

Quality Standards





By Mark Flegenheimer, President and CEO

With last year's remarkable crop completely processed, packaged, and shipped to our customers, we turn our attention to harvesting and

processing this year's bounty. The factories have been upgraded and repaired and much of this year's crop has been sold to our large industrial customers. We are ready for another campaign. Sugar prices are good and fuel costs are considerably lower than last year. Although our volume of beets will be much lower than last year's record-smashing crop, we expect the returns we are able to generate from this year's harvest will position beets very favorably compared to other crops.

In the future, we are not likely to always have strong sugar prices and reasonably priced fuel; therefore, we must begin now to make plans to keep the returns we generate from beets as high as possible. In order to accomplish this, your Board and Management Team realize we must improve the quality of our sugarbeet crop. We have established a goal of attaining a 19 percent average grower sugar content (not including early delivery beets) in the next five years. With our current average hovering around 18 percent, how are we going to reach this goal? We are taking a multifaceted approach which addresses seed varieties, research, grower payments, and crop records.

SEED VARIETIES – In order to reach this 19 percent target, we have challenged the seed companies to come up with varieties that have a higher RWST without sacrificing yields. The Co-op's Seed Committee has established a new variety approval "points" system which will deliver beet seed with a complete package of desirable traits. Also, in five years, approved varieties (per the new system) must have at least four percent higher RWST than the current check varieties. Since the introduction of Roundup Ready® technology, change has come at a very rapid pace. We expect this speed will not slow as newer and better varieties are approved each year.

RESEARCH – Developing improved agronomic practices does not happen by chance. In Michigan and Ontario, we are fortunate to have a number of different entities doing excellent work looking for ways to grow a better, more profitable crop. Research is being conducted at Michigan State and Guelph Universities, by researchers at Michigan Sugar Company, through MSU Extension via Sugar Beet Advancement and at the newly relocated research farm. All of these people do a great job and perform a vital role in researching and developing improved agronomic techniques. With the fast pace of change needed to remain competitive, we have put a structure in place which will more efficiently and effectively share information generated from all areas of research with our shareholders. We also want to make sure we have a good sounding board to keep research focused in the right direction. This new organization is the Michigan Sugarbeet Research & Education Advisory Council ("REACh").

continued on page 10

TABLE OF CONTENTS

Root of the Business
2009 Crop Update
Washington Scene4
New Saginaw Valley Research and Extension Ctr 6
Research & Education Council Created8
Effect of Cercospora Leafspot on Sugarbeet Quality
Variety Selection Affects Quality14
New Variety Approval System
Sugarbeet Harvesting Clinics

Crop Records 2010 – New, Improved and Efficient
Storage Room Updates 22
Grower in the News
2009 Scholarship Awards26
2009 Michigan Sugar Queen27
New Tax Savings? 199 Domestic Product Exemption
Youth Summer Trip29
Ray's Ramblings

Cover: Sugarbeet field and farm of Hadeway Farms Inc. near Fairgrove, MI.





By Paul Pfenninger, Vice President of Agriculture

What a difference a year makes. The first field of beets was planted on March 19 and our last replanted field was completed on June 19. The

planting season of 2009 was extremely challenging compared to 2007 and 2008.

Summary of the 2009 Planting Season:

Acres Owned	163,182
Acres Allowed	(90%) 146,945
Acres Planted	147,053
Acres Replanted	(7.5%) 10,977
Acres Abandoned (est.)	2,178
Acres for Harvest	144,875
Acres Harvested 2008	142,385

Approximately 4,430 acres were planted in March, much of that on stale seed beds. Persistent rains prevented any further planting until mid-April. By April 15, approximately 18,451 acres had been planted

THE NEWSBEET FALL 2009 • VOLUME 23, NO. 2

NEWSBEET EDITORIAL STAFF:

Publisher – Mark S. Flegenheimer Senior Advisor – Paul Pfenninger Managing Editor – Corey Guza, Ph.D. Editor – Julie Perry Assistant Editor – William Gough Circulation and Advertising – Sally Martin Cover Photo: William Gough Creative Director – Millbrook Printing

SEND INQUIRIES TO:

Managing Editor, The Newsbeet, 2600 S. Euclid Ave., Bay City, MI 48706. Email: editor.newsbeet@michigansugar.com

THE NEWSBEET is published by Michigan Sugar Company, Bay City, Michigan. It is prepared for grower members of Michigan Sugar Company, from information obtained from sources which the Company believes to be reliable. However, the Company cannot guarantee or assume any responsibility for the accuracy of the information or be responsible for the results obtained. Mention or illustrations of a special technique, specific equipment or products does not constitute endorsement by the Company. Reprinting or quoting articles appearing in *The Newsbeet* is granted with the exception of those items credited to outside sources. (12.5 percent) and planters were going — especially in our northern areas. On April 20, we projected 108,000 acres (73 percent) to be planted when, again, persistent and sometimes heavy rains arrived. We could not return to the fields until the first week of May. The heaviest and most damaging rains fell on April 25 and again on April 27. Three to four inches of rain fell in many areas, but the most damaging rain was recorded in the West District and Gratiot County, in particular.

By the first week of May, replanting was occurring in the East District while the West was still trying to dry out. It was not until the week of May 18 that 8,000 acres were planted for the first time in Gratiot County. Eventually, all acres were planted and then we turned our attention to filling in wet holes and replanting. When all was said and done, approximately 13,000 acres, or nine percent of our crop, was either planted for the first time or replanted the week of May 18.

How does the crop look today? We are pleased with the effort to fill in and hold onto our planted acreage. A few fields have disease issues due to the early wet weather. Generally the crop is in good shape. The agriculturists have rated this crop in late August according to the following categories:

Excellent	24%
Very Good	24%
Good	40%
Poor	12%

What will the final yield be for 2009? Only time will tell, but with the new varieties and the emphasis on high quality and good recoverable white sugar per acre (RWSA), we are still expecting an average yield in the mid-20 ton range. Can it be done? Absolutely. We will need some beneficial rain and good growing conditions, along with adequate control of Cercospora leafspot, to maximize this crop. The late summer rains have rekindled the expectations of another very good beet crop. It will be difficult to match the record-setting crop of 2008, but we hope to maximize the potential of this crop and we look forward to the 2009 harvest season.

WASHINGTON SCENE



By Ray VanDriessche, Director of Community & Government Relations

USDA MANAGEMENT OF IMPORTED SUGAR – USDA offi-

cials have come under considerable pressure by the Sweetener Users Association to allow additional imports of sugar over the minimum Tariff Rate Quota on to the U.S. sweetener market claiming that the U.S. market is in short supply. Sugar industry representatives from Washington D.C. as well as processors have met numerous times with USDA to keep them informed of the adequate supply and the on time availability of U.S. produced sugar for the 09/10 marketing year and the balance of the 08/09 marketing year. Fortunately as a result of these meetings, USDA officials have done an excellent job of managing import quotas in such a way as to keep the market in balance for consumers, producers and commercial users as well. In August, USDA reported expected total deliveries from Mexico at unprecedented levels of 1.18 million tons of sugar for the 08/09 marketing year. Knowing that Mexican imports are unrestricted to the U.S. market, USDA acted wisely in the management of the TRO and will continue to monitor the stocks to use ratio closely. Allowing additional imports beyond the minimum TRQ levels before it is needed could be disastrous to the market. The USDA will have accurate production numbers from the 2009 sugarbeet and sugarcane crop and will know what quota holders will have delivered in the first six months of the marketing year by April 1, 2010. At that time, USDA will assess the market needs for the remainder of the year and will have adequate time to increase the import quota, if necessary.

DISCUSSIONS WITH THE MEXICAN INDUSTRY – The U.S. sugar industry's Mexico Task Force met with their Mexican counterparts in April, June, and again in

USDA officials have done an excellent job of managing import quotas in such a way as to keep the market in balance for consumers, producers and commercial users as well.

