Testimony of

Neil Rockstad
On behalf of the
American Sugar Alliance

Before the Senate Subcommittee on Commodities, Risk Management, and Trade

Hearing: Commodity Group Perspectives on Title 1

Washington, D.C.
May 2, 2023

Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and Members of the subcommittee. Thank you for this opportunity to testify before you today on behalf of the American Sugar Alliance concerning the upcoming Farm Bill. Thank you also to Chairwoman Stabenow and Ranking Member Boozman for your leadership in advancing a Farm Bill.

My name is Neil Rockstad. I was born and raised in the great state of Minnesota and am a proud constituent of Senator Smith. My wife Elizabeth and I grow sugarbeets on our farm near Ada, which is in between Grand Forks, ND and Moorhead, MN. Together we are fourth generation farmers and with any luck, our girls Nora and Hazel will be the fifth. In addition to the all-important family credentials, I serve as Vice President for the American Sugarbeet Growers Association and as President of the Red River Valley Sugarbeet Growers Association. I am also shareholder in the American Crystal Sugar Company. American Crystal is proud to be celebrating our 50th year as a farmer-owned cooperative this year. I've also held leadership roles with the Farm Bureau at the local and state levels.

Coming from sugarbeet producing states, both Chairwoman Stabenow and Smith know firsthand how sugarbeets and by extension all of agriculture, are so important to rural communities like mine. There are so few economic engines in our rural communities, but the U.S. the sugar industry generates more than 151,000 jobs across two dozen states and contributes more than $23 billion annually to the U.S. economy (see figure 1. Map of the U.S. sugar industry).[1] In my home state of Minnesota the sugarbeet industry provides almost 21,000 jobs and has a $3.06 billion dollar economic impact.

[1] Fischer, B., Herbst, B., Outlaw, J., and Raulston, J.M. (2022) "*Economic Impact of the U.S. Sugar Industry*," Agricultural and Food Policy Center, Texas A&M University, June. (available at https://sugaralliance.org/wp-content/uploads/2022/06/Sugar-Report.pdf)

American consumers benefit from a safe, high-quality, reliable, sustainably produced,[2] and affordable source of an essential ingredient in the nation's food supply. Sugar is used as a natural sweetener, preservative, and bulking agent in 70 percent of U.S. food manufacturing.

Our farmers, millers, processors, and refiners have built a strong and resilient supply chain for American sugar.[3] Our product is stored and distributed from 90 strategically located facilities throughout the nation ready for delivery when and where needed according to the specifications required by our customers. Unlike some other food items, sugar was readably available on grocery store shelves throughout the pandemic. That success is attributable to U.S. sugar policy and the heroic efforts of our farmers and factory workers.

Outsourcing more of our sugar supply to other nations not only puts our farmers at risk, but also makes it even more difficult for our food companies to produce and supply the consumer products demanded by a growing segment of U.S. households that are looking for such things as sustainability and other environmental attributes in their food. Our industry meets some of the highest labor and environmental standards in the world. Using best practices and continuous improvement, our sector has made huge strides in sustainability, mainly through productivity gains in soil fertility, investment in advanced technologies, mechanization, improved beet seed and sugarcane genetics, and refining efficiencies. In fact, over the past 20 years, we have increased sugar production by 14 percent on 8 percent fewer acres, through improved yields while lowering pesticide use.

Many of the jobs and businesses generated and supported by the U.S. sugar industry are rural areas and urban areas where good blue-collar jobs have become harder and harder to find. As an industry, we are proud to provide high-paying good jobs in our communities.

This hearing is timely and important for sugarbeet and sugarcane farmers because Title I of the Farm Bill — the Commodity Title — represents a critical safety net for our farm families and the many employees of sugar mills, processors, and refineries throughout the country.

I will make four main points today.

First, efficient U.S. sugar producers are threatened by less efficient foreign, subsidized and dumped sugar that usually sells well below the exporters' cost of production. This makes the world sugar market the most distorted, volatile and unreliable commodity market in the world (see figure 2. World's largest sugar exporters). There are no signs of that changing in the foreseeable future.

