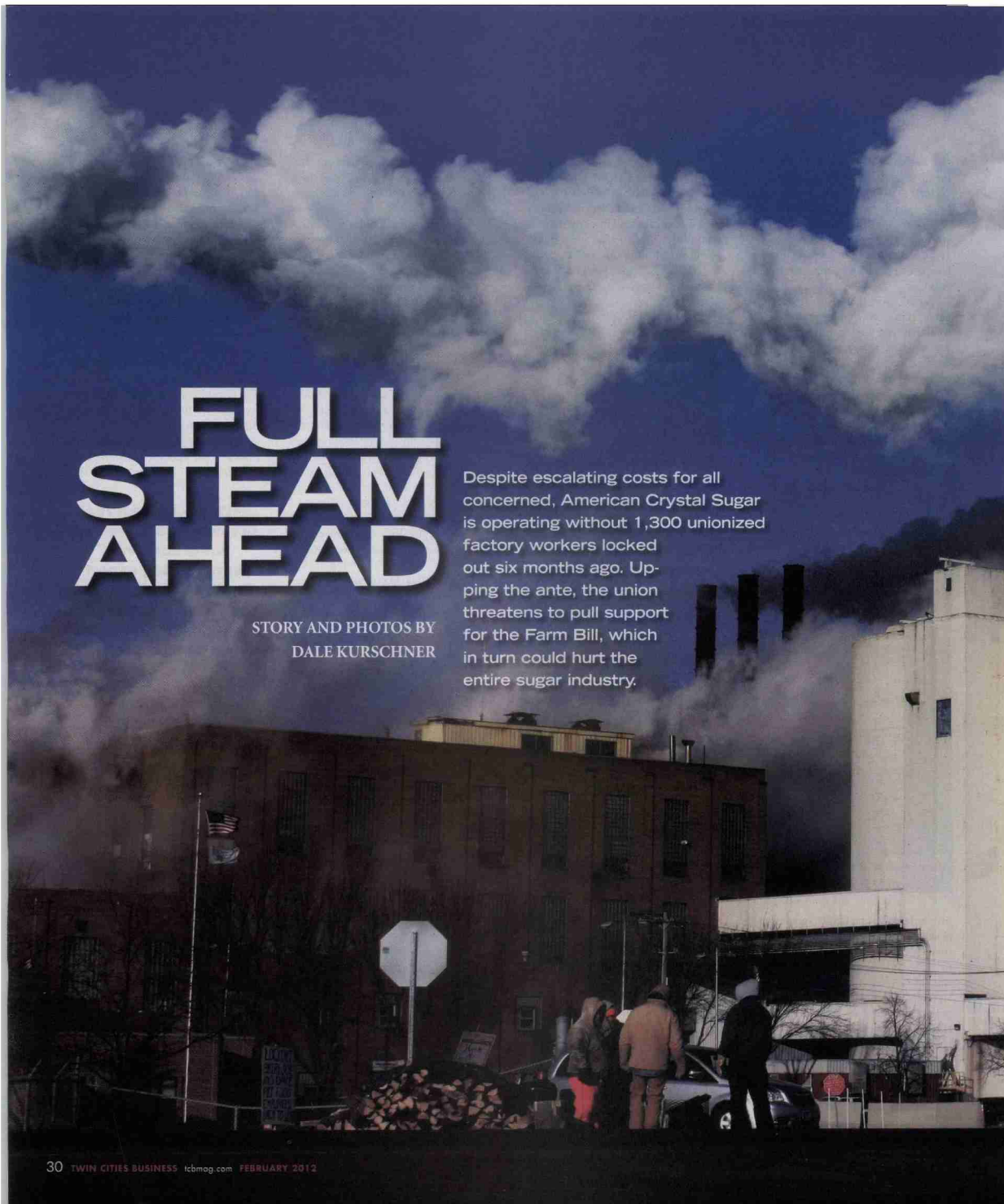


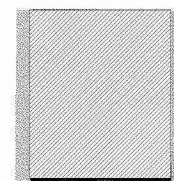
FULL STEAM AHEAD

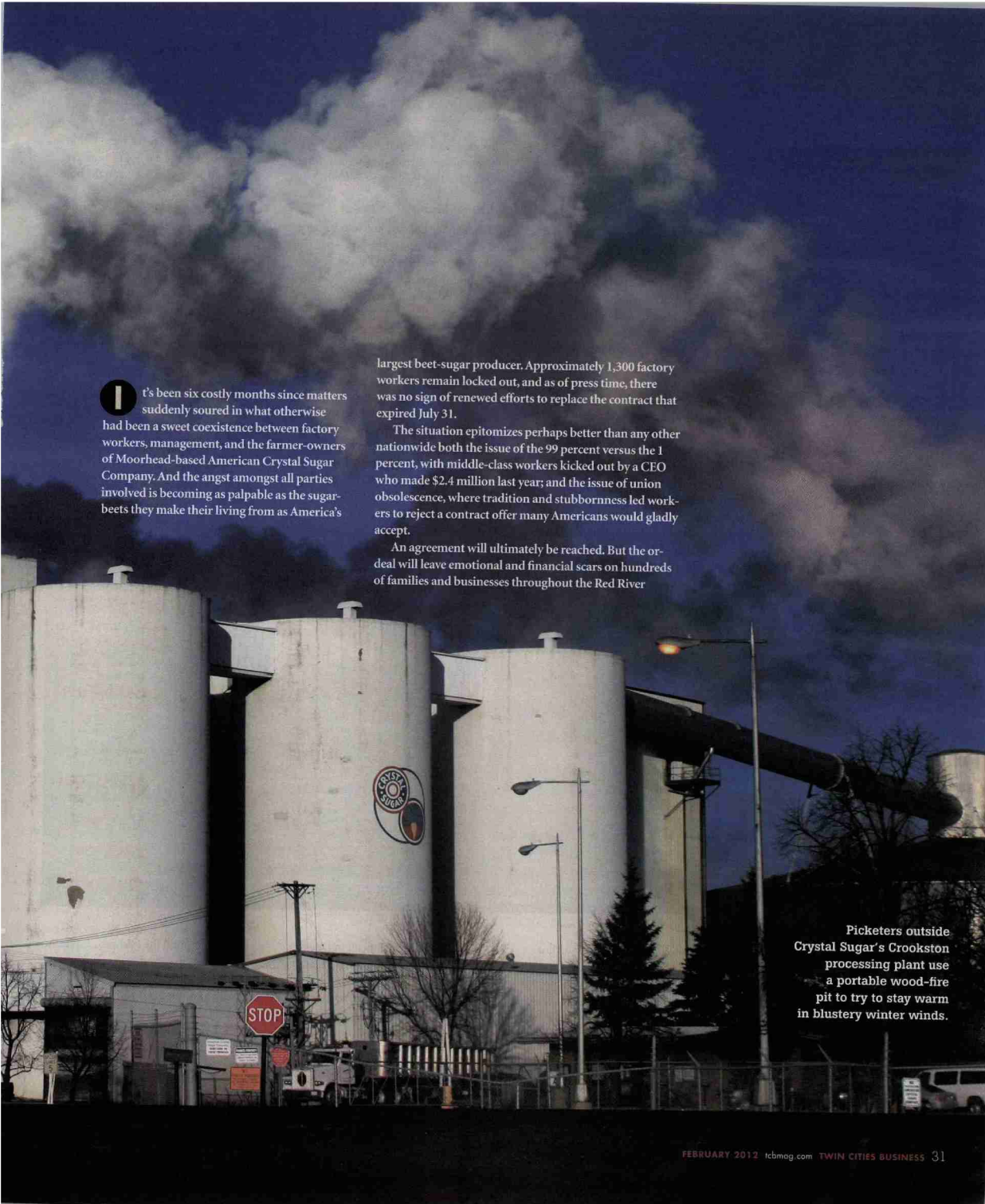
STORY AND PHOTOS BY
DALE KURSCHNER

Despite escalating costs for all concerned, American Crystal Sugar is operating without 1,300 unionized factory workers locked out six months ago. Up-ping the ante, the union threatens to pull support for the Farm Bill, which in turn could hurt the entire sugar industry.



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It's been six costly months since matters suddenly soured in what otherwise had been a sweet coexistence between factory workers, management, and the farmer-owners of Moorhead-based American Crystal Sugar Company. And the angst amongst all parties involved is becoming as palpable as the sugar-beets they make their living from as America's

largest beet-sugar producer. Approximately 1,300 factory workers remain locked out, and as of press time, there was no sign of renewed efforts to replace the contract that expired July 31.

The situation epitomizes perhaps better than any other nationwide both the issue of the 99 percent versus the 1 percent, with middle-class workers kicked out by a CEO who made \$2.4 million last year; and the issue of union obsolescence, where tradition and stubbornness led workers to reject a contract offer many Americans would gladly accept.

An agreement will ultimately be reached. But the ordeal will leave emotional and financial scars on hundreds of families and businesses throughout the Red River

Pickers outside Crystal Sugar's Crookston processing plant use a portable wood-fire pit to try to stay warm in blustery winter winds.

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TRAVIS ANDERSON

TREATING THE DISEASE