August in an effort to bring forth recommendations to both governments to keep the North American sweetener market in balance. A major concern on the U.S. side was that the Mexican industry was overselling their own market and then back filling the shortage to the Mexican market with third world sugar. As evidenced by the unprecedented amount of sugar shipped in by Mexico in the 08/09 marketing year (estimated at1.18 million tons), it is critically important that the two industries, as well as the two governments, address this issue. USTR and USDA officials met with their Mexican government counterparts in July to discuss this as well as other trade issues between the two countries. Two other key issues that need to be addressed are:

- Improved data collection in Mexico, hopefully with Mexico moving to a system which would mirror the U.S. data collection system allowing for more accurate and timely reporting by the Mexican industry.
- Tariff Rate Quota coordination by means of the U.S. and Mexican Governments consulting more frequently on production and consumption numbers to avoid unnecessary third world country imports.

CLIMATE CHANGE/CAP AND TRADE BILL (HR 2454) These

measures, if signed into law, would establish a "cap and trade" system in which greenhouse gas emissions are limited, and emissions allowances that allow their holders to emit a certain amount of greenhouse gases would be auctioned off by the Environmental Protection Agency (EPA). The emissions allowances, also known as offset credits, can be bought or sold among those who emit over an established amount of greenhouse gas emissions. The bill also creates new programs designed to promote carbon capture and sequestration, and sets new emissions standards for coal-fired power plants. A major concern

expressed by House Agriculture Committee Chair Colin Peterson, as well as other farm-state lawmakers and agriculture commodity organizations, is that USDA rather than the EPA should have authority over emissions offset projects in rural areas. Sugar industry leaders have been working to analyze the proposed legislation in an effort to better understand and minimize the impact to the industry. After Congressman Peterson won a number of compromises in defense of agriculture, the bill narrowly passed in the House. It is expected that there will be considerable changes in the proposed language as supporters try to garner enough votes in the Senate to get the bill passed. The overall price tag of the proposed bill would be approximately \$8 billion from 2010 to 2019, according to the non-partisan Congressional Budget Office. The Senate debate and vote for passage on the cap and trade bill may go in to 2010 as a compromise on the Health Reform Bill takes precedence and will move most other legislation on to the back burner until completed.

CLEAN WATER RESTORATION ACT. The Clean Water Restoration Act (S.787) would replace the words "navigable waters" in the current CWRA with the term "waters of the United States" essentially giving jurisdiction to the EPA over all waters including ponds, private drainage ditches and standing water in a field after a heavy rain. One of the major concerns is that the legislation, if passed, could result in the requirement to apply for an NPDES (National Pollutant Discharge Elimination System) permit from the EPA in order to spray any crop protection products such as herbicides, pesticides, or fungicides. Most major farm organizations have vigorously expressed their opposition and concerns of the CWRA to their legislators and will continue to monitor closely the ongoing debate in Congress.

THE FOOD SAFETY ENHANCEMENT ACT (HR 2749) -All of agriculture is following the proposed Food Security legislation closely as it would expand significantly the authority of the Food and Drug Administration (FDA) to oversee and regulate on farm production operations. The FDA would be required to develop regulations for activities on the farm which would include the safe growing, harvesting, and storage of raw agricultural commodities. These activities are outside the FDA's area of expertise and already are under the jurisdiction of USDA, the EPA, and the Interior Department. For the first time, farmers would be required to allow access to all records, including production and sales records that may be deemed to in any way be related to food or feed safety. The National Federation of Independent Business (NFIB) testified before the House Energy and Commerce Committee that the bill "will do little to improve food safety but would impose significant costs on small farms and food producers".

SWEETENER TAX – The earliest drafts of the proposed language of the Health Care Reform Act included a sweetener tax of three cents per container on sweetened juices and soft drinks as a method of funding a national health care plan. As a response to the proposed tax, the American Sugar Alliance released the following statement "America's sugar producers are opposed to a 'soda tax' regardless of the fact that the vast majority of U.S. soft drinks are sweetened with high fructose corn syrup, not sugar. Such a tax would penalize our colleagues in the corn farming business and wrongly demonizes sweetened products. Sugar is a natural ingredient with only 15 calories a teaspoon. It is a staple of the world's diet and has been enjoyed for centuries. The United States Congress should not single out one food product as a scapegoat when most foods and beverages, including many of those sweetened with artificial ingredients, have calories and should be consumed in moderation." As of mid August the proposal found little support and most legislators vowed to vote no on the health care reform package if the "sweetener tax" was not removed from the language. It appears as if the industry has dodged the bullet this time, but is determined to stay vigilant against a sweetener tax knowing that it may be proposed again in the future.

WTO NEGOTIATIONS – The Obama Administration is trying to breathe new life in to the World Trade Organization negotiations, which continue to show little progress at this time. There is still considerable doubt by many if those talks will ever come to a conclusion.

NEW SAGINAW VALLEY RESEARCH AND EXTENSION CENTER GOING, GROWING STRONG



By Val Osowski, MAES Communications Manager

We are all familiar with the

adage, "Neither rain, nor snow, nor sleet, nor hail shall keep the postmen from their appointed rounds." The same motto could easily be applied to the impressive efforts of researchers and staff of the new Saginaw Valley Research and Extension Center to get the stateof-the-art facility up and running.

Although it has only been six months since its dedication this spring, the 250-acre farm — located four miles north of Frankenmuth — is well on its way to delivering expanded research opportunities, improved grower accessibility and strengthened agricultural partnerships as it continues to focus on improving the cultivation of sugarbeets, dry beans and other important crops grown in Michigan's Thumb area.

The farm is one of 15 specialized research facilities located across the state that make up the Michigan State University (MSU) Michigan Agricultural Experiment Station (MAES) system. It replaces the 120-acre Saginaw Valley Bean and Beet Research Farm established by the MAES in 1971, formerly located on S. Thomas Rd. in Saginaw.

"We needed more land to expand our mission and to more fully meet the needs of an important agricultural region in Michigan," said Doug Buhler, Michigan Agricultural Experiment



Virginia Schluckbier, Dennis Fleischmann, Paul Horny, and LeRoy Shluckebier.

Station (MAES) associate director. "We are also looking forward to developing more of a focal point for MAES, MSU Extension and MSU programming in the Saginaw/ Frankenmuth area with this new location."

Jim Kelly, faculty coordinator for the Saginaw Valley station has been very pleased with the transition.

"Moving a research farm is quite a challenge," he said. "Our farm manager, Paul Horny and his assistant, Dennis Fleischman, have worked very hard to ensure a smooth transition. As researchers, all of us were able to access the farm and get our research plots planted in a timely fashion despite some of the wet weather and unfavorable conditions this spring. The staff was also able to get a portion of the farm tiled and planted this spring, which is significant, because that will be the research land for 2010. The crops and the farm look extremely good, despite the absence of facilities."

"I like to refer to this transition as 'Extreme Makeover: Research Farm Edition," said Horny. "The bulldozers are rolling and the first machinery storage facility is being built. That will be followed by the construction of the office facility, a second machinery storage building and the conference center, in that order."



Joe Cramer, Star of the West Milling Co.;Tom Coon, MSU Extension; Charles Bauer, Michigan Sugar Company; Steve Pueppke, Michigan Agricultural Experiment Station; Lou Anna K. Simon, MSU President; Jim Byrum Michigan Agri-Business Association; Mark Flegenhiemer, Michigan Sugar Company CEO; Robert Green, Michigan Bean Commission; Jack Frank, Michigan Bean Commission.

"There will also be an opportunity to conduct research on other rotational crops like corn, wheat and soybeans," VanDriessche said. "These are crops we already have in rotation with sugarbeets and dry beans, so it makes for a very good fit." "The cooperative working relationship between MSU and the sugarbeet and dry bean industries has produced research that has allowed Michigan growers to be national leaders in these commodities, and the new farm will help us strengthen that leadership," said Ray VanDriessche, Director of Community and Government Relations for Michigan Sugar Company.