Due to existing U.S. commitments under multilateral and bilateral trade agreements, the United States is the third largest importer in the world of this essential commodity, with those imports accounting for approximately 30 percent of U.S. needs. Yet, as the global supply chain disruptions resulting from the global pandemic, Russia's war in Ukraine and a variety of global climatic events have made clear, we must not become even more dependent on foreign suppliers for essential

[2] See https://sugaralliance.org/producing-sugar-sustainably/sugar-sustainably-sweet-stories.

[3] We documented that supply chain resilience for American sugar supplies at our submission to USDA this past spring (available at https://www.regulations.gov/comment/AMS-TM-21-0034-0437).

goods particularly for food, energy, computer chips, and the like. This is why an effective sugar policy, which maintains a strong domestic industry, is essential to the food security of our nation.

Second, U.S. sugar policy is structured to serve American farmers, consumers, food manufacturers, and taxpayers as it operates no cost to the U.S. Treasury. U.S. sugar policy has operated at zero cost to taxpayers 19 of the past 20 years and is expected to do so again this year. USDA projects zero cost for the program over the next 10 years, as well. The one time in the past two decades the program did not operate at zero cost was due to Mexico's dumping of sugar onto the U.S. market at below Mexico's production costs, which the International Trade Commission unanimously held violated U.S. trade law. That problem has been effectively addressed to the satisfaction of all parties through the existing antidumping and countervailing duty Suspension Agreements.

Nevertheless, the loan rates for raw cane sugar and refined beet sugar have not kept up with inflation nor the rising costs of production (see figure 3. Rising input costs). Operating margins for sugar producers are being squeezed each year, due to rising labor, fuel, seed, fertilizer, equipment costs and interest rates that affect both field and factory returns. Since the last Farm Bill was written at the end of 2018, farmers are paying 87% more for diesel fuel, 141% more for fertilizer, and 33% more for machinery. And while some of those prices have come down marginally from last year, they still remain high and have the potential to rise again depending on global geopolitics. Current freight, rail, and ocean shipping rates continue to remain high and can be amplified by supply chain disruptions, such as those resulting from Russia's war in Ukraine. The bottom line is that if sugar were sold at the current safety net levels, most of the domestic industry would not be economically sustainable. The safety net must be increased in this Farm Bill for long term stability to provide secure supplies for American consumers.

In addition, sugar farmers are worried about increasing challenges of managing weeds and crop pests with fewer crop protectants, the rising cost of labor and availability of guest workers, the uncertainty caused by repeated wetland rules that do not seem driven by science but by politics, and difficulties in securing adequate truck and rail for handling for our product.

The current loan rate levels for sugar no longer provide a realistic safety net for our producers. Since the early 1980's we have seen 68 sugar processing facilities close and most outside investors exited the remainder of the industry due to the high risk and low returns. It was family farmers, like mine, who stepped up to rescue the industry from further closures of their factories, mills, and refineries (see figure 4. Facility closures). Now many of those are struggling.

We are saddened to see an additional sugarbeet processing facility in Northeastern Montana closing down this year --- not because of a weather disaster, but because the current economic environment with high costs of sugar production making it difficult to stay in business. Once a facility closes down it doesn't reopen, and it leaves behind workers that need to relocate and a town that has lost a large part of its economic and tax base.

Having sugar loan rates that are closer to our actual costs of sugar production would provide a more effective safety net for our producers and provide a signal to our cooperatives and companies that during the next downturn in prices, the floor price will actually cover a meaningful portion of sugar production costs. As such, we would support examining how the farm safety net could be updated in the next Farm Bill for all Title I commodities to better match actual operating costs for farmers.

