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FEATURED PRESENTER:

James Horvath

President & CEO

American Crystal Sugar
Co.

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BURDICK Center for
COOPERATIVES

Dept. of Agribusiness & Applied
Economics
NDSU Dept. #7610
PO Box 6050
Fargo, ND 58108-6050

Located at
NDSU's Barry Hall, Suite 400
811 2nd Ave N
Fargo, ND 58102

www.ag.ndsu.edu/cooperatives



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Changes and Challenges of the Sugar Industry Today

Good morning ladies and gentlemen. It is a pleasure for me to be with you this morning, and especially to be here to honor Al. This morning I would like to honor Al for a little bit. Al's name certainly is synonymous of the progressive beet sugar industry we have in the Red River Valley. Al became the Executive Director in 1961 of the Sugar Beet Growers Association. During that decade of the 60's American Crystal Sugar Company, which was a New York Stock Exchange company at the time, was in the process of milking all of its assets and shutting many of them down. The sugar beet operations had been quite good here in the valley and the growers were becoming concerned about the fact they were becoming rationed back.

Al and his lovely wife Mary had an exchange student from the Netherlands that was here. On a trip to Europe, Al went to the Netherlands and stopped by to visit the sugar industry and a company in the Netherlands. They were interestingly enough a cooperative. That was when Al told me many years ago that was where he got the idea, and wondered if that could work in the Valley as well.

That was the beginning of the process to cooperatize American Crystal. It certainly has been a great success. Al is a pioneer and has influenced the new generation cooperatives as well, not just American Crystal, but that became the template for many other cooperatives that exist throughout the area and the United States. I think we need to remember that Al had to work very hard to get this thing put together. There was a lot of opposition at the time. It was pretty evenly split between the pros and the cons. If you go back and read some of the newspaper articles, which we have done, you get a lot of very interesting information about how close this one was. Al was tenacious and made all this happen. I think his groundbreaking work makes him really the father of how American Crystal came into being. He had a very bold vision that has transformed this valley into the sugar beet industry it is today. The growers own the business. Today American Crystal has become the largest sugar beet

cooperative in the United States. We represent about 15 percent of all the sugar that is consumed here. I would again like to honor Al and ask once again for you to give him a round of applause for all the contributions he has made to our industry.

30 Cooperative Years 1973 – 2003

Last year American Crystal celebrated its 30th anniversary as a cooperative. We are also, this year, celebrating 105 years as a corporation. This company was formed back in 1899, out in California and spread all over the United States until it became more localized here in the Red River Valley.

Now for some of the prospective about the sugar industry as it exists throughout the United States. It is really the sweetener industry we will talk about first of all. The yellow part of this map shows where the corn is grown and within that there are a number of plants that make high fructose corn syrup. High fructose corn syrup represents about 50 percent of all the sweetener consumed in the United States. Almost all the soft drinks you consume that are sweetened are sweetened with high fructose corn syrup. There is very little sugar in soft drinks. The other half of the sweetener industry is compressed of cane sugar and beet sugar. The red parts shown on the map present the cane sugar side. Cane is grown in four states, Florida, Louisiana, Texas, and also a little bit left in Hawaii. The beet sugar portion presenting about a quarter of all the sweeteners now is represented by the bluish green portion of the map and as you can see it is basically across the northern tiered states, from Michigan all the way out to California, Oregon, and Idaho.

Locally American Crystal Sugar has five factories here in the Red River Valley from Moorhead, MN all the way up to Drayton, ND. Corporate headquarters are in Moorhead. In 2002, we acquired a company called Sidney Sugars Incorporated, which has a plant in Sidney, Montana, from Imperial Sugar Company. It has been a good investment for us.

How did American Crystal Sugar become a major sugar industry leader?

