Management Point of View on Looking Into the Future of the Beet Sugar Industry[1]

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A good way to approach a look at the future might be that of the historian, studying the past and seeing what trends appear to be repeating themselves. So for a few minutes I would like to look back and discuss what has been happening in this industry of ours over the past years and why certain advances were made, and then see if we can draw any conclusions as to where we may be going in the future.

The years prior to 1950 were so exaggerated with the conquering of curly-top disease and the economies of World War II that it seems in order to use 1950 as a bench mark for our growth. In that year this industry had a daily slicing capacity of approximately 132,000 tons of beets. In 1960 the daily slicing capacity was 147,000 tons, an increase of 15,000 tons or 12%. There were two new factories completed during this period and several small plants either went out of business because of obsolescence or other plants were enlarged to more economically handle the beet supply. I would describe this decade as a period of steady but unspectacular growth, but one in which our industry grew stronger and made much better use of our processing and marketing facilities.

In the period from 1960 through 1967 our daily slicing capacity increased 53,000 tons to a total of 190,000 tons. This was a 36% increase or over three times the accomplishments of the previous decade. To achieve this kind of expansion, which included six new plants, required capital expenditures by the processors of approximately 250 million dollars. It also meant significant expenditures by the growers in equipment to expand their acreages to supply this increased volume.

It is also significant to note that during this period several more of the older facilities went out of the picture. Some for obsolescence, some because of shifting beet supplies and some because of industrialization or urbanization. I might pause here to note with some sadness that the Alvarado plant of Holly Sugar which was on the site of the first successful beet sugar factory in this country is among the missing. It was a victim of urbanization.

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These accelerated expenditures are not entirely over, as one new plant is now under construction and a second is well along in planning as well as one being widely talked about but not yet committed.

Now why did we have these sudden increases in capital expenditure during this period? What did management see in the future that prompted it to make these decisions? Probably a number of reasons led to these actions and they were probably different for each company.

One reason was the demand from growers to grow the crop. Prices of other crops were down and supplies were in surplus. So sugarbeets were a good crop to grow, because they were a stable cash crop that could return a reasonable investment to the farmer, as well as being an excellent rotation crop.

These pressures from growers were felt by many of us, and by many of our political representatives. We had never had this kind of encouragement before.

Another reason for the expansion was our belief that we could receive a greater amount of sugar sales within the restrictions of sugar legislation. When this legislation was passed it specifically provided for new facilities in new areas and gave some protection to them for minimal volumes during their first years. This was an innovation that certainly gave encouragement to our industry to build new plants, and it was with such assurance that we built the new plant here in Arizona.

Something else was also happening. Population in this country was shifting toward the West and more sugar consuming industries were locating their new plants away from the eastern coast. This gave our industry, which produces a substantial part of its sugar in the West, a base for broader markets and outlets nearer home.

There was also the temporary world shortage of sugar that sent prices soaring and brought more interest from growers and even encouragement from Government.

You can thus see from these events that the immediate future looked good and thus the rapid growth.

Now how does management look at the future of our industry after this intensive period of growth and the reversal we had experienced the past two years because of lack of beet supplies?

I should make it clear that as I say these things they are only my own thoughts and may differ widely from others in the industry, but this is the future as I look into a pretty murky crystal ball.

For the short range outlook it now appears that we have turned the corner on lack of beet supplies. The feed grains, which suddenly strengthened in price while beet prices were declining, have now reversed themselves and at the same time prices paid for beets appear to be approaching new highs. With a predicted 15% increase in acreage in 1968 over 1967 and reasonable growing weather this industry should again produce or slightly exceed its quota level.

In light of our present lower than normal inventories such a crop is badly needed to maintain our marketing position and build up inventories to a better working level.

For the long range I believe the big expansion within the beet industry is now behind us. The next decade will be similar to the period in the 1950's with steady growth, some new plants, and some older ones ceasing to operate because of shifting beet supplies or consolidation of equipment into larger more economical units.

Now this may not sound like a very optimistic forecast, but I believe that this type of growth is more characteristic of our industry and the type of growth, that in the long pull, will keep this industry in the sound stable position with which it has long been identified.

To achieve this type of growth will not be automatic, nor will it necessarily be easy. One of the concerns shared by many in this industry is the lack of any significant improvement in yields. If you go back as far as 1950 and take any kind of average you desire, you will quickly see that production of sugar per acre has not significantly improved.

One saving factor to this lack of improvement in yield has been the reduction in man hours of field labor per bag of sugar produced. The figures show a reduction of about 33% in man hours over the past decade.

It appears to me that you gentlemen here in this room have a real challenge facing you. Improved sugar prices can not always be the answer, nor can the change in sharing of the sugar dollar between the processor and grower. Greater returns must come from improved yields and more efficient field and factory operations to keep our supplies of beets in adequate amounts.

I am not saying or even hinting that you have done a poor job because I appreciate the tremendous advances made in the past few years in agriculture. Unfortunately we had to run very hard just to stay even with the new problems encountered in the field as well as spiraling costs of production. Some of these problems are now behind us, and I can't help but feel optimistic about the results of your work in the future, but I want to emphasize that you people are one of the keys to our continuing success.