Third, sugarbeets and sugarcane, like most crops, are grown in areas that experience weather disruptions. While sugarbeets and sugarcane are resilient, risk protection is needed given the exposure to strong hurricanes, freezes, and frequent and more intense droughts or excess rainfall. Sugarbeet and sugarcane farmers do have some insurance products available to them, but those crop insurance tools are not as well developed or affordable as for some other commodities. For sugarbeets, polices are limited to yield-based coverage and do not benefit from a revenue-based product like other commodities, nor do they have enterprise units available for purchase. For sugarcane, the Hurricane Insurance Program (HIP) has been an invaluable addition, but a prevented planting provision is needed. Participation and coverage levels for sugarcane lag significantly behind other crops so better addressing sugarcane's unique perils would be helpful. Price election methods that are more closely tied to the futures prices for sugar should also be updated to better reflect current market prices.

Sugarbeet and sugarcane farmers have participated in WHIP+ and ERP previously and are considering how their losses in 2021 and 2022 might be eligible for the most recent ERP program. In particular, I want to thank Senator Hoven for his early work that led to establishing WHIP+. We are thankful that USDA is working with Texas sugarcane farmers, and beet farmers on disaster aid. Unfortunately, USDA estimates that only $3.7 billion is available for over $10 billion in disaster needs for 2021 and 2022.

For those reasons and because there has been interest in developing additional risk management programs to complement crop insurance, we are certainly receptive to new efforts to provide standing disaster coverage in ways that do not undermine crop insurance and possibly even encourage greater participation by making insurance more affordable. Under any standing disaster program, we would encourage the committee to provide particular help to crops that might not have access to more successful crop insurance coverage options or for which the program has just not operated optimally.

Lastly, the current Title I sugar policy can provide an adequate economic safety net for American sugarbeet and sugarcane farmers, provided it is kept up to date and so long as there remains in place effective responses to foreign sugar-producing countries' subsidizing and dumping. Without those responses, we would effectively outsource our sugar supply to heavily-subsidized and unreliable foreign sugar suppliers whose environmental and labor standards simply do not measure up to our own. That would be the opposite of strengthening supply chains and contrary to providing a safety net to American producers. Under that scenario, farmers, consumers, and taxpayers would all lose.

On behalf of the more than 11,000 sugarbeet and sugarcane farmers in the United States as well as the employees in our mills, processors, and refineries, I thank you for supporting sound U.S. sugar policy and strongly opposing harmful proposals that would undermine the success of this policy.

We encourage and welcome the members and staff of the committee to visit our farms and factories. We look forward to working with you and other stakeholders committed to strengthening American food and agriculture as this committee continues to hear from producers as you weigh options for improving the Farm Bill.

Thank you for your consideration and your support for American sugarbeet and sugarcane family farmers. It is critical that the full Agriculture Committee reject attempts by special interests to weaken U.S. sugar policy that would outsource American farms to Brazil, India, and other countries that heavily subsidize sugar production. I look forward to any questions you might have.

Neil Rockstad, Minnesota sugarbeet grower
Representing the American Sugar Alliance