Most of the state's sugarbeet and dry bean production is located in Michigan's Saginaw Valley and Thumb area. Michigan is the country's leading producer of black beans and the number two producer of dry beans, an industry that added more than \$130 million to the state's economy in 2008. The state is also the country's number four producer of sugarbeets, with a \$124 million production value in 2007.

"There will also be an opportunity to conduct research on other rotational crops like corn, wheat and soybeans," VanDriessche said. "These are crops we already have in rotation with sugarbeets and dry beans, so it makes for a very good fit."

The farm is located at 9923¹/₂ Krueger Road. For more information, contact Paul Horny by e-mail at beanbeet@msu.edu or by phone at 989-245-2060.

RESEARCH & EDUCATION COUNCIL CREATED



Richard Gerstenberger, Chairman, Michigan Sugar Company

The members

of the Sugar Beet Advancement (SBA) Board have agreed to serve on the newly formed Michigan Sugarbeet Research & Education Advisory Council (REACh). This new Advisory Council will be the single clearinghouse of all sugarbeet research in Michigan and Ontario.

REACh will become the central, trusted source for all sugarbeet research information in our region. The 29 members of REACh, who represent all sectors of our business from growers and university researchers to agri-business and Co-op sugarbeet agronomy specialists, will serve as a sounding board and source of information to ensure sugarbeet research is improving the productivity and profitability of our shareholders.

The establishment of REACh brings together, under one umbrella, the various research efforts being conducted in Michigan and Ontario. Currently, trials and tests are being conducted by Michigan State University, University of Guelph, USDA, Saginaw Valley Research & **Extension Center, Sugarbeet** Advancement and Michigan Sugar Company. All of these entities perform a vital function in the research process, whether it is small plot trials or field scale demonstrations. The creation of REACh does not change or eliminate the critical



role each group plays in sugarbeet research; rather it provides a vehicle for enhanced collaboration and coordination between these various organizations.

Ensuring the proper issues are being researched is one part of REACh's duties. The other equally important aspect of REACh is to ensure that Michigan Sugar Company's shareholders are utilizing the information that has been garnered from the various research efforts. This part of REACh's mission will be accomplished through timely and coordinated educational programs. In the future, REACh will have its own website, publish books with consolidated research results and host coordinated informational meetings and workshops.

Continuous improvement of agronomic practices in sugarbeet production is one element which will allow the industry to prosper in the future. As costs continue to escalate, it is critically important that the beet industry find ways to combat those expenses. Through research, sugarbeet producers can find ways to increase beet quality and yields while potentially discovering less costly agronomic practices. REACh will allow these breakthroughs to happen more quickly and more efficiently. This new Advisory Council will enable the Michigan sugarbeet industry to "reach" new heights.

rooted in sugarbeets.



After all, we've been a part of your industry for more than 100 years, beginning with our Syngenta Seed-Hilleshög division. Syngenta Crop Protection continues to roll out innovative products, like Inspire[®] XT fungicide. And now Syngenta Seed Care has become the newest member of our growing sugarbeet family. These are just a few more ways we are working to bring you more vigorous stands and higher beet yields. Our products, along with our local crop experts, field representatives and industry support, demonstrate a commitment to your healthy growth—today and in the future.

©2009 Syngenta Crop Protection, Inc., P.O. Box 18300, Greensboro, NC 27419. Important: Always read and follow label instructions before buying or using Syngenta products. Inspire® XT is not currently registered for sale or use in all states. Please check with your state or local extension service before buying or using this product. Inspire® XT, Bringing plant potential to life®, Hilleshög® and the Syngenta logo are registered trademarks of a Syngenta Group Company. Syngenta Customer Center: 1-866-SYNGENT(A) (796-4368). www.FarmAssist.com MW 1SUG9016-A 9/09

Bringing plant potential to life

continued from page 2

We expect this advisory council will help accelerate the change that will be needed to raise our sugar content over 19 percent.

Grower Payment - A few years back, the Co-op implemented a new payment system which utilizes clear juice purity (CJP) as well as sugar content to adjust the beet payment to better reflect the actual sugar extracted from the tons each grower delivers. This payment system is a more accurate payment as it takes purity into consideration when calculating how much sugar each shareholder has harvested and delivered. Recently, the Grower Relations Committee has begun to study the impact of higher quality beets on factory costs and is considering how to incorporate this factor into the beet payment. Since higher quality beets cost less to process in the factories, should the beet payment be adjusted accordingly?

Crop Records – Information gathered from 150,000 acres of sugarbeet production will create a very powerful database which will allow the Co-op and its growers to discover trends and practices which will enhance our shareholders' productivity. This year, we are testing out a new internet-based crop record system with 150-200 of our producers. In 2010, all growers will be able to track their data on this new system. If shareholders use this new system, we believe that data, information, and reports which will be available will allow Michigan Sugar Company to increase shareholder profitability. This program will only be successful if all growers diligently utilize this system.

Is 19 percent sugar attainable? I think it is. With new and ever improving seed varieties, enhanced and coordinated research, grower payments which are more closely tied to the impact quality has on the Coop and a robust crop record system, 19 percent sugar may be our new average sugar content sooner than we think.







EFFECT OF CERCOSPORA LEAFSPOT ON SUGARBEET QUALITY



By Jim Stewart, Director of Research

Cercospora leafspot, caused by the fungus *Cercospora beticola*,

is the most serious foliar disease of sugarbeets in Michigan. This disease reduces sugarbeet yield, percent sucrose and increases the impurities in the beet. Data from 53 Michigan Sugar Company research trials indicates that poorly controlled Cercospora will reduce sucrose by 0.7 percentage points and will lower clear juice purity by 0.7 percentage points (see Figure 1). The leafspot infestation in these plots varied from moderate to severe. On average, the good treatments had only minor spotting and the poor treatments suffered 25 to 50 percent canopy burndown.

The Cercospora fungus overwinters as spores in infected beet debris left in sugarbeet fields after harvest. Spores can also overwinter on weed debris. When sugarbeets are rotated back to the field, spores will be produced and are spread to sugarbeet leaves by splashing rain and wind. A leaf infection can occur in as little as eight hours if leaves are wet and the temperature is above 75°F. Spots from this initial infection will form within one to three weeks depending upon weather conditions. If not controlled,



these spots will increase in number and coalesce, or merge, causing portions of the leaf to turn brown and lose the ability to photosynthesize. The sugarbeet plant responds to this damage by growing new leaves instead of producing and storing sugar. The net result is a loss in yield and quality.

Cercospora leafspot is controlled by a combination of cultural methods, variety selection and fungicides. Planting sugarbeets on a three year crop rotation or longer will help reduce the level of Cercospora in the soil. A wide range of Cercospora tolerance exists among the varieties approved for planting, from good to poor (Table 1).

Fungicide applications are an integral part of the control measures used in Michigan.

To effectively control Cercospora, fungicides need to be applied just prior to the first sign of the disease. The BeetCast model predicts the onset of the disease in our growing region. The model measures leaf wetness and temperature at



TABLE 1

over 50 sites. Our growing area is divided into high, moderate and low Cercospora risk areas. The high risk zones are coded red on the map and require fungicide applications to begin at 55 DSVs. Low risk areas, coded green, are prone to lower Cercospora pressure and spray recommendations are set at 70 DSVs. Yellow zones are transition areas which require intermediate Cercospora management. Varieties with poor Cercospora tolerance require a more intensive spray program.

Several types of fungicides are available to combat the disease. Strobilurins (Gem and Headline) and Triazoles (Eminent, Inspire and Proline) provide very good Cercospora control; however, both of these fungicide groups have a high potential for developing resistance. Always rotate fungicide classes when spraying for Cercospora. Effectiveness ratings for the fungicides are available in the Michigan Sugar Company Grower Guide.

