Commodities

Sugar Supply Is Seen Continuing Tight As World Prices Set Highs Almost Daily

By ROBERT PRINSKY
Staff Reporter of THE WALL STREET JOURNAL
LONDON — Christian Bonnet, France's agriculture minister, is one man who believes that the current sugar tightness is going to persist for some time.

He has put his money where his mouth is. If the world does swing back into surplus, Mr. Bonnet will owe his Danish counterpart, Anker Kofod, 25 bottles of the best French champagne.

Mr. Bonnet made the bet to calm some of his Common Market colleagues, who feared that a new sugar-support policy they were embarking on would lead quickly to a big European surplus—much of it in France—and an equally big drain on their budgets.

But sugar analysts in London figure the French minister has a pretty safe bet. Woodhouse Drake & Carey Ltd., a London commodities dealer, figures world consumption will exceed production by 1.3 million tons in the crop year that began Sept. 1.

The shortage is likely to be met at least partly by running down stocks, but these are already at historically low levels of around 15% of consumption, one analyst notes. So, he reasons, even if production remains equal to equal consumption in the 1975-76 crop year, there will still be plenty of demand for sugar to rebuild stocks to around their usual 20% level. Some sources, however, doubt there will be much stock build-up at current consumption high levels. With so little relief in sight, dealers aren't at all surprised that world sugar prices are hitting all-time highs almost every day. On Friday, the London daily quote jumped the equivalent of $4.17 to $1.0144 a ton.

"There is every indication that the supply situation will worsen and that the sugar-consumption habit won't easily be broken," says Rudolf Wolf & Co., another London dealer. "Further price increases are very probable."

One of the key reasons Europeans are looking for still-higher prices, brokers say, is their own increasing need to import sugar. Heavy autumn rains in both Western and Eastern Europe have led to considerably lower expectations from this year's crop, much of which is still in the soggy ground.

Many Key Growing Areas

Sugar-beet fields have become flooded in many of the key growing areas of Holland, Belgium and northern France, making mechanical harvesting almost impossible.

F. O. Licht, a West German analyst whose figures are widely quoted in the sugar trade, estimated this year's total European beet-sugar crop to be 27.1 million tons of raw sugar from his earlier estimate of 20.1 million. In 1973-74, Europe produced 20.9 million tons.

Some London analysts think Mr. Licht's estimates are high. Woodhouse Drake & Carey Ltd., a London commodities dealer, estimates at least 28.4 million tons. In the nine Common Market countries, it figures the crop will be 9.9 million tons, down from 12.1 million last year.

This is a far cry from the way continental European sugar-beet farmers viewed their future when Britain joined the European Economic Community in 1973. The continent's chronic surplus would find a ready market in covering Britain's traditional deficit, even allowing for some continued supply from Commonwealth cane-growing nations, they reasoned.

But record world sugar prices have encouraged Commonwealth producers to sell in other markets rather than fulfill their commitments to Britain at low contract prices. At the same time Britain's needs mounted, a dry spring and heavy autumn rains cut into its own crop and those of continental countries.

Sugar market analysts think the EEC will have to buy some 600,000 tons in the world market before next September. The EEC probably will have to compete for scant supplies in that market with the U.S.—which doesn't appear likely to have a firm arrangement with suppliers after the Sugar Act expires at year-end—and with Japan, these analysts say.

Britain is in Worst Plight

Within Europe, Britain is by far the worst plighted. F. O. Licht estimates its sugar-beet crop will be down some 30% from last year. With Commonwealth producers reluctant to fulfill their quotas, it takes pull or luck to find a two-pound bag of sugar in much of the country.

Airline stewardesses now have to cope with men seeking the little sugar packets that they serve with coffee. Shops on the French side of the English Channel have taken to limiting homeward-bound Britons to a single bag a person. A thoughtful continental house guest brings his London hostess a kilogram of sugar instead of a bunch of flowers.

On the European Continent, things aren't nearly that bad, though there was a brief run on supermarkets' sugar shelves in early September. What's important now, says C. Czarznikowski, a major London sugar dealer, is "that EEC beet and sugar prices should be set at levels which will encourage farmers and manufacturers to increase their output as soon as possible."

When they set their new sugar-support policy late last month at a meeting presided over by France's Mr. Bonnet, European agriculture ministers authorized a 15% increase in the amount of sugar they would buy at fixed prices if it couldn't be sold for as much elsewhere. This boost, to 10.1 million tons, is effective in the 1975-76 crop year.

The ministers also authorized a further 4.5 million tons to be supported under certain conditions. But sugar analysts wonder just how soon growers in the EEC would be willing and able to produce such a sharply higher quantity. For one thing, they note, farmers are complaining that the EEC support price of about $295 a ton is much too low.

New 1974 Highs & Lows
On N.Y. Stock Exchange

Friday, November 1, 1974

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Abbott Labs Contends Scientific Tests Verify Safety of Cyclamates

By a WALL STREET JOURNAL Staff Reporter
NORTH CHICAGO, ILL.—Abbott Laboratories told the Food and Drug Administration that further tests on the safety of its cyclamate sweeteners would be a waste of scientific resources.

In its formal reply to an FDA letter of Sept. 5, in which the agency suggested that Abbott withdraw its petition to relegalize the use of cyclamates, Abbott contended that the sweetener's safety has "been proven overwhelmingly in hundreds of scientific studies throughout the world."

The FDA had raised questions about 11 areas concerning cyclamates, ranging from possible cancer-causing to effects on reproduction. Abbott said it responded point by point to those questions in reaching its decision that the sweetener is safe.

Abbott reiterated its stand that it won't withdraw the petition to legalize the use of cyclamates. And it said the FDA had agreed to hold an "open scientific discussion" on cyclamates in Washington Nov. 13 at which Abbott scientists and outside research consultants would defend the sweetener.