Testimony of
Dale Murden
Chairman
Rio Grande Valley Sugar Growers, Inc.

United States House of Representatives
Committee on Agriculture

Field Hearing on the 2012 Farm Bill
Lubbock, Texas
May 17, 2010

Thank you, Mr. Chairman and members of the Committee, for convening this hearing. On behalf of the 126 sugarcane farmers of Rio Grande Valley Sugar Growers (RGVGS), Inc., I want to express my deep appreciation for your leadership and bipartisanship in the successful passage of the 2008 Farm Bill. We look forward to working with you on the 2012 Farm Bill as well.

My name is Dale Murden, and I currently grow sugarcane, citrus, grains, vegetables and soybeans near my hometown of Monte Alto, Texas. In addition to being Chairman of the Board for the Rio Grande Valley Sugar Mill, I am also a member of the Hidalgo County Farm Bureau, Delta Lake Irrigation District, Texas Citrus Producers Board and the Hidalgo County AgriLife Program Committee. I was recently chairman of the National Sorghum Producers and a trade advisory team member to the U.S. Grains Council.

Rio Grande Valley Sugar Growers**,** Inc. is a member-owned cooperative comprised of growers in a three-county area. Together, our members produce more than 1.5 million tons of sugarcane each year, yielding nearly 160,000 tons of raw sugar and 60,000 tons of molasses. RGVSG is one of the top 10 producers of raw sugar in the United States.

Rio Grande employs up to 500 workers in a normal producing year, which culminates with a harvesting period from October to April. Annual payroll of our cooperative exceeds $12 million, with an annual operating budget of more than $32 million.

In Texas, where more than 8,000 jobs rely on a strong U.S. sweetener industry, RGVSG alone accounts for up to 11 percent of the total gross revenues produced by Valley agriculture every year. Member growers utilize over 40,000 acres of rich South Texas farmland in the cultivation of sugarcane crops.

The sugar provisions in the 2008 Farm Bill have given our producers confidence in the stability of a domestic sugar industry. Today, I will commend the sugar program’s effectiveness but I also want to point out areas where we have some problems.

In January, a bad freeze in south Texas proved that the federal crop insurance program and the new permanent disaster program don’t adequately cover our style of farming in the Valley. Affordable crop insurance at higher levels of coverage isn’t available for cane and many of the fruits and vegetables grown in south Texas. Also, the SURE program won’t cover losses to one crop if overall on farm revenues from the other crops grown on that farm are unaffected by a natural disaster.

Finally, the Biomass Crop Assistance Program (BCAP), created in the 2008 Farm Bill and whose intention was to help biomass producers offset specific costs, did not make payments on our cane applications yet approved $170 million in funds to other biomass producers.

However, I do want to focus on one program that is working and explain why because our future ultimately depends on good farm and trade policy.

Food Security
Sugar is an essential ingredient in our nation's food supply. As an all-natural sweetener, bulking agent and preservative, it plays an important role in about 70% of processed food products and is called for in a multitude of favorite home recipes. Dependence on unreliable and unstable foreign suppliers is a threat to our food security, which is why a strong, diversified and reliable domestic industry has long been recognized as important to the nation.

U.S. sugar producers are globally competitive, but for decades we have been threatened by unfair competition. Roughly 120 countries produce sugar and all their governments intervene in their sugar markets in some way. Many countries subsidize their producers and dump their surpluses on the world market for whatever price it will bring. This depressed, so-called "world price" has averaged below actual global costs of producing sugar for many years. American producers are competitive, but cannot be expected to compete against these foreign treasuries and unfair predatory trade practices.

Importance, Size, Efficiency
In addition to the critical role it plays in local economies, sugar is a significant job producer and revenue-generator nationally. The U.S. sugar producing industry, with sugarbeets and sugarcane grown or processed in 18 states, generates over 146,000 jobs and more than $10 billion per year in economic activity. These jobs range from the cane fields of Hawaii and the beet fields of Wyoming to the cane sugar refineries in New Orleans, New York City, and other cities.

The United States is the world's fifth-largest sugar producer. We are also the fifth-largest sugar consumer and the world's second-largest net importer. And, we are good at what we do. Our sugar farmers are among the lowest cost producers in the world. We are doubly proud of this distinction because we have achieved it while being fair to our workers and responsible stewards of the land. Farmers in the developing world, who dominate the world sugar market, generally operate with little or no enforced requirements for worker safety and benefits, or for air, water, and soil protection. Our standards, and compliance costs, are among the highest in the world.

Restructuring
Despite our efficiency, we are an industry that has been under enormous stress. From 1985 until 2009, we did not receive any increase in our price support level. Over this long period of essentially flat nominal prices, the real price we received for our sugar dropped sharply because of inflation. (Figures 1-2)

Only the producers who could match the declining real price with efficiency gains and lower production costs were able to survive. More than half could not. From 1985 to 2009, 54 of America's 102 cane mills, beet factories, and cane sugar refineries shut down, with terrible consequences for the local families and communities. Just since 1996, 35 mills, factories, and refineries have closed. (Figures 3-4)

Trade Challenges
The U.S. is one of the most open sugar markets and one of the world's largest sugar importers. The U.S. provides access to its market to 41 countries, as it is required to do under trade laws. Virtually all are developing countries, and most are highly supportive of U.S. sugar policy because it provides an import price at which many can recover their costs of production.

In addition to coping with the problems of rising costs, pests, disease, and natural disasters, American sugar farmers have had to deal with another threat: trade agreements that have ceded more and more of the American sugar market to foreign producers – even if the foreign producers are subsidized and inefficient. And more such concessions are being contemplated.

Trade agreements force the U.S. to provide duty-free access for 1.4 million short tons of sugar each year, whether the country needs the sugar or not. This amounts to about 15% of domestic sugar consumption.

In addition, under the NAFTA, Mexico now enjoys unlimited access to the U.S. sugar market. It is difficult to predict how much sugar Mexico might send north each year. Key variables include Mexican sugar production, government decisions (one-fourth of the sugar mills are owned and operated by the Mexican government), and the pace at which corn sweetener, mostly from the U.S., replaces sugar in the massive Mexican beverage industry. Mexican sugar exports to the U.S. have varied widely in the past, and could in the future – over 1.4 million short tons last year, but only about 0.5 million forecast for this year. (Figure 5)

Furthermore, the U.S. is negotiating a Doha Round of the WTO that would result in additional market access concessions. The TPP (Trans-Pacific Partnership) trade negotiations, recently launched by the Obama Administration, could also eventually result in substantial market commitments for sugar to the many countries lining the Pacific Rim. Such trade concessions threaten to reduce U.S. sugar producers' access to our own market even further, and reduce prices as well, making it impossible for those of us who are struggling to survive. (Figure 6)

Previous Farm Bill

In the 2002 Farm Bill, USDA had only two tools to balance U.S. sugar supplies with consumer demand.

1. It could limit foreign supplies to minimum import levels required by the World Trade Organization (WTO) and other trade agreements.
2. It could limit domestic sugar sales through marketing allotments. Each year, USDA would forecast domestic sugar consumption, subtract required imports, and allow U.S. producers to supply the balance.
    - If U.S. production was insufficient to fill demand, USDA could increase imports by expanding the tariff-rate quota (TRQ).
    - If U.S. production exceeded the allotment quantity, American producers had to store the excess at their own expense, not the government's.

This market-balancing system worked reasonably well until 2008, although misjudgments in setting the TRQ in 2006 seriously depressed the U.S. sugar market. That's when Mexico gained unlimited access to our market under the NAFTA, and USDA effectively lost control of the market.

The 2008 Farm Bill

Congress, in its wisdom, designed a sugar policy that is working to the considerable benefit of consumers and at zero cost to taxpayers, and is giving the remaining American sugar farmers a chance to survive. And, it fully complies with the rules of the WTO.

