Testimony of

Tim Deal
On behalf of the
American Sugar Alliance

Before the Senate Committee on Agriculture, Nutrition, & Forestry

"Perspectives From the Field: Farmer and Rancher Views on the Agricultural Economy, Part 1."

Washington, D.C.
February 5, 2025

Good morning, Chairman Boozman, Ranking Member Klobuchar, and members of the committee. Thank you for this opportunity to testify before you today on behalf of the American Sugar Alliance concerning producer's perspectives on the agricultural economy. Thank you also to Chairman Boozman and Ranking Klobuchar in advance for your hard work and leadership to complete a five-year farm bill in 2025.

My name is Tim Deal. I was born and raised in the great state of Minnesota and am a proud constituent of Senators Klobuchar and Smith. My wife Kathy and I grow sugarbeets on our farm in Doran, which is about 55 miles south of Fargo, ND. I am a fourth-generation farmer happily transitioning the farm over to the fifth generation, my son Josh and his wife Beth. My family has called Doran home since 1879. In addition to the all-important family credentials, I serve as Vice President for the American Sugarbeet Growers Association and as Chairman of the board of the Minn-Dak Farmers Cooperative. Our grower-owned cooperative has over 450 shareholders who produce over 3 million tons of beets in Minnesota and North Dakota. We were proud to have celebrated our 50th anniversary in 2024.

Eight members of this committee represent sugarbeet producing states and two represent sugarcane refining states. They know how sugar production, and all of agriculture by extension, is so important to 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). Many of the jobs and businesses generated and supported by the U.S. sugar industry are in rural and urban areas where good blue-collar jobs have become harder and harder to find. As an industry, we are proud to offer high-paying good jobs in our communities. In my home state of Minnesota, the sugarbeet industry provides almost 21,000 jobs and has a $3.06 billion-dollar annual economic impact. [1]

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[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, essentially table sugar, is stored and distributed from 90 strategically located facilities throughout the nation ready for delivery when and where needed throughout the year according to the specifications required by our customers. Unlike some other food items, sugar was readily 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.

Currently 75 percent of annual sugar demand is met by domestic production. We import roughly 25 percent of our demand from more than 70 countries and remain the third largest sugar importer in the world. Most of those countries heavily subsidize their sugar industry resulting in surplus sugar that is dumped on the world market. Outsourcing more of our sugar supply to other unreliable nations not only puts our farmers at risk, but also makes it even more difficult for our food companies to produce and supply products that meet the growing demand of U.S. consumers for foods that meet sustainability and other environmental measures. Our industry meets some of the highest labor, food quality, 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 21 percent on 4 percent fewer acres, through improved yields while lowering pesticide use.

This hearing is timely and important. Many growers across the country are truly struggling under very difficult economic conditions. You have our heartfelt appreciation for the agricultural provisions in the American Relief Act including the crop and economic loss assistance for growers. But what we truly need is a five-year farm bill to provide certainty for production decisions and financial management of our farms. The farm bill represents a critical safety net for our farm families and the many employees of sugar mills, processors, and refineries throughout the country.

I must underscore that economic conditions are difficult. Sugar prices for sugarbeet and sugarcane farmers have fallen by more than 10 percent over the past year. In addition, our story is complicated by the fact we must pay for on-farm expenses and investments, but also factory expenses and investments. That means all the increases in labor, fuel, fertilizer, and equipment costs over the past few years for everything from seed to new factory boilers, to an expansive network of warehouses to store sugar for our customers along with railcar and trucking costs incurred to ship raw and refined sugar fall on the sugarbeet and sugarcane farmer.

One bright side is that we expect record sugar production in the United States this year, besting last year's record. More than 5.3 million tons of beet sugar and more than 4.1 million tons of cane sugar are forecast to be produced this year from domestically-grown sugarbeets and sugarcane. In addition to a record year of production, we can also see that our farms and factories have become

[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 (available at https://www.regulations.gov/comment/AMS-TM-21-0034-0437).

more efficient and productive. Estimated sugar produced per acre of sugarbeets is at a record high of 9,281 pounds per acre and for sugarcane 8,597 pounds per acre.

Growers are very proud to bring in a crop like this. But pride does not pay the bills. We know that weakening sugar prices relative to persistently high costs of production are unsustainable. We see countries such as Brazil and India heavily subsidizing their sugar and ethanol industries, which translates to more dumped sugar on the world market and lower sugar prices. World sugar prices are down more than 20 percent compared to last year which has pushed U.S. prices down more than 10 percent from last year.

