

American Crystal Sugar To Default On USDA Loan

The Associated Press

FARGO, N.D. (AP) — [American Crystal Sugar](#) [1] will default on a government loan of \$71.2 million under a program that provides relief when a glut of sugar on the market depresses prices.

David Berg, the company's president and CEO, said that forfeiting the sugar put up as collateral was the best option, given the very low prices that sugar is fetching.

"Everything we have under loan we do intend to forfeit," Berg told the Forum newspaper (<http://bit.ly/GzAcpt> [2]). "Today, it's about the best place we have to sell sugar."

The loans end with the crop year, which concludes Tuesday.

The forfeiture, which is the result of sugar being cheaper and more plentiful than at any time in the past decade, is under a U.S. Agriculture Department program. American Crystal Sugar holds about one-fifth of the \$355 million in loans held by sugar processors at risk of defaulting.

The regional loan rate for sugar, for American Crystal and other processors in the area, is around 23 cents a pound. The market price for raw sugar is about 21 ½ cents a pound.

Berg said defaulting on the loan, which is a way the government supports the price of sugar, does not present a financial hit for American Crystal.

"Actually, it's beneficial to our financial health," he said. "This is the way the sugar program is intended to work."

The forfeited sugar will remain in warehouses until the government decides what to do with it.

Despite the forfeiture, American Crystal soon will begin its annual sugar harvest as normal, Berg said. He said he does not expect the sugar supply glut will mean idling plants.

The price of sugar has plunged because of high domestic production and an influx of sugar imported into the U.S. from Mexico. Berg was traveling Monday to Washington for another round of talks as a member of the sugar industry's Mexico Task Force.

American Crystal is the leading American sugar processor, with 15.1 percent of the market, according to rankings by IBISWorld, which tracks the sugar industry. American Crystal is owned by about 3,000 shareholder growers who plant about

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500,000 acres of sugar beets in North Dakota and Minnesota.

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[1] <http://www.impomag.com/news/2013/04/american-crystal-sugar-workers-approve-contract>

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