I think we did that by having key strategies that were developed and shared with the shareholders, the board and management. We have a focused approach on how we do things. We have done that through creating pretty strong strategies of how we were going to move forward, starting back in 1973. At that time the right answer was not to contract and not make this a smaller company but instead to expand it. That expansion philosophy has been in place for almost 30 years. We also decided to take on increased calculated risks during that time period. It was important for us to become a low cost producer and we have worked extensively to reduce our fixed costs many through expansions in lowering the per unit fixed costs and also have worked extensively to reduce our variable costs. That has resulted in us making more money for our shareholders. It has been a very successful strategy that has worked up to this point exceptionally well.

Let's just give you a quick picture on what that looked like. These comparisons are from 1973 to 2003.

- **Harvested Acres:** Our harvested acres basis are up 148% over that 30-year period. We have managed to do that by acquiring a Red River Valley cooperative which was a new sugar

company back in the mid 70's that was unsuccessful and merged in with American Crystal Sugar. We have also done this through major expansions. We have expanded several of our factories multiple folds to accomplish that goal.

- **Recoverable Sugar:** Recoverable sugar per acre has increased by 100% from 30 cwt per acre to 60 cwt per acre. I think this is a tribute to the work that has been done on the farms. I think it is also similar to what has happened with other crops. This one I think has been particularly impressive from the standpoint we have a variety of development improvements. We in fact joined up with sugar beet development operations and businesses in Europe and bred together the very strong varieties that existed in the United States and those that existed in Europe. One had good resistance to disease and one had high sugar content, bringing them together we got better varieties over time. We also have improved farming practices a lot in those 30 years. From the planting, just recently in fact the last couple of years we have done research that showed growers who do the best in our organization are those who plant more beets per hundred feet of row. A big revelation that occurred to us just by taking a database we have been developing for 30 years and analyzing the data better. We have recommended to our growers they can increase the planting per hundred feet of row dramatically and it has in fact continued to help us out. Obviously we have done improvement on disease resistant and weed control and all those things over the years, and down to just doing harvesting in a precise way. Some of our shareholders in fact, will leave 1,2,3 tons of beets in the field just because they don't have their planters set right. We now have classes where they can come in and have their planter tested so we are assured it is being done correctly. So all those things being done have contributed to the dramatic increase and recovery of sugar per acre.
- **Slicing Capacity:** We have increased our slicing capacity again through expansions over the years. Our slicing capacity is now nearly 36,000 tons a day. We also have a philosophy internally of constantly doing continuous improvement at the bottle necking and that has been successful in allowing this to happen as well.
- **Processing Campaign:** Another area where we have contributed to this success is the fact we have taken on more risk. If you look at the European sugar business they process all their beets give or take between the end of September and Christmas time, so over a 90 day period they take these huge factories and crunch all the beets through at one time. We have taken a different approach here in the valley. We have extended our campaigns, and we process beets 250 days a year. We usually start around Labor Day and finish up around the middle of May. That has been a very successful strategy for us. We have a couple of reasons we have been able to do that. Number one, the good Lord has blessed us with extremely cold weather here in the wintertime, at least in most years. That has allowed us to freeze beets pretty well. We have also been a leader in the technology of how to do this process better. We have done a lot of things over the years to improve how we store sugar beets, from splitting the piles to give them more ventilation to the sheds you see over the valley which generally protect the beets from rain and warmth from the sun in the springtime. We have taken that technology and besides the sheds we also pile the beets by putting insulation over a pile and covering it with a tarp and it has worked as well. Not nearly as well as the sheds, but it has gotten us another few weeks or another month or so. We have been able to stretch out the processing campaign. More recently we have begun to use more advanced technology, infrared flyovers, for example, every couple of weeks we fly the pilots to see if there are any hot spots. If there are any we can go and take them out before they spread. This year for the first time we tried a new technology, which is a

microchip no bigger than your little fingernail and put these all over the piles of beets as they are relatively cheap. You are in a position to have that thing say, "I am sensor #314 and the temperature here is -20". It does that every hour or two, so you have a constant monitoring of how things are going. Constant advancements have allowed us to take on more risk.

