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Reality on U.S. Sugar deal

03/27/2009
Palm Beach Post

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Fortunately, even the often delusionally optimistic Gov. Crist has acknowledged that the U.S. Sugar deal is too expensive. Crafting a new deal will be more complicated, but it's the only option to get land for Everglades restoration.

As The Post reported Thursday, the governor's office, the South Florida Water Management District and U.S. Sugar are seeking to cut the purchase from all of the company's 180,000 acres to about 75,000 acres. The district wants the land for water storage, since the original idea of storing lots of water underground won't work. Buying sugar land could allow the district to move water south and mimic the original Everglades.

From the start, though, Gov. Crist boxed himself in. The first deal, announced last June, was to buy the whole company - land, railroad, sugar mill, citrus plant - for \$1.75 billion. Then it was \$1.34 billion just for the 180,000 acres. But the governor who wanted a historic Everglades deal also wanted to remain the no-new taxes governor. He didn't want the water district to raise taxes, though it was clear months ago that the district couldn't buy the land and perform all its other duties without raising taxes, especially since new property values, released June 1, will drop. If the district can't make the numbers work, the deal won't close on Sept. 25. And the district can't make the \$1.34-billion/no-new-taxes number work.

Making the U.S. Sugar purchase work always has required more than U.S. Sugar. The water district wants to trade some of the land for acreage owned by Florida Crystals, the other large sugar company. The state and Florida Crystals have accused each other of being uncooperative. In fact, Florida Crystals filed a legal challenge to the bonds that would finance the U.S. Sugar purchase.

But all sides have a stake in working out a deal. So does the public. Reality may temper the politics and self-interest and refocus everyone on the goal of preserving the Everglades.

State looks to scale back Everglades land deal with U.S. Sugar

03/27/2009
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A struggling economy keeps moving the state closer to a scaled-down Everglades land deal with U.S. Sugar Corp.

Gov. Charlie Crist had championed a \$1.34 billion deal to buy 180,000 acres of farmland to restore water flows from Lake Okeechobee to the Everglades.

A new version being considered would cost about \$500 million and include 75,000 to 80,000 acres, according to the chairman of the South Florida Water Management District, the agency charged with leading Everglades restoration.

"The [\$1.34 billion] deal as written clearly has got affordability issues," Chairman Eric Buermann said Thursday. "The real issue is can you get by and is it meaningful to do something less?"

U.S. Sugar officials would not comment on the details of the deal. But for weeks they have acknowledged that the economic decline and the corresponding drop in tax revenue could lead to reworking the deal with the state.

"Our company is working actively with the water management district and the governor's office," U.S. Sugar Senior Vice President Robert Coker said. "There is still a transaction that works."

The \$1.34 billion deal called for the district to use the U.S. Sugar farmland to build a series of reservoirs and treatment areas to store, clean and direct storm water to the Everglades.

Crist in June first proposed a blockbuster \$1.75 billion deal to buy all of U.S. Sugar's land, sugar mill, rail lines and other facilities to clear the way to use land that was once part of the Everglades.

In November, Crist scaled down the plans to a land-only deal for \$1.34 billion. U.S. Sugar would lease back most of the land and keep farming for at least seven years.

Another change to the deal would require the approval of the district's board.

The district has yet to secure the financing for the deal, which faces a September closing deadline. Supporters contend that the deal offers an unprecedented opportunity to acquire strategically located land, between Lake Okeechobee and the Everglades, once considered unattainable because of Big Sugar's reluctance to move and make way for restoration.

Florida Crystals, U.S. Sugar's main competitor, went to court to challenge the district financing plan for the \$1.34 billion deal. Florida Crystals argues the deal would prop up U.S. Sugar with taxpayer money, while allowing the company to keep using the land for at least seven years at a discounted lease rate.

On Thursday, Florida Crystals asked the judge to hold off on a ruling until details of the new deal emerge.

