Four Sugar Firms in East Asked for Data In New Inquiry of Alleged Price-Fixing

By MARY BRALOVE
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Four East Coast sugar refiners said they’ve been served with subpoenas to produce documents for a federal grand jury in New York that is investigating alleged price-fixing by refiners during 1973 and 1974.

Amstor Corp., the nation’s largest sugar refiner, and SuCrest Corp., CPC International Inc. and Savannah Foods & Industries Inc. all received subpoenas earlier this week to produce documents and records for a grand jury sitting in the federal district court here. A number of sugar brokers were also subpoenaed for their records. They include, among others, the New York firm of Stevenson, Montgomery & Clayton and the Englewood Cliffs, N.J., firm of Thurston Greens.

The New York grand jury investigation apparently picks up where an earlier West Coast investigation left off. A grand jury in San Francisco investigating alleged price-fixing in the West and Midwest last month returned indictments against six sugar-refining companies charging them with fixing prices in 23 Western and Midwestern states.

The companies named were Great Western Sugar Co., American Crystal Sugar Co., Holly Sugar Corp., California & Hawaiian Sugar Co., Amalgamated Sugar Co. and Consolidated Foods Corp.

Dramatic Increases

The San Francisco investigation, however, concerned the period before 1973. The New York grand jury investigation is focusing on 1973 and 1974, a time when sugar prices showed their most sudden and dramatic increases. During 1974, for instance, the wholesale price for a pound of sugar rocketed from 17.3 cents a pound in January to a record in November of 74.8 cents a pound. Since then, however, refiners have been slowly reducing their prices as demand slackened and consumer resistance to high prices increased. Currently, the wholesale price for a pound of consumer package sugar is 48.6 cents.

All four sugar refiners that were asked for their records for the New York investigation had also been asked for their records during the San Francisco inquiry. None of them, however, was indicted.

The sugar refiners said the subpoenas for their documents and records were 13 legal-sized, single-spaced pages. One refiner said the first nine pages were “virtually identical” to the subpoena it received during the San Francisco investigation. Although the New York grand jury investigation focused on the 1973 and 1974 period, refiners said that documents were asked for ‘back to 1959."

At this stage in the New York investigation, nobody is quite sure what aspect of alleged price-fixing the grand jury is investigating. In Washington, the Justice Department would say only that a federal grand jury in New York is investigating alleged price-fixing by refiners in 1973 and 1974. A spokesman for the New York office of the department’s Antitrust Division would only confirm that an investigation was in progress, but he did say that the Justice Department wouldn’t “hit them (the sugar refiners) twice for the same thing.”

Most industry observers assume that the New York grand jury will be investigating whether the sugar refiners conspired to keep raw sugar prices artificially high during 1973 and 1974. Most certainly, it is believed the grand jury will be looking to see if the high sugar prices at that time were justified by the supply-and-demand situation.

Cane-Sugar Refiners

Observers noted that all four refiners subpoenaed are cane-sugar refiners. Unlike beet refiners, who contract with beet farmers for the raw product and then split the selling profits with the beet growers, cane refiners pay the going market price for their raw material. The prices that beet growers receive for their product, however, are tied to the current price of cane raw sugar. Thus, as cane refiners bid up the price of raw sugar, beet growers receive similarly high prices for their product.

The question the grand jury may very well be addressing itself to: Was there any collusion between the refiners of cane and beet sugar to keep the raw market price high? Or, did cane refiners agree to buy raw sugar at high prices with the understanding that the raw sugar seller would make the next sugar refiner pay even more?

Most observers believe that the grand jury will look with particular care at Amstor’s operations. Amstor has both cane and beet sugar operations. Although it was paying record prices for its raw sugar on the one hand, it was also receiving record prices for its beet sugar on the other.

“Amstor is the price leader,” said an executive of one Eastern sugar refiner. “When Amstor goes up we follow. Nobody could collide without Amstor and, believe me, those people are super careful. They never talk to anybody without two lawyers present.”

Amstor, by the very fact that it is the nation’s largest refiner and processor of sugar, may be singled out by the Justice Department, some observers believe. A grand jury only returns criminal indictments, but the Justice Department can, and very well may, pursue its own civil actions or antitrust actions. “The Justice Department may break Amstor up,” speculated an executive of a rival sugar refiner. “That may be what they’re after.”