- **Sugar Production:** We have been able to increase the total production of sugar by 475% and we are now producing about 30 million cwt of sugar per year, which is about 15 percent of all sugar consumed in the United States.
- **Quality Payment System:** Another great advancement in our business was what we call a quality payment system that was introduced in the early 1980's. Up to that time we had been paying our growers to produce tons of sugar beets and ignored how much sugar and impurities was in them. We tweaked that formula a little bit and it was to our advantage to do that. An example of that is a 14 percent content sugar beet has about 280 pounds of sugar in it that we can get out and an 18 percent sugar beet has about 360 pounds. There is an increment of 80 pounds of sugar in the same ton of beets. It costs the same amount of money to process a ton that has 14 percent sugar as it does to process a ton that has 18 percent sugar in it. So we said let's build on that and see if we can get our growers to grow a higher sugar content and higher purity beet. We started paying them to produce sugar not just tons. That was very successful and has evolved over the years so now we have fantastic purities in our beets and sugar contents, last year for example, it was 18 1/2 percent. This has also allowed them to learn how to reduce the level of fertilizer being used and have allowed more on farm savings that is accountable to just this change and how we pay for beets and the economic incentive. One of my rules of business is economics rules and in fact this proved to be true in this case as people will learn how to do it right to make more money. It has worked.

Agri-Product Marketing

We have also taken advantage of a federal law that was put in the books in 1922 called the Capra Volstead Act. The Capra Volstead Act was the creation of cooperatives. It said that farmers could get together and market together without necessarily violating the anti-trust laws that are in place in this country. We are also able to take that one step further in that cooperatives can join with other cooperatives and market together as well. So we have taken advantage of that as a business too. What we have done is we have begun to market together. The first example was a subsidiary of ours called MidWest Agri Commodities. It sells our by-products, our pulp and molasses. It was formed by Southern Minnesota Cooperative and MinnDak Farmers Cooperatives in 1979. It just celebrated its 25th anniversary. American Crystal Sugar joined in 1982, since then we have acquired Sidney Sugars and they joined, obviously, and Michigan Sugar Company, a new cooperative, joined last September, so they are now part of our Agri products family.

Sugar Marketing

We have done the same thing on the sugar side. Al was involved in this process as well trying to form the United Sugars Corporation. It took ten years to get this job done, squabbling over where the office would be, who would be president, etc. delayed things for many years. Finally we were able to bring this organization together and it successfully exists today. Once again American Crystal, MinnDak and Southern Minnesota were the founding fathers, Sidney Sugar was brought in and we merged and

joined up through our marketing efforts with United States Sugar Corporation which grows cane sugar in Florida. Our organization now is the largest marketer of sugar in the United States. These are the eight marketers of sugar in the United States. United Sugar is the largest with currently 31 percent market share of all the sugar sold in the United States. It has been very successful. About 45 million cwt of our total volume is beet sugar and about 11 million cwt is cane sugar from Florida. There are major customers, and I will list some of them: Kraft, Nestle, Kellogg, General Mills, and Hershey. Little Debbie Snacks is a major customer of ours with a tremendous increase the last number of years. Smuckers is a customer of ours. All the industrial customers represent about 85 percent of all the sugar we sell. The other 15 percent is sold to retail customers like Hornbachers, etc. and we do business with all the major retailers like WalMart, Safeway, Albertsons, etc. Today cooperatives have become a major portion of the sugar beet industry with seven out of nine producers of sugar from beets are cooperatives. That accounts for 90 percent of the domestic sugar beet volume. What's happened basically is that as the margins have been squeezed in our business we have ended up with a situation where there are not enough profits for both a corporation, as the processor and the grower to make money. So the only way to make that happen is to collapse that into cooperatives where the profits flow basically tax free from the processor down to the grower. It has been successful and duplicated many, many times. Now again American Crystal - Al Bloomquist has been a leader in setting forth that template. I would suggest the strategy I have just outlined for you has worked pretty successfully and we will talk about our gross revenue very quickly here.