Florida may scale back \$1.34B Everglades land deal

03/27/2009

Detroit News - Online

Brian Skoloff

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WEST PALM BEACH, Fla . -- The tanking economy could force Florida to scale back its \$1.34 billion deal to purchase land from U. S. Sugar Corp. to help restore the Everglades, a person close to the negotiations said Thursday.

The state had been working to secure financing so it can buy the 180,000 acres of land in the Everglades from the nation's largest producer of cane sugar. But the state may now scale back the purchase to less than half the acreage at less than half the cost, said the person, who requested anonymity because Gov. Charlie Crist is expected to make an official announcement in the coming days.

Crist has been basking in praise from environmentalists for the historic deal, which was announced last June as he stood on the edge of the Everglades. But since then, the deal has slowly started to unravel.

AP source: Everglades land deal may be scaled back

03/26/2009

Associated Press (AP) - West Palm Beach Bureau

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WEST PALM BEACH, Fla. (AP) — The tanking economy could force Florida to scale back its \$1.34 billion deal to purchase land from U. S. Sugar Corp. to help restore the Everglades, a person close to the negotiations said Thursday.

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Crist has been basking in praise from environmentalists for the historic deal, which was announced last June as he stood on the edge of the Everglades. But since then, the deal has slowly started to unravel, and if it is changed again, could ultimately be viewed as a far lesser accomplishment.

The governor's office did not return calls seeking comment Thursday, but indicated this week that the deal could be altered.

"It may be," the governor said Wednesday. "The facts have changed. The economy is what it is, and I think that we all need to be cognizant of those factors whether it relates to the Everglades preservation deal or any other fact."

Florida's budget gap could reach \$6 billion, though \$3 billion could be filled by stimulus funds. Like many states, Florida has had to consider drastic cuts. Public schools have had to lay off teachers and reduce bus service, and universities have limited enrollment and eliminated classes. State employees have gone without pay raises and many agencies have frozen hiring.

The Everglades deal apparently became too expensive in light of the state's budget shortfalls and crashing property taxes, which the South Florida Water Management District hoped would help cover the cost of the estimated \$100 million of annual debt payments. It plans to finance the deal through bonds.

In November, faced with mounting criticism that the proposal was too expensive, Crist announced a revised deal that would cut the original price tag from \$1.75 billion to \$1.34 billion, made possible because the state said it would not buy U.S. Sugar's assets, including its mill, railroad and citrus processing plant.

The deal still was considered too expensive by opponents, and has been challenged by sugar competitors in the region.

Florida Crystals, the state's second largest sugar producer and part owner of such well-known brands as Domino Sugar, has fought the deal at every turn. The company claims an element in the proposal to lease back land to U.S. Sugar to continue farming for \$50 an acre gives an unfair business advantage to its competitor.

"We're not aware of what the new details what might be," Florida Crystals Vice President Gaston Cantens said Thursday, noting the proposal has changed so much, "we're in the third version now."

Meanwhile, U.S. Sugar continues to take bids from other companies interested in buying it. If it sells, the entire deal with the state could crumble.

"We don't have any comment on the details other than we have been continuing to work with the governor's office and the district to try to find a way to make this work in a manner that is good for the state and the environment and our shareholders," said U.S. Sugar spokeswoman Judy Sanchez.

Kirk Fordham, CEO of the Everglades Foundation, a staunch supporter of the governor's proposal, had previously predicted dire consequences if the deal caved.

"If a third party buys U.S. Sugar and undercuts the state, in all likelihood, the opportunity to restore the Everglades as we've envisioned here might be forever lost," Fordham said recently.

AP writer Bill Kaczor contributed to this report from Tallahassee.

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Big cut seen in Florida's US Sugar Corp land deal

03/26/2009

Thomson Reuters - Miami Bureau
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MIAMI, March 26 (Reuters) - Florida is cutting back its land purchase deal with U.S. Sugar Corp as budget shortfalls force it to downsize efforts deemed vital by environmentalists to restore the endangered Everglades wetland, local media reported Thursday.

