The following note relates to the size and pattern of the international market for sugar. It is intended to replace the information on that commodity given on pages 11-12 of document COM.II/86/Add.6, 27 September 1960.

General characteristics of the market

1. The level of (gross) exports of sugar in the world has in recent years (1955-1959) fluctuated between 14 and 15 1/2 million tons (raw basis). Production rose on the other hand strongly, from about 39 million tons in 1955/56 to nearly 50 million tons in 1959/60 and is estimated to grow by another 5 million tons in the current (1960/61) year, mainly as a result of larger production in Western Europe, Eastern European countries and the USSR. Consequently, most of the latter increase will occur in beet sugar.

2. According to statistics published by the International Sugar Council, world net exports of sugar recently amounted to about 13 million tons per year: Cuba alone accounted (in 1959) for about 5 million tons, the Philippines for about 1 million, the Federation of West Indies, Brazil, the Dominican Republic, Taiwan and Australia for 600-700,000 tons, and Mauritius and Peru for about 500,000 tons each. Other substantial exporters, with between 100-300,000 tons, were British Guiana, Guadeloupe, Mexico, Mozambique, Reunion, Fiji, Union of South Africa, Poland and Czechoslovakia. For many of these countries, the proceeds from sugar sales constituted a major part of their total export earnings. The United States of America, the United Kingdom, Japan and Canada were by far the largest importers accounting together (in 1959) for about 8 million tons. Net imports into Europe (including Eastern Europe but excluding the USSR) rose up to 1957 but have since then shown a falling tendency. Among the other areas, net imports into Latin America, Africa, Asia and Oceania have not changed much in volume over the past few years. Only in North America there occurred a slight rise.

3. Of the total quantity traded, about one-half or less has recently moved in the so-called "free market". The rest was traded under special arrangements at prices well above those prevailing in the free market. Among these arrangements the United States Sugar Act provides for the absorption at predetermined guaranteed prices of the total sugar production of Hawaii, Puerto Rico, the Virgin Islands, as well as the Philippines, and, until recently, also a large part of Cuban production. The Commonwealth Sugar Agreement

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1 World net exports in 1958: about 13,680,000 tons, in 1959: 12,900,000 tons; basic export tonnages under the Sugar Agreement: 6,390,000 tons; initial export quotas for 1960: 5,800,000 tons; final quotas in effect for 1960: 6,860,000 tons.
establishes export quotas and fixed prices for the producer members of the Commonwealth (with the exception of India and Pakistan), to a total of some 2 1/2 million tons, most of which is bought by the United Kingdom Sugar Board, the remainder going chiefly to Canada, New Zealand, and the Federation of Rhodesia and Nyasaland. The Commonwealth scheme, though being outside the International Sugar Agreement, is linked to it through the latter's Article 16 which sets a ceiling to the total net exports of the Commonwealth's exporters; the limits for 1959 and 1960 were 2,540 thousand metric tons and 2,616 thousand metric tons, respectively.

Developments in production, consumption and prices

4. World production of sugar reached its pre-war level in 1947/49, and from then on its upswing has been more rapid than that of any other agricultural commodity. This trend was due both to an increase in capacity of existing producers and to the introduction of new capacity where none had existed before. Thus today a large number of former importers in Africa, Asia, as well as in Europe, produce an increasing part of the sugar they consume. The process has by no means stopped, a number of countries having provisions in their investment programmes for further increases in sugar producing capacity.

5. World consumption of sugar has in the decade until 1959 broadly speaking kept pace with the increase in production. In the last two years, however, a lower rate of growth in consumption than in production has been in evidence, with the result that stocks have tended to rise. The highest percentage increases in per caput consumption in the 1950's occurred in the low-income countries where, in terms of kilogrammes, consumption is generally still much lower than in the highly developed countries. According to FAO data, per caput consumption in 1958 in North America, Western Europe and Oceania was about 47, 32 and 46 kgs. respectively. While it almost reached European levels in Latin America as a whole, it was only 13 kgs. in Asia, 11 kgs. in Africa and 7 kgs. in the Far East.