"I have a friend in Fargo, he's a 50-something year old man. He didn't feel well for a long time. He couldn't put his finger on it and figure out what it was. Finally he got a CAT scan and they determined there was some sort of growth, and they did surgery. They removed a 21-pound tumor from him. That's a scary deal. He was sick for a long time, he didn't have energy, he couldn't eat. He couldn't digest. And I'm not saying a labor contract is cancer, but it affects you. It will drag you backwards. You can't do what you need to do. And I'm not saying we're trying to get rid of the labor contract. We are not about union busting. Take that one home with you. But we can't let the labor contract make us sick forever, and ever, and ever. We have to treat the disease, and that's what we're doing here."

—David Berg, president and CEO of American Crystal Sugar, unknowingly tape-recorded at a Grafton, North Dakota, growers meeting on November 7.

Valley, where the cooperative operates five factories and is estimated to contribute more than \$1 billion annually to the economy. It also will have forever changed the reputation of the area's largest employer.

In essence, Crystal Sugar is the head of a greater family consisting of thousands of factory workers and their sugarbeet-farming relatives scattered among dozens of small communities in northwestern Minnesota and eastern North Dakota. Just about every factory worker is related to a grower, and on both sides of the beet are multiple generations of invested families. The company's executives valued those relationships beyond mere dollars and cents, and the resulting unity generated consistent prosperity for Crystal Sugar's shareholders.

But that history was washed away

contract as something that needed to be treated like one treats a cancerous tumor. (See "Treating the Disease," at left.)

