WORLD PRICING AND SELLING OF
SUGAR AS AFFECTING THE U.S. PRICE

By: Robert J. Fisher[1/]

Before getting to the heart of my subject it is necessary to explain the sugar economy of the world. Many of you know these facts as well as I, but a review of them is still perhaps in order.

The principal sugar of commerce is sucrose -- $C_{12}H_{22}O_{11}$. Its two sources are sugarbeets and sugarcane. When completely refined, even chemists cannot trace the source of the finished product. To the industrial user, sugar is sugar. He uses beet and cane sugar interchangeably.

Sugarbeets are grown throughout the temperate zone. Sugarcane is raised in tropical and sub-tropical climates. Sugarbeets can be grown under a wide range of conditions. Here in America, they are grown in both the Atlantic and Pacific coast states -- Maine and Washington, for example. Sugarbeets are grown on the Canadian border, in Montana. They thrive on the Mexican border, in California. In the latter state they are grown in some areas below sea level. In Colorado they are grown as high as 7,000 feet above sea level. Here in Michigan sugarbeets thrive on rainfall. In the West they depend on irrigation.

Sugarbeets are grown in every country of Europe except Portugal and Norway. Russia is the world's largest producer of beet sugar. Beets are also grown in Africa, South America and Asia. Beets, as you know, are an annual crop, and are grown chiefly on family-sized farms throughout the world.

Cane is less versatile since it is a hot-weather crop. It is a grass, and I have seen fields where as many as 20 annual cuttings have been made from the same planting, although three to five ratoon crops are far more common. Hawaii, for example, has found a 6-year cycle between plantings as the most economical system, with cuttings spaced two years apart. Cane is a 1-crop economy. It is not subject to price competition from alternative crops. While sugarbeets are rotated on the same land about once in four years, cane is grown year after year on the same ground. Cane is a plantation crop. There are, therefore, few family-sized operations. For the most part, the world's cane is grown by the mills which process it.

Cuba is still the world's largest producer of raw cane sugar, but output under Castro is far below earlier levels. Brazil is now Number 2 and is closing the gap, and India ranks third. In America, cane is raised in Hawaii, Puerto Rico, Louisiana, Florida and the Virgin Islands.

The United States is one of the few countries in the world that raises both beet and cane sugar. Others include Spain, Red China, Japan, Iran and Uruguay.

In the crop year ended last August 31, the world produced a record high 73 million tons of centrifugal sugar, of which 46% was beet and 54% was cane. Perhaps of interest is the fact that the United States, with about 1/12th of the world's population, uses about 1/6th of the world's sugar. Consumption here per capita is about 100 lbs., or about 2-1/2 times as much as the world's average.

1/Vice President - Great Western Sugar Company

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However, while usage per person in America has remained fairly constant for years, the world's per capita usage of sugar has been moving steadily upward. It's a sign of the times. As other peoples become more affluent, their tastes become richer, too. They learn quickly to like and demand such things as soft drinks and candy bars.

As a consequence, world consumption of sugar exceeded production in the last crop year for the first time since 1963. Experts predict that, in the current year, usage will again surpass output.

One trouble with the world sugar business is that it is generally a case of feast or famine; usually there is too much sugar. But, in times of war, sugar is the first food to be rationed and the last to be freed from restrictions. When weather is bad in Europe, as in 1962 and 1963, beet sugar production falls way down and prices in the so-called world market skyrocket, increasing as much as seven-fold.

I qualified the world market as "so-called". It is indeed a misnomer. One would normally interpret a world market as a place where all or most of the world's production of a commodity is traded. This is far from the fact in the case of sugar. Only about 10% of the world's sugar production is sold in the world market. The other 90% is consumed either in the countries where it is produced or sold in preferential markets. The American sugar system is not unique. There is a sugar program, for example, for the British Commonwealth of Nations. The Common Market countries have one, and prior to that, the French had one. The Russians and their satellites have one. Cuba has special arrangements with Red China and Russia. There is an Afro-Malagasy sugar agreement, and so on. That makes the so-called world market only a dumping ground for homeless sugar, and, therefore, the price therein is usually far below the cost of production in even the world's least developed countries. In times of international unrest, however, such as during the Suez crisis, the price can zoom to astronomical heights. Or, as in 1963, when the United States cut off Cuba as its principal supplier, and started bidding in the world market for the limited supply then available.

This background, then, brings me to the meat of the topic assigned to me.

