

## ATTACHMENT 2

July 14, 2009

**To: POSAC and FAPC**

**From: BCPOS Staff**

**RE: Responses to Questions submitted by Jim England, FAPC, following May 28, 2009 FAPC-POSAC joint study session on Roundup Ready Sugarbeets**

### **Jim England Question 1. Past Sugar-Beet Acreages.**

Table 1 of the POS White Paper provides *total* sugar-beet acreage (planted and harvested) for all of Boulder County for the years from 1998 to 2007 (from Colorado Agriculture Census data). The *average* total acres of beets planted in the entire County for this period was **910.5 acres** (ranging from a high of 1,460 acres in 1999 to just 435 acres in 2003). Phill Leffler reported last Thursday evening that through 2006, sugar beets were grown on an average of **about 900 acres** of leased POS land alone. It would appear either that one of these average numbers may be incorrect, or else that in recent history there have been no (or almost no) sugar beets grown anywhere in the County *except* on POS land. Is there data for actual acreages of sugar beets planted on POS land over this 10-year (or a similar) time period?

### **POS Staff Response**

The six POS agricultural tenants have a total of 960 acres (beet allotment) planted on a combination of POS property, privately owned land and privately leased land; most of these acres are in Boulder County and some are in Weld County.

POS sugar beet stats are as follows, based on readily available records:

	2004	2005	2006	2007	2008	2009
Acres				607	245	282
POS Revenue	\$69,775	\$50,673	\$43,334	\$77,055	\$58,251	

### **Jim England Question 2 Past Yields and Revenues.**

According to this same Table 1, average yield for the entire 10-year time period was 20.1 tons per acre (ranging from a high of 29.2 tons/acre in 2007 to a low of just 11.1 in 2006). To use round numbers, 1000 acres would then produce an average yield of just over 20,000 tons. At a present growers' price of about \$50 per ton, this total production would result in revenue of about \$1,000,000. Again, this would be revenue from sugar beets raised throughout the County, and not just on POS land (unless, as noted above, the two quantities are in fact the same). Is there data for actual total grower revenues and profits from POS-raised sugar beets during this (or similar) time period, and for the corresponding crop-share rental revenues received by POS? (POS Staff response: see table above.) Is it POS's position that the amount of crop-share revenues it would receive from sugar beet production should be a significant factor supporting the growers' proposal?

POS Staff Response

The growers project a gross annual revenue potential of \$1,500,000 in their letter of application. POS revenue share from this income stream will improve relative to recent past performance, as normal crop rotations are re-established. POS acknowledges the revenue but it is not the driving factor in supporting the growers' proposal. The economic viability of the farmers is important.

**Jim England Question 3. Beet Allotments.**

From Table 1, it appears that even when total sugar-beet acreage throughout the entire County is considered, in 4 of those 10 years (2003, 2004, 2005, and 2007) there were not enough beet acres planted in the entire County to satisfy the combined 960-acre contractual beet allotments of these 6 grower applicants. Were contractual penalties imposed against them in these years?

Table 2 of the POS White Paper provides data for both POS and private acreage farmed by the 6 grower applicants. First, does this Table in fact account for all private cropland owned or leased by these growers (or their related business entities) in adjacent counties, such as Weld County? (Staff: yes.) Second, in looking at available private cropland, it appears that at least 3 of the growers could meet their contractual beet allotments without growing any sugar beets on leased POS land, even assuming a crop rotation program in which sugar beets were grown in any one location only every fourth year.

	<u>Beet Allotment acres</u>	<u>One-fourth of private acres available</u>
Farmer A	180 ac.	200 ac.
Farmer B	165	175
Farmer F	200	212.5

Is there anything about the private acreage available to these three growers which would preclude them from meeting their contractual beet allotments from their private acreage?

Table 2 does indicate that unless the other three grower-applicants (or their related business entities) own or rent additional private acreage not indicated there, they would be unable to meet all of their beet allotments from private acreage.

	<u>Beet Allotment acres</u>	<u>One-fourth of private acres</u>	<u>Shortfall</u>
Farmer C	185 ac.	91 ac.	94 ac.
Farmer D	200	47.5	152.5
Farmer E	30	0	30

The total additional acreage needed by these three growers to meet their contractual beet obligations would thus be 276.5 acres in any given year. If this acreage were considered part of an every-fourth-year rotation program, the overall total additional acreage would be 1106 acres.