Gross Revenues

Gross revenues are up by 406% in that last 30 years to \$830 million. Even more importantly our on-farm profits have in fact followed that trend dramatically. The lines from year to year are total contributions of on-farm profits, the line is a trend line. The trend line is up by 75% as far as total on-farm profits are concerned over the last 20 years. So that is a pretty good success story.

Factors Threatening the Sugar Industry in the United States

I think we have to look now that that success story is to some degree threatened and we have to talk what has caused that to happen and I'll give you some perspective at where we are at here.

2002 Farm Bill: Our business is pressured by, first of all the 2002 Farm Bill, the potential trade agreements that are very actively being pursued these days, our core product of sugar and carbohydrates is being threatened these days, and critical mass becomes a very significant issue here. The critical mass being defined as the fact that we have built fixed assets to support a certain level of business and if we in fact get pressure to reduce that level of business, fixed costs begin to be spread less effectively and profits go down. Let's talk about each one of these real briefly. The 2002 Farm Bill, let me set some background here for you. The farm bills have been in place for many, many years set the borrowing level you can borrow from the Commodity Credit Corporation at and put sugar under loan with the CCC. If the market provides enough money to earn a profit and pay off the loan you do that. If prices for whatever reason are too low to do that you have the ability to forfeit sugar to the United States government. That has happened very infrequently the last number of years as the government has control of the level of imports of sugar. The domestic market is supplied by both the domestic producers, which it supplied 85%, and the imports which are about 15%. By the government

rationing up and down the level of imports they are able to control the supply and demand and therefore control price. They have done a pretty good job of doing that over the years. Regrettably in about 2000-2001 there was a significant overproduction of sugar because of just dumb luck throughout the United States market, there was a large crop. The result was there was about a billion cwt of sugar there was forfeited to the government. That led the way to a precedent that was being viewed as we moved into the 2002 Farm Bill. The 2002 Farm Bill was designed for sugar to fix this over supply problem. What was done was we put into place market allocations so each of the companies in the United States now had the ability to market only a certain amount of sugar to get control of supply and demand. As part of that, the result would have been, that American Crystal would have had to cut back acres by about 10%, again threatening critical mass here. We would have had to cut back from 500,000 acres to 450,000 acres that would have increased our period fixed costs and driven down profits. So we had to look at that as a serious situation and we looked for ways to solve that. We will talk about that those in a few minutes.

Trade Agreements: The second issue is trade agreements. Again, a very significant issue because trade agreements if we are in fact were to ration up that 15% and let more foreign sugar in for trade reasons, that means we will have to ration back the sugar produced in the United States and that is going to threaten critical mass again. This is an interestingly situation that we are faced with in this industry. Every sugar exporting country is subsidized therefore we have a situation where there is too much sugar produced in the world. The result of that is there is a dump market for this amount of sugar that is left over that no one wants in the domestic market. The price of sugar in the United States and the domestic price of sugar in all these other countries, in France and Germany and everywhere else where they produce sugar but exports all of it, the domestic price is high, its reasonable but high and that is high enough to support the industry. The result of that is there is enough profit made in these countries to support a domestic industry. Then there is extra sugar produced in many of these countries and that sugar is dumped at way below cost into what is called the world sugar market. You often hear people suggest that the price of sugar is 3 times higher than the world sugar market here in the United States. That isn't true from the standpoint that the domestic price in all these countries is the same as it is here or higher. As the domestic price in the United States is in fact is in the lowest 3rd in the world. So there is a real serious issue here where sugar is being dumped because of government subsidies into the world market so it is a distorted market. And that is what our government expects us to compete against and that is not fair. The United States doesn't export any sugar. The United States limits domestic producers in order to control the supply and demand and keep that in balance and the result is every sugar exporting country would like nothing more than to get a bigger chunk of the United States market. Therefore there is a lot of pressure on our government when they are doing trade deals to allow more foreign sugar to come into the United States. To put it into perspective for you, the United States market is about 10 million tons of sugar and we produce about 85 percent of that or 8.5 million tons and we import about 1.5 million tons. The problem that we are faced with and threatens our industry is increased imports. That would shrink the size of the domestic marketing allocation and that would result in lower United States production. That would result in taking away sugar beet acreage. By taking away acreage that would also put pressure on the broader farm bill because there will be more corn planted, more soybeans planted in this particular area and it would result in forcing over supply there as well. It would result in lower prices and in more low deficiency payments. It is a serious problem. The administration is very much in favor of free trade. Their philosophy is that better economies support peaceful democracies and therefore they are willing to talk about the concept of