When I was in Geneva, Switzerland, in the spring of 1968, attending the world conference on sugar held under the auspices of the United Nations, I wrote an article for our growers' magazine, "Through The Leaves." I asked, "What has an international agreement to do with sugarbeet growers in, for example, Wood County, Ohio, or Morrill County, Nebraska, or with a beet sugar factory in Lovell, Wyoming?" I answered, "Plenty!" and then went on to explain that, "What happens on the world level indirectly affects the American sugar system and American sugar prices -- both of vital concern to beet growers and sugar manufacturers alike."

Our American Sugar Act cannot operate in a vacuum. It does an excellent job most of the time in protecting American consumers and American sugar producers from wild gyrations in the world markets. But it cannot completely ignore them. Again, look at 1963 and 1964. Prices rose here but because of the American suppliers, they never soared as high as sugar prices in other countries.

During the recent dock strike, many food manufacturers in East Coast states were able to keep going because the domestic beet industry was able to supply them with sugar. That supply protection also kept eastern prices from rising. Thanks to the domestic beet industry, many eastern consumers were able to turn in their ration coupons for sugar during World War II. One market expert then explained in three words why rationing was necessary -- "sugar can't swim".

Some opponents of the American system frequently point to sugar prices in the so-called world market and try to argue that, if we purchased all of our supplies there, the price would be at that usually lower level. They overlook the fact that our need, currently at about 11 million tons of sugar per year, is greater than all the production available in the world market. And you know, as well as I, what happens to price when demand is greater than supply.

But, even if it were true -- which I deny -- that all sugar for America could be obtained at present world prices, that would wipe out a domestic industry vitally important to many areas of this country and would mean that American sugar users would be asking suppliers, most of the time, to accept a price far below their cost of production, while they, themselves, would be earning a good profit. If price alone were the only consideration, why not buy all of our meat from Austrailia and New Zealand, and why not buy all of our automobiles from Japan? What would happen to Texas and Detroit, in that case, would be, I am certain, of real concern to the people therein as well as to many others.

But let us take a look at prices and buying power together, because they cannot be viewed separately.

In real economic terms, sugar is cheaper in America than any place on earth, with the possible exception, at times, of Canada. In the United States, a worker earns enough in less than three minutes to buy a pound of sugar. Americans have never had to work less time for a pound of sugar than now. Recent studies show, by comparison, that a man in the United Kingdom has to work 8 minutes to buy a pound of sugar, a West German 14 minutes, a worker in France 15 minutes and a Russian 2½ hours.

But, even in terms of absolute prices, the International Sugar Council recently reported that, of the dozen most highly developed nations, eight had sugar prices higher than the United States and only three had lower prices.

We can be justly proud of the American beet sugar industry for its high level of efficiency. No foreign country can produce a ton of sugar with fewer hours of labor than we, from seed to sack. It starts in the field and goes right through to the finished product.

Compare us with Cuba, for example. We produce about 2½ tons of sugar, raw value, per acre. When reliable figures were available from Cuba, they showed that the average acre of cane there yielded only about 1-3/4 tons, raw value. But, on top of that, it takes Cuba 14 months to grow its sugar, whereas, it takes American beets only seven months. So American beets produce 2.7 times as much sugar per acre per month as Cuban cane. Even in Hawaii, the most efficient cane area in the world, when beets were planted on an experimental basis, they produced more sugar per acre per month than cane. One other factor frequently overlooked is the feed value of sugarbeet by-products. In the West, we have found that, if properly cared for, the beet tops, plus the pulp and molasses, will produce as much beef as if that beet acre had been planted to a standard feed crop. In the American beet factories, finished sugar is produced in a single, continuous operation. In the case of cane, with rare exceptions, sugar is produced in two separate operations. Raw sugar is produced in the centrals, and then it has to be shipped long distances to the refineries for "laundering" before finished sugar can be made available to consumers.

Yes, we can, and should, be justly proud of our accomplishments.

But then what about costs? Well, unfortunately, exact figures are not available for comparison. But wage rates are, and they show that in Michigan and Ohio, for example, sugarbeet field workers earn more in an hour than their tropical cane counterparts, on the average, earn in a day. They also show that the worker in a Michigan and Ohio beet sugar factory earns more in a day than the average foreign cane central worker makes in a week.

We pay American wages and American prices for beets. These in turn permit the workers and beet growers to pay American taxes, which support American schools, American highways, and the like.

In closing, may I say that the American sugar system does not protect only the American sugar industry and the American sugar consumer, but rather it protects the American way of life.