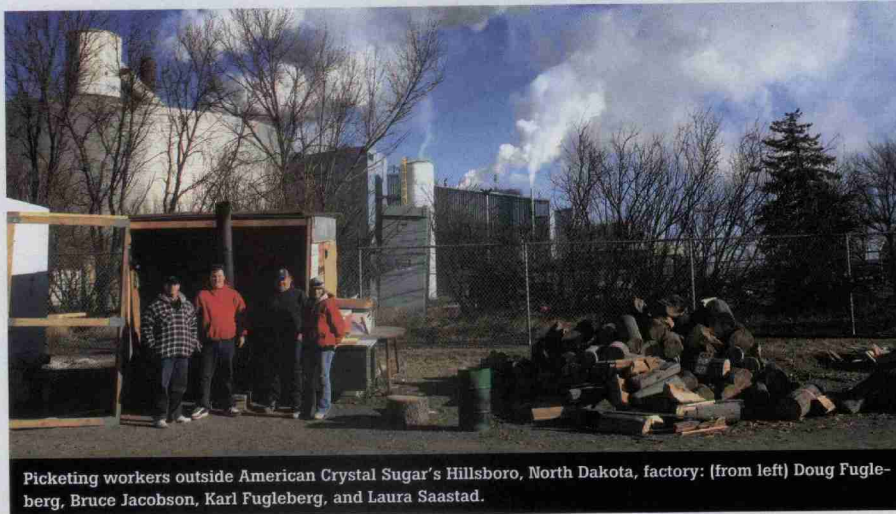
Unemployed

Through the holidays and into January, Crystal Sugar factory workers—particularly those in North Dakota, where unemployment compensation is unavailable for locked-out workers—continued to deplete their savings and retirement accounts, ask for loan extensions from bankers, and lean on food pantries, donations, and family and friends to make ends meet. Six months of unemployment in an area offering few job opportunities is hitting home for dozens of families unable to buy groceries and heating oil, according to local business leaders. Some Crystal Sugar workers are expected to lose their homes after months of patience by hometown bankers.

"Through harvest, a lot of them found part-time jobs, and a few, full-time. So there were no serious issues on the housing front" in December.

Most homeowners with first mortgages through Koda have been able to keep up, but in six cases, the bank extended mortgages a month or two to help out late last year. Others had personal loans extended. Anderson says the bank cannot continue those extensions much further. "In the next three or four weeks, it's going to become more telling," he says.

Helping those hardest hit by the lockout on both sides of the border have been at least a half dozen networks organizing food and Christmas toy drives. Donations have come in from Duluth west through the Iron Range, numerous times from the Twin Cities, and also from fellow union factories in other



Picketing workers outside American Crystal Sugar's Hillsboro, North Dakota, factory: (from left) Doug Fugleberg, Bruce Jacobson, Karl Fugleberg, and Laura Saastad.

like topsoil in a Red River flood last August 1, when after only three months of loose contract negotiations, the company's current executive team locked out its 1,300 factory workers. That act disrupted the communities and families where growers and factory workers coexist. And adding insult to injury, Crystal Sugar President and CEO David Berg later publicly described the labor

It's particularly difficult in Drayton, North Dakota, where Crystal Sugar's factory employed at least 100 of the town's 800 residents (and about 100 from surrounding towns), and the nearest city of any significant size is Grand Forks, 50 miles to the south.

"We were able to extend credit for a few last fall," says Peter Anderson, president of Koda Bank in Drayton.

locations around the Midwest. Typically, food arrives in Grand Forks and then is shipped to food pantries in the other factory locations.

"We've had probably 200 families come in here and grab stuff, and probably 100 of them have been unable to get groceries otherwise," says Nathan Rahm, a Crystal Sugar union representative at its Hillsboro food pantry.

Drayton, North Dakota
Population: 800
Crystal Sugar employees: 245
Nearby Crystal Sugar shareholders/growers: 988
Year plant was built: 1965
Annual sugar production: 4.9 million tons

"When the workers go back, it's not going to be sunshine and roses; I hope it doesn't turn into bitterness. They're going to find things are not the same as they left them. They will have changed things around because they haven't been running a full crew. I hope they go back with the spirit of doing the job well, and not, 'You shouldn't have done this to us.'"
 —Gary Johnson, Pastor, United Methodist Church, Drayton.

East Grand Forks, Minnesota
Population: 8,000 (52,838 including Grand Forks, North Dakota)
Crystal Sugar employees: 303
Nearby Crystal Sugar shareholders/growers: 618
Year plant was built: 1926
Annual sugar production: 8.3 million tons

"This is driving a lot of wedges between people. Families, friends. That's what's really sad about the whole thing, the wedges that have been driven."
 —Mark Johnson, a 32-year Crystal Sugar employee in East Grand Forks.

Crookston, Minnesota
Population: 7,891
Crystal Sugar employees: 260
Nearby Crystal Sugar shareholders/growers: 302
Year plant was built: 1954
Annual sugar production: 4.5 million tons

"People are losing their livelihood and have had nothing to do with it other than that they are part of the community. They're losing in town because we're not working, and the people who are working [in the factories today] are not even spending their money here."
 —Dan Kusech, who has worked in Crystal Sugar's Crookston factory for 39 years.

Hillsboro, North Dakota
Population: 1,455
Crystal Sugar employees: 286
Nearby Crystal Sugar shareholders/growers: 492
Year plant was built: 1973
Annual sugar production: 7.5 million tons

"A lot of people say this is of [the locked-out employees'] own making; they should be happy they have a job. But most of the stuff I have been hearing has been backing the employees. They've been there 30 or 40 years. They don't want to get fired at will because they looked at somebody the wrong way, or because management decided to replace them with someone younger."
 —Melinda Martin, who lives in Clifford, 22 miles west of Hillsboro. Martin spent most of November and early December organizing a volunteer Christmas party for children of locked-out Crystal Sugar workers.