“you can’t make an omelet without breaking a few eggs”. We get concerned around here whether sugar one of the free trade eggs, that this administration is willing to break. So we are really fighting for our survival. We are in a no holds barred battle with the administration on this issue. That is why you hear so much in the media today about sugar being a host on some of these trade deals is because we are looking for a fair deal here so that we can survive. The United States industry is about the lowest cost producers in the world. We are in the lowest 3rd in the cost of production therefore in a fair trade market the U.S producers should be able to survive. But we can’t survive if we have to compete against the government of France, Germany or Guatemala; it is not going to work. Let’s talk about a couple of these trade deals that are active right now. The Central American Free Trade Agreement is among the six countries: Guatemala, El Salvador, Nicaragua, Honduras, Cost Rica and Dominican Republic. They currently have access to the United States market for 300,000 tons or about 3 percent of the total market. The trade deal that the administration recently concluded allows them to bring in more sugar and they get another percent of our market in year one of 119,000 tons and by year fifteen of the deal it will grow to 168,000 tons and continue to grow beyond that point. The implications of CAFTA on us are that it would potentially lower prices because of an imbalance between supply and demand. It would also potentially reduce domestic allocations and for American Crystal it would force a cutback of 9,000 acres in year one and 13,000 acres in year two. So that again would continue to put pressure on our economies of scale and our critical mass. We are also seriously concerned about CAFTA from the perspective that it could present itself as the template for future trade deals throughout the world and if that were to be multiplied and duplicated it would become a very serious matter that we couldn’t handle. It would probably put the domestic industry out of business. In fact we are battling for our existence here and therefore we are plotting to defeat CAFTA in Congress when it comes up for a vote, which we believe, will occur next year. Another trade deal that was recently concluded by the administration was with Australia. In this particular case the administration elected to totally exclude sugar from those talks. Under the premise that Australia was a developed country and therefore didn’t need any increased access. We were obviously very pleased with that outcome and we believe that should become the template for future trade deals. We also are having to deal with trade from Mexico and the free trade agreement that was signed in 1993. The border between Mexico and the United States was basically taken down when it comes to trade in sweeteners that includes high fructose corn syrup and sugar. The key issue here is that high fructose corn syrup has not replaced sugar in soft drinks in Mexico. If that were to occur there would be about 2 million tons of sugar displaced in Mexico and that would immediately be looking for a home, and because the borders would be down that home would be the United States market. That would represent about 20 percent of the United States consumption and obviously disrupt the market place. So we are trying to come up with a more reasonable settlement for this thing. We are working toward a new agreement that sets a specific amount of sugar that the Mexicans can bring into the United States and a specific amount of high fructose corn syrup that can go from the United States to Mexico. We are relatively close to coming up with that deal from my perspective. I am cautiously optimistic that we will have one and it will happen, but again with any luck not this year. Other deals going on are South Africa Customs Union, Morocco, Thailand, Panama/Andean, WTO, and Cuba, again if all of those were to go down the same path as the Central American Free trade deal did and that would result in increased imports of a million of tons of sugar in the United States and 10 percent of our market. If it were unrestricted access it would account 27 million tons of sugar that could be brought into this country. That total is three times the total consumption of sugar in the United States market. Where we are trying to take all of this is, we aren’t opposed to trade, we are trying to get fair trade. We are trying to go to the world