While retaining the basic-market-balancing tools described above, Congress made a number of important improvements in 2008. The Farm Bill minimizes the erosion of American sugar farmers' share of their own market by limiting reductions in their marketing allotments to not less than 85% of consumption. It's worth noting that in many years, imports amount to much more than 15% of the U.S. market.

If imports exceed the difference between domestic market allotments and consumption, USDA will divert surplus sugar into fuel ethanol production and restore balance to the sugar market for food. The added ethanol production would be consistent with national goals to reduce American dependence on foreign oil and improve air quality.

In addition to the use of ethanol as a market balancing mechanism, two other Farm Bill measures are helping to stabilize the market and improve producer prospects:

1. The first increase in the sugar support price since 1985. The raw cane sugar loan rate rose by ¼ of a cent per pound this year, and will rise the same amount in fiscal years 2011 and 2012. Refined beet sugar rates will rise by a commensurate amount. In fiscal year 2012, the raw cane loan rate will be 18.75 cents per pound and the refined beet sugar rate will be 24.09 cents.

2. USDA may not announce a TRQ above the minimum required by trade agreements until halfway through the crop year (April 1), unless there is a supply emergency. By April, much more is known about actual U.S. sugar production and consumption and the volume of imports from Mexico. This will prevent a recurrence of situations such as that in the summer of 2006, when USDA announced an excessive TRQ for the coming year, the market was badly oversupplied, and producer prices languished for almost two years.

Consumer Benefits
American food manufacturers and consumers continue to benefit from reliable supplies of sugar that has been produced responsibly and is reasonably priced, high in quality, and safe to consume. In real terms, corrected for inflation, U.S. wholesale and retail prices have declined substantially over the past three decades. Food manufactures and consumers in the rest of the developed world pay about 10% more for sugar than Americans do. Taking per capita income levels into account, sugar is more affordable in America than in virtually every other country in the world – rich or poor. (Figures 7-12)

Taxpayer Benefits
Sugar is the only major commodity program that operates at no cost to taxpayers, and government projections through 2020 say it will remain no cost over all these years. Projections prior to the enactment of the 2008 Farm Bill suggested significant costs because of excessive imports from Mexico, low prices, and government loan forfeitures. But thanks to steady consumption growth, stable domestic production, manageable import levels from Mexico, and sound program management by USDA, costly surpluses have not occurred. (Figures 13-14)

The 2012 Farm Bill
The U.S. sugar industry has endured a wrenching restructuring over the past two decades. American sugar farmers remain are grateful to the Congress for crafting a sugar policy that is balancing supply and demand, ensures consumers of dependable, high-quality supplies, and is improving market prospects for sugar producers. The policy achieves all these goals at zero cost to American taxpayers.

With some prospect of continued market stability, producers should be able to re-invest in their operations, further reduce their costs of production, and survive. We strongly urge the continuation of this successful, no-cost policy in the next Farm Bill.

Thank you again, Mr. Chairman and Members of the Committee, for holding this important hearing and for all that the Committee does for American agriculture. I look forward to working with you in the future.

