

**PRESIDENT'S MESSAGE
FLORIDA DIVISION
2007 MEETING**

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On behalf of the Florida Division of the American Society of Sugar Cane Technologists, I wish to thank the Louisiana Division for hosting this 37th joint annual meeting in New Orleans. It feels good to be back in the “Big Easy” to witness for ourselves the revival of this great American city from the devastation of hurricane Katrina and to enjoy being here again. I also want to thank the Program Chair, Dr. Richard Johnson, for putting together what promises to be an excellent program. To my Florida colleagues, I offer my sincere gratitude and appreciation for the opportunity to serve as your president this year. And to the members of our Executive Committee, thank you for your commitment, dedication, and hard work. You have made my job quite easy and enjoyable.

The 2006-2007 Florida season began on October 4, 2006 at the Bryant mill and ended 189 days later on April 11, 2007, also at the Bryant mill. Florida’s five sugar factories processed 14.8 million tons of cane which yielded 1.68 million tons of raw sugar (at 96° pol). While this was an improvement over the busy storm seasons of 2004-2005 and 2005-2006, it fell below earlier production levels. During the 2004-2005 and 2005-2006 seasons, the industry processed 14.5 and 12.8 million tons of cane which yielded 1.65 and 1.34 million tons of sugar, respectively. In the two previous seasons (2002-2003 and 2003-2004), approximately 18 million tons of cane were processed to produce over 2 million tons of sugar. The trend in recent years, therefore, has been a decline in cane and sugar production in Florida. While some of this decline is attributed to bad weather, other factors are also involved.

The advent of free-trade agreements and increased sugar imports, and the resultant marketing allocations on American sugar producers have undoubtedly contributed to this production decline and brought about significant changes to our industry. For 45 years, United

States Sugar Corporation operated two raw sugar mills to grind a sugarcane crop that was increasing as the company sought to lower production costs by increasing throughput at its milling operations. Increased sugar imports put an end to that particular business strategy and forced U. S. Sugar and other producers to consolidate and modernize their operations. Unfortunately, the consolidation and automation required to improve operating efficiency and reduce costs to compete with foreign sugar producers have resulted in the elimination of jobs at home. Sadly, the 2006-2007 marked the last harvest season for the Bryant mill which, ironically, will be dismantled and sold in parts to foreign sugar producers. With the recent closure of Bryant and that of the Atlantic mill three years ago, only four sugar factories remain in Florida.

In addition to increased sugar imports, the combination of hurricanes, high production costs, and high land values also placed significant economic pressures on sugarcane growers in south Florida, particularly those farming marginal or sandy soils. These growers are not currently seeing suitable economic returns as compared to real estate development or farming other crops. To further complicate matters, earlier this year Florida sugarcane growers experienced the third driest spring season on record. By late April, Lake Okeechobee's water level had dropped below 10 feet, the lowest ever for that period. Drought conditions intensified quickly around the lake, and Everglades Agricultural Area farmers, who rely on Lake Okeechobee for irrigation, experienced a 45% cutback in their weekly water allocation. Serious economic impacts are anticipated if the drought continues. The last drought event of 2001 in south Florida resulted in crop yield losses of up to 30%.

The trade risks continue and the status of negotiations in the World Trade Organization (WTO) is tenuous at best. Negotiations with Mexico also continue, but short of a change in the political landscape, it appears that the United States and Mexican governments are preparing for open borders on sweeteners in 2008. The market reality is that sugar prices are higher in Mexico than in the United States. If borders are truly open in both directions, sugar prices will be lower in Mexico. The result will be intense political pressure from over 100,000 small (one to two acres) Mexican farmers and the loss of more than a million Mexican sugar industry jobs. The political reality may force a solution that does not impact prices in Mexico.

Despite serious challenges, there are opportunities on the horizon that justify cautious optimism. After several years of declining demand, sugar use is again increasing. In 2006, the United States Department of Agriculture (USDA) reported a 2.1 percent increase in demand, which is higher than historical long-term growth. This increase equates to slightly over 200,000 tons of sugar, which is quite important because the Central American Free Trade Agreement (CAFTA) allowed in 125,000 tons per year. The market also anticipated a large influx of Mexican sugar under the North American Free Trade Agreement (NAFTA) that did not materialize for reasons such as poor quality sugar, a smaller Mexican crop, and higher world prices.