trade organization talks and have sugar dealt with there so all these foreign government subsidies and trade distortion plans can be taken away at one time and we can get to a level playing field where again from my perspective we would be in a position to compete. So you have a pretty common theme here so out of all this stuff that potential exists that U.S. production will be reduced. So what are we again looking for? We are looking for a level playing field. Interestingly enough in the speech given by the president on March 9th of this year, He went down this path, a quote from him, “given a level playing field America will out-perform the competition and America will continue to be the world leader.” He was talking about trade and jobs and that was the theme of his speech. We support this 100 percent especially given the first line- “given a level playing field.” That is all sugar has ever wanted was a level playing field. And we intend to continue to remind the president of these words as we move forward on some of other trade negotiations that go along. The common theme here from my perspective is that we need to fight for fair trade as an industry and we intend to do that or if we can’t get that we will have to fight these individual trade deals one by one and to test defeat.

Core Product Challenges

Sugar consumption between 1987 and 2001 grew every year on average in tune with the population growth. The last three years we have seen for the first time in several decades a decrease in the level of the consumption of sugar. What is the cause? We think there are 4-5 things that have been causing that. First of all is the general slow economy, secondly is the globalization of sugar containing products manufacturing. There are a lot more candy, hard candy in particular that is being produced in Canada and Mexico and being re-exported back into the United States. That allows these countries to use the dumped price of world sugar, but also the fact that labor costs are a lot cheaper in Canada and Mexico then they are here. The environment rules are different, medical care is different and the cost of fringe benefits is also different as is energy costs. There are lots of reasons for that movement from the United States to other countries but it is clearly effecting our consumption of sugar in the United States.

Alternative Sweeteners

High fructose corn syrup has been a threat for many years and we also continue to have new high intensity sweeteners coming into the market place. Some of them now have the ability to be used in baked goods, which previous generations of high intensity sweeteners have not been able to do. That has decreased consumption levels to some degree. Another couple of things that are somewhat linked to each other are obesity and the trend toward low carbohydrate diets that we think have been significant. I think none of us would disagree with the fact that obesity is a serious problem that affects about 22 percent of the population and there are movements toward changing that. On the low carbohydrate diet situation about 3 percent of the population are doing that, and about 20 percent, it may be even more than that, people who are at least dabbling around the fringes of it and eliminating the level of their carbohydrate intake. That again has resulted in possibly some pressure on our product. So what are we doing about that situation? I think part of our message is the fact that sugar is a relatively low calorie commodity and it contains about 15 calories per teaspoon which is not tremendous by any means, that sugar is all natural and is fat free. We are working extensively to separate ourselves from the high fructose corn syrup folks to a standpoint that sugar is different from high fructose corn syrup. There has been an increasing level of scientific information coming out

recently that is suggesting that high fructose corn syrup when consumed in a soft drink, for example, does not satiate your appetite therefore you are still able to drink a super-size coke and still put down a couple of cheeseburgers. Whereas if perhaps you were consuming a reasonable level of sugar-sweetened soft drinks your appetite might be satiated and therefore you would cut back on other areas. There is a lot of research being done in that area. There are also indications from science that high fructose corn syrup calories go straight to fat and are not consumed. We are trying to differentiate ourselves from high fructose corn syrup.

We are also trying to sell the message that the real culprit when it comes down to the obesity situation is in fact there needs to be a balance between activity and calorie intake, no matter what the source of those calories might be.