Figure 1

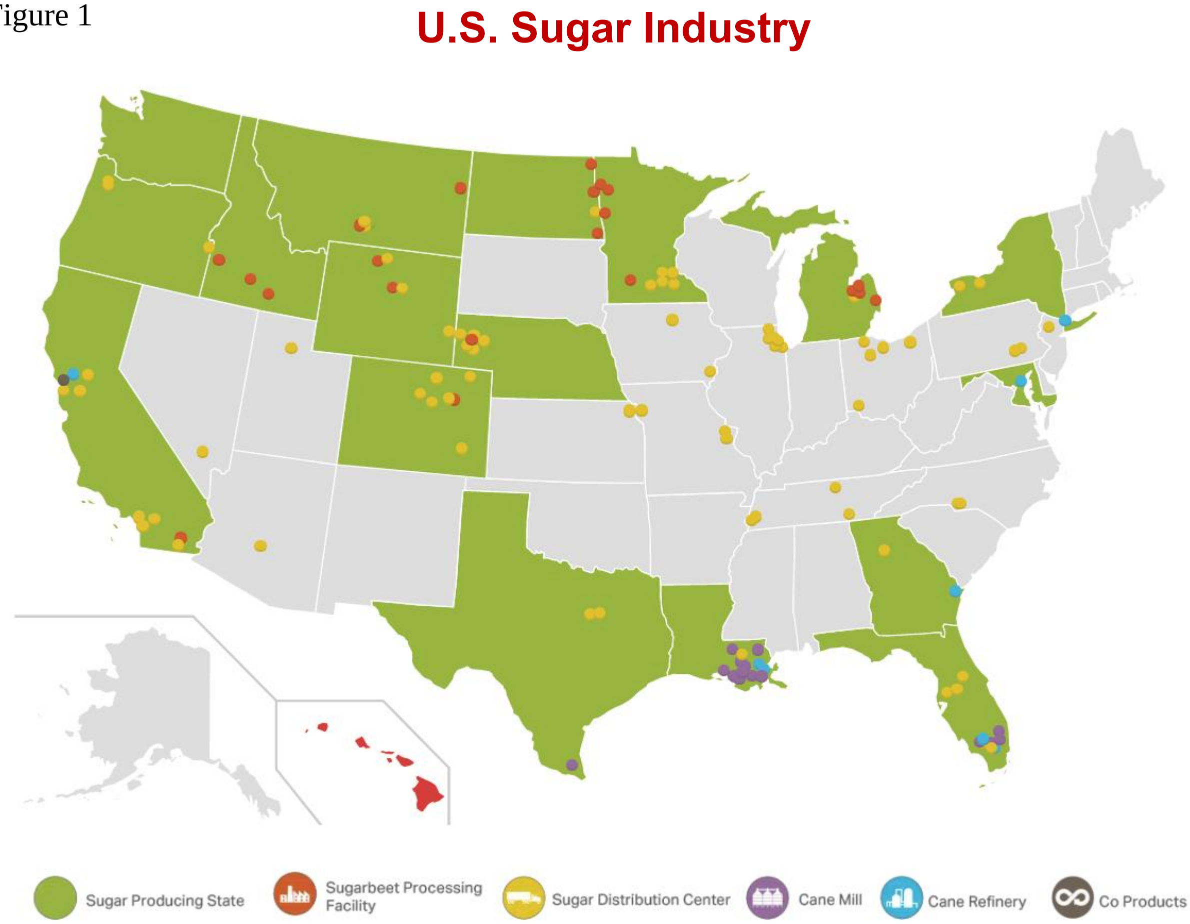
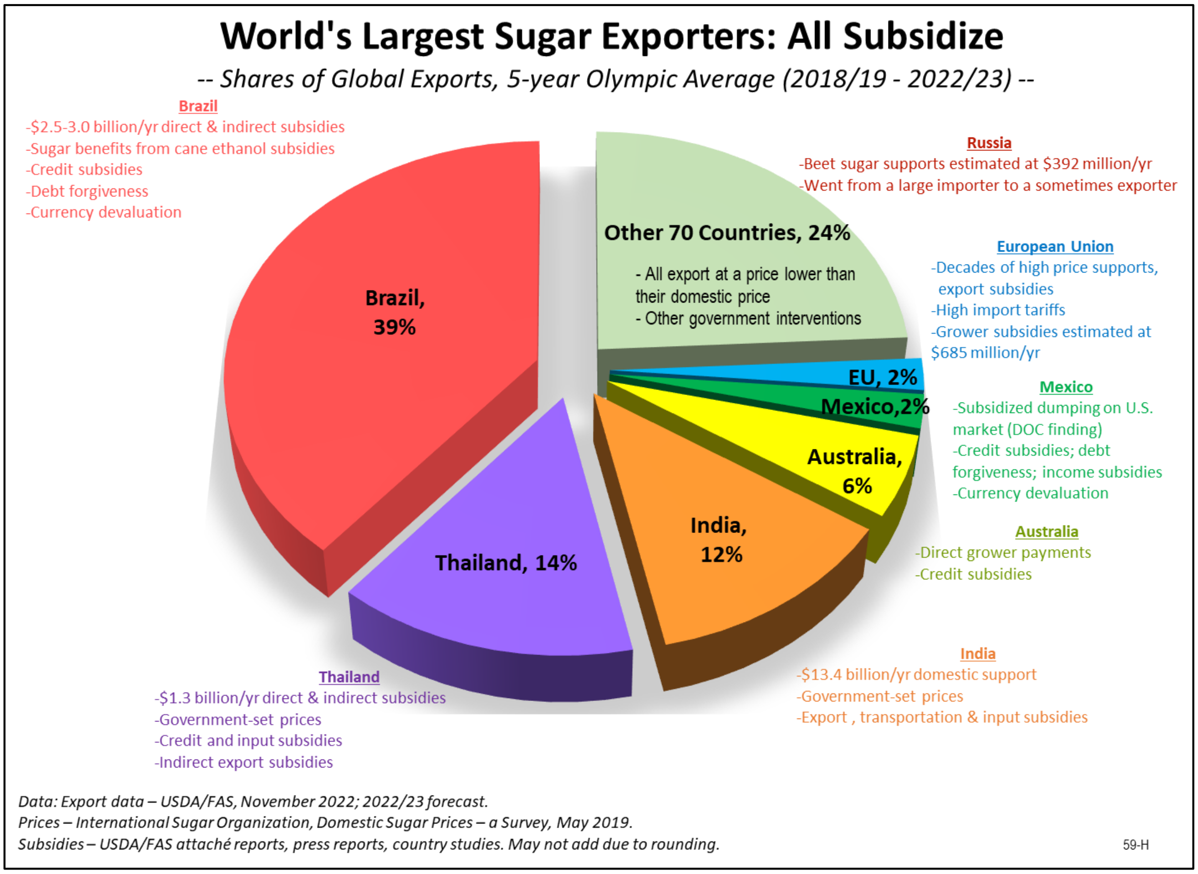