Figure 1

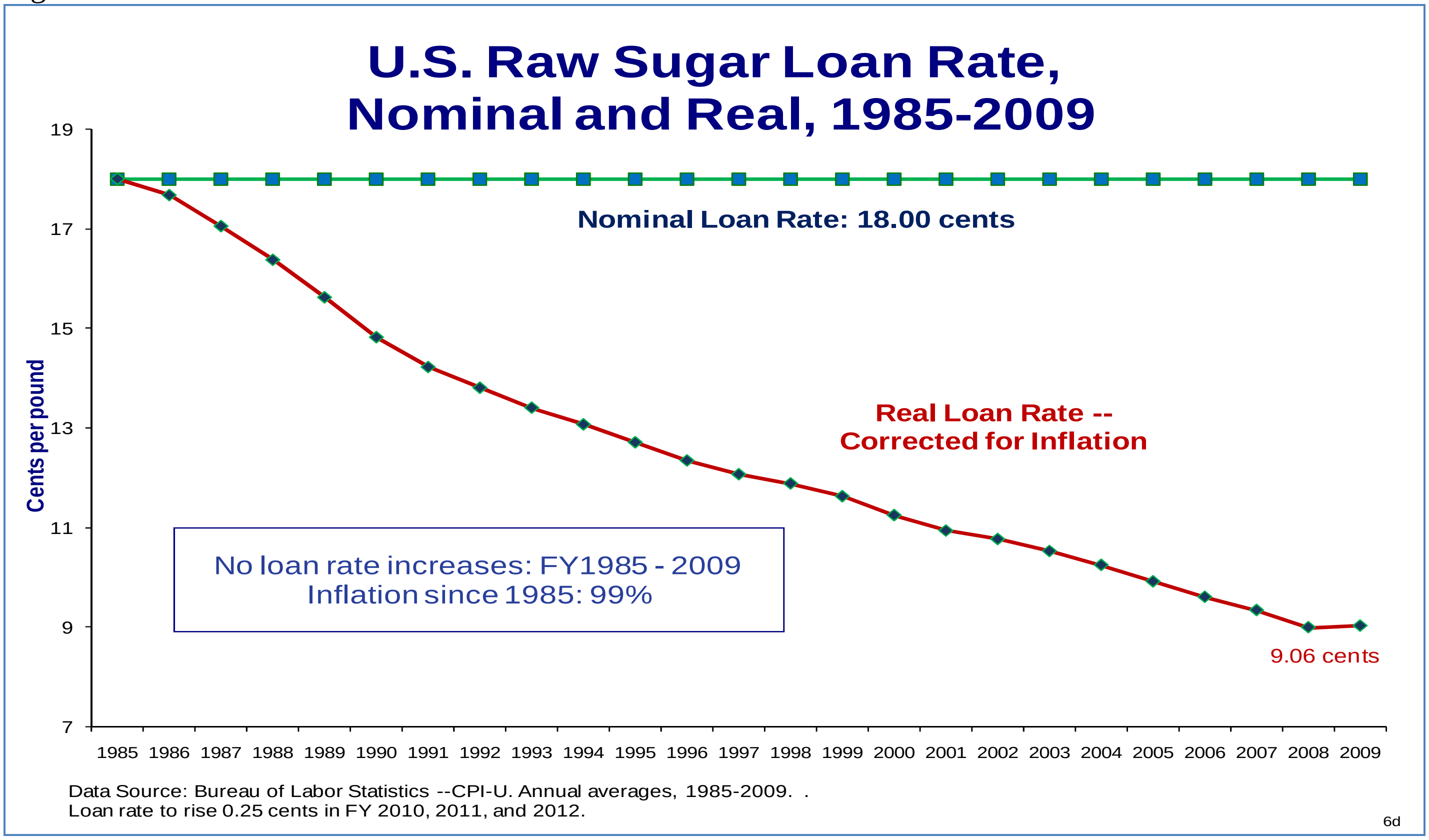


Figure 2

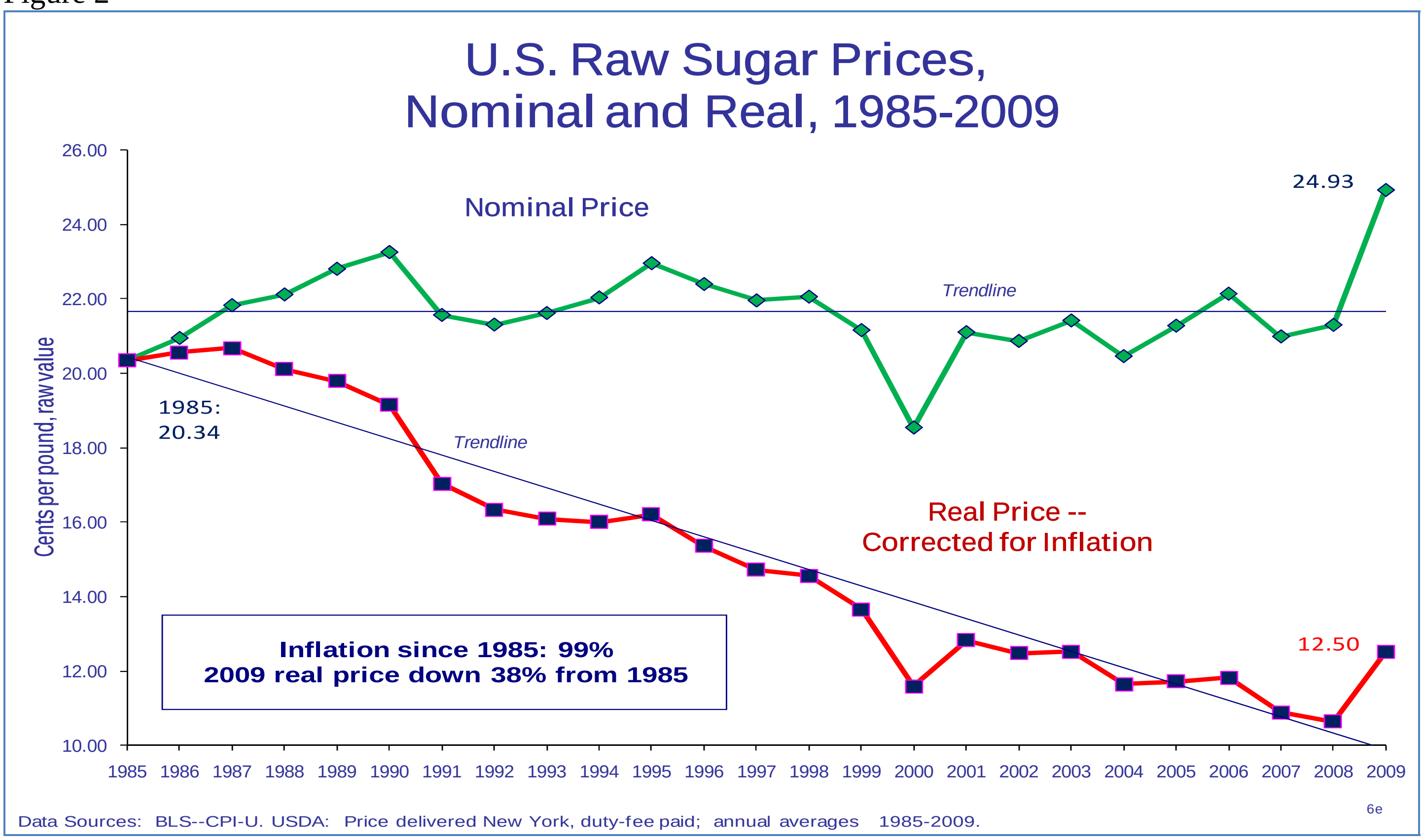


Figure 3

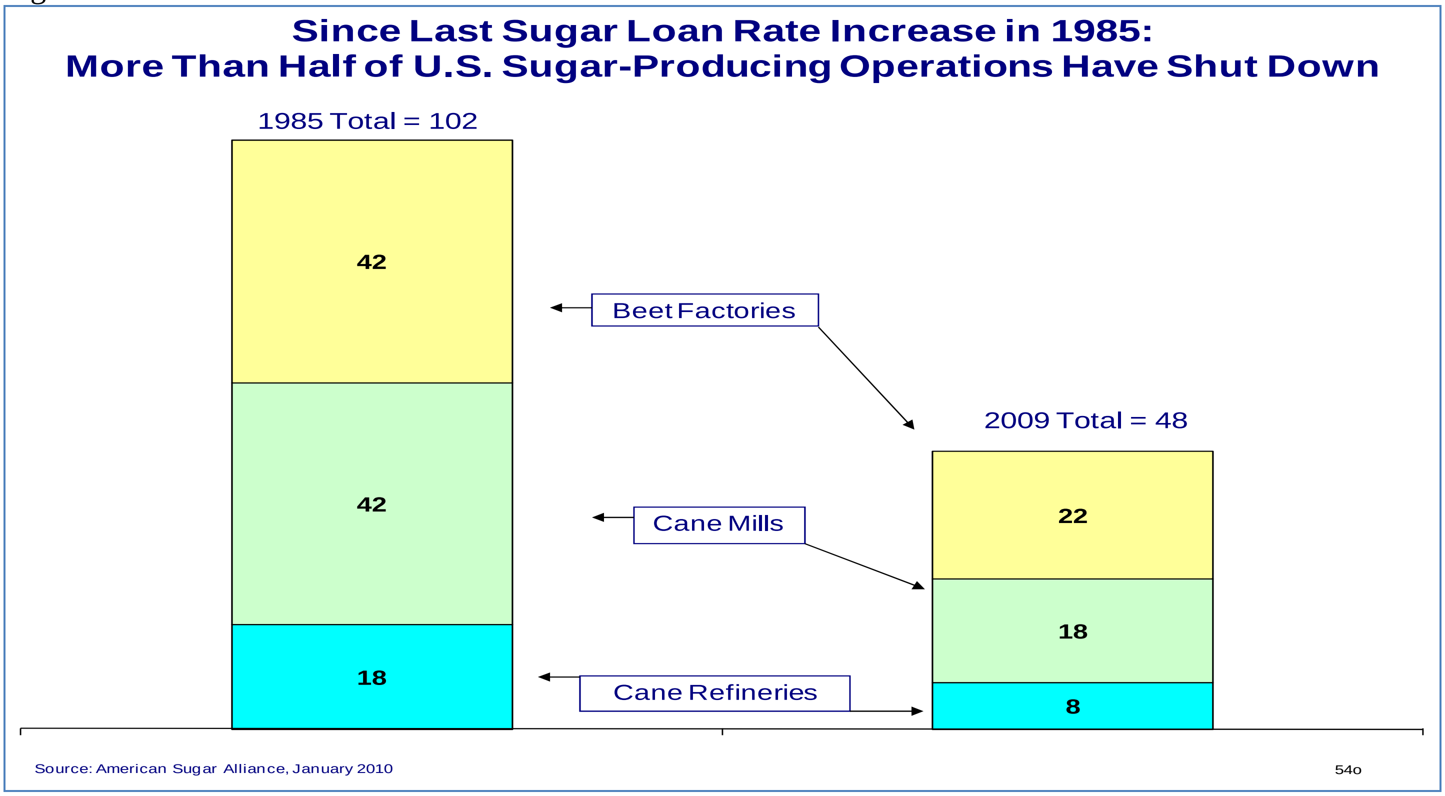


Figure 4

35 Sugar Mill and Refinery Closures, 1996 - 2009

BEET CLOSURES

Spreckels Sugar, Manteca
California, 1996

Holly Sugar, Hamilton City
California, 1996

Western Sugar, Mitchell
Nebraska, 1996

Great Lakes Sugar, Fremont
Ohio, 1996

Holly Sugar, Hereford
Texas, 1998

Holly Sugar, Tracy
California, 2000

Holly Sugar, Woodland
California, 2000

Western Sugar, Bayard
Nebraska, 2002

Pacific Northwest, Moses Lake
Washington, 2003

Western Sugar, Greeley
Colorado, 2003

Amalgamated Sugar, Nyssa
Oregon, 2005

Michigan Sugar, Carrollton
Michigan, 2005

Spreckels Sugar, Mendota
California, 2008

CANE CLOSURES

Ka'u Agribusiness
Hawaii, 1996

Waialua Sugar
Hawaii, 1996

McBryde Sugar
Hawaii, 1996

Breaux Bridge Sugar
Louisiana, 1998

Pioneer Mill Company
Hawaii, 1999

Talisman Sugar Company
Florida, 1999

Amfac Sugar, Kekaha
Hawaii, 2000

Amfac Sugar, Lihue
Hawaii, 2000

Hawaiian Commercial & Sugar, Paia
Hawaii, 2000

Evan Hall Sugar Cooperative
Louisiana, 2001

Caldwell Sugar Cooperative
Louisiana, 2001

Glenwood Sugar Cooperative
Lousiana, 2003

New Iberia Sugar Cooperative
Louisiana, 2005

Jeanerette Sugar Company
Louisiana, 2005

Cinclare Central Facility
Louisiana, 2005

Atlantic Sugar, Belle Glade
Florida, 2005

U.S. Sugar, Bryant
Florida, 2007

South Louisiana Sugar Cooperative
Louisiana, 2007

Gay & Robinson, Kaumakani
Hawaii, 2009

CANE REFINERY CLOSURES

Aiea, C & H
Hawaii, 1996

Everglades, Imperial
Florida, 1999

Sugarland, Imperial
Texas, 2003

Brooklyn, Domino
New York, 2004

Note: In 2010, 22 beet factories, 18 raw cane mills, and 8 cane refineries remain in continuous operation, a 41% drop since 1996.
U.S. Sugar, FL, has announced plans to close after 2015.

