

CANADIAN SUGAR INSTITUTE

CLARIFICATIONS TO THE EVIDENCE of April 14, 2016

Witness: Mark Lumley, Chair, Ontario Sugar Beet Growers' Association 2016

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Mr. Lumley: Around 1968 the import restrictions were relaxed. I've had a hard time understanding exactly how that happened. That was the year I was born. From what I understand, those import restrictions were relaxed, and essentially the Canadian sugar beet industry was decimated. All of the plants closed, with the exception of one small plant in Taber, Alberta. We went from thousands of acres and relying on our own food security, down to about 30,000 at the most in Taber. **Currently, we're at about the 18,000-acre range in Alberta.** That's it.

...

Mr. Lumley: We currently are not selling any Canadian sugar in Canada with the exception of those 30,000 — **which is now about 18,000 — acres in Alberta.** That's the bad-news story again.

Correction:

Last year 22,000 acres were grown under contract with Lantic Sugar and acreage will be 28,000

acres in fiscal 2016/7, up 6,000 acres.¹

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Mr. Lumley: I believe we can do this and that Canada is capable of growing all of its own sugar needs. Right now we use about 1.1 million metric tonnes of sugar: **50,000 of those come from Alberta** and the rest comes from mostly Guatemala and Brazil into Redpath in Toronto, or Lantic in Vancouver and Montreal, and that's it. That's the Canadian sugar industry.

Correction:

This year, Alberta beet sugar production is estimated to be over 90,000 tonnes and should increase again next year given the 6,000 additional acres (25% increase) to be planted this

spring.²

...

Mr. Lumley: Right now we don't produce sugar so we have nothing to export. We produce sugar beets in Ontario — that's what I do — and those sugar beets are 100 per cent exported and the sugar doesn't come back. **The sugar produced in Taber, Alberta, mostly stays in Alberta and Saskatchewan.**

Correction:

The sugar produced in Taber serves the prairie market and exports are substantial relative to

Taber's production. Although exports are limited by foreign country trade restrictions, beet sugar

*from Canada has an annual 10,300 tonne share of the US refined sugar quota and beet sugar is also exported to Mexico.*³

¹ Rogers Sugar Inc., Interim Report for the 2nd Quarter 2016 Results, <http://www.lanticinc.com/uploads/reports/2016-q2-en-57290582dae49.pdf> ; Rogers Sugar Inc., 2015 Annual Report, <http://www.lanticinc.com/uploads/reports/rogers-sugar-inc-annual-report-2015-en-5671d5b5f218a.pdf> ² *ibid.*

³ *ibid.* See also, Canadian Sugar Institute, <http://www.sugar.ca/International-Trade/Canadian-Sugar-Industry/Canadian-Sugar-Industry-Statistics.aspx>

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Senator Oh: You say the sugar is not allowed to come back, but does the U.S. company send that back to Canada?

Mr. Lumley: No, none of that sugar really comes back into Canada.

Senator Oh: Not through any other channels?

Mr. Lumley: “There may be small bits in sugar-containing products but, essentially, no.”

Correction:

There is substantial trade in sugar-containing products with the United States. In fact, the decrease in Canadian processed food production and exports since 2004 and the increase in imports from the United States has been by far the most significant factor affecting Canadian refined sugar production. The net loss from 2004 - 2014 was approximately 175,000 tonnes sugar content of food products, the most significant factor contributing to a 12% decline in Canadian refined sugar production.⁴ The U.S. sugar used in the sugar-containing products benefits from the U.S. sugar re-export program which reduces the cost of sugar in the exported products.⁵

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Senator Plett: Thank you very much, Mr. Lumley, for your presentation. I vividly remember when we stopped growing sugar beets. I'm from southeastern Manitoba, and there were many sugar beets grown there, right in my own little village. There were large sugar beet farms, and it was kind of sad to see that happen.

I'm sorry if I missed, at the beginning of your presentation, your explanation of the exact reason for all of this stopping. If I did, I apologize for asking you to repeat it, but I would like to hear a brief version of why we stopped growing them at that time.

Mr. Lumley: What I said was that I'm not exactly sure. It was the year I was born. **What I understand from the reading that I've done is that the import restrictions — basically the dumping import restrictions — were relaxed to the point where they could import world sugar into Toronto, for example, for way less than the domestic cost of production.**

Correction:

There have never been anti-dumping duties or import restrictions on imports of world-priced raw cane sugar for refining in Canada. Manitoba sugar production stopped as a result of the US imposition of a restrictive refined sugar quota in 1995. About 60% of the Manitoba sugar beet processing plant's production went to the United States so that plant was no longer viable and had to close in 1997.⁶

Senator Plett: That's no longer the case?

Mr. Lumley: They can still import it for less than the domestic cost of production, but then they retail it way higher now because **they have no competition**. Redpath and Lantic kind of work together as a duopoly here in Canada, and **they set the price of domestic sugar wherever they want it to be**

⁴ Canadian Sugar Institute, <http://www.sugar.ca/News/Industry-Trade/Future-of-Canadian-Sugar-Industry-Dependent-on-Out.aspx>

⁵ Canadian Sugar Institute, [http://www.sugar.ca/International-Trade/North-American-trade-\(NAFTA\).aspx](http://www.sugar.ca/International-Trade/North-American-trade-(NAFTA).aspx) ⁶ Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/080523/dq080523a-eng.htm>

because there's no competition. They import world raw at about 16 cents a pound and retail it for 30 to 35 cents **with no competition.** The study we're doing now at Lambton College indicates that we can probably make sugar for about 20 cents from sugar beets in Sarnia. We could compete very strongly, then, with Redpath.