In addition to cost and price pressures, we are grappling with an out-of-date farm bill safety net. Just as with other commodities, sugarbeet and sugarcane farmers must have a new and updated farm bill in order to develop a financial plan with their bankers for the next five seasons. Without a meaningful improvement in the safety net, many growers, including sugarbeet and sugarcane farmers, will find it harder to finance their operations.

Specific to sugar, 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). Marketing loans for raw cane sugar and refined beet sugar are the main farm bill program for our growers. This program has operated at zero-cost to taxpayers for the past 10 years and is forecast by USDA to cost zero for the next 10 years.

However, as with all commodities, operating margins 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 in 2018, farmers are paying much higher prices for inputs: 37 percent more for diesel fuel, 45 percent more for fertilizer, and 39 percent more for machinery. And while some of those prices have come down marginally, 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. Sugarbeet and sugarcane farms and facilities are very capital intensive and require continual investments to maintain or build on current levels of production to meet growing demand. The bottom line is that if sugar were sold at the level of the current marketing loan rates, most of the domestic sugar industry would not be economically sustainable.

The current marketing loan rates for sugar no longer provide a realistic safety net for our producers. The raw sugar loan rate has only increased 1.75 cents in 40 years. The sugarbeet loan rate has only increased 4.3 cents in 40 years. Since the early 1980's, we have seen 68 sugar processing facilities close and most outside investors exit the remainder of the industry due to the high risk and low returns. It was family farmers, like me, who stepped up to rescue the industry from further closures of their factories, mills, and refineries by purchasing all the beet sugar processing facilities ourselves. In doing so, we not only saved the industry but also made a legal commitment to grow sugarbeets, as every sugarbeet farmer shareholder is obligated to produce the crop. That is how dedicated we are to the success of U.S. sugar production. Now many of those are struggling. As I sit here today, we have some cooperative share values near, at or below zero, meaning current owners will pay others to take their shares. That is why we need Congress to act quickly to pass a meaningful farm bill.

We were saddened to see an additional sugarbeet processing facility in Northeastern Montana close down two years ago, 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. Additionally, we just saw the last sugar mill in Texas close, because irrigation water owed to those growers by Mexico was not provided. It was not feasible for the grower-owned cooperative to remain in operation without that water to grow a sugarcane crop. For sugar, once a processing facility closes, it doesn't reopen, and that leaves behind workers who need to relocate and a town that has lost a large part of its economic and tax base. You cannot ship sugarbeets or sugarcane a long distance as the sugar content degrades quickly, therefore processing facilities are co-located with the crop acreage. Since 2000, we've seen 28 facilities close with 43 remaining (see figure 4. Facility closures).

We must recognize the sober economic environment that we face. But we are not helpless before this task, and in fact, this committee and its counterpart in the House have found solutions. Ones that we not only need but enthusiastically support. We support the House committee-passed and Senate proposals that:

- Proposed increasing the loan rates to 24.00 cents per pound for raw cane sugar and to 32.77 cents per pound for refined beet sugar. 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, companies, and lenders that during the next downturn in prices, the floor price would actually cover a meaningful portion of sugar production costs.

- Proposed increase storage payment rates for forfeited raw and refined sugar to 27¢/cwt/month for raw sugar and 34¢/cwt/month for refined sugar. This provision is only rarely used in emergency circumstances; however, these rates must reflect the current costs of storage.

- Emphasized that food security is national security by designating the preservation and strengthening of the domestic sugar industry as a "priority objective," to ensure we maintain significant domestic production in the face of foreign subsidies and predatory trade practices to help meet American-consumer need**s.**

- Proposed modernizing beet sugar marketing to enhance efficiencies of marketing and to allow beet sugar cooperatives to meet the growing demand for sugar, with a priority given to those cooperatives with available sugar. In addition, the bills directed USDA to conduct reassignments within 30 days of the January WASDE. Those two policy changes would have codified USDA best practices but also improved the efficiency of beet sugar marketing.

- Proposed that USTR and USDA reallocate the WTO minimum tariff-rate quota shortfall as soon as it is known which countries will not be shipping their quota, thereby increasing capacity utilization at sugarcane refineries and minimizing the need for tier-2 imports.

- Proposed to reinforce the intent of current law by clarifying that, notwithstanding other provision of law, before April 1, the Secretary shall increase preferential access from WTO trading partners to the U.S. market only when certain specified disasters occur that would warrant immediate action to bring in additional supplies of sugar.