ASA 2010

54k

Figure 5

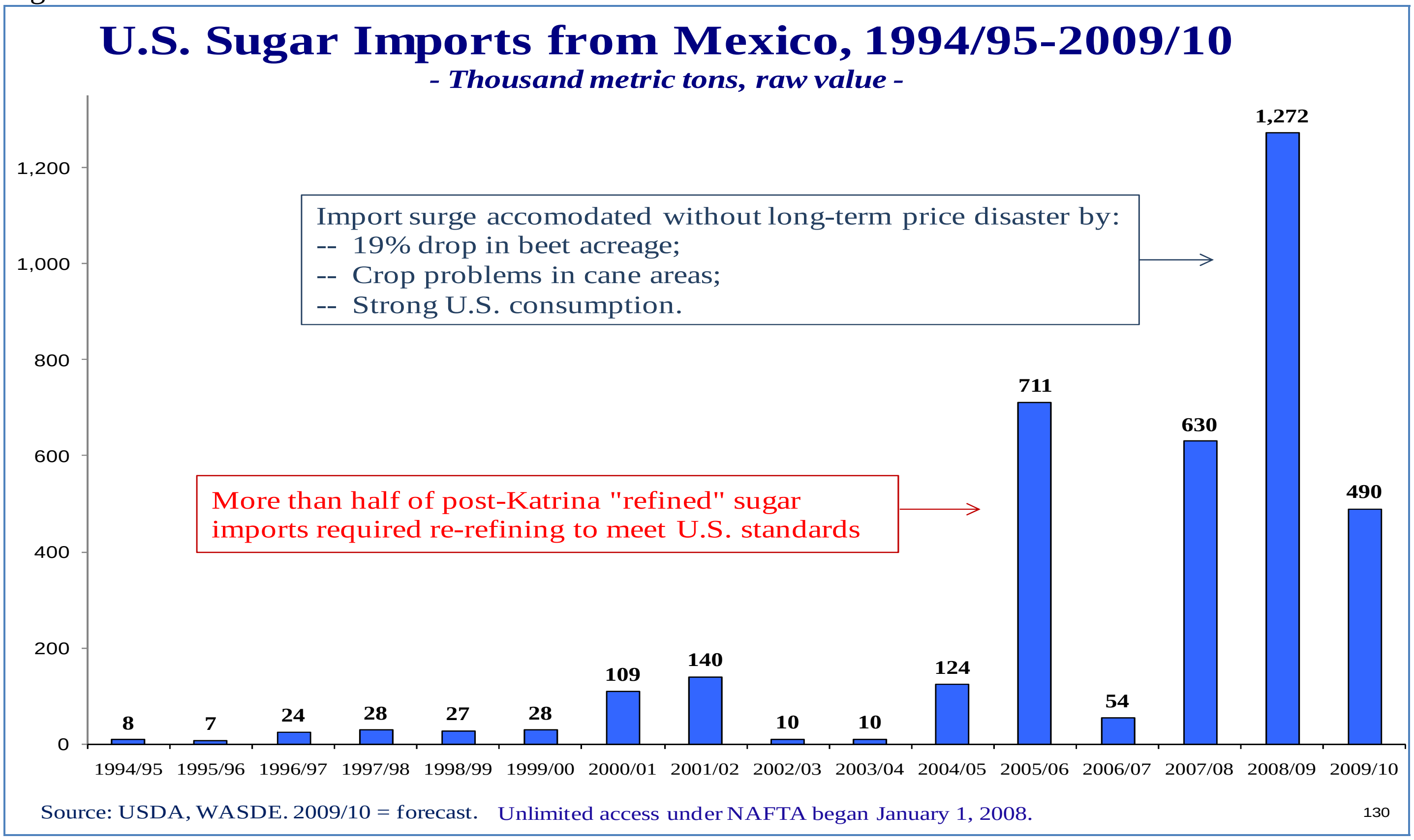


Figure 6

U.S. Sugar Import Concessions:
In Place, Proposed, or Being Negotiated

	Minimum Import Amount			Comment
	WTO	FTAs	Total	
	-Metric tons, raw value-			
In Place				
WTO (40 countries)	1,139,175	--	1,139,175	Uruguay Round commitment
NAFTA - Mexico[1]	10,212	Unlimited	Unlimited	Unlimited access began January 1, 2008
CAFTA/DR[2]	311,700	119,060	430,760	Grows, on average, by 3,153 mt/yr years 2-15; by 2,640 mt/yr thereafter
Peru[3]	43,175	11,000	54,175	Grows by 180 mt/yr forever
Negotiated, not yet approved				
Colombia	25,273	50,000	75,273	Grows by 750 mt/yr forever
Panama	30,538	7,000	37,538	Grows by 60mt/yr for 10 years
Being negotiated				
WTO:	If and when completed by Congress, the Doha Round of WTO trade negotiations would result in a substantially increased TRQ for sugar and a reduced tariff.			
TPP (Trans-Pacific Partnership):	These negotiations could result in substantial, additional concessions to sugar-producing countries throughout the Asia-Pacific region (including Western Hemisphere countries) through renegotiation of existing FTA's or negotiation of new FTA arrangements.			

[1] Canada excluded from the sugar provisions of the NAFTA.

[2] CAFTA/DR access for CY 2009; includes 2,000 tons of specialty sugars for Costa Rica. CAFTA countries' WTO access included in WTO total.

[3] Peru FTA includes 2,000 tons of specialty sugars not subject to net exporter status.

Note: CAFTA/DR and Peru FTA net-exporter provisions (exports to world market minus imports from world market) could limit the access of the Dominican Republic some years and Peru in most years.

