Coca-Cola Decides to Use Corn Sweetener
In Coke. Sending Sugar Prices Tumbling

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ATLANTA—Coca-Cola Co. decided to use high-fructose corn sweetener in its famous formula starting June 18th, but the decision to use it is its best-known brand has been eagerly awaited by the fructose producers. This product is normally at least 10% less expensive than the beet and cane sugars long used to sweeten Coke.

Supplies Are Limited
Coca-Cola said as much as 50% of the sweetener used in its Coke brand will contain fructose, though that level can be reached immediately since supplies of the sweetener are ample. "For the time being, we'll take all we can get," a spokesman said.

For Coca-Cola, the move could improve the profitability of the Coke brand, free up funds for increased marketing and help win the battle against soft-drink bottlers who haven't yet signed a new pricing contract allowing Coca-Cola to charge them higher prices. The profitability of the Coke brand has been squeezed by rising costs and price wars with rivals, notably PepsiCo Inc.

Coca-Cola had resorted using the sweetener in its Coke drink because of taste problems. A few years ago, J. Paul Austin, the company's chairman and chief executive officer, was quoted as saying that using a fructose sweetener was mixed with the ingredients used to make Coke a chemical reaction is produced that throws off the taste.

Solved the Problem
But the company apparently has been able to solve that problem. Coca-Cola said lab tests and an 18-month consumer test market at a company-owned bottling plant showed there wasn't any difference in taste or quality between fructose-sweetened Coke and regular Coke.

Observers predicted the Coke move would soon spread to its archrival, Pepsi. "We're studying it carefully," said a Pepsi spokesman in Purchase, N.Y.

Corn sweetener makers were jubilant, and appeared likely to accelerate their expansion plans. A.B. Staley Manufacturing Co., for example, said it will expand capacity for its sugar and expected Coca-Cola will use "as much or more," its previously proposed doubling of capacity by 1.2 billion pounds this year.

Allowed in Noncola Brands
High-fructose sweeteners are already used in Coca-Cola's other soft-drink brands—Mr. Pibb, Sprite and Fanta. A fructose product, containing 42% fructose and 18% dextrose, was first offered in the company's noncola brands in 1974, when sugar prices soared. Bottlers could use it for as much as 20% of total sweetener. Then, in mid-1976, Coke allowed a second fructose product, containing 56% fructose, to provide as much as 76% of the sweetener in noncola drinks. The latest move extends these sweeteners to the Coke brands.

Sugar has been so important to Coca-Cola that, by one calculation, a change of one cent a pound in sugar prices may cause a $26 million swing in the operating profit of the company and its bottling empire. Coca-Cola has been vital to the sugar industry too, buying about a million tons a year, or 16% of the sugar sold in the U.S.

Sugar Prices Fell Sharply
Sugar prices, which have nearly tripled in the past year, fell sharply on the news. Speculators have treated sugar as an alternative to higher-priced gold and silver in hedging against political and economic worries.

Coca-Cola's move to replace corn sweetener

Yesterday, however, the price of raw sugar in the world market fell 1.6 cents a pound to 18.11 cents for March delivery on the New York Coffee & Sugar Exchange. It's understood that the management of Coca-Cola U.S.A., the company's domestic soft-drink division, has been under considerable pressure from the parent company to improve sales and profitability of the Coke brand. Observers said the move to fructose could be a major step in that direction. But it probably wouldn't be possible immediately. Fructose-industry capacity for the so-called "second-generation" product to be used by Coca-Cola is about 1.8 billion pounds a year. Analysts said the company this year may only be able to secure 200 million to 300 million pounds of the estimated 1.2 billion pounds its demand could require.

Steven Vannelli, an analyst with Davis Skaggs & Co., San Francisco, said the Coca-Cola move could spark a fructose price boost of three cents to four cents a pound for the second-generation commercial product, which currently sells in the Midwest for 15 cents a pound. Thus, he said, could boost annual pre-share earnings $1 at Staley, 30 cents a share at Archer-Daniels-Midland Co. and about 22 cents a share at Standard Foods Inc.

Despite all the speculative interest in Coca-Cola's announcement, it could be three years before all the company's bottlers are using 50% corn sweetener, said Joseph