A preliminary deal struck in June called for the state to spend \$1.75 billion to buy up all of U.S. Sugar's land, one of the nation's largest privately held agricultural firms.

Under a revised deal, unveiled in November, state officials said the price tag had been cut to \$1.34 billion but still involved buying 181,000 acres of land considered critical to the Everglades revival.

The South Florida Water Management District board had been expected to sell certificates of participation, instruments similar to bonds, to finance the deal.

The Miami Herald said Governor Charlie Crist, stymied by plummeting tax revenues and soaring unemployment, was now slashing the deal in a state on the front lines of the U.S. housing and mortgage default crisis, however.

Citing sources close to the negotiations, the newspaper said the state would now purchase no more than about 75,000 acres of U.S. Sugar's land for a total price of roughly \$500 million.

A spokeswoman for Crist declined to comment and U.S. Sugar spokeswoman Judy Sanchez said the company had no immediate announcement to make about any revised deal with the state.

"There's discussions, and discussions have been continuing," said Sanchez.

Eric Buermann, chairman of the South Florida Water Management District's governing board, could not be immediately reached for comment.

But he told the Herald the land deal, which Crist heralded in December as "the most important step in the history of true Everglades restoration," was overly ambitious in the face of a failing economy.

"I think everyone has looked at the numbers and realized the affordability is a problem in the current economy," Buermann said.

The purchase of the land had been expected to jump-start long-stalled efforts to turn farm fields back into marshes and waterways that would help cleanse polluted Everglades water and carry it from Lake Okeechobee to Florida Bay.

Key environmental groups had been solidly behind the land acquisition, and have blamed Florida's sugar industry for decades for dumping fertilizer-tainted water into the Everglades.

The wetlands, a shallow sawgrass prairie dotted with pine forests and mangrove islands, comprise the largest subtropical wilderness in the United States and are home to endangered species including the Florida panther and American crocodile. (Reporting by Tom Brown; Editing by Jim Loney)

EVERGLADES RESTORATION Gov. Crist cuts back on Glades restoration land deal

03/26/2009

Miami Herald

Morgan, Curtis

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His hand forced by a failing economy, Gov. Charlie Crist is poised to dramatically downsize his proposed Big Sugar buyout -- and his vision for Everglades restoration.

The new agreement with the U.S. Sugar Corp., which Crist hinted Wednesday could come within days, is intended to salvage a massive land purchase the governor and environmentalists call essential to restoring the struggling River of Grass. But it will come in a smaller size and at a cheaper price that won't bankrupt the state agency footing the bill.

Final details and figures remain fluid. But sources close to the negotiations said that instead of paying \$1.34 billion for all 180,000 acres owned by U.S. Sugar, the revised deal will be closer to \$500 million for 75,000 acres, with wiggle room in both land and price.

The overhaul, hammered out during weeks of negotiations in Tallahassee, confirms what critics of the controversial deal had charged for months and supporters had begun to acknowledge: The price tag had simply become too high for a state with staggering budget shortfalls, rising unemployment and plummeting property values and tax revenues.

"I think everyone has looked at the numbers and realized the affordability is a problem in this current economy," said Eric Buermann, chairman of the South Florida Water Management District's governing board, which had planned to bankroll the deal with bonds.

The district, which draws much of its annual budget from property taxes in Miami-Dade, Broward, Palm Beach and 13 other counties where property values have fallen at least 14 percent, has warned for months that the estimated \$100 million in annual debt payments could gut its other "core missions," including flood protection.

Environmentalists are awaiting specifics, but many know that a

deal some billed as "the holy grail" was on life support. Restoration plans call for converting farm fields into reservoirs and pollution treatment marshes to resolve problems that have dogged the Everglades and Lake Okeechobee for decades -- catching more water, cleaning it and flowing it south into the marsh.