Moorhead, Minnesota
Population: 35,065 (Fargo-Moorhead, 208,779)
Crystal Sugar employees: 284
Nearby Crystal Sugar shareholders/growers: 600
Year plant was built: 1948
Annual sugar production: 4.5 million tons

"The offer is very good and a lot of people will take and apply its dimensions to how they run their business or treat their employees and say, 'This seems like a pretty good deal. I'm not sure why they don't take it.' Obviously, that's our perspective, too. It's got change in there. And there's an awful lot of understanding in the community as to why that change needs to occur."
 —Jeffery Schweitzer, Crystal Sugar's public relations manager.

Even with the economic hardship, "everyone's standing firm," says Laura Saastad, a single mother of three who has worked at the Hillsboro Crystal Sugar factory for four and a half years.

"My savings have pretty much been depleted," she says. "But I've also found part-time, temporary jobs through family and friends."

Bruce Jacobson in Hillsboro, who's been with Crystal Sugar for 23 years, says he's getting by because his wife is still employed. Many of the picketers TCB visited in December at factory locations in Crookston, Drayton, East Grand Forks, and Hillsboro also had spouses who were able to keep at least some income coming in.

Several also said they knew of people who tried in earnest to find a new job, but met apprehension from potential new employers: "Employers don't want to hire us for fear we'll quit when we're called back to Crystal Sugar," Saastad says. Others have retired, and a few from each community have left town in search of employment, health insurance, or both.

On a blustery 5-degree December morning, standing in front of wood stoves or fire pits, picketers at four Crystal Sugar locations were asked why they voted down what to outsiders seemed like a very good contract. It offered a guaranteed pay raise each of the next five years, health care coverage, contributions to a pension fund, and more. Their answers were similar: Too much of the contract had been reworded in ways that left them feeling they would lack job security.

In several instances, what was once promised by the company is now only a possibility, Saastad says. Also troubling to her and other picketers is language that says employees will be called back if they are considered eligible by management to return. Before, contract language clearly covered who would be called back and how. Adding "eligible" without defining it, either on paper or to the union, left most thinking that management would use callback as an opportunity to cull unwanted workers. "As a single mom, that made me worry I could be deemed ineligible to work," Saastad says. (See "Too Much to Process?" on page 35 for more on specific language changes.)

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The Crystal Sugar workers at each factory gate said that they could continue to hold out and believed most of their peers could, too. With what seems a bit of irony, they added that they didn't think the company could hold out much longer.

The Price of Profits

Crystal Sugar does anticipate taking a financial hit, and it has warned its farmer-shareholders of that expectation all along.

To fill the factories with temporary replacement workers, management hired Strom Engineering Corporation of Minnetonka, which specializes in providing labor for companies experiencing strikes or lockouts. Crystal Sugar is paying an undisclosed number of temporary workers salaries estimated to be as high as \$1,800 a week, plus per diems of as much as \$80. (The company would not confirm or deny these estimates.) It's also paying to house them in area hotels and transport them to and from its process-

ing plants in passenger vans every day. While the replacement workers keep beet processing going, observers believe it's at a much slower rate than what the company needs in order to process all of its crop in time—and to the quality levels required by customers.

"We're used to seeing the smokestacks belch out steam on cold winter mornings like this one, and some days we don't see it," says Gary Johnson, pastor of United Methodist Church in Drayton. "When you see both stacks belching, you know it's at full production; when only one is belching, you know they're down a bit."

Workers picketing outside the company's East Grand Forks factory are almost gleeful when pointing to several yards of "remelt" stacked up just inside the gate. Remelt refers to sugar that wasn't processed well enough to meet customer specifications. It's eventually added back into processing, but slowly; it involves additional time and effort.

The company won't comment on production levels, other than to say that it is pleased with the efficiency and quality of work its temporary workers are providing. Meanwhile, there's the U.S. Farm Bill to consider. Crystal Sugar and other sugar producers are asking Congress to extend a federal sugar program that restricts imports and, in years like 2010–2011, helps to drive up sugar

processing-plant and storage-facility employees. Factory workers often lobby alongside farmers to help woo urban Democrats who may not care all that much about ag policy, but are passionate about maintaining good-paying, middle-class jobs in the heartland.

As long as the lockout continues, unions will not help lobby for the farm bill this year, Risky says, adding that the national AFL-CIO and national BCTGM notified Crystal Sugar of this.

The company wouldn't say whether it received such notices. "It would be disappointing if the union representing our employees wouldn't support a farm bill that would help support their jobs into the future," says Brian Ingulsrud, Crystal Sugar's vice president of administration. "It seems illogical that a union would take that stance."

Regardless, any costs associated with the lockout are worth it for the greater good of Crystal Sugar, according to President David Berg. "When all this stuff hits the fan, it's because it's the right

because it doesn't want the union to find out. Like what difference does it make to us?" says Sie Rawls, who's been on the production line with Crystal Sugar in Drayton for 11 years. "It's corporate keeping the farmers in the dark."

"If the farmers found out how much they were spending, they would have a different opinion on all of this. And when you spend this much money, how are you going to get it back?" says Brady Evenson, a Drayton worker for just over a year before the lockout began.

Asked again to provide cost data in early January, Crystal Sugar declined to answer. But numbers should begin to surface soon: The company was expected to file its first-quarter financial statements with the Securities and Exchange Commission in mid-January, shortly after this story went to press.

Also as of press time, farmer-shareholders remained steadfast in their support for management.

The Lockout

"If there's one truth out there, it's that's growers are solidly behind management because we think we offered them a fair contract," says Paul Mathiason, a sugar-beet grower who farms near Thompson, North Dakota.

Mathiason says the growers believe management was prudent in locking workers out. "We were afraid that if the union worked under its old contract while there were still \$800 million worth of beets underground, and then the union decided to go on strike, it would have complete power," he says. "We couldn't afford to let those beets rot. Management had enough forward thinking to say, 'We can't be put in this position.' That's why they hired replacement workers and locked them out."

