PRESIDENT'S MESSAGE
FLORIDA DIVISION
2004 ANNUAL MEETING

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It is my pleasant duty and my sincere privilege to extend a warm and sunny Florida welcome to my fellow ASSCT members and distinguished guests to the 34th annual Joint Meeting of the American Society of Sugar Cane Technologists.

We find ourselves gathered once more on the relaxing beaches of St. Petersburg, overlooking the soothing waters of the Gulf of Mexico. For me, water has always emanated comfort. As a toddler, I lived for a time at a sugar mill in Cuba where our waterfront home overlooked the serene bay of Banes in the province of Oriente. Sugar production seemed then to be a simple undertaking. Little did I know that many years later I would again find myself at a sugar mill, in Florida, discussing the complexity of sugar production. You are probably asking, why complex? Everyone knows the fundamentals of sugar manufacturing are relatively straightforward; milling, clarification, evaporation, and crystallization.

As you are aware, due to escalating economic, political, and environmental issues facing the industry, raw sugar production has become an increasingly complex business.

The Florida industry has been through significant changes since our last Joint meeting in Destin. The business model has been evolving as we face a variety of economic, political, and environmental issues. The landscape of economic reality is dictating changes that have affected our agricultural community, and regrettable as the personal consequences are, economic forces are controlling how businesses meet these issues as companies attempt not only to streamline processing costs, but also labor costs.

The Florida sugar industry experienced a bittersweet year this 2003-2004 season. Although many mills were breaking production records, and while we produced some 28,000 tons more sugar grown from 22,500 fewer acres than the previous year, under today's marketing allotments, the Florida industry has 250,000 tons of blocked sugar that we are unable to sell. For this reason, the growers are actively entertaining other options. In some instances, fields are being abandoned and alternative uses such as sod, rice and vegetables are very likely. Just recently decisions were made to relinquish a parcel of land to allow for a reservoir to bank water for the restoration of the Everglades.

Even before the season began, we had a healthy suspicion that the crop would be highly successful barring any adverse weather conditions. The unusually high pol values in the pre-harvest cane samples were an indication of a high sucrose crop. We were fortunate too, that Mother Nature blessed us with outstanding growing conditions; moderate, cool temperatures with little rainfall throughout the season. As the final reports show, our suspicions for a successful season were not only met, but stretched beyond our expectations.

The 2003-2004 Florida season began on October 15, 2003, and finished 180 days later on April 11, 2004. A total of 17,749,447 tons of cane were harvested on 438,397 acres for an average cane yield of 42.36 tons of cane per acre. A record 2,150,610 Short Tons Raw Value (STRV) sugar was produced for a record yield of 11.87, (237.4 pounds of sugar per ton of cane) along with a record STRV recoverable sugar per acre of 5.13.

At Canal Point, the Sugar Cane Variety Development Program is undergoing beneficial changes this year. Through the cooperative efforts of the Florida, Louisiana, Texas and Hawaiian sugar industries, an increase in federal support for the Program has resulted in an almost twofold budget increase for the Canal Point Field Station.
The main emphasis of the station continues to be variety development. Two cultivars, CP 96-1252 and CP 96-1602, were released to the Florida growers by the Sugarcane Variety Committee in June 2003. Research to improve the selection of sugarcane cultivars has begun where molecular markers are being developed to assist in the detection of high sucrose and disease resistant clones.

In the environmental arena, Everglades issues are still pervasive. In Florida, we are dealing primarily on two parallel tracks. A state water quality initiative and the larger federal/state partnership named the Comprehensive Everglades Restoration Plan (CERP). CERP is an $8 billion initiative that is all about getting the timing, flow and distribution of water right throughout the entire watershed.

The ultra-successful 1994 Everglades Forever Act guides the state's water quality initiative. It lays out a construction plan, consisting of 40,000 acres of artificial marshes, combined with a regulatory program requiring on-farm Best Management Practices (BMPs), with a timeline and funding mechanism in place. The restoration plan is heralded as the archetype from which other comprehensive watershed restoration projects will be developed. It is being used as a model for the Louisiana Coastal Area Ecosystem Restoration project. One of the key lessons we learned in Florida is the importance of getting it right, up front. Don't let short cuts and bad science lead to authorizing components that do not have any real benefits. We are optimistic that the Everglades issues are on track and won't require the amount of time, energy and financial resources that have been expended in the past. We hope Louisiana can gain from our experiences in Florida and benefit from the lessons we learned.

If we look back using data obtained from the Florida Sugar Cane League for the past 25 years, one can see the trends that shape the topography our industry today. Total acres harvested has increased 32%, total cane ground has increased 67%, tons per acre have increased 26%, yield has increased 22%, while production of Raw Value sugar has increased 105% since the 1979-1980 season. U.S. consumption on the other hand, has been shrinking. With production increasing and consumption falling, where is our industry headed?

I heard a wise man say that "luck" is when preparation meets opportunity. Now is the time to draft our preparations. As Theodore Roosevelt said, "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."

