The survival of sugar

FARMERS LEARN TO CARRY ON DESPITE LOW PRICES, DIET TRENDS

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If oil is Louisiana's economic bloodstream, a lot of Louisianans would suggest sugar is the state economy's warm heart that cherishes tradition.

Priests still bless the lush green fields each year. Sugar festivals still feature queens in snowy gowns and glittery crowns. Sugar farmers seemed impossible to panic despite floods, freezes and tough times. During the Great Depression, Acadian farmers made extra cash selling freshly cut cane stalks at roadside stands to travelers. But now, many Louisiana farmers wonder how many more years they can survive what have been record low sugar prices.

"Sugar prices were so low that farmers had to store most of their crop — and we had a great crop this year," said Ronald Gonsoulin, who runs Ulysses Gonsoulin & Sons with his son Kevin; the large-scale sugar cane-farming operation is based in Iberia Parish. "You hear American oil workers talk about how much their industry will make by shipping our oil overseas. But it would cost more to put our sugar on a barge to Asia or Europe than it is worth on the market."

SUGAR BY THE NUMBERS
- One teaspoon of white sugar has 15 calories, one teaspoon of corn syrup has 20 calories.
- Two hundred years ago, Americans ate 2 pounds of sugar a year. Today, Americans consume the equivalent of 152 pounds of sugar a year.
- Americans should get only 10 percent of their calories from sugar: 13.3 teaspoons of sugar a day. The current average is 42.5 teaspoons of sugar a day.

Source: New Hampshire Department of Health and Human Services
Continued from Page 1E

Two weeks ago, the U.S. International Trade Commission issued a preliminary ruling that Mexico wrongfully dumped about 2.5 million tons of sugar into the U.S. market, sending prices to 20 cents per pound this year — the lowest sugar prices have been in 30 years. They cannot fall lower simply because U.S. supports will kick in to keep the American sugar industry afloat.

Prices and global competition — Brazil and India are the world's biggest sugar producers — aren't the Louisiana cane farmer's only worries. A bumper crop of new diet books and medical research blame excessive sugar consumption for causing cancer, obesity, heart disease and even premature wrinkles.

But the head of the LSU AgCenter's Audubon Sugar Institute remains optimistic about Louisiana sugar cane farming's future.

"The acknowledgment by the U.S. government that dumping is a problem is already improving life for our sugar farmers; after the (International Trade Commission) ruling, sugar went up to 25 cents per pound," professor Benjamin Legendre said. "Other trade treaties we have and that are in the pipeline, like Trans Pacific Partnership, don't allow sugar free access to our market like NAFTA did. Lots of Louisiana sugar farmers are planting soybeans now on some of their land; soybean prices are quite high now. Louisiana sugar farmers know how to survive."

Prices collapse

The American Sugar Coalition — composed of sugarcane growers, cane sugar refiners, sugar beet farmers and processors — blames Mexico as the primary culprit in the price collapse. The coalition lodged complaints with the ITC and the U.S. Commerce Department. U.S. Sens. Mary Landrieu, D-New Orleans, and David Vitter, R-Metairie, immediately issued their support for Louisiana farmers. Vitter noted that the sugar industry generates 16,000 jobs and $3.5 billion annually in economic impact for the state. According to the AgCenter, Louisiana has 483 family farming operations and 11 raw sugar factories and two refineries.

The next step after the ITC finding is a Commerce Department investigation to confirm there is dumping.

Mexico's agricultural secretariat issued a response saying the North American Fair Trade Agreement allows Mexican sugar interests total access to the American market without being hindered by tariffs or import quotas. NAFTA was a sweeping change for the industry since the U.S. Department of Agriculture previously imposed limits on how much foreign and U.S. sugar could be funneled into the American market.

"The U.S. can levy fines against Mexico and limit the amount of sugar it can export to us if the Commerce Department decides there is dumping," said Anthony Greco, an economics professor at the University of Louisiana at Lafayette.

In its ITC petition — filed on behalf of several groups including Louisiana's American Sugar Cane League — the American Sugar Coalition complained that the Mexican government heavily subsidizes its sugar industry with forgiven loans for land and equipment and debt restructuring. The United States has a safety net for sugar in the form of price supports.

Gonsoulin explains how it works: The USDA loans money to sugar mills, which pay the farmer. The raw sugar the mill produces is the collateral. If prices are catastrophically low, mills can forfeit the sugar to the USDA in lieu of paying their loans back. In 2013, sugar was forfeited for the first time in 11 years.

The past year's low sugar prices prompted the biggest wave of loan defaults among sugar processors nationwide since 2000.

The latter development might seem daunting to Crompton International president George Schaffer, whose Baton Rouge company makes equipment for the sugar industry as well as the oil industry. He is optimistic and undaunted.

"The low sugar prices seem to me like a market correction after three years of record high prices in 2010 through 2012," Schaffer said. "Louisiana sugar cane farmers will thrive especially if they learn to adapt to new niche markets and learn to market sugar cane effectively. I travel all over the work to visit customers. There is a huge interest in organic sugar cane, for example. There's a growing demand in raw sugar that our farmers could supply."

Diet, health trends on rise

Schaffer also observed that high fructose corn syrup has been singled out as an obesity culprit by health activists who believe it is harder to metabolize than sugar. Pepsi-Cola ditched high-fructose corn syrup in a new line of beverages it is rolling out for the summer. "Pepsi Made With Real Sugar," "Pepsi Vanilla Made With Real Sugar" and "Pepsi Wild Cherry Made With Real Sugar," boasting that the sodas are made with cane sugar.