Variet Sold in 2	ies 2009	Possible New Varieties for 2010		
Variety	Rating*	Variety	Rating*	
HM 42RR	F	BTS 18RR26	G	
HM 50RR	F	C RR840	G	
HM 28RR	F	HM 9051RR	F	
HM 27RR	F	HM 9131RR	F	
SX 1260RR	F	HM 9133RR	F	
B 1643N	Р	SX 1281RR	F	
B 17RR32	Р	HM 9055RR	F	
B 17RR62	Р	HM 9116RR	F	
C RR827	Р	HM 9110RR	F	
C RR824	Р	HM 39RR	F	
		C RR808	Р	
Based on a Visua	al Rating Scale			
G = GOOD				
= FAIR				

Producing high quality sugarbeets is becoming more important to the Cooperative and to individual growers. Protecting the crop from Cercospora leafspot is one of several strategies for growing a high quality crop.

SB09T2



VARIETY SELECTION AFFECTS QUALITY



By Lee Hubbell, Research Agronomist

QUALITY = SUCROSE X PURITY = RWST = MORE PROFIT

The goal of increasing quality has been set for Michigan Sugar Company. At first glance, quality appears hard to define and influence, but the benefit of increased quality has been proven. One way to increase quality is to increase sugar content and the second is to increase purity. Higher purity allows the factory to extract more of the sugar that is in each ton of beets and higher sugar content gives the factory more to recover.

NEW VARIETY APPROVAL SYSTEM

The Board of Directors set a goal of increasing average sugar content to 19 percent. To accomplish this, the required level of recoverable white sugar per ton (RWST) for 2015 will be 104 percent of the current check varieties. The current requirement is 99.7 percent. Yield in tons per acre has been increasing in recent years. The required level of recoverable white sugar per acre (RWSA) will also increase to prevent a loss in production of tons. The requirement in 2015 for RWSA will be 110 percent of the current check varieties. The current requirement is 99.4 percent.

	Compar Current	ison of Tra and Potent	its between tial Varieties	
Variety	RWST	RWSA	Cercospora	Rhizoctonia
	Varie	eties Sold 2	009	
HM 28RR	243	8191	Fair	Fair
Crystal RR827	262	9225	Poor	Poor
Beta 1643N	250	8735	Poor	Poor
	Poten	tial Varieties	2010	
Crystal RR808	265	8864	Poor	Poor
BTS 18RR4N	245	8342	Poor	Fair-Poor
HM 39RR	249	8150	Poor	Good
BTS 18RR26	256	8037	Good	Poor

A new variety approval system was developed for the years 2010 through 2014 to lead the way to

The correct variety will not be the same for every grower or for every field. This is an extremely important point; variety selection must be made for each field based on the traits you need.

meeting the new production goals (see page 16). RWSA, RWST, Cercospora leafspot tolerance, and storage RWST have been the approval factors in the past. There are other traits needed to produce the best and most profitable beet crop; tolerance to Rhizoctonia, root aphid, Aphanomyces, and Rhizomania, along with emergence. All these important factors are part of the new system. Increased emphasis is also being placed on RWST because of the importance of quality.

TABLE 1

VARIETY SELECTION AND QUALITY

Is it easy to select the best variety? Probably not. There are many varieties available each year and their resistance traits are different. In recent years, the number of disease and pest problems has increased. The presence of pest issues such as, Rhizomania, Rhizoctonia and cyst nematodes make variety selection more complicated. We do not yet have the perfect variety with all production and resistance traits and probably never will. The correct variety will not be the same for every grower or for every field. This is an extremely important point; variety selection must be made for each



field based on the traits you need and even the emergence level.

Quality is now being emphasized; how does this fit into variety selection? Quality is very important in producing the most profitable crop. RWST is a factor used in variety approval, but not all varieties have a similar RWST (Table 1). Use RWST for evaluating varieties for quality. RWST includes both percent sucrose and purity and is an important factor. Is a variety with high RWST always the best? No, there are other factors to consider.

In the example above, why would you plant a variety other than Crystal RR827 or RR808?

A variety with higher RWST and RWSA may not produce the most if the variety is lacking a resistance trait you need. Some reasons you may choose another variety; BTS 18RR4N has cyst nematode tolerance and it is the first nematode variety that is Roundup Ready[®]. Beta 1643N was the only cyst nematode tolerant variety sold in 2009. A reason to plant HM 39RR would be for Rhizoctonia tolerance. HM 39RR will likely be the most tolerant variety to Rhizoctonia sold in 2010. BTS 18RR26 was the most tolerant variety to Cercospora tested in 2008. HM 28RR has a good overall disease package and produced very well the year before. Be sure to consider the disease and pest problems you have when selecting a varietv.

Everyone has Cercospora leafspot and Rhizoctonia crown rot is spreading as a problem. Why would anyone plant Crystal RR827 or RR808? Some diseases and pests can be controlled with good management to take advantage of higher RWST and very good production. When planting higher RWST varieties lacking tolerance to Cercospora, plans should include aggressive management of the disease. This includes timely fungicide applications and possibly an additional fungicide application compared to more tolerant varieties. To control Rhizoctonia in varieties lacking tolerance, one application of Quadris

or Proline and possibly a second application should be made, depending on your disease level.

CONCLUSION: Variety selection is one area where the quality of the crop can be improved, but we are still in the transition to Roundup Ready varieties and not all varieties have the combination of traits needed for all situations. There are high RWST and RWSA varieties, but more management may be needed to control disease. Other varieties are available with higher disease tolerance. As always, consider the traits you need for your situation.





NEW VARIETY APPROVAL SYSTEM



By Jim Stewart, Director of Research

The Seed Committee has developed a new variety approval

system designed to help approve high quality varieties. The Board of Directors has set a goal of increasing the RWST level to 104 percent of the check varieties by 2015, while improving root yields. The current RWST level is 99.7 percent of check varieties. The new system also recognizes the importance of other traits including Cercospora leafspot, Rhizoctonia crown rot, root aphid, Rhizomania and emergence. The approval point system will go into effect beginning in 2010. The system will work as follows:

The RWSA level will be determined for each variety and expressed as a percent of check. This will be the starting point. Other values will be added to or subtracted from this value. For RWST, the percent of check will be determined and the variance above or below 100 percent will be multiplied by three. For example, if a variety has an RWST level of 102 percent, the amount above 100 will be multiplied by three and the RWST value would be six. By contrast, if a variety has an RWST level of 98 percent, it would

Levels for variety approval by year:

	RWSA %	RWST %	Cercospora %
2009	99.4	99.7	113.7
2010	105.0	101.0	140.0*
2015	110.0	104.0	125.0

*The Cercospora level will phase down from 140 to 125.

receive a value of negative six. Points will also be awarded for tolerance to Cercospora, Rhizoctonia, Rhizomania and root aphid. Emergence will be considered after a variety has commercially processed seed available. Cercospora and Rhizoctonia are given more consideration in this system than emergence, root aphid tolerance or Rhizomania resistance.

It is difficult for plant breeders to increase yield and quality without giving up other traits such as Cercospora resistance. Since we are asking for such dramatic increases in yield and quality the seed committee was willing to compromise on Cercospora resistance during this ramping up period. Cercospora pressure has been decreasing in Michigan for the past five years, likely due to BeetCast, better fungicides and improved sprayers. The seed committee does not feel that reducing the Cercospora resistance levels will jeopardize the growing region. The top five ranked varieties in this system are all new Roundup Ready® varieties; Crystal RR808, Beta 18RR26, HM 50RR, HM 9131RR and SX 1281RR. Crystal 808 is at the top due to very high yield and sugar. The other four varieties are very well balanced, having good yield and quality and very good disease packages. The bottom five varieties all have RWST levels below 100 percent.

Special consideration will be given to varieties with valuable traits such as cyst nematode or Rhizoctonia tolerance.

The new approval system will allow high yielding and high quality varieties to be approved even though their Cercospora resistance levels are below the old system. Varieties with overall good disease packages will also be easier to approve. This new system will allow us to achieve the high yield and quality levels which are needed to achieve the efficiency and profitability goals of Michigan Sugar Company.

