Relief looks months away for sugar prices

By DICK BARNES

WINDSOR, Colo. (AP) — Sugar farmers and processors are reaping record prices and profits. But in a time of spiraling costs for everything sugar men use, from pumps to potash, don’t expect the price of the scarce sweetener to go down soon.

Relief, if it comes at all, looks months or more away. For the short term, expect still higher prices.

Increasing worldwide demand for sugar the last several years combined in 1974 with massive sugar purchases by Arab countries and a concentration of disastrous weather that harmed sugar cane and sugar beet crops in virtually every sugar-producing country.

As clamor for sugar outpaced available stocks, the price zoomed upward in a classic example of the economic law of supply and demand at work.

The increase in costs at farm and mill indicate, however, that sugar prices won’t ever return to their previous lows. If they did, producers and processors would operate at big losses — and presumably go out of business.

The price of sugar this year has more than tripled in grocery stores and for such big sugar-users as soft drink and candy manufacturers.

No softening of those prices seems likely until another cane and beet crop is planted and harvested next year — and then only if the crop is big enough to cut the demand gap.

Right now, however, sugar prices are going up so fast that, ironically, sugar at the grocery store costs less than imported raw sugar. This is because today’s grocery shelf sugar was purchased days or weeks ago by refiners for processing, when the raw sugar price was lower.

So it can be sold for perhaps 55 cents a pound, while the raw product is bringing more than 60 cents a pound.

Raw sugar is a partly processed crystal product with some molasses content which is produced from the cane or beet. When refined, 108 pounds of raw sugar will produce 100 pounds of pure sugar.

The United States depends on foreign sources for more than half its sugar.

Refiners who process foreign raw sugar have had to meet worldwide competition to get their supplies, and thus have paid higher and higher prices.

The producers and processors of sugar grown in the United States, in turn, get about the same market price for their output as the foreign sellers.

The sources of sugar — beets and cane — differ in a number of ways. But similar cost pressures affect the growers of each, reducing what might have been a bonanza year for them into simply a good one.

Domestic beets yield about 30 per cent of the sugar consumed in the United States. They’re grown in more than half the states, mostly in the upper Midwest, the Rocky Mountain states and the Far West.

Sugar cane is the source of about 10 per cent of the sugar consumed in this country. It’s grown in Louisiana, Florida and Texas.

Manuel Pineda and Jack Boegel are typical beet growers in northern Colorado, a state which has 90 of the nation’s 92 sugar beet processing mills.

Each man estimates production costs for beets this year at between $500 and $550 an acre, 50 per cent higher than the previous year.

Although their 1974 beet crops are already harvested and delivered for processing, farmers like Pineda and Boegel won’t know until nearly a year from now how much they’ll be paid.

Their contract with Great Western Sugar Co., the nation’s largest beet sugar processor, provides that the payment to growers will be a percentage of the price Great Western receives for the sugar made from the beet crop.

Processing of the 1974 crop began in October and will continue for about four months. But the sugar produced will not be sold until next September, when another harvest begins.

In a time of rising prices, this payment system works in the farmers’ favor. Had they been paid in the autumn of 1973 for the value of their crop when it was delivered, they would have received far less than they eventually got as a result of the rising 1974 sugar price.

Thus, while sugar at the time of the 1973 harvest was selling in grocery stores for about 16 cents a pound, the beet farmers wound up getting about 15 cents per pound of sugar produced from their beets as the price escalated.

Initial payments right after the harvest are made on a basis of projected sugar prices. Subsequent payments are made during the year as the actual prices unfold.

Beet sugar companies like Great Western process the beets directly through the raw sugar stage and into refined sugar, ready for consumption.

Sugar brokers act as middlemen between the sugar company and the wholesale purchasers.

If 100 pounds of sugar were sold for $50, or 50 cents a pound, the sugar broker’s commission would be about 12 cents.

Other sales costs for the sugar company — including such post-manufacture items as freight, taxes, sales staff salaries, insurance and any special packaging costs — might total $2.25 to $2.50.

If $47.50 remained from the price after deduction of these costs, about 64 per cent would go to the farmer. The sugar company would retain the rest to cover its production costs.

As the sugar moved to the retail grocery shelf, it would pick up added freight and administrative costs plus perhaps 1 per cent for the grocery’s profit. It would wind up in five pound bags selling at the $2.79-$2.89 range seen on some suburban Washington, D.C., store shelves this week.

About 20 per cent of sugar is sold for direct use by consumers, while the rest is used in the manufacture of foods.

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