- Acknowledged current crop insurance products for sugarbeet and sugarcane are not as well developed as those for other crops. The committees directed RMA to develop revenue insurance policies for sugarbeet and sugarcane producers.

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. We are committed to preserving and strengthening American agriculture. We know members of this committee are too. As such, we encourage and welcome the members and staff of the committee to visit our farms and factories.

Thank you for your consideration and your support for American sugarbeet and sugarcane family farmers. We respectfully request that you move as expeditiously as possible to pass a five-year farm bill that includes robust support for sugar production. Growers need that as do our lenders, but they are not the only ones that would benefit. Strong farm policy ensures a strong nation, after all, food security is national security. Ensuring long-term stability provides secure and growing supplies for American consumers, which is a key reason that these farm bill provisions are supported by both growers as well as our customers, the sweetener users.

I look forward to any questions you might have.

Tim Deal
Minnesota sugarbeet grower
Representing the American Sugar Alliance

Figure 1

U.S. Sugar Industry

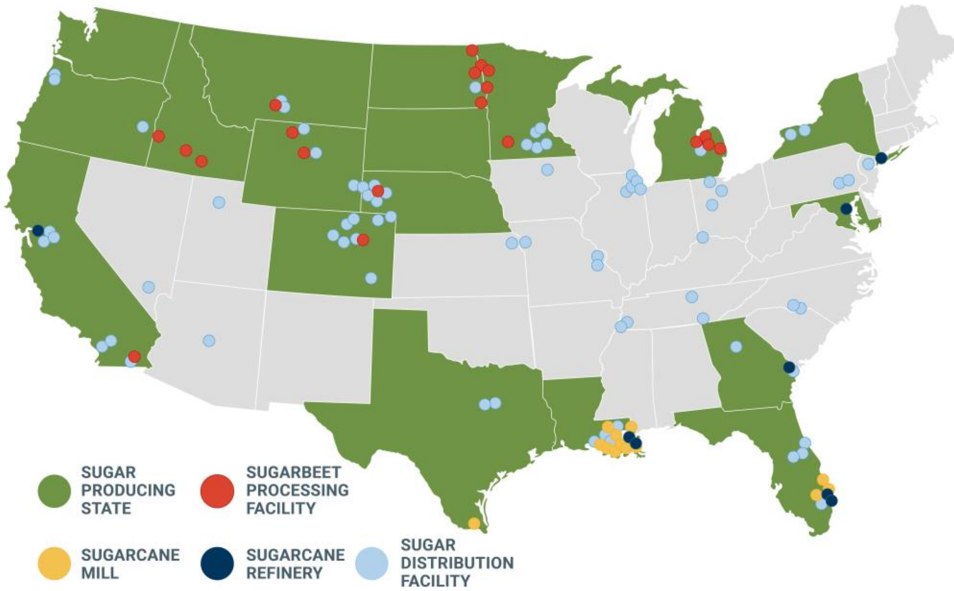