The fungicide you've always wanted is finally within reach.

There's no better partner for your sugarbeet disease management program than Inspire[®] XT fungicide. Trusted the world over, Inspire XT is proven to deliver long-lasting control of Cercospora leaf spot, powdery mildew and other damaging diseases. And as part of your overall spray program, Inspire XT can help sustain fungicide effectiveness and manage resistance. **Top of the class.**





©2009 Syngenta Crop Protection, Inc., P.O. Box 18300, Greensboro, NC 27419. Important: Always read and follow label instructions before buying or using this product. Inspire XT is not registered for use or sale in all states. Please check with your state or local regulatory agency before buying or using this product. Inspire XT is a trademark and the Syngenta logo is a registered trademark of a Syngenta Group Company. Syngenta Customer Center: 1-866-SYNGENT(A) (796-4368). www.farmassist.com MW 1TNV8021-A 2/09

SUGARBEET HARVESTING CLINICS



Steven Poindexter, Senior Sugarbeet Extension Educator MSU Extension – Saginaw County

Properly maintained and adjusted beet harvesting equipment can improve harvest efficiency, improve quality and ultimately profitability. This was the message that over 250 sugarbeet producers received when they attended two sugarbeet harvesting clinics held in the Bayport and Sandusky areas. Michigan Sugar Company Agronomist, Corey Guza, and MSU Sugarbeet Advancement Educator, Steve Poindexter, facilitated the harvester clinics that utilized the local expertise of Mike and Ken Richmond. Based on the success of these clinics, two more will be held in the winter of 2010.

The Richmond brothers are well known in the Great Lakes beet growing area for their knowledge in maintaining, repairing and enhancing sugarbeet harvesting equipment. They manage a very successful sugarbeet harvester parts and repair business along with operating a large cash crop farm which includes sugarbeets, corn, dry beans, and wheat. Art's Way equipment is the most popular harvester type they service, but replacement part modifications are also available for other types of equipment. Often parts are modified or upgraded that will enable growers to improve equipment performance and reduce down time. The Richmond brothers harvest 1,200 acres of beets; half is their own production and the rest is custom harvested for their neighbors. The large number of harvest acres and conditions that they work in proves to be ideal for identifying equipment weaknesses and testing modified parts.

In the clinics, it was stressed that growers should not wait until just before harvest to order parts or begin repairing harvesting equipment. At the end of the harvest

Tops that are not completely removed will decrease clear juice purity (CJP), increase tare, and can reduce storability of beets, ultimately reducing recoverable

sugar per acre.

season, growers should make a thorough inspection for needed repairs while issues are still fresh in their minds. Sugarbeets result in a lot of wear on equipment. This is especially true when producing high tonnage crops that tax the capacity of the equipment. When replacing parts, growers should consider if any upgrades or modifications are available. Remember, just because the equipment still worked when it was put away, there is no assurance that it will work when taken out of storage.

Growers who attended the clinics could easily have taken several pages of notes on equipment parts, repair and adjusting harvesting equipment for better performance. Each harvester clinic lasted over three hours with much interaction from those in attendance. The following are a few of the key points that were covered.

Topping is often neglected; at the same time, it is also something that can pay great dividends in enhancing quality and improving storage. Tops that are not completely removed will decrease clear juice purity (CJP), increase tare, and can reduce storability of beets, ultimately reducing recoverable sugar per acre. Flail wear and configuration were discussed during the clinic. Good flail quality will enable the topper operator to maintain speed. As flails wear, topper speed will need to be reduced to get the foliage off the crown. It is important to keep flails tight so they don't straddle the crown. Compare worn flails to new ones to know for sure how much wear has occurred. The cost of replacing flails is very cost effective when it comes to quality and storability.

Harvesters need to be properly maintained and adjusted to minimize downtime, reduce tare, and increase harvest efficiency. Lifter wheels need to be examined closely. As lifter wheels wear, the pinch point becomes larger. This can affect the harvester's ability to lift beets, particularly smaller beets. Optimum pinch point measurement should be between 1³/₄ to 2 inches. Harvester speed and lifter wheel depth should be adjusted to minimize tare and root breakage. When lifter wheels become thinner, metal breakage can increase, causing more downtime. Also pay special attention to rolls and transitions. As wraps become worn, the ability to transport beets is reduced. This can also increase tare and slow down harvest operations. Rolls should be straightened to within 1/16 of an inch of true. Remember, rolls will need to be adjusted for optimum performance. In the clinic, growers were taught how to straighten grab rolls. Those attending were also urged to examine the center bearing of the hex shaft while the harvester is in the shop. If the bearing fails in the field, significant downtime will occur.

Ferris wheels also need to be examined yearly for repair and replacement needs. An out of round ferris wheel leads to breaking of rods, breaking or cracking of the 2 X 2 tubes, and the guide rail wearing out. If the ferris wheel is determined to be in need of replacement, new styles have been developed with improvements over the standard and are available commercially.

The information in this article is only a small portion of what was covered in the harvester clinics. A more complete sugarbeet harvester check list is also available to assist producers completing an inspection. Information will be posted in January on the Michigan Sugar Company web site for the next available clinics for growers to attend.



CROP RECORDS 2010 — NEW, IMPROVED AND EFFICIENT



By Corey Guza Ph.D Agronomist

In an effort to collect accurate grower information, Michigan

Sugar Company has developed an online record keeping system. The purpose of the system is to encourage growers to enter their information online so comparisons can be made to improve sugar production across the company. After getting feedback from growers, an effort was made to streamline the crop records program resulting in a new and improved program that will be available in 2010. Several growers are currently evaluating the new system for the 2010 growing season.

The original version of crop records focused on growers typing



Figure 1. Field and planting information data entry screen for Crop Records.

information into the system, particularly with herbicides. With the transition to Roundup Ready® sugarbeets, herbicide choices are more simplified, requiring fewer options. With fewer options required, drop down menus were created to reduce the amount of typing required to enter information. The new system is based on point and click to enter information compared to typing. This will speed up the data entry process and hopefully encourage more grower participation.

Those familiar with the current version of the crop records will recognize that the new system is



Applied	Placement	Rabe-						Taria	-
* Masate	III freedowst in		Bard top						0
	Diseased	10 A	Barton	e Ber	*e2 1	Darris Pacif	Harter all	-	0
and the state	CT Schedures	and and	Barrow					-	D.
	Page Sectores	10.000							
·								-	Rim
of Control Jama									1
	Applied		Product.			Rate:	1.00		-
eta alt	361020		Genery G	vpticeels m		1	Hartes .		Ξ.
whip is it	13/08	100	Banant Gi	uphreats m		38	Barba .		01
+ +									01
								4.00	Rim
ees Coeffel Save									0
	Appliet	Frodec		Photometry	Real		Rand Width	69V	-
autoria m 1	A 11/08	Gunde		117	12.8	Margaret .	7 m.		141
adjonal, addigati 🖛 🗄	111/08	12 Page	- m		00.000			38	
intervision and the second	1.109	LR 14440	10 C		fighter.			44	- 60
kospelaturahipat in 1	0 0.01/08	A Super	14 80VF		04/14/4			10	- 611
10 11									01
								1.00	And I
of Control I in the									_
Lines.		Analise		Sector States		Red			
o Seelle	MACK .	525.00		Augura ().		10	Maritan		E.
	13								10

still accurate to the field level. Information on previous crop, sugarbeet rotation, and tillage can be entered with the click of a mouse (Figure 1). Planting information can also be entered by clicking on the type of activity, planting or replanting, the date and variety. Seeding rate can be typed in since growers plant a wide range of seeds per acre.

The soil fertility portion of crop records is focused on the amount of nutrients applied per acre (Figure 2). This can be in the form of commercial fertilizer or manure. Options are also available to record the details of lime applications. For commercial fertilizer, growers can enter the placement; broadcast, band, sidedress or foliar, along with the date. A calculator is also available to convert total pounds of fertilizer applied to pounds of nutrients applied per acre.