Managing Critical Mass

The situation that we are faced with here again is this downward pressure, because of consumption, because of increased imports, and a downward pressure on the domestic production of sugar. At American Crystal Sugar Company we feel the farm bill is set and that is probably is going to happen, so what are we going to do about that? We had plans in place then to be able to go out and make some acquisitions to offset the level of cut back we might have to experience. We bought three beet factories and the marketing allocations from those from Imperial Sugar Company in 2002. Sidney Sugars was formed in Sidney and it is operating but part of that deal we were also able to bring 30,000 acres or more of allocation back here to the valley and grow more acres. Sidney Sugars grows about 40,000 acres today and is a nice profitable subsidiary. The return on investment we are getting there is in excess of 20 percent and it has worked out very well. Last fall 2003, we purchased Pacific Northwest Sugar Company and they were producing sugar a number of years ago in Washington. The plant was not operating and we did this purely to buy the allocations and bring the allocations back to the Valley. That provided us with 40,000 additional acres we could bring to the valley and the return on investment on that has been excellent, in fact, I have been doing this for thirty years and that was probably the best internal rate of return I have ever gotten on an investment. It paid for itself in one year. That has allowed us this year to continue to plant our stock acres of 500,000 acres. We have made these investments to minimize the negative impact of these marketing allocations, trade agreements and consumption trends can potentially have on our business. We have managed our critical mass and for the 2004 crop; even with the declines we will be in the position to continue to plant 500,000 acres. Many of our competitors are having to cut back acres about 20 percent, so it is a very significant situation for us. The fact that we have been able to hold has enabled us to support our shareholders on farm profits and it maximizes our manufacturing and marketing volume as well.

Marketing Strategies

Let's talk about briefly some of our marketing strategies. We have ten major things as a major organization that we are focused on. These are the things we think will take us into the future. Trade and policy matters are number one. If we don't have trade and policy situations under control the rest of this is a moot point. We believe we are headed in the right direction on trade and policy. We also want to continue working with our shareholders and we do a lot of training what we call our Agriculture "Gold Standards" which is helping our shareholders understand how to grow the best

possible crop they can grow given the changes in mother nature, storage excellence - we invest a lot of time, energy and effort to be able store beets well, extend the processing campaign and intend to we continue to do that. We have to balance our sugar recovery and factor through slice rates. There is a tradeoff here because if you run the factories too fast the sugar recovery goes down, if you run it too slow you end up with the beets deteriorating in the piles. It is a delicate balance we have to work out to make sure it works. Maintenance excellence, to make sure that we have the most significant up time possible in our factories we can have through preventative maintenance. We now are at a point where we do 75-80% of all our maintenance effort is preventive as opposed to reactive and that is getting to be a pretty good level. We have been at that for 5 years to get at that level. We work extensively on safety. Safety is one of our highest priorities because we care about our employees and because we invest in turning dollars. We want them working and taking advantage of the knowledge they have as opposed to having somebody new in the job. We are investing heavily in new technology again to get the high state of operations in our operations and to monitor what is going on and to have constant feedback and when things get hot outside of our upper and lower control limits we can get back into control. Product quality is number one priority for us. Obviously all of you know that replacing a customer costs a lot more than keeping the ones you got, so we intend on keeping the ones we have and we have done that very well. Last but not least there is a constant need to manage our cost and we intend on doing that too.

From my perspective American Crystal's business is like a marathon without a finish line we believe very much and continue to do our strategic thinking and so far it has worked pretty good for us. I want to leave you with a quote from Ralph Waldo Emerson. "Do not go where the path may lead, go instead where there is no path and leave a trail." I think from Al's beginnings and the leadership he has provided to this company he was very much a trailblazer and we continue to try to carry on his vision and his thoughts every day at American Crystal.

James Horvath

Horvath is currently the CEO and President of American Crystal Sugar Company headquartered in Moorhead, Minnesota. Prior to 1998, he held the position of Chief Financial Officer with American Crystal since 1985, with the exception of two years as Chief Operating Officer of ProGold, LLC. Before joining American Crystal, Horvath was employed by Miller Brewing Company, a subsidiary of Altria Corporation, for 16 years in a variety of financial disciplines.

Horvath currently serves on the FM Global Midwest Advisory Board. He is a former Chairman and member of the Red River Human Services Foundation and the Moorhead (MN) Country Club Board.

Horvath holds a B.S. degree in Business Administration and an M.B.A. from the University of Wisconsin in Milwaukee. He and his wife Carol have two grown sons.