But did Crystal Sugar really need to lock employees out, or could it have brought in replacements quickly after a strike began? Could it have had Strom waiting in the wings to help if needed?

"It was preemptive to have their butts covered," says Kim Samuelson, who's owned RBJ's Restaurant in Crookston for 24 years. During that time, she's learned much about the industry from her customers, not to mention her husband, who's a beet farmer. It would take at least a week to get the processing



Locked-out factory workers claim large stacks of "remelt," such as these in front of Crystal Sugar's East Grand Forks processing plant, indicate production problems. Remelt is sugar that was not refined properly.

ing plants in passenger vans every day. While the replacement workers keep beet processing going, observers believe it's at a much slower rate than what the company needs in order to process all of its crop in time—and to the quality levels required by customers.

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The company won't comment on production levels, other than to say that it is pleased with the efficiency and quality of work its temporary workers are providing. Meanwhile, there's the U.S. Farm Bill to consider. Crystal Sugar and other sugar producers are asking Congress to extend a federal sugar program that restricts imports and, in years like 2010–2011, helps to drive up sugar

plants up and running again by those who know how to do so, she and others say. Bringing in untrained workers would have added further delays.

"The production has to be done within a tight period of time," Samuelson says. "If you lose a couple weeks or a month on the front end, you don't make it up, and you can end up with a warm April. [Beets are stockpiled outside to keep them frozen until they can be processed.] Usually, processing can go until May; there's no way it could go into June."

A lockout might have been averted

Congress is expected to consider extending the Farm Bill and its sugar program this year.

Typically, sugar factory workers help lobby for this, as they help win over urban Democrats supporting good-paying, middle-class jobs. But union leaders say they won't provide such support as long as the lockout continues at Crystal Sugar.

for another reason: The union was willing to formally promise not to go on strike if the company would commit to a contract extension, or an agreement to continue working on a new contract, according to the union's Risky.

The company says it couldn't take that chance. "Our understanding is that an addendum like that, once a contract is expired, is only good for approximately a week," says Crystal Sugar's Ingulrud. "As a union, they can't just give away the right to strike outside of a contract. It's like other legal things—you can't just give away your legal rights."

Perhaps more nagging than the question of whether a lockout was necessary is this: How did the process of negotiating a contract between two sides that previously got along so well—and generated record profitability for shareholders—get so screwed up?

Too Much to Process?

American Crystal Sugar offered its union work force a new contract that provided each employee with a \$2,000 signing bonus, a 17 percent pay raise over five years, increased benefits paid to their pension fund, and improvements in benefits such as funeral leave. It also would cover 83 percent of employees' health care costs going forward. Though not as good as what they had (and for some, much more expensive when it comes to out-of-pocket expenses), this was good compared with the national average of 59 percent of benefits covered, the company points out.

The problem was that management also attempted to change or eliminate what are typically the most coveted elements of a collective bargaining agreement—strong, worry-free health care benefits, seniority rights, job security, and a fair grievance process—all at once, starting May 6, 2011, and giving the union and its members less than three months to negotiate and make counterproposals.

As the union attempted to do so, management told employees on July 18 that they should move all personal belongings out by August 1. On July 19, it added that it had begun implementing a contingency plan to ensure continuous operations.

These moves galvanized union members' belief that the company had sought all along a signed union contract, regardless of their input, that would provide little to no job security and greatly reduced health care benefits, compared with what they and other unions are used to having. Subsequently, 96 percent of them voted against the company's final offer, and the lockout began August 1.

Here are a few examples of the many contract changes within the company's final offer:

Health Care: The comprehensive medical and dental plan these union employees negotiated and have relied on over the years was to be eliminated as of December 31, 2011. Effective January 1 of this year, they were to be covered under American Crystal Sugar's much more expensive "non-contract health and dental insurance plan" on the same terms as non-contract, non-union employees. Compared with what other companies offer non-union employees, it appears to be a good plan. Yet union workers believe they paid for more through the years, when they opted to accept smaller pay raises in order to maintain a premium health care package with low deductibles. The new approach also places more emphasis on the use of high-deductible health savings plans—a quantum shift in

thinking for 20-year and 30-year factory workers accustomed to simply using their insurance when needed and not having to pay much, if anything, in deductibles or copays.

Job Openings and Promotions: Qualified, current full-time employees had first dibs on job openings. Those with the most seniority, as long as they were qualified and able to do the job, could get them. The company could still offer the job to a less senior employee if he or she was qualified. The new contract eliminates such steps, and union employees are simply "permitted to apply." The company—regardless of union input or employee seniority—would be able to place whomever it wants into the position. Similarly, promotions were previously made on the basis of plant

seniority, provided an employee was qualified and capable of performing the duties of the job involved. The company wants to eliminate such language and select on its own the most qualified individual for the promotion, regardless of seniority.

Job Elimination: Under the previous contract, any employee whose job was eliminated would retain his or her rate of pay until able to bid on a new permanent position of greater or equal pay, as long as he or she was qualified to do the job. The new

contract states that such an employee may be assigned by the company to a lower-paying position starting within 12 months of the elimination. He or she also can still bid on another, higher-paying opening.

Overtime: Under terms of the previous contract, employees classified for overtime needed to be assigned to it when it became available. If one of those employees could not work overtime, the work could be assigned to another employee. The new contract states that the company will assign individuals it deems most appropriate to the overtime project, and this could include temporary employees. The union sees this as a loss in seniority rights for its workers. The company says it eliminates a time-wasting, bureaucratic process of having its supervisors go through a seniority-prioritized calling list to see who can work overtime.