For herbicide applications, growers can click conventional or Roundup Ready, the date, the product and enter the rate of application. For disease control,

growers can select the disease along with the date a fungicide application was made, and the product. For Rhizoctionia crown rot, growers can click the product along with the application timing. The application rate and band width can also be entered. For Cerospora leafspot, once the date and product are selected, the DSV timing can be entered. For insect issues, the insect and product

used to treat the insect problem can be entered along with the rate of application.

One interesting feature that applies to the new crop records system is a copy feature. Many growers may apply similar practices to all of their sugarbeet fields with little changes. The copy feature allows growers to enter information for one field and then copy it to the other fields. For example, if a grower uses the same starter fertilizer program across all of the fields, the information can be entered for one field and then copied to the others with one or two mouse clicks compared to reentering the information for each field.

More information will be available related to the updated crop records program during meetings this winter. If you would like to get a preview of the new system or have any questions, please contact your agriculturist for more details.



STORAGE ROOM UPDATES



By Lee Hubbell, Research Agronomist

The post-harvest storage of sugarbeets is critical.

An excellent yield and quality crop can be wasted if all the beets are not processed or if a large amount of sugar is lost before processing. Realizing the importance of recoverable sugar per ton (RWST) after storage, Michigan Sugar Company has used an after storage RWST test as one of the variety approval standards. The storage test is designed to store varieties for about 120 days and then analyze the varieties for RWST. In the past, the beets were stored in plastic bags that caused some unusual



Picture 1. Sugarbeets stored in bags can have excessive top and mold growth.





Picture 2. Sugarbeets stored in crates react similarly to beets stored in a pile.

environmental conditions to occur (Picture 1). To better simulate actual pile storage conditions, a new storage facility was developed (see The Newsbeet, Fall 2008 issue).

The goal of the new storage facility was to create high humidity storage conditions so plastic bags were not needed to prevent beet dehydration. To store the varieties in open boxes, over 95 percent humidity is required at a temperature of 45°F. The initial strategy developed, to create humidity and cool the room, did not work as planned. The original plan required cold outside air to flow through a wet paper material in a Humicell to both cool and humidify the room. When outside temperatures dropped, the cold air froze the water in the Humicell. After many failed attempts to modify air flow, the best solution to fix the issue was to decouple cooling and humidification.

The humidifying system is being redesigned for the 2009–10 storage trial. Outside air will still be used to cool the room; however, moisture will be created by atomizing spray tips that use air pressure to create very fine water droplets. The water droplets and resulting humidity will be distributed by circulating air within the room. The system will be controlled and monitored by the same computer program that was originally installed and the beets will be stored in the same open The humidifying system is being redesigned for the 2009–10 storage trial. Outside air will still be used to cool the room; however, moisture will be created by atomizing spray tips that use air pressure to create very fine water droplets.

crates (Picture 2). While the design and implementation of the new storage room was more challenging than originally anticipated, the result will be better variety storage results.





By David Bailey Agriculturist, West District

Third generation cash crop farmers, Clay and

Chris Crumbaugh, reside in Gratiot County, Michigan, with their two sons; Logan, age 13, and Kyle, age 16. Their crop rotation consists of corn, dry beans, wheat, soybeans and, of course, sugarbeets. Their corporation consists of Clay's father, Rex, as President, Clay as Vice President and Chris as Secretary/Treasurer.

Goal orientated, progressive, positive attitudes are just some of their qualities. Clay has earned an associates degree in crop production from Michigan State University. He was a past director for the Monitor Sugarbeet Grower's Association from 1996 thru 2004. Currently, Clay serves on many committees for Michigan Sugar Company as well as West District Board Treasurer and Seed Committee Chairman. Clay is also a grower representative on the Sugar Beet Advancement Committee along with the 4-H Fair Board and Bethany Township Board of Review.

Chris Crumbaugh studied at Davenport University where she earned an associates degree in sales and marketing and went on to Central Michigan University where she earned a Bachelor of Science degree in business administration and economics. In 1990, Chris was employed as an administrator of a farmer marketing program at B & W Co-op



Rex, Kyle, Chris, Clay and Logan Crumbaugh.

where she was responsible for helping farmers market commodities. Currently, Chris works full time on their family's farm, managing many aspects of Crumbaugh Legacy, Inc., including accounting, marketing, insurance and federal regulations.

Conservation tillage, zone tillage and stale seed bed, are all incorporated into the Crumbaugh's 3,800 acre operation. This spring has been one of the wettest planting seasons in several years. The combination of very early planting and stale seed bed certainly attributed to the early development of a healthy root structure for their beet crop.

Soil compaction has really caught the Crumbaugh's attention. By reducing soil compaction, they have seen improvements in growing a quality sugarbeet crop, along with the other crops on the farm. They keep heavy trucks on the road and use beet carts. They cultivate less or even not at all. Fewer passes across the field using RTK technology, zone tillage, and focusing on preserving organic matter all play a part to better soil health, not to mention the economic benefits, reduced trips, less fuel, and fewer field cultivator sweeps.

Rhizoctonia, Rhizomania, and Cercospora, are all threats to growers in Gratiot County. Resistant varieties have been helpful in managing these diseases; however, Rhizoctonia is still an issue even with timely applications of Quadris, which is why Clay spends a lot of time researching his seed options. Time management is also a critical tool of the Crumbaugh's operation. Early delivery and the possibility of 24hour delivery are ideas that Clay and Rex are both interested in.

Clay's last comments are that he enjoys working with all the staff, management, and board members; all very professional. They all seem to have the same thing in mind; work together and make sound decisions to move our Co-op forward.





By Ron Meyer Agriculturist, West District

The future of the sugar business lies with

young farmers that are enthusiastic about growing sugarbeets. Levi Zdunic is one of these young growers living in the Durand area. Durand is an old sugarbeet growing area from back when there was a sugar factory in Owosso, but sugarbeets had not been grown for over 50 years in this area until Levi helped bring them back. Levi farms with his dad, Nick, and his cousin, Joe Zdunic. They grow about 380 acres of sugarbeets in their farm operation. In 2001, Levi started by growing both deer feed and 10 acres of beets for Monitor Sugar Company. He expanded his operation in 2004 by buying 80 shares in Michigan Sugar Company so that he could continue growing beets for the cooperative. Levi has continued to move his operation away from growing deer feed to growing more sugarbeets for the Co-op because of the uncertainty of the deer feed market and the good price for sugarbeets. As the deer feed market crashed last year due to the ban on baiting, Levi decided to purchase additional shares last winter. Today he grows almost no deer feed.

Through the years, Levi has talked about the benefits of growing sugarbeets with his friends and neighbors which has encouraged more growers to get into growing sugarbeets in the Durand area. This has



Levi Zdunic

helped to expand the Durand area from Levi's first 10 acres to over 1,000 acres of beets today.

Levi is trying to improve the amount of sugar per acre he gets with his sugarbeet crop by planting high sugar varieties and changing practices to grow these varieties. Levi buys seed with Tachigaren, because he has had problems with Aphanomyces. With Tachigaren, he has seen better stands. Before using Tachigaren, he had fields with a poor stand, especially in a wet spring. With Tachigaren applied to the seed, he gets stands greater than 150 beets per 100 feet of row. To manage Rhizoctonia crown rot, he applies Quadris at the four-leaf stage and may apply Quadris in-furrow in the future. By applying Quadris, he can plant high yielding, high sugar varieties that have lower tolerance to Rhizoctonia. By applying Quadris in-furrow, he can save trips across the field and has the option to make a second application late if necessary. RoundUp Ready® technology has also helped in controlling weeds and allowed him to expand his operation.

Levi is focusing on growing the higher yielding, high sugar varieties so he can get more sugar per acre and more sugar per truckload. He has to haul beets an average of 24 miles to the Albee receiving station. By putting more sugar in each truck, it reduces his freight by making each load worth more. This is also true on the freight bill he pays from the station to the Bay City factory. Levi does not see hauling the beets 24 miles as a long distance and said that growers in other areas haul just as far or farther.

