 20 cents.

"With the world surplus of sugar on the other side of the scale, it's going to cost us more to produce sugar in this country than anybody is going to be willing to pay in the long term, because we can grow sugar cheaper somewhere else. It's that simple," he said.

"You can produce sugar cheaper in Brazil, the Philippines or the Dominican Republic" than in the United States where "land costs are high, fuel costs are high and growing costs are high."

It would take several years for this country to use up the current world surplus of 30 million tons at the rate of current imports of 5.5 million tons a year, he argued: so if U.S. production fell from 6 million to 4 million tons it would have no effect on world sugar prices.

BUNKER SAID HE favors no federal policy on sugar beets. "I don't think anybody exists on a federal policy ... I don't favor class legislation for domestic industry."

But the outspoken chief executive is reasonably optimistic about an industry recovery, maintaining that a smaller, more efficient industry is the answer, rather than a much larger industry held up by a "support level that would be high enough to support the inefficient producer."

Whether or not those in the industry agree with Bunker's hard-nosed evaluation, it is apparent he's right that the industry long since has reached its heyday.

But with the continuing stress on higher-yielding varieties that produce a higher sugar content by companies such as Great Western and Holly, it is possible to believe that eventually the industry will be profitable with or without further federal intervention.