"I don't think anyone wanted to stand up and announce the deal is dead, but the fact of the matter is, valuations in South Florida have tumbled to such a degree that financially it's not doable," said Nathaniel Reed, vice chairman of the Everglades Foundation, an environmental group that had championed the landmark purchase.

Crist, the architect of the proposal that would cement his "green governor" reputation, provided no specifics, saying only, "I may have something for you in a few days." Robert Coker, a U.S. Sugar vice president, refused to confirm any deal had been struck and referred questions to Crist's office.

Company executives long warned they had cut a "take-it-or-leave-it" deal, but more recently signaled they were open to "creative" solutions.

"Our company has been working very closely with the governor's office and water management district," Coker said. "I am confident we will continue to move forward."

Sources with knowledge of the working deal say it includes other key provisions to address concerns raised by rival growers, who have attacked the deal as a bailout of debt-ridden U.S. Sugar.

The deal calls for U.S. Sugar, the state's oldest and largest grower, to remain in business, farming and running its Clewiston mill and railroad. The company could continue using the 75,000 acres under a 10-year lease -- but for a fee close to market rates, not the \$50-an-acre annual cost in the original proposal that rivals had blasted as unfair. The company, however, could continue to consider bids for its remaining land and assets.

Water managers would also retain options to buy more land in the future, keeping open the possibility of environmentalists' goal of at least 100,000 acres.

The new deal, which would acquire three-quarters of that amount at almost a third the previous price, also would eliminate complications and concerns about selling or swapping U.S. Sugar's remaining land.

The region's other major grower, Florida Crystals, which owns a prime spot necessary to recreate the "missing link" between the Everglades and Lake Okeechobee, had been in negotiations with both U.S. Sugar and the governor as a potential third party. The new agreement appears to have been sealed without them.

"We've been in conversations on and off for nine months, but there is nothing concrete to report," said Gaston Cantens, a vice president for Florida Crystals.

It will be the second time Crist has scaled back the original blockbuster proposal he made last June to buy out the company for \$1.75 billion -- land, lock, stock and sugar sack. In October,

citing Wall Street and credit market woes, he trimmed it back to a land-only purchase.

Water district chairman Buermann, who said he was not privy to any details of the negotiations, said no one could have predicted the state's severe economic slide.

"A lot has happened in a short period of time," he said.

Miami Herald staff writer Marc Caputo contributed to this report.

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Revised U.S. Sugar deal could drop price to \$500 million

03/26/2009

Palm Beach Post - Online

PAUL QUINLAN and MICHAEL C. BENDER

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Gov. Charlie Crist is scaling back considerably his extraordinary bid to save the Everglades, as a worsening economy has rendered the \$1.34 billion deal with U.S. Sugar Corp. unaffordable, people familiar with the negotiations say.

The revised deal could drop the price to around \$500 million, people familiar with the discussions said today.

One person told The Palm Beach Post on Wednesday that the state is hoping it can still acquire at least 75,000 acres from U.S. Sugar. That could include 30,000 acres of citrus groves west of Clewiston that the company wants to unload, plus 45,000 acres south of the lake that would suit the restoration goals.

Crist has yet to announce details, but he acknowledged Wednesday that the deal is being modified.

"The facts have changed," Crist said, adding that an announcement could come in days. "The economy is what it is."

But one critic said today that the dramatic downsizing shows once again the folly of the purchase, which the South Florida Water Management District had planned to finance by borrowing \$2.2 billion.

"It shows that there is no plan," said Dexter Lehtinen, an attorney for the Miccosukee Indian tribe. "It keeps changing all the time - not based on the need for restoration but based on what's politically and financially possible. And that's bad for the Everglades."

The Miccosukees, who live, hunt and fish in the Everglades, argue that the deal's massive costs would prevent the state from carrying out other essential restoration initiatives.

U.S. Sugar Senior Vice President Robert Coker declined to comment today.

"Any announcements regarding any change to the transaction will be made by the district or the governor's office," Coker said. "Our company is continuing to work with both the parties during these economic times to ensure the transaction meets everyone's goals. We are confident that a transaction will move forward."