By looking at new ways of raising sugarbeets and not being afraid to try new things, Levi's sugarbeet crop has increased not only in tonnage over the last ten years, but also in quality. Levi said that you can make it as a young farmer by growing corn, wheat, and soybeans, but it is easier and faster to pay off debt with sugarbeets in the operation.

2009 SCHOLARSHIP AWARDS

ALBERT FLEGENHEIMER MEMORIAL SCHOLARSHIP

Kristin Reinbold of Frankenmuth is this year's winner of the 2009 Albert Flegenheimer Memorial Scholarship. Kristin is the daughter of proud parents, Tom and Sandy Reinbold. Her proud grandparents, Viola and Gordon Bierlein, also are longtime leaders of the Tuscola Beetniks 4H Club. They have been leaders for the past 42 years. Kristin has participated in the Sugarbeet Project for 10 years, and has won Premier Grower five times and Prestige Grower once. She received blue ribbons for all of her sugarbeet displays at the county fair, and she was also awarded the honors ribbon twice.

Kristin attended school in Reese where she graduated as valedictorian of her class with a 4.0 grade point average. She was very active in many areas. Kristin was captain of the varsity basketball team, a member and student representative of the Out-of-Doors Club, and for two years was a member of Reese's National Honor Society. Kristin has also taught Sunday school for a number of years.

During the summer months, Kristin was always busy. She has hoed sugarbeets, babysat, worked for two years at Wayne Hecht's sweet corn farm, and spent the last few summers as the recreational director at Jellystone Park in Frankenmuth.

Kristin was accepted at Central Michigan University and Saginaw Valley State University. Her college of choice was SVSU and she will pursue a pre-med degree with a



Kristin Reinbold

minor in biology. She is also planning to pursue a degree in anesthesiology. Her drive, determination and hardworking roots will serve her well in her educational quest.

PHIL BRIMHALL SCHOLARSHIP

This year's recipient of the Phil Brimhall Memorial Scholarship is Andrew Harrington, son of Gene and Wendy Harrington of Akron. Andrew has been involved with the Youth Sugarbeet Program for four years and during that time he has received the Premier Grower award in 2005 and 2007, and the Prestige Grower award in 2008. Andrew has also been very involved in other activities such as National Honor Society, band, basketball, baseball, Robotics Team, Spanish Club, Varsity Track, Akron-Fairgrove Playground Build and he rode his bike 15 miles to raise money for the Tuscola County Habitat for Humanity.

Andrew's summers have been very busy as well working for Caro Community Hospital on the summer maintenance crew, and Ed Mantey & Sons, Inc., a seed corn farm.

Andrew was the valedictorian of Akron-Fairgrove Schools with a 3.87 GPA and plans to attend Delta College for two years and then Central Michigan University



Andrew Harrington



Travis Volmering

to major in physical therapy. We wish Andrew the very best in his future endeavors.

GUY BEALS MEMORIAL SCHOLARSHIP

This year's recipient of the Guy Beals Memorial Scholarship is Travis Volmering from Harbor Beach. His parents are Dan and Ladonna. He is the third oldest of four children. The Volmerings are farmers in the Ruth area.

Travis scored the highest quantity of points of the entire East District Youth Sugarbeet Project in 2008, which earned him this distinctive \$500 academic scholarship. He has been involved in the Sugarbeet Project for the past ten years. Travis was the Master of Ceremonies at the 2008 East District Youth Sugarbeet Project Awards Banquet in January 2009.

Travis graduated from Harbor Beach High School in June 2009. Travis was very active throughout his high school years, participating in National Honor Society, basketball, golf and was class Vice President.

Travis plans to attend Central Michigan University in the Fall of 2009, working toward a dual degree in Accounting and Finance.

2009 MICHIGAN SUGAR QUEEN

...and the 'Sweetest Girl in the World' is... Elizabeth Krhovsky of Corunna. Along with crowning Elizabeth queen, Tonia Gooden of Algonac was crowned 1st runnerup and Carrissa Bli of Essexville was 2nd runner-up at the 45th Annual Michigan Sugar Festival in Sebewaing on June 19.

Elizabeth is the daughter of Martin and Mary Krhovsky of Corunna, a 2008 graduate of Corunna High School and currently attends Michigan State University as a junior majoring in environmental studies and agri-science.

First runner-up Tonia is the daughter of Craig & Elaine Gooden. Tonia is a recent graduate from Algonac High School and will be attending the University of Michigan where she is majoring in biochemistry for Pre Med with a goal to become a gastroenterologist.

Carissa Bli, second runner-up, is the daughter of James and Shelley Bli. Carissa recently graduated from Garber High School in Essexville. Carissa will be attending Delta College in the fall, pursuing a degree in nursing.

The Sugar Queen and attendants will be touring the state on the Pioneer Sugar float in many local parades. They will also appear in two national parades; the National Cherry Festival Parade and the National Baby Food Festival Parade. Both of these festivals are held in July and are attended by thousands of people.

Sugar Queen Elizabeth visited the capitol with Ray VanDriessche, Director of Government and



(Left to right): 1st Runner-up Tonia Gooden, Michigan Sugar Queen Elizabeth Krhovsky, and 2nd runner-up Carissa Bli.

Community Relations, as a guest of Representative Terry Brown on July 15th. She was able to meet several important senators and congressmen for our industry.

Michigan Sugar Company solely sponsors the Michigan Sugar

Queen competition. As the sponsor, the company and grower-owners provide the queen with a \$2,000 scholarship for use at the university of her choice. The first and second runners-up will each be awarded a \$1,000 scholarship.



NEW TAX SAVINGS? 199 DOMESTIC PRODUCT EXEMPTION



By Brian Haraga, Chief Financial Officer

I haven't heard too many questions since mid-

February regarding the 199 tax code deduction and related 1099, but thought it was time to followup with the shareholders and prepare for January 2010.

During the past year, for the first time, the growers of Michigan Sugar Company were able to realize a new IRS tax deduction opportunity specific to beet production and income. At the end of January 2009, Michigan Sugar Company issued a 1099 PATR for the total cash beet payments made to growers for 2008. That 1099 included an amount representing the growers' 2007 crop's pro-rata share of "IRS Section Code 199 **Domestic Production Activities** Deduction." The company passed through a deduction totaling just under \$6.5 million (\$1.76 per delivered ton) and resulted in grower tax savings of approximately \$2.2 million (\$0.60 per ton)

This financial success was the result of a combined effort taken by management and the board of directors. In July 2008, the IRS issued a favorable Section 199 Private Letter Ruling to an existing dairy cooperatives. As a result, we started to explore if in fact this was something that Michigan Sugar Company could take advantage of. By December, we were confident to move forward and began to prepare individual statements and 1099s for those growers who delivered beets in the 2007 crop year. Presentations were made at the district meetings, notices were sent to shareholders and an application was made to the IRS for a letter ruling specific to Michigan Sugar Company.

In April 2009, the IRS did respond to our request and issued a private letter ruling in favor of Michigan Sugar Company. This means that Michigan Sugar Company has protection against any retro-active disallowances should there be any IRS examination challenges or changes to tax laws or the 199 deduction.

In review, what was the IRS Code 199 all about? It was a fairly new provision in the tax code that many manufactures and growers may have already taken against income in determining taxable income, but the deduction was limited to the earnings of an individual business unit and was limited to 50 percent of W-2 wages. For most companies and growers, the W-2 limitation absorbed all of the potential deduction. Michigan Sugar Company, as other pooling cooperatives, are unique business models and unique tax paying entities. Cooperatives, such as Michigan Sugar Company, consider the beet payment as "per unit retains paid in money" (PURPIM); therefore, the allowable deduction calculation is based on the taxable income plus the cash beet payment for the crop year. The deduction amount for MSC easily satisfies the W-2 wage limitation criteria.