Figure 2

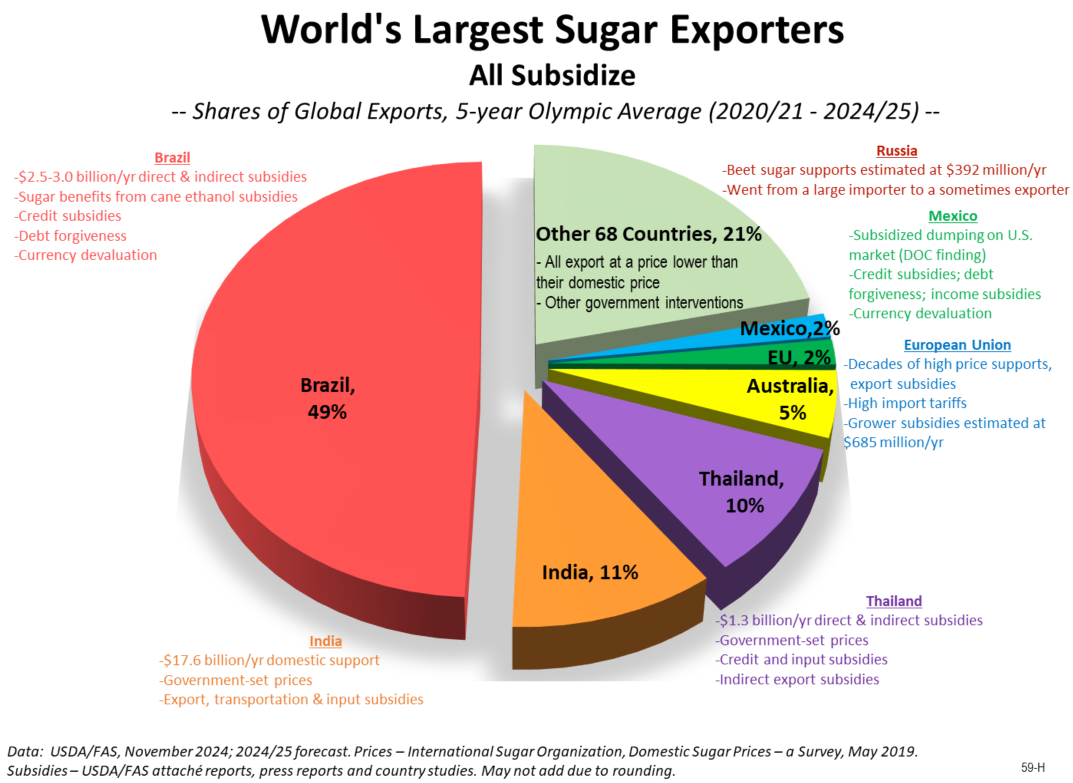
World's Largest Sugar Exporters
All Subsidize
-- Shares of Global Exports, 5-year Olympic Average (2020/21 - 2024/25) --
Brazil
-$2.5-3.0 billion/yr direct & indirect subsidies
-Sugar benefits from cane ethanol subsidies
-Credit subsidies
-Debt forgiveness
-Currency devaluation
Russia
-Beet sugar supports estimated at $392 million/yr
-Went from a large importer to a sometimes exporter
Mexico
-Subsidized dumping on U.S. market (DOC finding)
-Credit subsidies; debt forgiveness; income subsidies
-Currency devaluation
European Union
-Decades of high price supports, export subsidies
-High import tariffs
-Grower subsidies estimated at $685 million/yr
Other 68 Countries, 21%
- All export at a price lower than their domestic price
- Other government interventions
Mexico,2%
EU, 2%
Australia, 5%
Thailand, 10%
India, 11%
Brazil, 49%
Thailand
-$1.3 billion/yr direct & indirect subsidies
-Government-set prices
-Credit and input subsidies
-Indirect export subsidies
India
-$17.6 billion/yr domestic support
-Government-set prices
-Export, transportation & input subsidies
Data: USDA/FAS, November 2024; 2024/25 forecast. Prices – International Sugar Organization, Domestic Sugar Prices – a Survey, May 2019.
Subsidies – USDA/FAS attaché reports, press reports and country studies. May not add due to rounding.
59-H