6. While it is obvious that in low-income countries the response of sugar consumption to changes in income is much higher than in high-income countries, a recent FAO study stresses the equally great importance of the price factor. It points out to the wide range of prices at which sugar is available to the consumer. Among 121 countries investigated it was found that in seventeen of them retail prices (in 1957) were below 15 US cents per kg. and in eight

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1Under present dietary and other habits there seems to be an upper limit to sugar consumption of 50-60 kgs. in the industrial countries of North America and Western Europe.

countries over 40 cents. In seventy-three countries prices were below 25 cents and in forty-eight countries they ranged from 25 to 79 cents. Although production and distribution costs vary considerably the extreme width of the range is explained mainly by the great diversity of taxes, duties and other fiscal elements. The study concludes that the depressing effect of taxation on consumption is the greater, since the higher prices are generally found in low and very low income countries where the price elasticity is considerable.

7. Sugar prices in the free market have fluctuated violently over the past five years, as reflected in the annual averages. From 3.24 cents per pound in 1955, the quotation for Cuban sugar sold to destinations other than the United States rose to 3.46 cents in 1956 and to 5.16 cents in 1957 (as a result of the Suez crisis). It fell to 3.50 cents in 1958 and to 2.97 cents in 1959. In July of that year a bottom level of 2.55 cents was recorded. Subsequently prices recovered in response to action taken by the Sugar Council, because of large purchases by the USSR of Cuban sugar, and on account of higher import requirements in Europe occasioned by a smaller beet crop in that area. In mid-July 1960 the price had reached 3.30 cents.

8. As regards prospects, in the highest income areas per caput consumption is already approaching the saturation level, and in other areas the rate of increase has slowed down. For the world as a whole (excluding the USSR and mainland China) there was a distinct slowing down in the rate of increase of consumption in recent years; while the annual compound rate of increase in 1952-1956 was 5.3 per cent, the figure for the period 1957-1961 is estimated at about 3.2 per cent. According to FAO estimates, the increase of consumption in 1961 over 1960 may be estimated at about 1 million tons; the estimated increase in production noted above would thus leave a surplus of some 4 million tons in the current year. For comparison, the Sugar Council’s first estimate of free market requirements for 1961 amounted to about 6.4 million tons.

Recent events in the sugar market

9. Recent political developments have greatly influenced the geographical structure of the sugar trade; a clear pattern is not yet discernible. Summarizing the events briefly: early in 1960 the USSR became a major buyer of Cuban production with the signing of a five-year agreement for the purchase of 1 million tons of sugar per year. About two-thirds of the year’s Cuban quota having already been sold to the United States, the Government of the latter cancelled the remaining 700,000 tons. These were bought up by the USSR at 3.25 cents per pound; at the same time the USSR declared its willingness to purchase whatever Cuban production could not be placed on the usual markets. A five-year contract was signed by Cuba with mainland China providing for annual purchases of 500,000 tons, and an additional 500,000 tons were contracted for in November, 20 per cent of which to be paid for in currency. The acquisition by the USSR and mainland China of the excess Cuban sugar and the signing of the five-year contracts, together with the declared decision of the Cuban Government to maintain the export price at a minimum of 3.25 cents probably staved off a collapse of the market, but did not prevent the downward trend of prices that had set in in July 1960. The situation might well have been more serious had not a high proportion of the annual trade already taken place in
the first half of the year. With the virtual suspension of the No. 4 Contract in New York, the centre of gravity of the sugar market was shifted towards London, where the daily price (c.i.f. United Kingdom) was gaining in international significance. The withdrawal of Brazil from the market as a seller in December caused a slight but short-lived rise in prices; Cuba abandoned her minimum price of 3.25 cents, selling at 2.85 in early 1961.

10. In December 1960 the International Sugar Council established provisional export quotas for the coming year at 85 per cent of basic tonnages, subject to review at the Council's following session. In February 1961 a further reduction to 82 1/2 per cent was made by the Council.