For the 2007 and 2008 crop years, the deduction is six percent

of the Cooperative's taxable income plus the cash beet payment. For the crop years beginning in 2009, the deduction increases to nine percent. For example; should the 2009 crop be similar to 2007, growers could expect to realize an approximate deduction of \$2.64 per ton and a tax savings of \$1.22 per ton. As you can see, by the deduction rate increasing by 50 percent, there is a tremendous increase in tax savings.

For the 2009 calendar year 1099 PATR, the deduction will be based on an approximate \$40 cash payment and \$2.40 retention from the 2008 crop. This would equate to a deduction in excess of \$2.00 per ton and an estimated tax savings for the grower of \$0.70 per ton. Like last year, we will issue a statement that reconciles the shareholder's cash income received in 2009 as well as the deduction that is calculated on the 2008 crop. As in the past, we have said that Michigan Sugar Company certainly has a desire to assist our shareholders to the greatest extent possible, but we are not able to give personal tax planning or preparation advice.

Last year, there were a number of good questions asked of our office; the most common was, "How come the 1099 revenues (Box 3 per unit retain allocations) did not equal my beet check?" The simple answer is that the 1099 PATR is the gross cash payment and the beet check is the net cash paid. The 1099 PATR starts with the base payment and is adjusted for quality and early tons. The beet checks are net of deductions for items such as freight, dues, loans, donations, beet seed and chemicals. It is important to remember that these specific items would need to be added back to the check amount that would then agree with the gross amount.

Another common question was, "If I have a split check, land rent agreement, why does the land lord not receive a 1099 PATR?" The answer is that the 1099 PATR will follow the tons delivered. So the revenue and deduction remain with the contract holder. The concept is the same as the accounting treatment for allocating retentions. That is, "they follow the beets."

As for the Canadian growers, they should be allocated their portion of Michigan Sugar Company's Section 199 deduction (and it should be reported on their Form 1099-PATR). This is true even though they will not likely file a US income tax return or receive a direct US income tax benefit from the deduction. The Canadian growers need to be treated the same as any US grower for purposes of the allocation of income and deduction resulting from their activity with the Cooperative.

The success of shareholders to continue to earn the 199 deduction resides with the United States Congress. I have seen reports that the deduction is on the top of the list of current tax credits to be eliminated. As a result, we have contacted US Representative Camp's and Senator Stabenow's offices in efforts to ensure that the Section 199 is not eliminated. This particular deduction supports domestic industries and is very important to not only Michigan Sugar Company, but to other manufacturing companies as well.

Representative Camp's office indicated that the congressman is strongly in favor of maintaining this deduction in the tax code. There are no guarantees of course, so we will continue to monitor accordingly.

In conclusion, Michigan Sugar Company has been successful with its first year of implementing 1099 PATR for the purpose of passing through the company's IRS Section 199 deduction to the growers. We can look favorably to the future as the deduction increases by 50 percent for the 2009 crop year. Michigan Sugar Company has received an IRS Private Letter Ruling that ensures that we are properly treating PURPIMs in accordance with tax code, responded to a number of important questions from shareholders and looks to work with legislators to continue efforts of maintaining IRS section 199.

YOUTH SUMMER TRIP: LOONS BASEBALL IN MIDLAND

This summer's Youth trip was to Midland, Michigan to see a Great Lakes Loons baseball game and enjoy a BBQ cookout. It was rainy and cold on July 1. The normally air-conditioned buses had their heaters on and made several pickup stops at factory and pile ground facilities to load up with excited leaders, parents, youth participants and friends. They arrived at Dow Diamond by 6 PM so they could enjoy a meal and be able to watch the game which was scheduled to begin at 7 PM. Unfortunately, the weather never did straighten out that day and the game was called due to rain at 7:30 PM.



By Ray VanDriessche, Director of Community & Government Relations

Excuse me while I finish this can of Pepsi Throwback. Sorry about that. I just could not put this sugar-sweetened soft drink down. The Pepsi and Mountain Dew Throwback sales promotion that was released in our market area May through June brought back memories of the great taste that I enjoyed years ago when soft drinks were sweetened with "real" sugar. Obviously, many enjoy this natural taste as much as I do and it is evident wherever the sugar sweetened soft drinks are available. In the Deep South, as well as the states bordering Mexico, a lucrative market has developed for sugar sweetened Coca-Cola called Coca-Cola Mexicana. In the states bordering Mexico, sugarsweetened Coke is showing up more and more in restaurants and retail outlets where there are legitimate distributors of the product. In the US, Jones Soda has been using sugar for a number of years and because it has become such a favorite in the Seattle area. Jones Soda has landed a contract to be the sole supplier of soft drinks for the Seattle Seahawks. Many individuals, when asked about the Pepsi and Mountain Dew Throwback, have commented that the sugar sweetened soft drinks "go down smooth" and do not leave an after taste. I agree! Can I please have another?

Here is a list of just some of the products now using sugar instead of HFCS as a sweetener:

Aunt Millie's Bakery
Blue Sky Beverages
Capri Sun
Del Monte Light Fruit
Fleischer's Bagels
Hansen's Natural Soda
Hirzel Canning
Jones Soda
Kraft Salad Dressings
Mountain Dew Throwback

Ocean Spray Orowheat Breads Pepsi Natural Pepsi Throwback Pillsbury Simply Chocolate Chip Cookies Prego Spaghetti Sauce Quaker Chewy Granola Bars Ragu Spaghetti Sauce Red Gold Spaghetti Sauce Snapple Beverages Starbuck's baked goods SoBe Lifewater Sun Chips Thomas' Bagels Thomas' English Muffins Thomas Kemper Soda Toufayan Bakery Wegmans' Bakery

I am anxious to find out if Pepsi will continue and expand production of the Throwback and Premium sugar sweetened soft drinks and hope that other drink bottlers will follow suit.

So why did the conversion from sugar to high fructose corn sweetener happen in the first place? In the late 1970s, high fructose corn sweetener became available to the soft drink industry at a market price less than they would have to pay for sugar as an ingredient. The lower cost of high fructose corn sweetener was, and continues to be, the result of a direct or subsidy payment to corn growers under the USDA government support program. This support payment to corn growers makes the environment right for corn wet millers (producers of high fructose corn sweetener) to purchase corn at a reduced or "subsidized" price. Growers in the sugar industry do not receive subsidy payments in times of low market prices; as a result, the law of economics won out. The conversion to high fructose corn sweetener started out gradually, but soon took over as the main sweetener in soft drinks - the rest is history. The sugar industry lost about 50 percent of

the sweetener consumption market once the conversion of the soft drink industry occurred about 30 years ago. Price is pretty much the reason HFCS is in every conceivable type of food product, from candy to bread. Today the food and soft drink industries are experiencing an increasing market demand for natural food products and natural ingredients in drinks and prepared foods made with all natural ingredients. This conversion from other sweeteners to all natural sugar as an ingredient is taking place in a wide variety of food and drink products. The Farm Service Agency (FSA) report dated July 8, 2009, Updated Sugar Deliveries Covering October 2008 – May 2009, indicates that human consumption has increased by 2.7% (+ 188,020 short tons raw value) over the first eight months of the Federal FY 2009. It is believed that a large percentage of the increased consumption is directly related to the increase in sugar sweetened products.

As a grower-owned cooperative that processes over one billion pounds of "pure natural sugar" from sugarbeets — the increase in the share of the sweetener market couldn't taste better!

syngenta

More than 100 years of research and development in sugarbeets have resulted in an extensive portfolio of genetics for you. We are proud of our rich heritage and committed to the continuous growth of the sugar industry by combining new technologies and stacked traits that identify target diseases — Rhizoctonia and Cercospora Leaf Spot. Call your Sales Rep or visit www.hilleshog-us.com.

HILLESHÖG

THE NEWSBEET

Fall 2009 Michigan Sugar Company 2600 S. Euclid Ave. Bay City, MI 48706

Address Service Requested

PRSRT STD US POSTAGE PAID LANSING, MI PERMIT #75