73ff

Figure 7

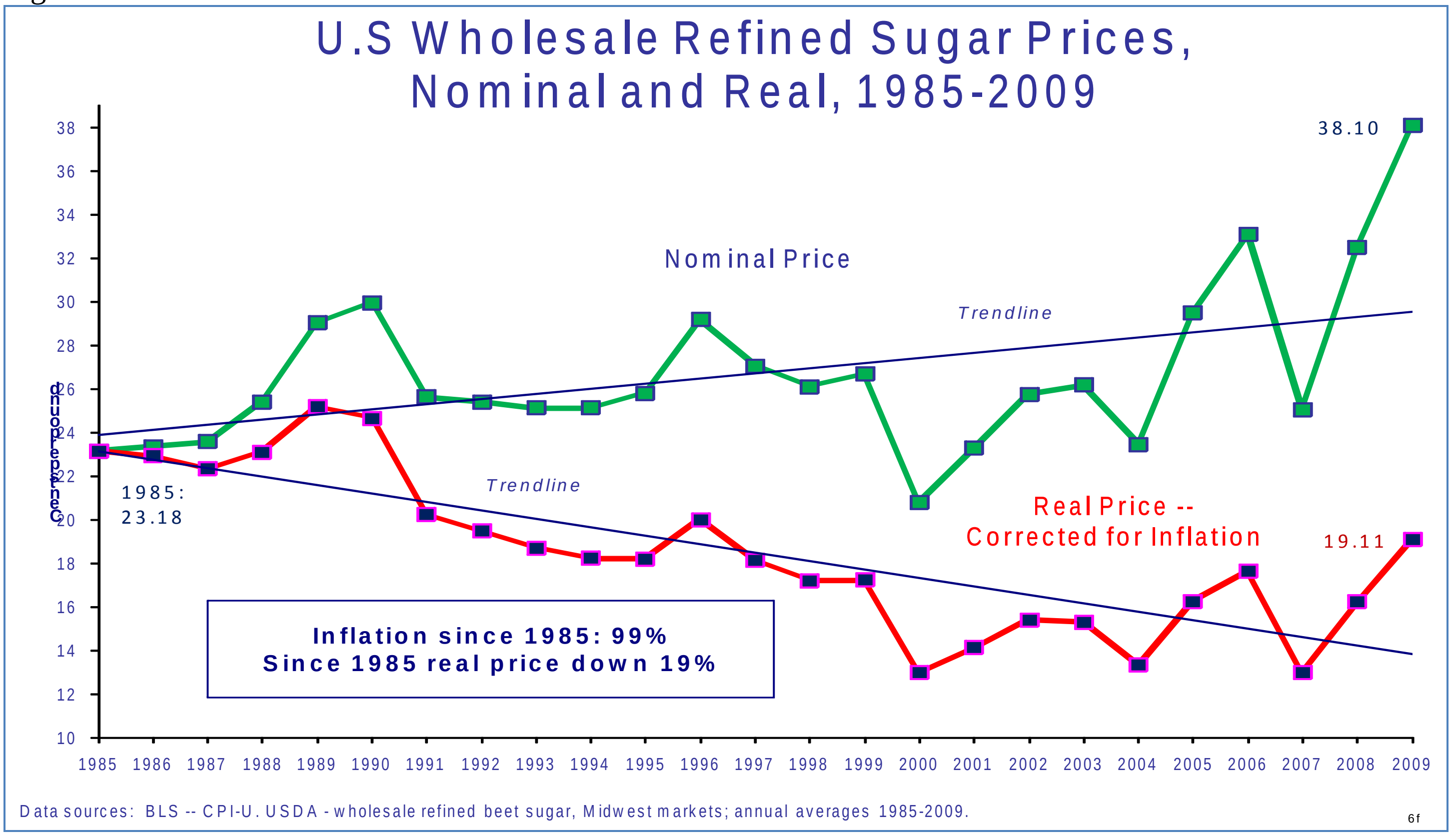


Figure 8

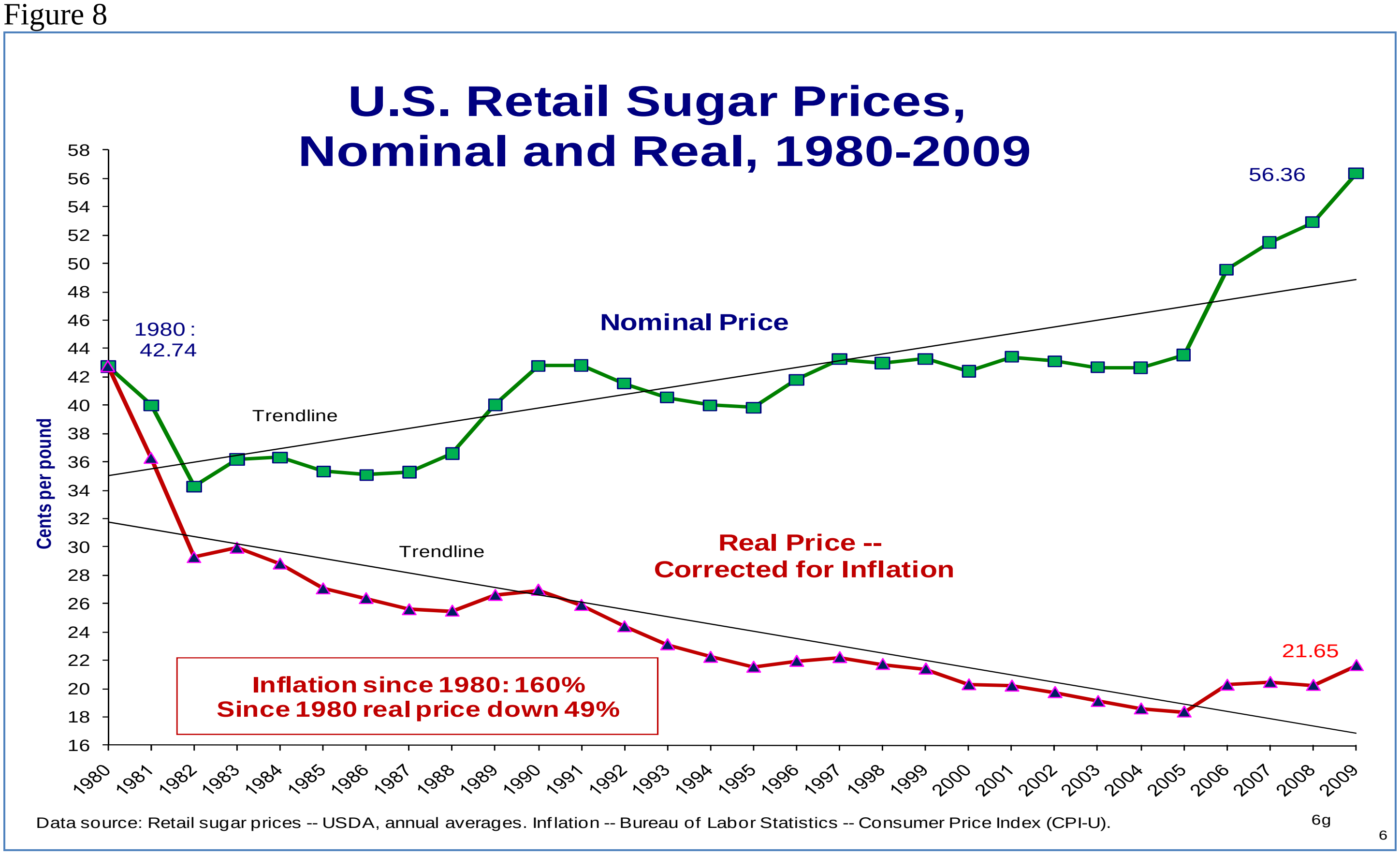


Figure 9

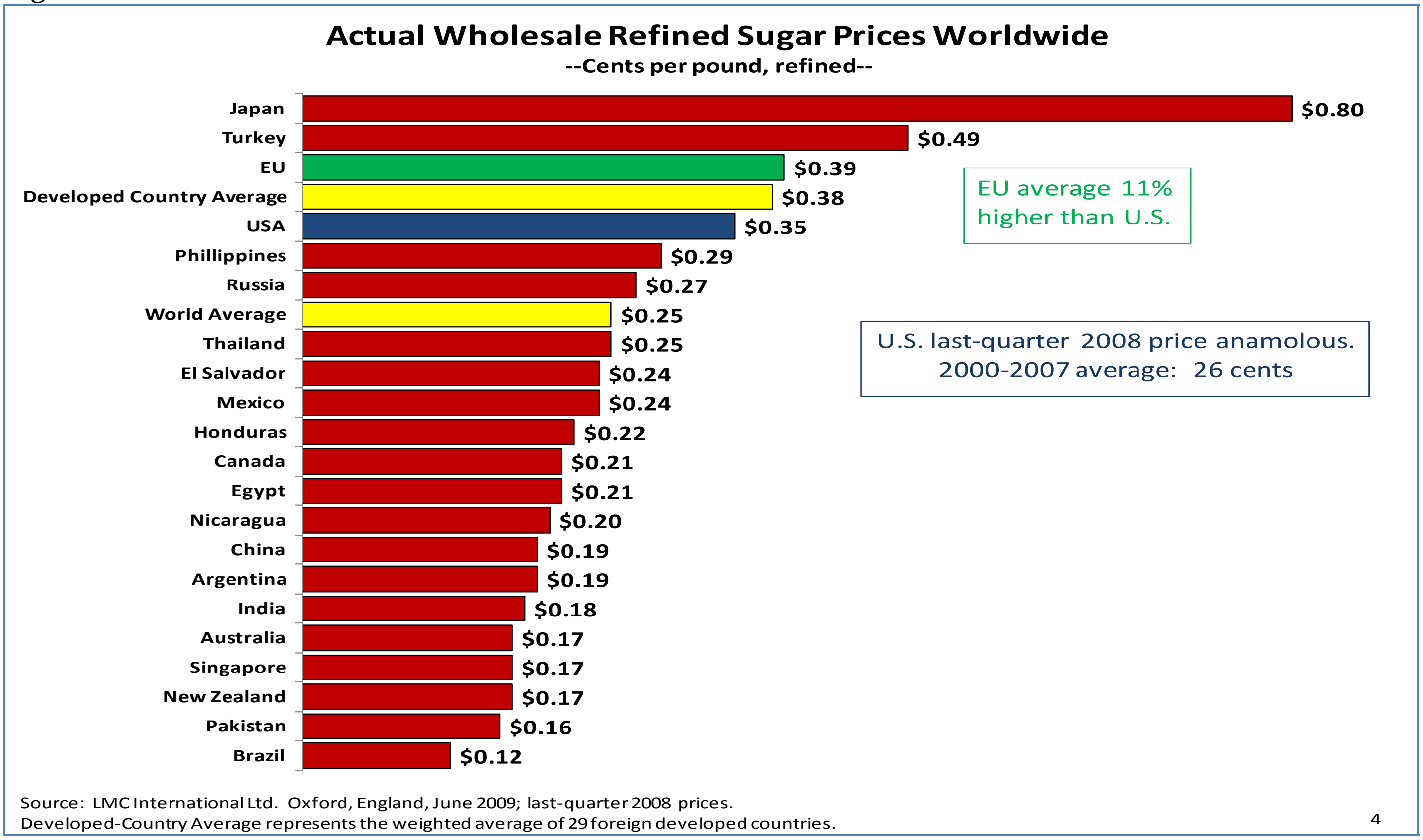


Figure 10

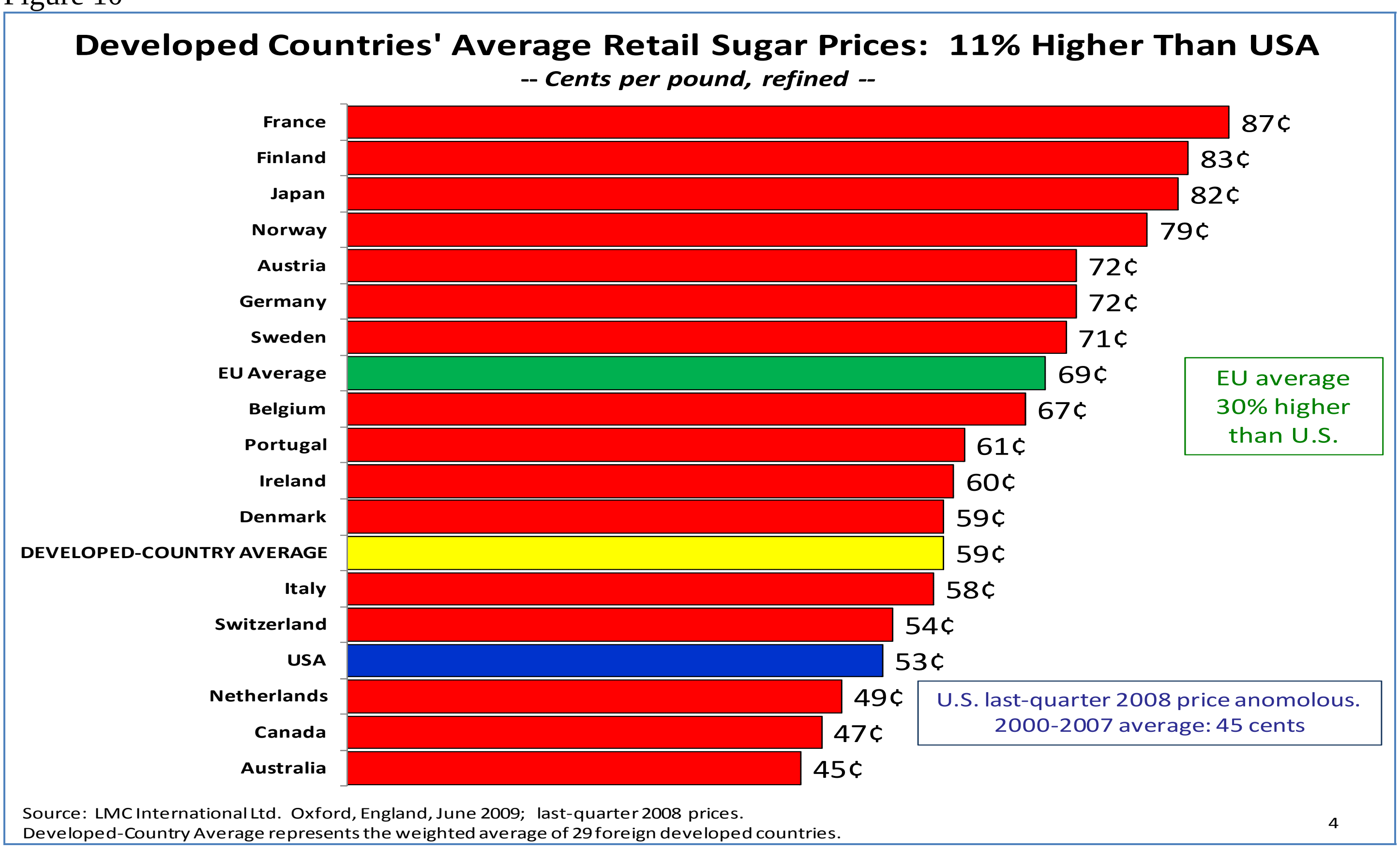


Figure 11

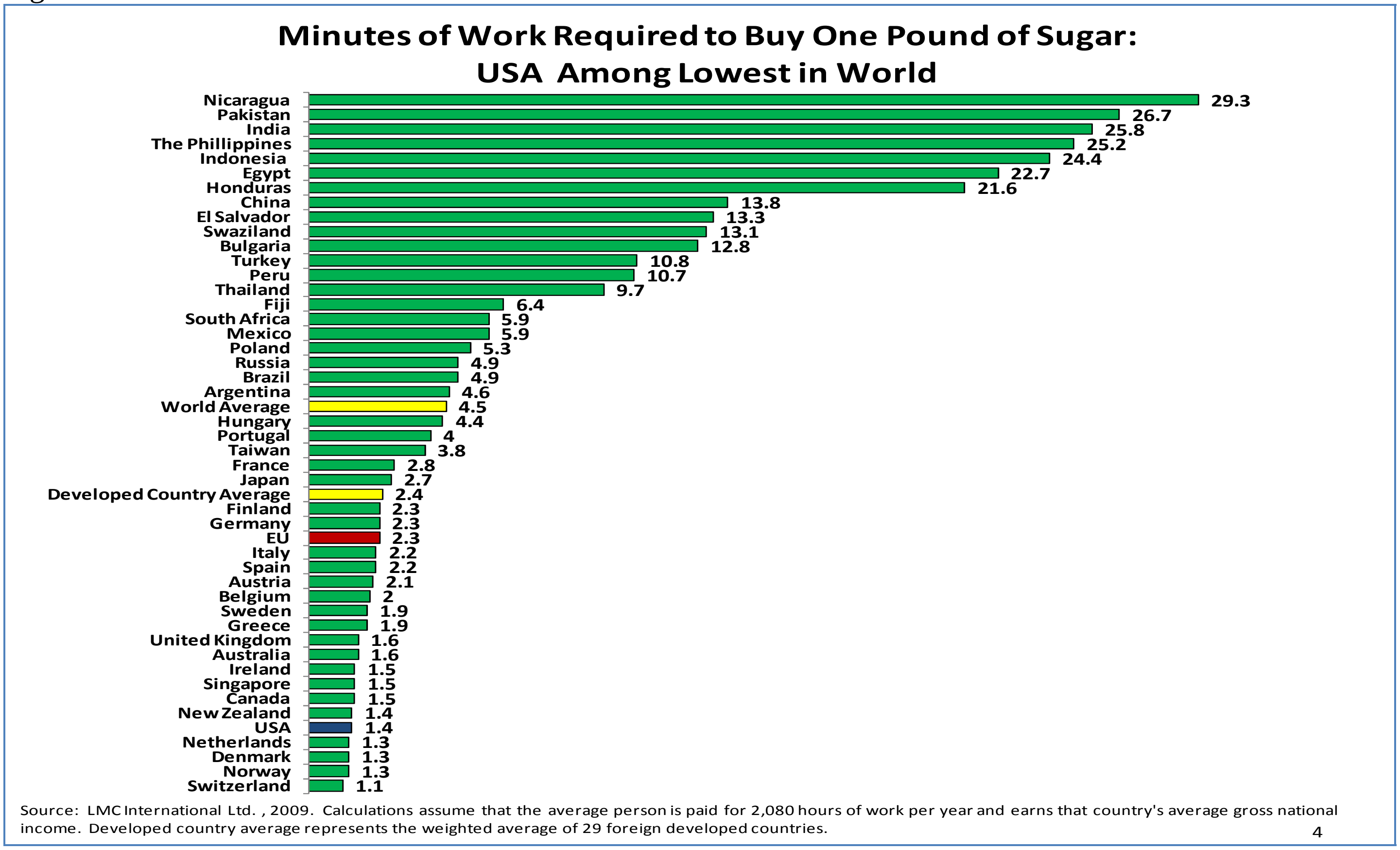


Figure 12

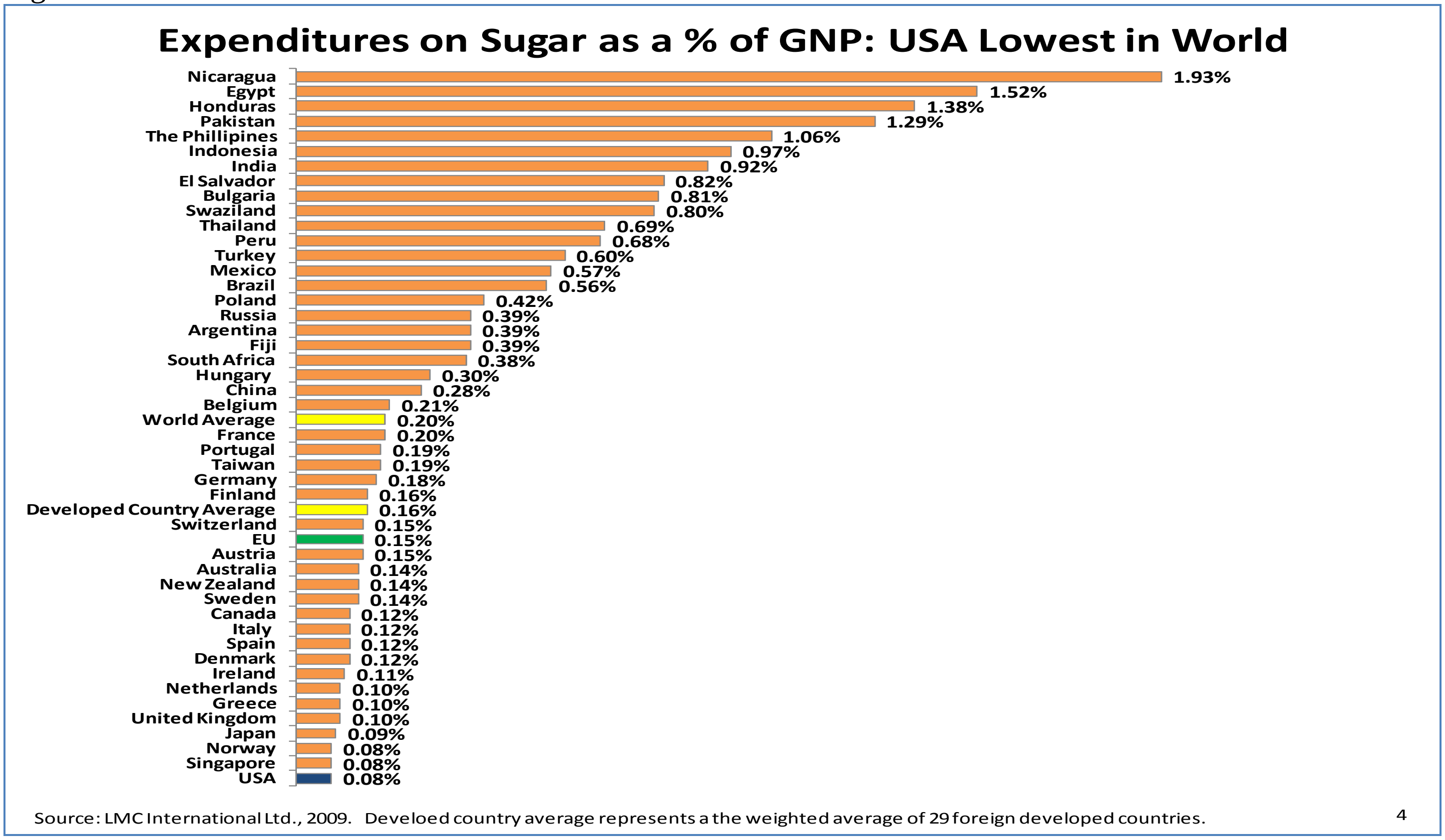


Figure 13

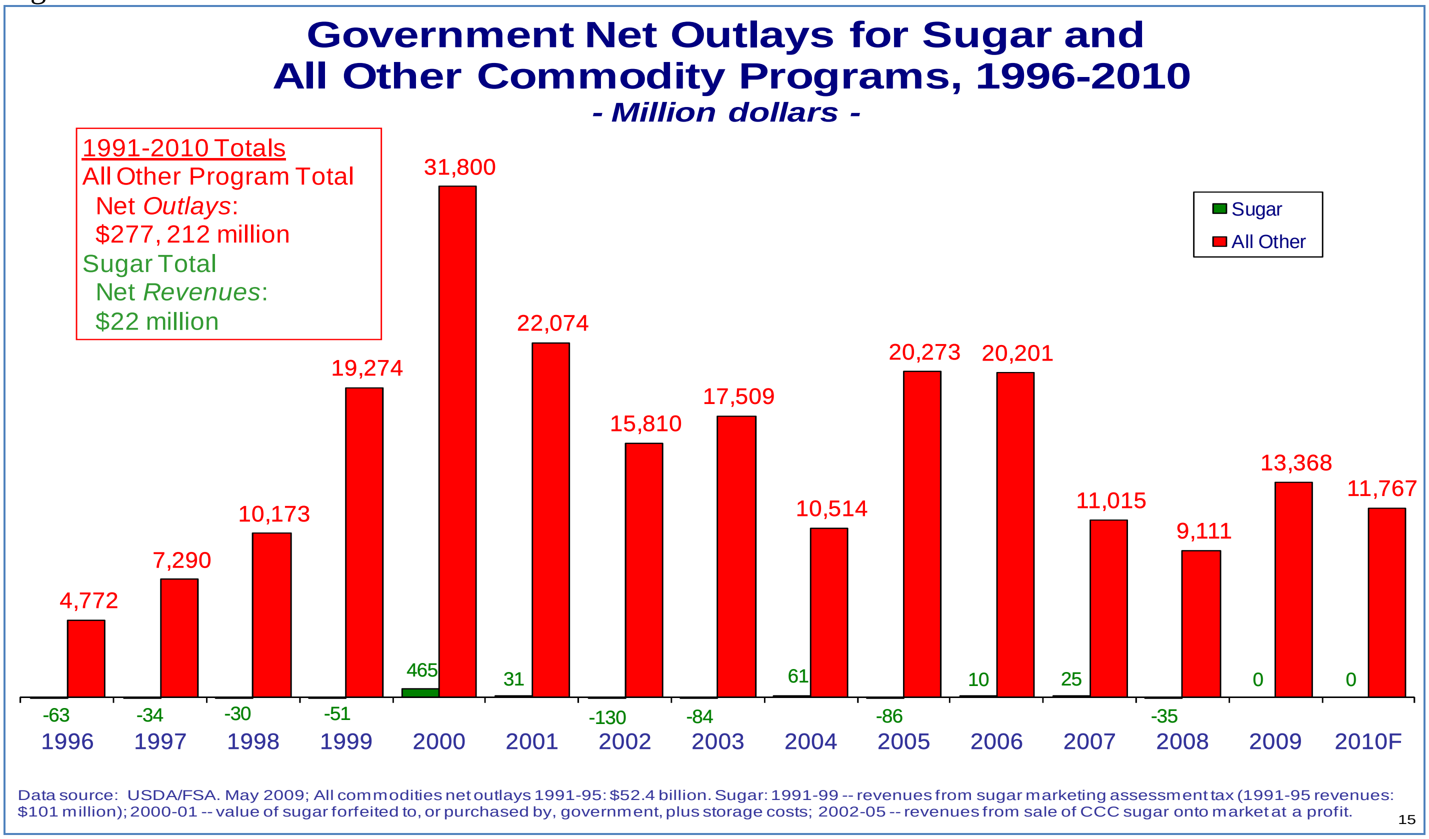
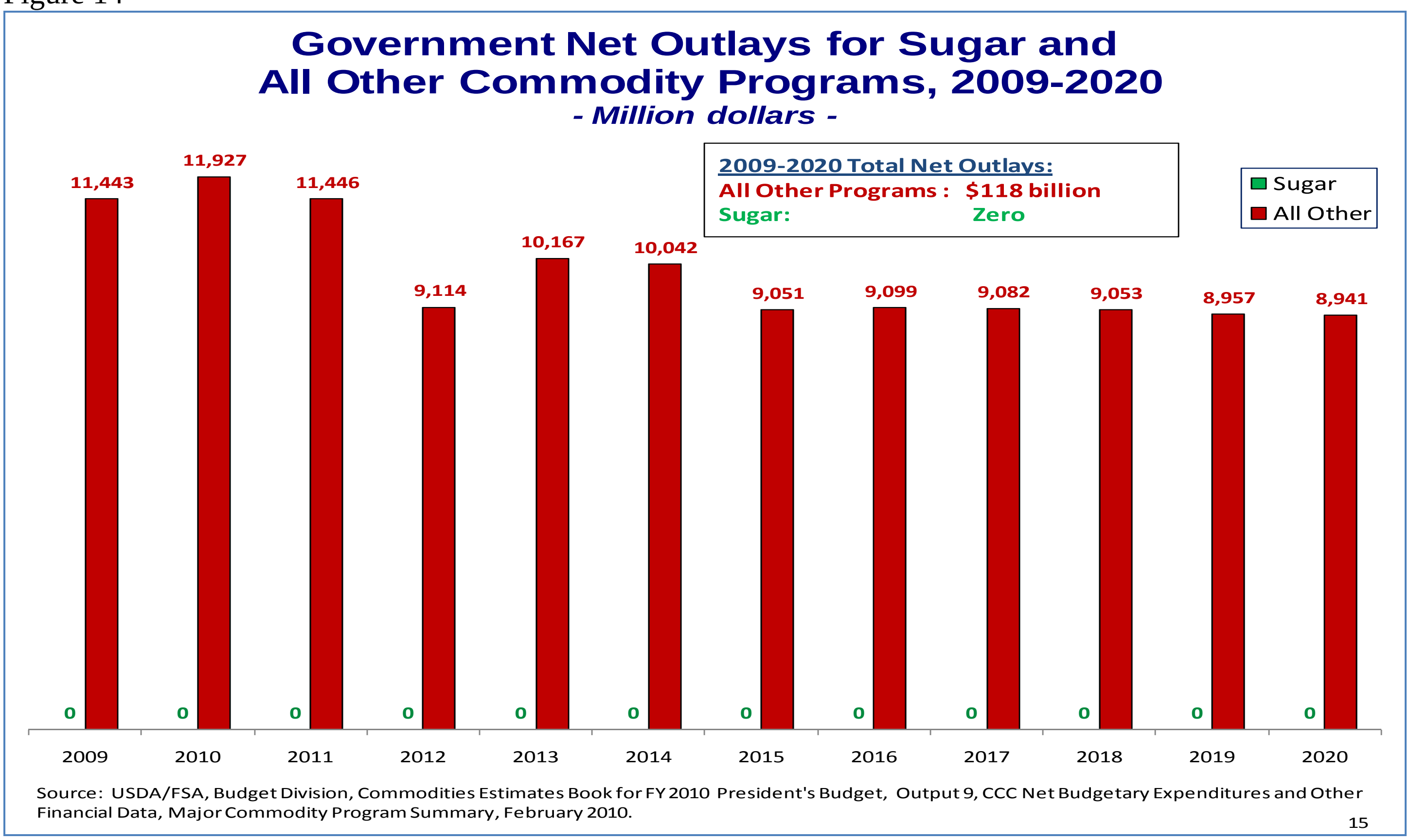


Figure 14



Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Dale Murden

Address: 25551 Rio Farms Road Monte Alto TX 78538

