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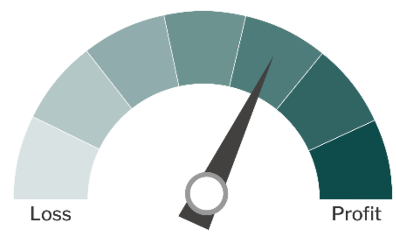
MARKET SNAPSHOT

Sugar Beets

March 31, 2023

Executive summary

12-Month Profitability Outlook



AgWest Farm Credit's 12-month profitability outlook for sugar beets suggests slightly profitable returns. Improvements in moisture conditions from snowpack will benefit sugar beet production. High production costs will squeeze beet growers' cash flow.

Industry drivers

Planting delays, but improvements in water outlook

Sugar beet planting typically starts in early to mid-March in the Treasure Valley of Idaho/Oregon and a few weeks later in eastern Idaho. Snow across Idaho has delayed 2023 planting but will be beneficial for irrigation. Last year, low water levels were a major concern for beet growers in Idaho. On March 28, 2022, the Upper Snake River system was only at 51% of total capacity, leading several irrigation districts to limit water through the growing season. Fortunately, the increased snowpack has eased growers' water concerns and some producers have planted into late April with few impacts on overall production.

Montana factory closure reflects national consolidation trend

The American Crystal Sugar Company announced on Feb. 6 that the Sidney Sugars plant in Montana will close in April; this closure will impact 2023 acreage and sugar reports. The factory was supplied by 75 farms from five counties in north-eastern Montana and North Dakota. Contract negotiation challenges and tight profit margins caused grower interest to wane, resulting in few planted acres in 2022 and the decision to close the factory.

For the 2023 sugar beet season (which runs August 2022-September 2023), Sidney Sugars contracted 19,500 acres, but because of the closure, these acres will not be planted. As a result, the USDA lowered their 2023 beet production estimates by 4%, with Montana accounting for 20% of the national acreage reduction.

The closure of this plant underscores an ongoing problem: an increasing number of beet factories are at risk of future closure. Since the 1980s more than half of the nation's beet factories closed. Of the 21 remaining beet processing locations, several face the threat of closure. The most common issue amongst processors is obtaining production acres as competition from other more profitable crops has decreased grower interest. Once beet factories shutdown, they rarely reopen, and beets acres are often permanently removed from crop rotations.

Strong sugar prices

The sugar market depends heavily on marketplace prices, and higher domestic sugar prices will support producer payments. The domestic sugar price outlook is bullish as anticipated reductions in sugar beet and cane acres will limit supplies, therefore supporting higher prices. In Idaho, some processors may pay as high as mid-$60 per ton for the 2023 sugar beet crop.

U.S. beet stock tightens

For the 2023 crop, modest declines in beet and cane production will lower the U.S. sugar supply. Beet acres are projected down 4% year over year. With improvements in the extraction rate beet production is forecasted to decline only 1% year over year. Sugar cane production is also expected to experience modest declines.

U.S. Sugar Forecast

	2022-23	2023-24	YOY Percent Change
Beginning Stocks	1,618	1,705	6.7%
Beet Sugar	5,155	5,172	-1.0%
Cane Sugar	4,002	4,140	-0.7%
Imports	3,646	3,534	-4.6%
Total U.S. Sugar Supply	14,508	14,666	-0.4%

Source: World Agricultural Supply and Demand Estimates, Domestic Sugar Report. *STRV = Short Tons, Raw Value.

Profitability

Beet growers experience a squeeze on their cash flow with high production costs and a significant portion of beet prices going towards processors. Beet producers receive their final payment nearly two years after they begin planting preparations. The delay between planting preparations and final payments have made increases in production costs even more impactful for beet growers. While producers will experience some relief from softening fuel, fertilizer, chemical and machinery costs, prices remain historically high (see **Crop Inputs Snapshot**). Additionally, sugar beet processors retain a portion of beet payments to invest in infrastructure maintenance costs. According to Nate Hultgren, the President of the American Sugar Beet Growers Association, "50% of wholesale sugar prices go towards processing beets," and those costs are often passed onto growers. Construction costs, which can serve as a proxy for maintenance costs, weigh on processor profits and delay infrastructure investments.

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Additional information

AgWest Business Management Center
www.agwestfc.com/Industry-Insights

American Crystal Sugar Company
www.crystalsugar.com

American Sugar Alliance
www.sugaralliance.org

American Sugarbeet Growers Association
www.americansugarbeet.org

The Sugar Association
www.sugar.org

USDA Sugars & Sweeteners Report
www.ers.usda.gov/topics/crops/sugar-sweeteners/

Western Sugar Cooperative
www.westernsugar.com

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