Call Back: Previously, all calls back to work were to be made on a seniority basis where ability is sufficient to perform the work required. The new contract states the company will determine who is called back based on the individual most qualified to perform the work, regardless of seniority.



Negotiating

From an outside point of view, everything seemed to be going smoothly at Crystal Sugar, especially in recent years. The beet crop in 2010 came in particularly strong. Workers had learned how to operate modernized factory equipment. And Crystal Sugar's factories during the 2010-2011 beet-processing campaign set a new average-slice (volume of beets processed) record of 38,234 tons a day, according to Crystal's 2011 annual

report. Factories also continued a multi-year trend of lowering lost-time accident rates. Crystal Sugar's annual revenue increased 29 percent to \$1.5 billion in the fiscal year ended August 31, 2011. Even better, the company reported a 52 percent increase in net proceeds (net income if it were a corporation) to \$810.9 million. That allowed its 2,800 farmer-shareholders to receive \$752.5 million in beet payments—an average of \$268,750 per shareholder.

Behind the scenes, management understood that 2010-2011 was likely an anomaly. Weather had cooperated to deliver a bumper crop, demand for sugar increased prices, and the federal sugar program (and related exports of sugar) remained stable. To thrive in the future, leaders believed, Crystal Sugar needed to become even more efficient.

To that end, Crystal Sugar formed

an internal management team in the summer of 2010 to address how factories could operate more efficiently by changing contract language. "They spent the year looking at other contracts, benchmarking, and looking at areas where we could improve," Ingulsrud says.

These meetings, however, excluded the very individuals who best understood what goes on in the processing plant every day—namely, the union employees—"because the history of

curity as it pertained to the subcontracting area in the contract. The last time we got together, we added a sentence that was crisp and clear, stating no union member or position would be negatively affected by subcontracting. We felt we clearly addressed that concern, but now there seems to be other concerns.

"Frankly, I don't understand them. I can't understand why people are hesitant to change, and that's what appears to be our biggest issue here—fear of change," he says. "Our position is that a successful company has to change and adapt to the environment in which it operates in order to continue to be successful."

Why Fix What's Not Broken?

Management is keeping close to its vest the specific industry trends, competitive factors, and other issues that it believes necessitate extensive changes to the union contract. "We haven't wanted to get into the details, frankly, because of the fear that if you start talking about them, they can be used against us in the negotiation process," Ingulsrud says.

He did say, though, that the overall concern has to do with sugar prices being higher the last few years: "We expect that price level to come back to more historical norms. When that occurs, the masking effect of high-price sugar covering higher costs [such as energy and transportation] will go away.

"For us to be a good employer well into the future, we gotta address some of the problems we have in our union contract that may not be creating problems today, but when the price of sugar gets to be more of a challenge for us, we're going to need to have every last bit of ammunition we have to make sure the company can survive," he says.

That's extremely vague to union leaders, who ask, how can they agree to change contract language that even corporate executives admit is not broken today? Why change a contract under which employees delivered seven solid years of performance, with the last three yielding record-breaking profits? Why give up anything, Risky asks, given how they performed for shareholders and executives, especially when senior leadership just received lucrative compensation payments? For example, Berg's \$2.4 million in total compensation in 2011

negotiating contracts with our union has been they are not open to change," he says.

The union became involved on May 6, when both sides came together to begin the collective bargaining process to replace a seven-year agreement set to expire July 31.

Proposals and counterproposals were exchanged, and the two sides had "good discussions" through mid-June, "but a great deal of work" remained to be accomplished, according to meeting notes posted on the company's Web site. All along, management had stated that a new contract needed to be agreed upon by July 31. Little progress was made in the weeks that followed, and the lockout began.

Ingulsrud says management tried to modify its proposal to address union concerns: "The most consistent voice we heard early on is that it was about job se-



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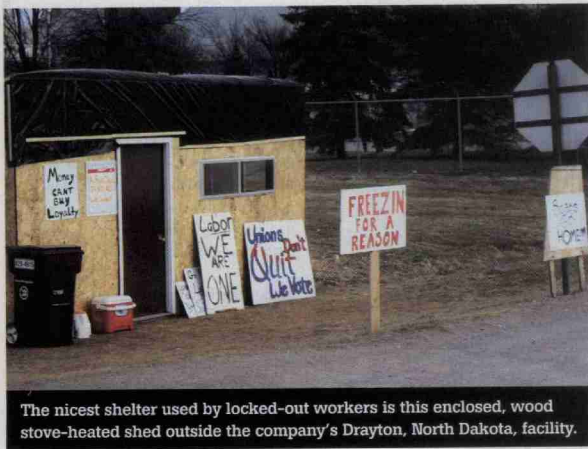
Our position is that a successful company has to change and adapt to the environment in which it operates in order to continue to be successful."

—Brian Ingulsrud,
 Crystal Sugar's vice president of administration

is an increase of nearly 50 percent from two years ago.

It isn't just union leadership raising these questions. Workers on the picket lines are similarly perplexed. "The company has had several record years, and now it wants a complete overhaul of the contract? It's not just one area, it's 46 changes, a total rewrite," says Jon Radakovich, who has worked at Crystal Sugar's East Grand Forks facility for eight years. "It's one thing if your margin's gone or your industry's shot or the business is on the brink of bankruptcy. But this is a gutting of the contract" for no apparent reason.

According to Risky, a key stumbling block has been management's unwillingness to provide the union with specifics as to how proposed changes in contract language would improve efficiencies or lower costs.



The nicest shelter used by locked-out workers is this enclosed, wood stove-heated shed outside the company's Drayton, North Dakota, facility.