Correction:

The Canadian refined sugar industry is highly competitive and prices are set by the market, not through any form of price support. There are many competitive factors at play including domestic competition, competition with high fructose corn syrup, competition with imports of refined sugar, other sugars and sugar-containing products as well as changes in Canadian investment and exports of processed foods containing sugar.⁷

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[Translation]

Senator Dagenais: Thank you for your presentation, Mr. Lumley. You mentioned that sugar beets are a profitable crop. What would be the most attractive export markets for sugar beets, in light of the various international agreements that have been signed recently, including the TPP? I would like to hear your views on that.

[English]

Mr. Lumley: Again, right now we import about 98 per cent of our sugar into Canada. I believe it would be a long time before the sugar beet industry would be able to put a big enough dent in that to even satisfy the appetites of our chair and his friends. We use, as I said, about 1.1 million metric tonnes of sugar already in Canada. I believe that it would be a lofty goal to even be able to supply our own domestic needs, which would be wonderful.

I'm talking more not about the opportunity of export but the opportunity of reducing our imports, especially taking back control of our own food systems.

CSI:

Over the past 5 years, refined sugar produced from imported raw cane sugar has represented 90-93% of Canadian sugar production.⁸

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Mr. Lumley: They have an import tariff rate quota system. There is a small amount, just negotiated in Atlanta. Whether that is ratified is another matter.

Already there is a small amount of sugar coming from Canada and going into the U.S. under that TRQ program, **but most of that is actually the stuff that comes from Guatemala and Brazil.** I'm friends with most of the growers in Alberta, and nobody even knows for sure. **Once Lantic has that sugar, sugar is a commodity and moves all over the place.**

Essentially, the amount we are allowed to export into the U.S. comes from wherever is convenient, and not necessarily Alberta.

⁷ Canadian International Trade Tribunal, <http://www.citt.gc.ca/en/node/7522>;
http://www.citt.gc.ca/en/dumping/reviews/orders/archive_rr99006_e

⁸ Canadian Sugar Institute,
<http://www.sugar.ca/Canadian-Sugar-Industry/Canadian-Sugar-Industry-Statistics/Refined-Sugar-Production.aspx>

Senator Tardif: So the sugar produced in Taber would be for the Alberta and Saskatchewan market, basically?

Mr. Lumley: Essentially. That would make the most sense, **but weird stuff happens with sugar; it moves all over the place.**

Correction:

Current access to the US is 10,300 tonnes refined beet sugar only. To ensure this benefits Canada's sugar beet sector, the government of Canada issues export certificates which are tightly controlled under Canada's Export and Import Permit's Act. There is no refined cane sugar that is exported to the Canada share of the US refined sugar quota.⁹

The TPP provides for an additional 9,600 tonnes when it is implemented and that is also for beet sugar only. It is only in emergency situations where exports of both refined beet and cane sugar are permitted above these restrictive TRQs.¹⁰

Senator Tardif: Taber and Ontario are then the 2 per cent? You said we import 98 per cent of our sugar, so the 2 per cent comes from Alberta?

Mr. Lumley: Just Alberta, because ours don't count.

Senator Tardif: That's right: just from Alberta.

What is the plant processing capacity in Taber? Is it an old plant? Does it need new infrastructure? Could it produce more?

Mr. Lumley: **It's a strange thing. It has the capacity to produce more than twice what they do, but Lantic uses that facility as a bit of a political thing. It's the only sugar factory and sugar-growing area in North America that's not owned by the growers. Everywhere else in North America and most of Europe, the growers own the sugar factory.**

Correction:

The capacity utilization of the Alberta sugar beet factory is limited the sugar beet crop and the lack of new competitive market opportunities. The Canadian market is a mature market so increased production depends on periodic substitution with high fructose corn syrup in the liquid market and export opportunities.¹¹ Grower-ownership of sugar production facilities in the United States and Europe was made possible by the protective government sugar programs in those countries; Canada does not have a protective sugar policy.¹²

⁹ Canadian Sugar Institute, [http://sugar.ca/International-Trade/North-American-trade-\(NAFTA\).aspx](http://sugar.ca/International-Trade/North-American-trade-(NAFTA).aspx), Export Control List, SOR/89-202, Export and Import Permits Act, <http://laws-lois.justice.gc.ca/eng/regulations/SOR-89-202/FullText.html>

¹⁰ <http://www.canadianmanufacturing.com/manufacturing/tpp-to-open-u-s-border-to-canadian-sugar-155692/> ¹¹
Rogers Sugar Inc., 2015 Annual Report,
<http://www.lanticinc.com/uploads/reports/rogers-sugar-inc-annual-report-2015-en-5671d5b5f218a.pdf>

¹² Canadian Sugar Institute, <http://sugar.ca/International-Trade/Canada-s-sugar-policy.aspx>