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Hurricanes send sugar prices soaring

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ERATH, La. - When the wave of black water descended on this town, the fields of sugarcane were ripe, tall, green shoots bursting with sugar. "This entire field was a lake," recalled Clay DuPlantis, standing in one of the decimated fields his family has farmed for seven generations.

Thousands of acres of cane ready to be harvested were soaked in saltwater as Hurricanes Katrina and Rita pounded the Gulf of Mexico 35 miles away. When the sea water receded, much of the cane was damaged and the fields were filled with torn-off porches, picnic tables, splintered furniture and stinking moss.

The loss of the Louisiana sugarcane and disruptions at two sugar refineries in New Orleans sent a shock through the sugar industry, which was already dealing with shortages because of hurricane-damaged crops in Florida last year.

"Sure, I'm gonna hurt," said DuPlantis, whose 3,000 acres of cane were flooded. "But that's small potatoes compared to the industry as a whole."

Since the end of August, the price of sugar has gone from 28 cents a pound to over 40 cents, according to the U.S. Department of Agriculture, citing industry publications. That's compounded the pricing difficulties the sugar industry faces - the government keeps prices for sugar considerably higher in the U.S. than on the world market by limiting imports and restricting how much sugar can be sold domestically.

The goal is to protect farmers and processors and ensure a steady supply of sugar. However, the price difference means that food manufacturers - and consumers - pay more than if there were no restrictions on imports. The world price for refined sugar averaged 14.18 cents a pound, according to the USDA.

The latest increase is being felt mostly by small confectioners, bakers and ice cream makers who don't buy their sugar on the futures market months ahead of time.

"A day without sugar at the candy factory is like a day without air for a human being," said Eric Atkinson, whose grandfather founded Atkinson Candy Co. in Lufkin, Texas, in 1932. Three times in October, his sugar distributor failed to deliver its promised supply.

Atkinson, whose factory uses up to 40,000 pounds of sugar per day, has tried without luck to bring in two trucks of cheaper Mexican sugar into Texas. "It's got bogged down in bureaucracy," he said.

If the shortages and high prices persist, he may have to move his operations offshore, he said. Either that, or raise prices for his peanut butter bars, mint twists and a Southern treat called a coconut long boy.

In the ice cream industry, it could mean an increase on top of an increase, said Tom Arnold, owner of Arnie's Place ice cream stand in Concord, N.H. His sugar distributor announced an 8 percent increase last month.

Last year, Arnold marked up his cones twice - from $2.15 to $2.35 to $2.99 - because of higher prices for vanilla and cocoa.

"Sometimes my customers come in and jokingly say, 'I remember when this was $1," he said.

In a normal year, the loss in Erath, a town at the heart of Cajun country, and others like it dotting the southern Louisiana coast would not have shaken the market, said USDA senior economist Larry Salathe. The 220,000 tons lost in southern Louisiana represents just 3 percent of the refined sugar grown in the U.S. according to the USDA.

But Salathe describes the destruction of Louisiana's crop as the proverbial nail in the coffin. It followed a bad crop last year in Florida, the nation's No. 1 sugarcane growing area. Florida was pummeled by hurricanes in 2004, causing the U.S. sugarcane crop to drop from 4 million tons in 2003 to 3.3 million in 2004.

"There was already a shortness in the market," said Salathe. "Then we got the hurricanes in Louisiana that limited the ability to alleviate that shortage."

To take the edge off, the USDA temporarily increased sugar imports and released sugar beet reserves into the market. More than half of the sugar refined in the U.S. comes from sugar beets, the rest is from sugarcane.

But neither the imports nor the reserves could stave off the price increases, because two of the country's largest refineries, both in New Orleans, were shuttered, said Salathe. When they reopen, it's hoped that prices will retreat.

Even with all its plants up and running, the U.S. industry's refining capacity is limited, and that has helped widen the differential between U.S. and world prices. Raw sugar - less desirable to food companies than refined sugar - averaged 21.71 cents a pound in the United States last month, versus 12.4 cents on the world market.

Congress will be under pressure from food companies to overhaul import and market controls when lawmakers write a new farm bill in 2007. In 2002, the last time Congress rewrote sugar policy, the industry faced the opposite conditions - historically low prices and an oversupply in the U.S.

Meanwhile, in Louisiana, it's still unclear what long-term effects the saltwater will have on the fields.

"Looks can be deceiving," DuPlantis said of the damaged cane, some of it again towering above his head.

Look closer, he said, pushing back the leafy exterior of the plant to reveal a labyrinth of bent stalks.

"See how they're all disturbed?" he said.

Usually, a field can yield as much as 50 tons of sugar per acre. This year, DuPlantis said he'd be happy to salvage 17 tons per acre from the fields he doesn't have to burn. Only a portion of the damage will be covered by hurricane insurance, he said.

While sugarcane farmers struggle with their loss, those in the baking and confectionary businesses can take comfort in one of America's weaknesses.

Chuck Williams, manager of Southern Candymakers in New Orleans, said his distributor has increased the price of a 50-pound bag of sugar from $18 to $22 in the last two weeks. But his candied pralines still sell.

"The good thing is when times are good, people need candy," he said. "And when times are bad, people need candy."

AP Food and Farm Writer Libby Quaid contributed to this story.

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American Sugar Cane League: http://www.amscl.org