Telephone: ______________________

Organization you represent (if any): Rio Farms and Rio Grande Valley Sugar Growers, Inc.

1. **Please list any federal grants or contracts (including subgrants and subcontracts) <u>you</u> have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do <u>NOT</u> require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: ______________________ **Amount:** ______________

Source: ______________________ **Amount:** ______________

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) <u>the organization</u> has received since October 1, 2007, as well as the source and the amount of each grant or contract:**

Source: American Reinvestment + Recovery Act of 2009 **Amount:** $10,046,495

Source: USDA Value Added Producer Grant (2008) **Amount:** $300,000

Please check here if this form is NOT applicable to you: ______________

* **Signature:** Dale Murden

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. **Name:** Dale Murden

2. **BusinessAddress:** Rio Farms
25551 Rio Farms Road
Monte Alto TX 78538

3. **Business Phone Number:** 956-262-1387

4. **Organization you represent:** Rio Grande Valley Sugar Growers, Inc

5. * **Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:**
GROWER OF 2000 ACRES OF SUGARCANE
ALSO GROWS COTTON, CORN, SORGHUM, CITRUS
AND VEGETABLES

6. * **Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:**
TEXAS GRAIN SORGHUM ASSOCIATION - VICE CHAIR
TEXAS FARM BUREAU - BOD
NATIONAL SORGHUM PRODUCERS - PAST CHAIR

7. **If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:**
Member/Grower of Rio Grande Valley Sugar
Chairman of the Board

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.