

Louisiana Farm Bureau Federation, Inc.
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January 26, 2003

Mr. Larry Walker
USDA - Farm Service Agency
1400 Independence Ave. S. W.
Stop 0508
Washington, DC 20250

Dear Mr. Walker:

My name is Jackie Theriot and I serve as Secretary –Treasurer of the Louisiana Farm Bureau Federation, Inc. I appear before you today to submit comments regarding sugar allotments for new entrant states and sugar allocations for new entrant processors. My comments are submitted on behalf of the Louisiana Farm Bureau and the sugar cane producers we represent.

New Entrant Provisions

According to the Farm Security and Rural Investment Act of 2002, the Secretary may provide a new entrant processor with an allocation from the state's allotment where the new entrant processor is located, or from the overall mainland state allotment if the new entrant processor applicant is located in a state without a sugar allotment. The new entrant state allotment would be subtracted from the mainland sugarcane allotment with each state's allotment reduced on a pro-rata basis. The maximum allocation for new entrants is limited to 50,000 tons. However, the Act also states that before an initial processor allocation or State allotment is provided to a new entrant processor or state, the Secretary shall take into consideration any adverse effects that providing the allocation or allotment would have on existing sugar cane processors and producers in mainland states.

Adverse Effects to Mainland Sugar Producers and Processors

The adverse effect provision establishes clear conditions that the Secretary must consider any adverse effects to existing mainland sugar cane producers and processors before providing an allocation or allotment to any new entrant processor or state. The initial imposition of allotments on October 1, 2002 did not provide mainland sugar cane states with an adequate share of the overall allotment quantity. As a result of the allotment quantity shortfall provided to our state, Louisiana producers and processors were restricted

from marketing approximately 20% of our state's 2002 sugar cane crop following the initial allotment. Any allotment and allocation that is provided to a new entrant state and processor would further reduce the amount of sugar that can be produced and marketed by Louisiana producers along with processors and producers and processors from other mainland states. If Louisiana's sugar cane crop had not been damaged by a hurricane and two tropical storms, Louisiana producers and processors would have been forced to store over 300,000 tons of raw sugar that would have been produced in excess of our FY 2003 state allotment. This is based on USDA's own September 2002 crop estimate.

The net effect of reducing mainland sugar allotments to provide allotments to new entrants is that mainland sugar producers and processors with production histories receive greater reductions in the quantity of sugar that producers can produce and market. This reduction in marketing capacity reduces our efficiencies of size at the producer and processor level. Producers and processors have less sugar to market while making the same payments on farm and processing equipment as well as land rents. This impacts the loan repayment ability and overall creditworthiness of producers and processors alike. This is important since producers and processors operate on very thin profit margins. The reduction in sugar production and marketing also impacts the entire agricultural infrastructure for our sugar-producing communities. They experience reductions in trucking and sales of fuel, fertilizers, chemicals, parts, and supplies when sugar acres and marketing volume declines.

The bottom line is that allotments and allocations should not be assigned to new entrants when existing production and quota imports are capable of satisfying domestic demand. If domestic demand increases, producers with production histories should be permitted to market a larger percentage of their base acres and should be permitted to increase their production and improve their efficiency before assigning new entrants allotments and allocations.

Evidence and 10,000 Tons New Entrant Allocation Request

I would also like to make a few comments regarding evidence for new entrants and the applicant in question. The Farm Bill states that an allotment and allocation will only be provided to a new entrant processor after the applicant processor has demonstrated the ability to produce, process, and market the sugar produced for the crop year, including the transfer and delivery of the raw sugar to a refinery. The applicant in question has filed for a 10,000-ton new entrant allocation and state allotment for the state of Arizona for 2005.

In applying the "Ability To Market" provision to the new entrant applicant, the applicant has not demonstrated the ability to produce the quantity of sugar cane necessary to produce 10,000 tons of raw sugar. The applicant also does not have a processing facility capable of producing 10,000 tons of raw cane sugar. This eliminates the applicant's ability to market the raw cane sugar, since the applicant has no ability to produce raw sugar. We are also not aware that the applicant in question has a bank letter of credit that

is necessary for the applicant to purchase sugar cane from the producers. We feel Section (vi) Ability To Market, explicitly states that the processor is required to “have demonstrated the ability to process, produce, and market including the transfer or delivery of raw cane sugar to a refinery for the crop year” in question as a condition for receiving a new entrant allocation. However, since the state allotment and processor allocation may be granted only after the applicant processor has demonstrated these abilities, we find that the applicant processor has not demonstrated these abilities.

Therefore, we find that the applicant in question does not satisfy any of the evidence that must be demonstrated before the Department can grant an allotment to a new entrant and the Louisiana Farm Bureau recommends that the new entrant application be denied.

In closing, the Louisiana Farm Bureau would like to thank the Department for the opportunity to provide comments regarding new entrants and I am available if you have any questions.

Thank You.

For additional information contact Brian Breaux at 225-922-6210 ; brianb@lfbf.org