"When we were sitting at the table, we told the company we understand these are changing times, and change is needed," Risky says. "We were willing to sit down and look at the issues, but we were not able to get a good dialogue going. [Their position] was, 'Well, it would make us more efficient.' But we kept asking, 'How? What are the issues, and let's look at them.'"

Asked by TCB to provide specifics, Crystal Sugar's Ingulsrud would only discuss big-picture: "Our business is changing and becoming more technically oriented. It used to be we overwhelmed the factories with sheer numbers of employees. What's changed over the years is that we've reduced the number of employees, and those who are there need to be more technically savvy and trained at a higher level to deal with the equipment we're adding. We see that as being critical moving forward—to

be more efficient, more energy efficient, more cost efficient," he says. "That's a general theme you'll see in the contract, such as about promoting the most qualified employees versus the most senior employees."

Crystal Sugar recently completed a seven-year factory automation project that installed the latest in electronic controls and centralized systems. It also invested several million dollars in education and training so that its unionized workers could run the new systems. But Ingulsrud and the company's public relations manager, Jeffery Schweitzer, talk as though plant employees had not been all that cooperative in improving factory efficiencies.

"Our goal is to become a more steady, staid operating facility that will get us to a higher realm of efficiency, and all of this is working together to become a better competitor, and that's what we're charged to do for our owners," Schweitzer says. "We need to have a work force that answers and is able to adapt to this new realm of efficiency. Our existing contract limits our ability to pursue these efficiencies."

"We're trying to reduce the complexity of the business. The contract inherently adds complexity," Ingulsrud says. "A union contract has a tendency to grow over time. The propensity of such contracts is that we add things, but we don't take things out. As the business changes and adapts to changing business environments, the contract doesn't."

The Art of What's Possible

Crystal Sugar says it still wants to negotiate a new contract with the union, but "we want to hear they're truly ready to go beyond just saying 'no,'" Ingulsrud says. "They haven't come back with a substantial counteroffer to any of our proposals."

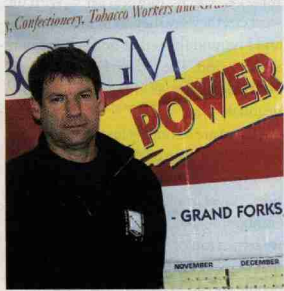
The union's Risky takes issue with that statement. "We came with our proposals. They came with 48 pages, with 46 different takeaways wanting us to negotiate with ourselves, with our language that we worked on for decades to have as part of the contract," he says. "There were some, such as with random drug testing, that we came across the table with and worked with them on," but time ran out.



The Sugar Beat

- Sugar production in the United States comes from either sugarcane or sugarbeets, and generates **\$19.5 billion** a year for the economy.
- **55 percent** of the country's sugar comes from sugarbeets. American Crystal Sugar is the nation's largest beet-sugar producer.
- Sugar is used in **70 percent** of manufactured foods. The average American consumes **44 pounds** of sugar every year.
- Crystal Sugar produces and sells **17 percent** of America's sugar through its United Sugars Corporation subsidiary in Bloomington.
- The sugarbeet industry in Minnesota, North Dakota, and eastern Montana generates more than **\$1.1 billion** in direct economic impact annually. Including secondary effects, it generates **\$3 billion** per year.
- Sugarbeet production in the region is centered around processing plants operated by Crystal Sugar and two smaller producer-owned cooperatives: Minn-Dak Farmers Cooperative in Wahpeton, North Dakota; and Southern Minnesota Beet Sugar Cooperative, located in Renville.
- The sugarbeet industry generated state tax collections of **\$41.9 million** in Minnesota and **\$18.9 million** in North Dakota in 2004, the most recent year for which information is available.
- Since 1970, **103** U.S. sugar mills, refineries, and processing plants closed, leaving **48** as of 2011.
- Mills and factories that survived did so by improving their competitive position and increasing efficiency. Since 1993–1994, the average processing capacity of beet factories increased by nearly **18 percent**, while the average capacity of sugarcane mills increased by **77 percent**.
- Between 1993 and 2010, U.S. sugar production employment dropped **43 percent** to **142,000** jobs (mostly in sugarcane production) due to factory closures and increased farm sizes. Jobs that remain tend to be higher skilled and better paying; the average wage paid across the sugar sector rose **60 percent** during this period.

Sources: American Crystal Sugar Company annual report; LMC International study conducted for the American Sugar Alliance, August 2011; and "Economic Contribution of the Sugarbeet Industry in Minnesota, North Dakota, and Eastern Montana," Dean Bangsund and F. Larry Leistritz, Department of Agribusiness and Applied Economics, Agricultural Experiment Station, North Dakota State University, Fargo, April 2004.



"We were willing to sit down and look at the issues, but we were not able to get a good dialogue going. [Their position] was, 'Well, it would make us more efficient.' But we kept asking, 'How? What are the issues, and let's look at them.'"

—John Risky,
 President of the Bakery, Confectionery, Tobacco Workers, and Grain Millers AFL-CIO Local 167G

"In public, they say they're ready to negotiate, but behind the scenes not so much," says Minnesota AFL-CIO President Shar Knutson. "Negotiating is a conversation where ultimately both sides give a little. For them to say we'll come to negotiations, but you have to give us everything we want—and it involves seniority, outsourcing, the ability to move up within the company if qualified; to gut the contract of any kinds of protections—that's not negotiating."