U.S. Sugar Industry
Sugar Producing State
Sugarbeet Processing Facility
Sugar Distribution Center
Cane Mill
Cane Refinery
Co Products

Figure 2



World's Largest Sugar Exporters: All Subsidize
-- Shares of Global Exports, 5-year Olympic Average (2018/19 - 2022/23) --
Brazil
-$2.5-3.0 billion/yr direct & indirect subsidies
-Sugar benefits from cane ethanol subsidies
-Credit subsidies
-Debt forgiveness
-Currency devaluation
Russia
-Beet sugar supports estimated at $392 million/yr
-Went from a large importer to a sometimes exporter
Other 70 Countries, 24%
- All export at a price lower than their domestic price
- Other government interventions
European Union
-Decades of high price supports, export subsidies
-High import tariffs
-Grower subsidies estimated at $685 million/yr
Brazil, 39%
EU, 2%
Mexico,2%
Mexico
-Subsidized dumping on U.S. market (DOC finding)
-Credit subsidies; debt forgiveness; income subsidies
-Currency devaluation
Australia, 6%
India, 12%
Thailand, 14%
Australia
-Direct grower payments
-Credit subsidies
India
-$13.4 billion/yr domestic support
-Government-set prices
-Export , transportation & input subsidies
Thailand
-$1.3 billion/yr direct & indirect subsidies
-Government-set prices
-Credit and input subsidies
-Indirect export subsidies
Data: Export data – USDA/FAS, November 2022; 2022/23 forecast.
Prices – International Sugar Organization, Domestic Sugar Prices – a Survey, May 2019.
Subsidies – USDA/FAS attaché reports, press reports, country studies. May not add due to rounding.
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Figure 3

