More U.S. Sugar Output Sought

By Robert Pear
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Sugar growers, processors and consumers agreed yesterday that the nation needs to increase its sugar output to keep pace with rising world demand and to force prices back to a lower level.

But on almost every other issue, including responsibility for the soaring price of sugar in the past year, the different interests disagreed.

They testified at the first of two days of hearings by the Council on Wage and Price Stability after Treasury Secretary William E. Simon, the chairman, reaffirmed that the Ford administration would not seek authority to control sugar prices.

Simon said such controls would “only cause distortions and inequities in the economy.” Indeed, sugar industry representatives contended that current inflated prices were a response to 2½ years of controls.

Sugar producers told the council that the worldwide demand for sugar was outstripping the supply. Aileen Gorman, executive director of the National Consumer Congress, declared that “production must increase.” Sugar growers indicated that with high prices as an incentive, they would return some of their acreage to sugar and thereby expand the crop.

According to a report issued by the council, all sectors of the U.S. sugar industry, in varying degrees, “reaped very large windfall gains” this year. Some of the gains were chalked up to “inventory profits” that producers naturally experience in a period of rapidly rising prices.

While sugar producers generally laid the blame for current prices on world market forces, they acknowledged the domestic industry might suffer if the price spiral is not reversed. “First, high prices may permanently reduce the demand for our products,” said Irvin A. Hoff, president of the U.S. Cane Sugar Refiners' Association, “and second, competitive sweeteners may make further severe inroads into our markets.”

Hoff traced the rising cost of sugar to the spot price paid by refiners for raw sugar, which he said had increased more than 450 percent in the past year—from 11 cents a pound to 62 cents.

Albert Rees, director of the wage and price council, said he believed the “long-run equilibrium price of sugar” was between 20 and 30 cents a pound. For this reason, he felt justified in urging consumers to buy less sugar at this time.

Rees did not say when he expected the lower price to be attained. Staff economists for the council indicated that sugar prices may get worse before they get better, predicting a tight supply-and-demand situation for at least the next year or two.

Uncertainties about U.S. sugar policy were another force driving up prices, according to the producers, who disagreed among themselves about the merits of the Sugar Act that will expire at the end of this year.

Almost all the producers agreed with Richard W. Blake, executive vice president of the National Sugarbeet Growers Federation, who said the market was established by imported raw cane sugar. While domestic producers have benefited from the increase in price, he said, they have followed rather than set the price. The U.S. is the world’s largest sugar importer, according to government data.

Representatives of several consumer groups urged shoppers to boycott sugar. They said Americans could easily give up some of their sugar consumption, which averages slightly more than 100 pounds a year per person, mostly in the form of soft drinks and baked goods.

The consumers criticized “vertical integration” in the industry, whereby one corporation controls the growing, processing and marketing of sugar.

Ellen Haas, acting director of the National Consumers League, said that 60 percent of domestic sugar was produced by 16 percent of the country’s sugar farms, with the four largest cane refiners accounting for 45 percent of the market.

Carol T. Foreman, executive director of the Consumer Federation of America, praised Rees, the council director, for “jawboning” against increased sugar prices in recent weeks. She said similar talk from President Ford would be “more refreshing and perhaps more effective.”

Rees expressed considerable interest in the plight of retail bakers, who said their profits were being wiped out by the rising cost of sugar. William A. Quinn, of Annapolis, general counsel of the Associated Retail Bakers of America, said perhaps 5 to 10 percent of the nation’s neighborhood bake shops had been forced out of business by sugar prices.