As we have seen, the U.S. sugar market continues to experience a decline in consumption. This is due to various factors including the low carbohydrate dietary trends, increased importation of sugar containing products, and outsourcing of candy and baked goods overseas. The problem of consumption decline is compounded by the current administration's free trade agenda. Further, under the current supply management system of marketing allotments, producers are limited in the amount of sugar they can market, and as a result, there are over 365,000 tons of raw sugar that producers are blocked from selling out of this year's crop. This is domestic raw sugar that has been produced beyond what the U.S. market requires, and of course, given the large amount of sugar overhanging the current market, prices are depressed, and appear to be resigned to their current levels. As for next year, the market is in the hands of the U.S. Department of Agriculture (USDA). After experiencing the difficulties faced by producers this year, it can only be hoped that the USDA will manage the sugar program in a conservative manner next year. If this is the case, prices should be slightly higher than they are now helping to soften the impact of the very real prospect many companies are facing, that is, of reducing production to meet market demand, until there is a turn-around in demand based on population growth and normalization in dietary trends.

In terms of trade, the United States is aggressively seeking to enter into free trade agreements. The current administration is exposing the domestic market to increased amounts of sugar through piecemeal trade agreements that only benefit foreign producers subsidized in various forms by their respective governments. The U.S. is already the fourth largest importer of sugar in the world, and given the constraints of our market, the ultimate consequence of this supposed free trade is that every pound of sugar access granted to foreign producers represents one less pound that domestic producers can sell.

The Central American Free Trade Agreement (CAFTA) has already been finalized and must now be passed by Congress. It represents additional sugar access to the U.S. market in the amount of

109,000 metric tons. In addition to CAFTA, the U.S. will begin free trade negotiations with Panama, Colombia, Bolivia, Ecuador, Peru, and Thailand. In addition, trade negotiations are already underway with South Africa and Swaziland. The potential effect of these additional countries being granted access to the U.S. sugar market would be disastrous for domestic producers. Sugar is a fragile commodity since small import surges can significantly impact our domestic industry. Experts agree that foreign imports of less than 500,000 tons could collapse U.S sugar prices. For these reasons, it is imperative that any free trade agreement that include sugar without addressing the global distortions or government interventions that put domestic producers on an uneven playing field, be opposed.

The ‘carbohydrate economy’ is a term to describe an industry system based on carbohydrates replacing hydrocarbons, a system where renewable resources are grown in the fields from high biomass feedstocks, such as sorghum, corn, soybeans and sugar cane. It is a system which is strongly supported by government programs. For example, in 1999 President Clinton signed Executive Order 13134 to develop and promote biobased products and bioenergy. In 2000 the United States Department of Energy (DOE) created the National Bioenergy Center. In 2003 the Energy and Agriculture Departments awarded $23 million in Joint Biomass Research and Development (R&D) initiatives. The opportunity for the American sugar industry to join in R&D efforts exists. In 2001 efforts by the Florida based ‘Green Team’ were quelled when a promising proposal for innovative R&D of sugar cane, bagasse and processing streams was not selected for funding by the United States DOE, Office of Industrial Technologies (OIT).

The lack of enthusiasm from the American sugar industry to fund research for new technologies that use the sugar cane plant as a renewable resource to replace non-renewable petrochemicals has offered little hope for immediate progress in the biorefinery concept. In contrast, the National Corn Growers Association commits portions of their corn sold to research that leads to renewable products industry using corn as the feedstock. Examples are the partnership between Cargill Dow LLC and the United States DOE which have developed technology to make plastics and fiber from corn, and DuPont, winner of the 2003 Presidential Green Chemistry Challenge award, which has developed an enzymatic method that uses corn to make a key ingredient in textiles, carpeting and packaging products which were conventionally made from toxic, non-renewable petrochemicals.

These economical, political and environmental hurdles tend to impede progress and drive a wedge dividing our industry. In order to survive and triumph, the sugar industry should strive for cooperation and harmony. The American sugar industry must speak as one voice, because the best thing for each of us is a future for all.

One should not complain about problems without at least offering solutions. I propose the following solution, a solution which lies in the hands of the major soft drink manufacturers: Sugar could make a major comeback in the U.S. if the soft drink industry were to switch back to using sucrose to sweeten soft drinks instead of High Fructose Corn Syrup (HFCS), especially in light of the article in the April issue of the *American Journal of Clinical Nutrition* stating that HFCS may play a role in the obesity epidemic. Sugar in soft drinks, would not only taste better, but would allow for free trade to occur unopposed, as domestic production could not meet the high sugar demand of the soft drink industry, and foreign countries could export more sugar into our market. The corn growers then, instead of selling HFCS to the soft drink manufacturers, could increase their ongoing commitment to the nation's renewable resource plan, and increase their production of ethanol, polylactic acid, plastics, coatings and other materials that are currently being produced mainly from petrochemicals.

If luck is when preparation meets opportunity, we, as the technologists of our industry, must do our homework, we must devise a plan…for the opportunity is just around the corner, and we must be prepared.

I wish you all a memorable meeting in an atmosphere of camaraderie and free exchange. It was Lee Iacocca who said, "We are continually faced by great opportunities brilliantly disguised as insoluble problems." It is my sincere hope that you take home with you valuable information and ideas in order to resolve your particular problems, and the problems and challenges facing our sugar industry. As we all know too well, in this business there is no such thing as 'status quo.'