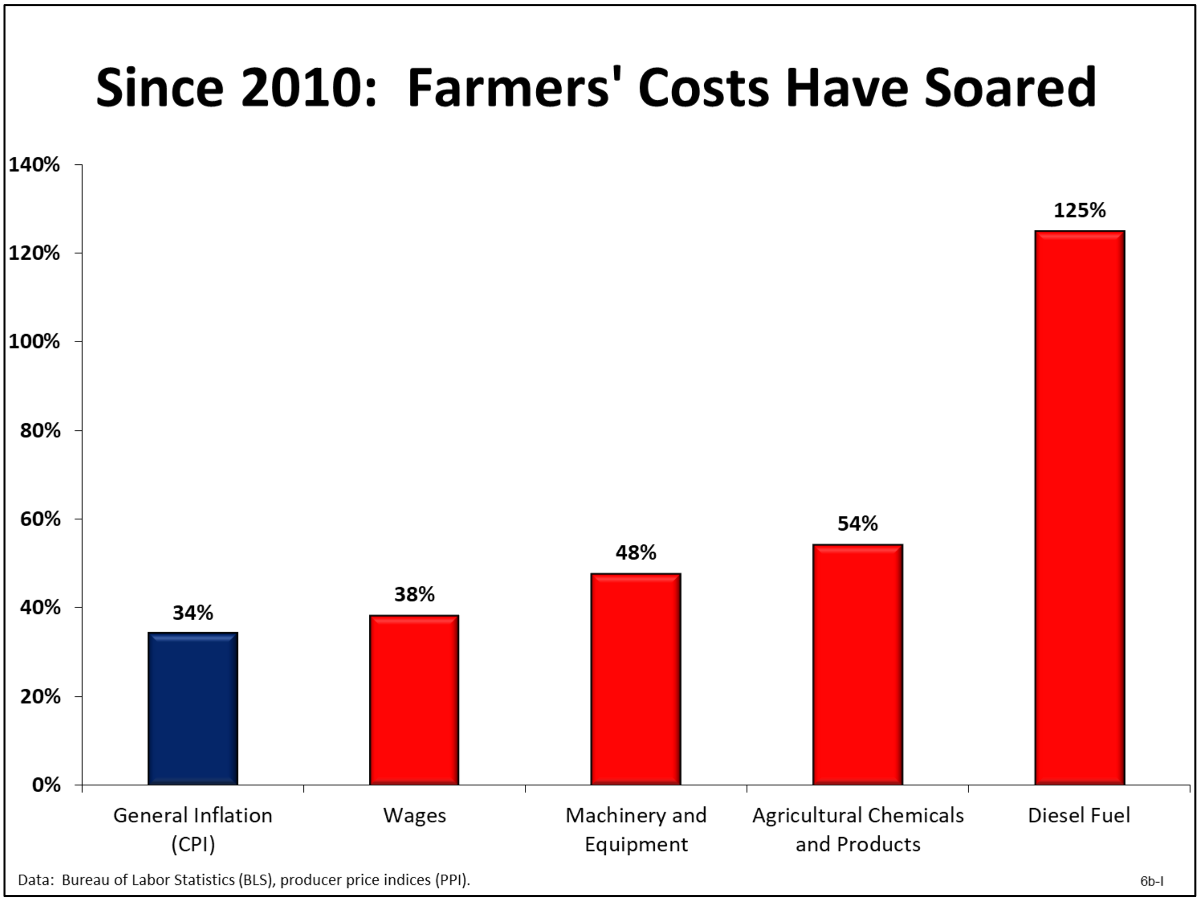
Since 2010: Farmers' Costs Have Soared
140%
120%
100%
80%
60%
40%
20%
0%
34%
38%
48%
54%
125%
General Inflation (CPI)
Wages
Machinery and Equipment
Agricultural Chemicals and Products
Diesel Fuel
Data: Bureau of Labor Statistics (BLS), producer price indices (PPI).
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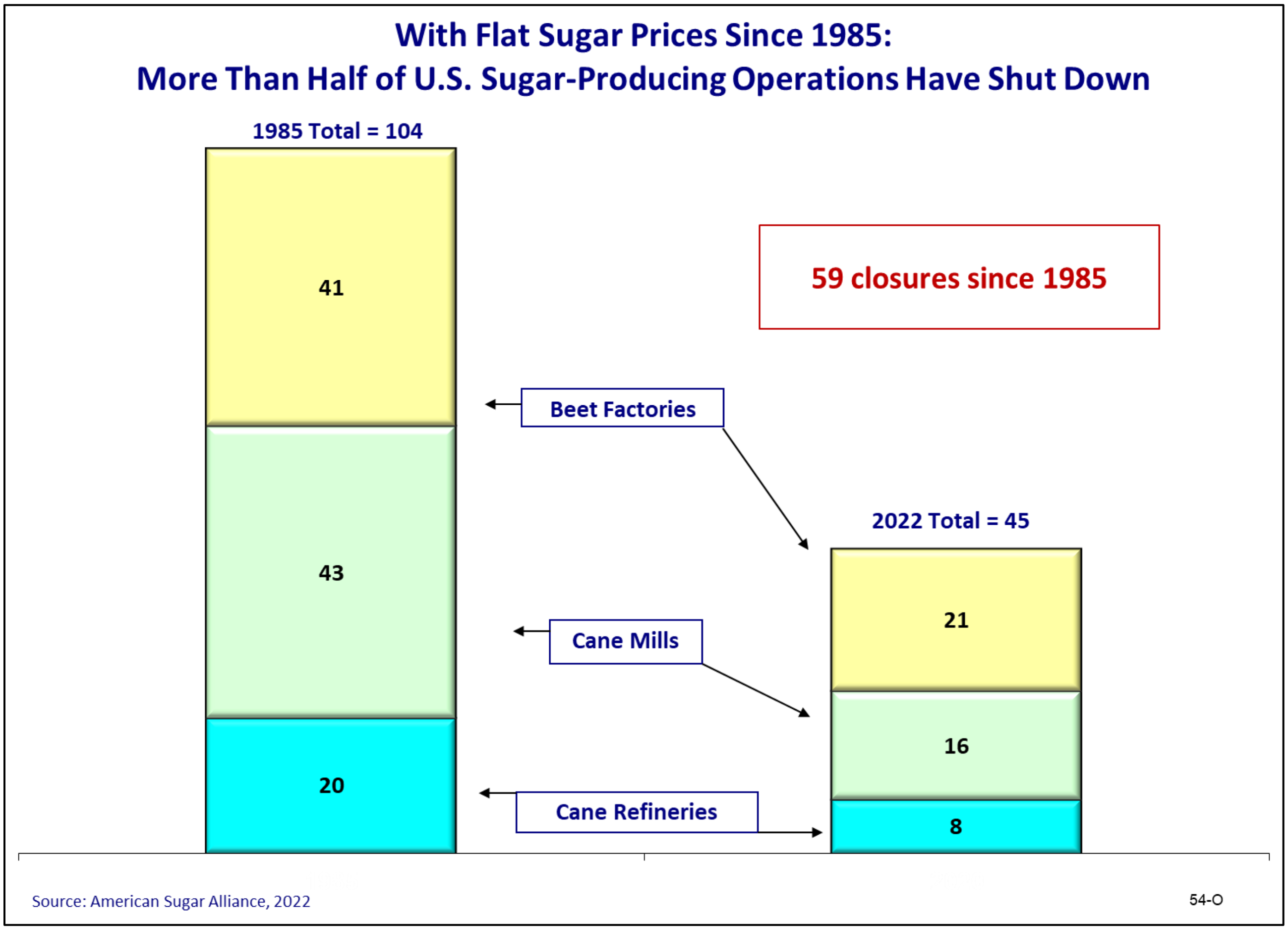
Figure 4


With Flat Sugar Prices Since 1985:
More Than Half of U.S. Sugar-Producing Operations Have Shut Down
1985 Total = 104
41
43
20
59 closures since 1985
Beet Factories
Cane Mills
Cane Refineries
2022 Total = 45
21
16
8
Source: American Sugar Alliance, 2022
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