As you all know, the current (2002) Farm Bill expires this year and, at the time of this writing, the U.S. Congress is working on a new Farm Bill. Both the House and Senate Agriculture Committee chairmen, who hold the responsibility for putting the bill together, have expressed their intent that the Farm Bill be passed by both Houses of Congress and sent to the

President for his approval by the end of this year. Florida sugar farmers' representatives are working very closely with their counterparts in Louisiana and have come up with a unified position on sugarcane. This position, which was reached with integral collaboration between Florida, Louisiana, Texas and Hawaii sugar farmers' representatives, calls for a sugar program structured much like the one we have now. A few changes such as a market balancing mechanism to deal with the problem of oversupply in the market and an increased loan rate (price) are being actively considered.

Our industry continues to adapt to changing business conditions and to face the challenge of having to be competitive in a global economy. For example, U. S. Sugar has embarked on a project called Breakthrough which consists of a significant expansion and modernization of its Clewiston mill using the best combination of global technologies. The three-year project is two-thirds complete, with the final, and most complex, phase scheduled to be completed prior to the beginning of the 2007-2008 harvest next October. Strategically located near U. S. Sugar's refinery, the new mill, which will grind up to 42,000 tons of cane per day, will be the largest in the United States and the third largest in the world.

Also, the recently announced purchase of Tate & Lyle Canada Ltd. by American Sugar Refining, which is owned by Florida Crystals Corporation and the Sugar Cane Growers Cooperative of Florida, is a clear illustration of our industry's endeavor to become competitive in a global economy and highlights the vertical integration that has been underway for a few years. This acquisition gives American Sugar Refining Canada's largest cane sugar refinery and a packaging plant in Niagara Falls, as well as access to the Canadian market.

On the research front, the Florida industry's research committee has intensified efforts to obtain increased funding support at the state and federal levels for sugarcane research programs in the USDA/ARS and the University of Florida, Institute of Food and Agricultural Sciences (UF/IFAS). This has resulted in an increase of more than \$4,000,000 from public and private funding sources over the past 3 years. This effort has been made possible by increased leveraging of grower contributions through the industry research program to the tune of more than \$15 from public and private sources for every grower research dollar. The committee continues to improve efficiency in research spending by helping our research partners obtain grant funding in sugarcane production research focusing on a multi-disciplinary research strategy.

It is imperative that we multiply our efforts to enhance sugarcane production and reduce production costs on marginal or sandy soils, which comprise almost 25% of the sugarcane acres in Florida. Along these lines, the industry is working closely with USDA/ARS and UF/IFAS scientists on developing new sugarcane varieties that are specifically adapted to sandy soils. We are also collaborating with UF/IFAS scientists on identifying various ways to increase sugarcane production on sand land. This would help lower cost structure and secure sugarcane supply to the mills. Furthermore, increasing the profitability of sugarcane grown on sandy soils will be of even greater importance in the future as all opportunities to expand for both sugar and energy are likely to be on sandy soils.

Recent concerns over energy security, crude oil prices, and environmental issues have provided a major incentive for exploring alternative and renewable energy sources. While the main biofuel currently used in the United States is ethanol distilled from corn, most experts agree that corn ethanol alone will not meet the President's plan, which he outlined in his most recent State of the Union address, requiring the production of 35 billion gallons of alternative and renewable fuels by 2017. This opens up a great opportunity for the sugar industry to explore and evaluate technologies that utilize sugarcane, including sugarcane biomass, for the production of ethanol. The successful Brazilian sugarcane ethanol model illustrates the availability of that particular technology, but economic, environmental, and regulatory conditions are quite different here. Studies have been conducted which show that making fermentation ethanol from sugarcane or sugar is not economically feasible at this time. Should suitable pretreatment technologies be developed, however, an ethanol program based on sugarcane biomass could result in significant economic, environmental, and public relations rewards for our industry.

As you can see, my dear friends and distinguished colleagues, we face many challenges, but we also have promising opportunities. Let us all work together to secure a brighter future for our industry and our nation.