Figure 3

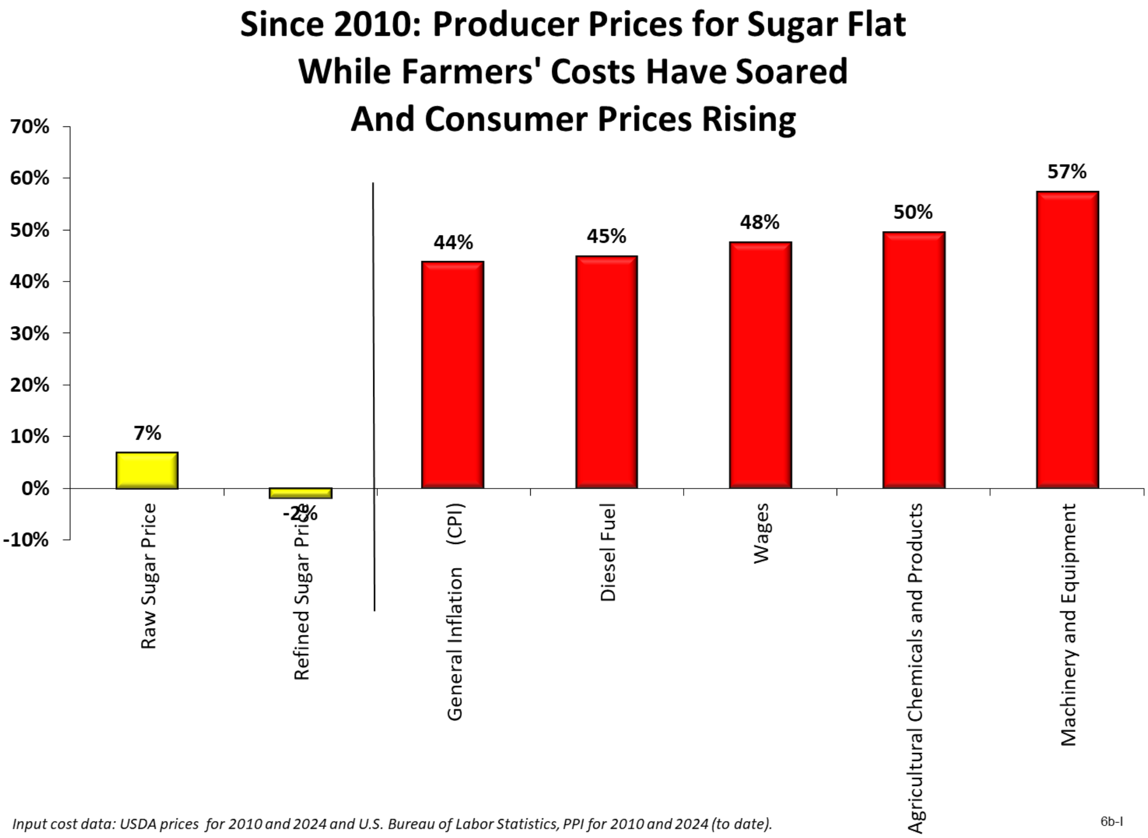
Since 2010: Producer Prices for Sugar Flat
While Farmers' Costs Have Soared
And Consumer Prices Rising
70%
60%
50%
40%
30%
20%
10%
0%
-10%
7%
-2%
44%
45%
48%
50%
57%
Raw Sugar Price
Refined Sugar Price
General Inflation (CPI)
Diesel Fuel
Wages
Agricultural Chemicals and Products
Machinery and Equipment
Input cost data: USDA prices for 2010 and 2024 and U.S. Bureau of Labor Statistics, PPI for 2010 and 2024 (to date).
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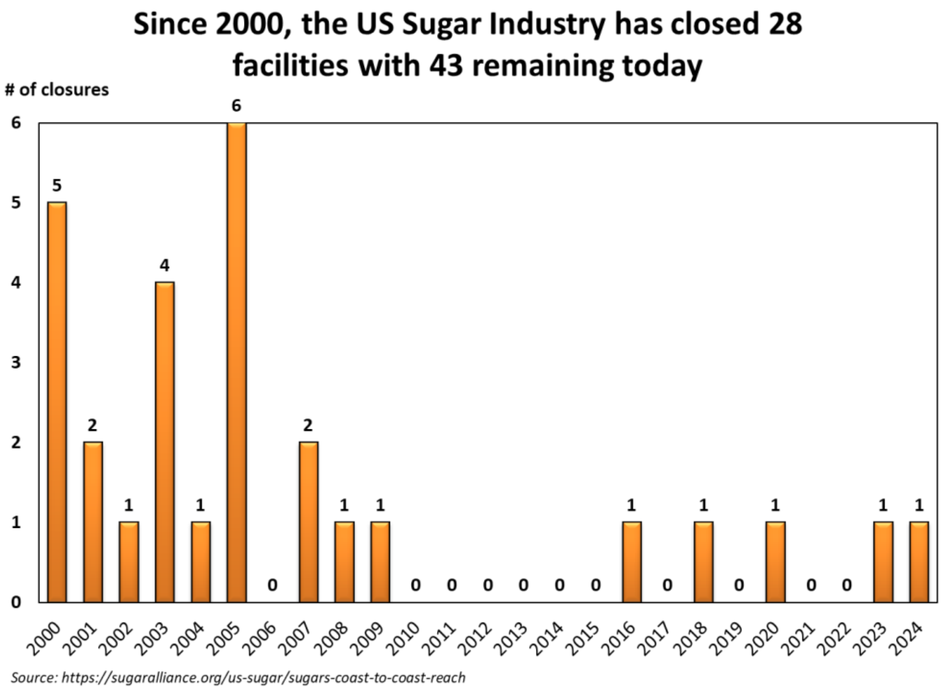
Figure 4



Since 2000, the US Sugar Industry has closed 28 facilities with 43 remaining today
# of closures
6
5
4
3
2
1
0
5
2
1
4
1
6
0
2
1
1
0
0
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0
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0
1
0
1
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2000
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2002
2003
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2006
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2019
2020
2021
2022
2023
2024
Source: https://sugaralliance.org/us-sugar/sugars-coast-to-coast-reach