The blockbuster land deal has already shrunk once since last summer, when Crist announced a \$1.75 billion buyout of the Clewiston-based farming giant - land, railroads, refinery and all. Crist changed course in November, saying the state would pay \$1.34 billion solely for the company's land, a 180,000-acre swath hugging the southern rim of Lake Okeechobee.

The reason for downsizing: Crist's historic plan has coincided with a historic plunge in property values.

Property tax collections next year in the 16 counties that make up the South Florida Water Management District, the state agency financing the purchase, are expected to drop by an unprecedented 15 percent.

The agency would have to slash its operating budget by 25 percent to make the sugar deal's estimated annual payment of \$109 million, the district's staff told board members earlier this month.

"If they want to deal in reality, they may have to look at the possibility that they have to buy something less or something different or on different terms," said Eric Buermann, who chairs the water district board and remains a staunch proponent of restoration, albeit a smaller version.

As a rough estimate, he said the price would have to come under \$1 billion.

Architects of the deal say the governor's vision - acquiring a significant amount of farm acreage in the historic Everglades as a step toward restoration - would remain uncompromised.

"It might be morphing, but it's not imploding," J.M. "Mac" Stipanovich recently said of the deal. The prominent Tallahassee lobbyist works for U.S. Sugar and helped broker the purchase. "There are discussions under way to make the deal fit the economic reality."

The U.S. Sugar deal will largely define Crist's legacy, regardless of the outcome.

But key obstacles remain. For instance, Crist and his negotiators have so far failed to enlist the cooperation of rival sugar grower Florida Crystals Corp. Originally, the state's planners said Crystals' land south of U.S. Sugar's cane fields would be critical to restoring the "missing link" of flowing water from Lake Okeechobee down through the Everglades.

But Stipanovich and others say Crystals has proven difficult to deal with and now plays no part in the new arrangement. Crystals continues to wage a court battle to block the state from issuing the needed \$2.2 billion in bonds, questioning the deal's public purpose and painting it as a taxpayer-funded subsidy of U.S. Sugar.

Mike Sole, secretary of the state Department of Environmental

Protection, said this week that a revised deal would not stop the state from healing the environment and creating a stable source of drinking water for South Florida.

"We've always said, always said, that we don't need all the acres," Sole said. "We're working every day to make sure this thing works."

Staff writer Susan Salisbury contributed to this story.

Everglades land deal may be scaled back

03/26/2009

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WEST PALM BEACH, Fla. - The tanking economy could force Florida to scale back its \$1.34 billion deal to purchase land from U. S. Sugar Corp. to help restore the Everglades, a person close to the negotiations said Thursday.

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In November, faced with mounting criticism that the proposal was too expensive, Crist announced a revised deal that would cut the original price tag from \$1.75 billion to \$1.34 billion, made possible because the state said it would not buy U.S. Sugar's assets, including its mill, railroad and citrus processing plant.

The deal still was considered too expensive by opponents, and has been challenged by sugar competitors in the region.

Florida Crystals, the state's second largest sugar producer and part owner of such well-known brands as Domino Sugar, has fought the deal at every turn. The company claims an element in

the proposal to lease back land to U.S. Sugar to continue farming for \$50 an acre gives an unfair business advantage to its competitor. 'We're not aware of what the new details what might be,' Florida Crystals Vice President Gaston Cantens said Thursday, noting the proposal has changed so much, 'we're in the third version now.' Meanwhile, U.S. Sugar continues to take bids from other companies interested in buying it. If it sells, the entire deal with the state could crumble. 'We don't have any comment on the details other than we have been continuing to work with the governor's office and the district to try to find a way to make this work in a manner that is good for the state and the environment and our shareholders,' said U.S. Sugar spokeswoman Judy Sanchez.

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\$1.34 Billion Everglades Deal May Be Scaled Back

03/26/2009

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