In other words, although Farmers A, B and C may have an economic case to make for wanting to grow sugar beets on POS land, they would not appear to be able to claim that they "need" access to POS land in order to satisfy their contractual beet obligations. And if

permission were granted to Farmers D, E and F based solely on addressing their needs for additional acreage to satisfy their contractual beet obligations, such need could be met by making no more than 1106 acres of their leased POS land rotationally available for beet production, with no more than 276.5 acres in beet production in any given year.

POS Staff Response:

None of the farmers paid a penalty, as far as staff knows. They all managed to meet their obligations in the short run by leasing their shares. As an example, Jules Van Thuyne, Jr. leased his shares to a farmer in Wyoming, a business decision to free more acres to grow corn, based on the high price of corn.

The crop rotation described above does not account for acres planted to alfalfa. The total crop acres less acres in alfalfa is the “open ground” that can be part of an annual rotation plan. Using a cropping plan including twenty-five percent planted to alfalfa, none of the six growers can meet acreage projections/allotments on a four-year rotation schedule on privately available acres alone. Even with county land, one farmer comes up 12 acres short of his beet allotment. In the Table B scenario, all the farmers face the choice of finding another farmer to lease his shares, pushing the rotation to a shorter time frame on private lands, or paying a penalty to the sugarbeet coop.

Table A: Ideal Rotation using County land and private land

	Total acres (County, rent or own)	Total acres less 25% (alfalfa)	Acres available for SB rotation/4	Beet allotment acres	Surplus/Deficit
Farmer A	1,349	1,012	253	180	73
Farmer B	1,510	1,133	283	165	118
Farmer C	1,233	925	231	185	46
Farmer D	1,110	833	208	200	8
Farmer E	742	557	139	30	109
Farmer F	1,005	754	188	200	-12
Total	6,949	5,212	1,303	960	343

Table B: Ideal Rotation using only privately owned or rented land

	Private acres (rent or own)	Private acres less 25% (alfalfa)	Acres available for SB rotation/4	Beet allotment acres	Surplus/Deficit
Farmer A	800	600	150	180	-30
Farmer B	700	525	131	165	-34
Farmer C	365	274	69	185	-116
Farmer D	190	143	36	200	-164
Farmer E	0	0	0	30	-30
Farmer F	850	638	160	200	-40
Total	2,905		546	960	-414

#### **Jim England Question 4. Economic analysis.**

POS's support for the growers' proposal seems fundamentally based on an assessment that granting the proposal will significantly improve the growers' economic positions. Other than examining possible savings from avoiding hand-hoeing labor costs (a type of cost which at least some of the growers reported last week that they are now no longer even incurring), the POS White Paper does not examine other economic aspects of the growers' proposal in detail. It would be helpful to see what assumptions underlie the assessment that the proposal would economically benefit the growers. In particular, it would be helpful to see what costs (seed and possibly some fertilizer) might in fact be higher with GMO beets, and to consider those costs against the revenues that would result at various yield points. In other words, with POS recognizing that GMO-beet yields may be only no worse than conventional beet yields, it would be helpful to project total revenues and profits at a conventional-beet average yield level (20.1 tons/acre), and at the 3-to-6 ton/acre higher yield level predicted by Professor Kniss, and at the significantly higher yield level reported by Paul Schlagel.

In addition, given that several of the growers expressly suggested at last week's hearing that their financial survival in fact depended on approval of their proposal, in my mind at least such a claim would make it appropriate to conduct somewhat more detailed examination of those growers' actual financial circumstances. Although actual financial statements would obviously provide the most complete information, my own individual belief is that POS should consider requesting at least a modest business plan (showing projected costs and revenues with and without POS GMO-beet production) from the grower applicants to support their claim that such GMO production will allow them to survive financially.

#### **POS Staff Response:**

POS has not taken the position of requiring full financial disclosure or business plans. The bid selection process is based on an evaluation of a growers proposed operation and his/her ability to accomplish what is proposed. Financial references are contacted to determine if the bidder has the ability to meet the financial demands of their proposal. We believe the growers are in the best position to make the best financial decisions. POS staff does analyze revenue received, production inputs and irrigation.

Along with investment in the processing cooperative, the growers have large investments in machinery for growing, harvesting and transporting their sugar beet crop. The growers feel it is very important to utilize the equipment rather than sit on an idled investment or sell it at a likely significant loss.

Applicant Paul Schlagel provided a summary of costs and revenues under three growing scenarios. This handout is attached to the Roundtable notes, Attachment 3 to the staff memo.