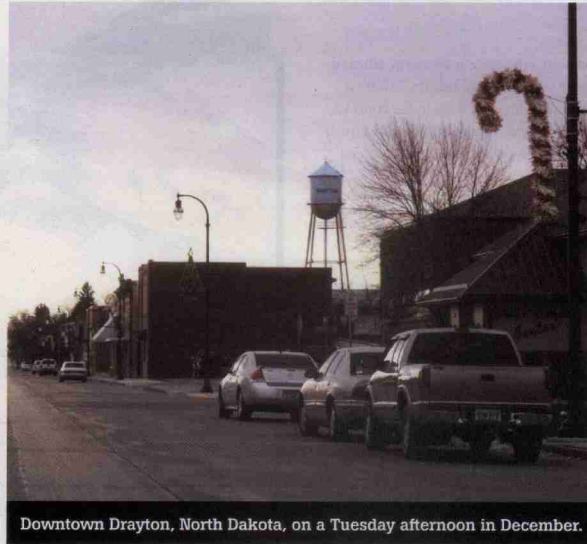
Yet Ingulsrud's question remains: Why has the union not provided a comprehensive counterproposal to the company? Risky says it's because the company's final offer was so far off, and had changed so many pieces of the previous contract, that the union believes it's up to the company to come up with something that can more realistically be countered. As of January 6, both sides remained adamant they are right, and it's up to the other to make the first move.

As the stalemate continues, locked-out workers and others in the community wonder aloud what it will be like once workers are allowed back in, if they're allowed back in. Lynn and Renae Fredrickson worked at the Drayton factory for 40 and 32 years, respectively. "Neither one of us is really looking forward to going back at this point," Renae Fredrickson says. "My husband has toyed around with retirement, but he's only 59 this January. We just don't know."

Things have changed between the work force and management, she says. "We'll occasionally bump into a plant supervisor here and there. We ran into one guy the other night. My husband asked him how it's going and he said he's not going to get into it. He didn't even ask how we were doing. He's been there since I started 32 years ago. He worked his way up through the ranks. And he didn't even ask how we're doing."

There's also the idea of someone else doing your job while you've been out. "The thought of going back in there, when someone else has been using my computer, my phone, sitting in my chair... I don't know," she says.

"A lot of them are hurt, for the years they put in there and sacrificed, and then to have been treated this way," Risky says. "You think work is work, but when you have workers who work through



Downtown Drayton, North Dakota, on a Tuesday afternoon in December.

different shifts, holidays, and do what it takes to make the company viable—they take pride in their jobs. Will there be pride there when they return? It's going to be tough. But our workers gave it their all before; I believe they'll do it again."

Crystal Sugar's annual revenue increased 29 percent to \$1.5 billion in the fiscal year ended August 31, 2011.

Net proceeds increased by 52 percent to \$810.9 million. That allows its 2,800 farmer-shareholders to receive \$752.5 million in beet payments—an average of \$268,750 per shareholder.

Meanwhile, the communities in which Crystal Sugar's processing plants operate continue to suffer after years of relying upon those operations—and related employee spending—to help bring in revenue.

"There are people losing their livelihood who have nothing to do with this,

other than that they are part of our community. They're losing in town because we're not working, and the people who are working are not even spending their money here," says Dan Kusech, a Crookston factory worker since 1973.

In Hillsboro, Sorum Oil—the area's heating oil servicer and owner of the gas station most factory workers stopped at going to or from work—declined to comment, though others in the community say they have seen its activity decrease in the last six months.

Sales are down only slightly at Olsen Hardware. "We're seeing less business from American Crystal because the person who is buying things is not as familiar with our store as the local person is," says Stephanie Olsen, who owns the store with husband, Tom. "It's hard for us because the plant itself is a good customer, and so with people there locked out, we're getting a little less traffic on both ends."

Drayton is most affected, followed by Hillsboro, given the number of locked-out factory workers relative to each town's population (see map, page 33). Crookston is faring better because it's a county seat and has a courthouse, a corrections facility, a hospital, and a four-year university. East Grand Forks and Moorhead are in even better positions, given the size of their communities.

Beyond the economics, there's a psychological fog hanging over these communities. "When fellow community members are in a situation like this, it affects the entire area's thoughts and personality," says Harry Lipsiea, editor of the weekly *Hillsboro Banner* newspaper.

"It remains a touchy subject. It's put me in an uncomfortable position because of the closeness of our community, and because it's family members against family members," says Pastor Johnson of Drayton's United Methodist Church. "Our economy is not the best in the world right now, and a lot of the people are living hand-to-mouth. And the growers' profits—that's a real sore point. They had good crops, all-time high payments for them, and this adds fuel to the fire."

The toughest part of it has been trying to be understanding to both sides, Johnson and area business owners say. "When I visit with the growers, they don't understand why what was offered wasn't accepted," Johnson says. "With the workers, they say they want job security, and I remind them that nothing is secure in this world. The sad part of it is I see both sides. I also see things they can negotiate to solve this."

There are strong feelings, but "for the most part, it goes undiscussed because it's a very, very difficult situation on both sides," says Crookston restaurant owner Samuelson. "My husband's a grower, and we have a ton of friends and neighbors that work at the factory, and you know, people you go to church with, and your kids' friends' parents. It's difficult because not everybody knows both sides, or there are a lot of things being assumed."

Walking Drayton's sidewalks these days is bit like walking a tightrope, Koda Bank's Peterson says: "Relationships have suffered. There are people on both sides of this thing and when you walk down the street, you run into one or the other. As a business leader, you have to keep agreeing with both."

To everyone in town, he says, the situation seems so, well, foreign. "In a small North Dakota town such as this, we didn't expect this sort of thing. Usually, you can always sit down at the table and work it out." **TCB**

Dale Kurschmer is TCB's editor in chief.