Committee II - Expansion of Trade

SUGAR

I. General characteristics of the market

1. Sugar sales in world markets are influenced to a certain extent by preferential systems. More than half of world exports in 1958, totalling 13.6 million tons, was absorbed by the markets other than those governed by the International Sugar Agreement (ISA), whereas some 6.3 million tons were traded under ISA arrangements. Certain countries which are members of the Commonwealth Sugar Agreement participate in addition in the International Sugar Agreement. Thus, Latin American cane-sugar producers are faced with competition from these countries and others applying a variety of systems protecting the output of sugar beet.

II. General characteristics of trade

2. The level of world sugar exports has in recent years (1955-59) fluctuated between 14 and 15½ million tons (raw basis). In 1959 world net exports amounted to 12.9 million tons. Basic export tonnages under the Sugar Agreement were 6.4 million tons, and initial export quotas for 1960 were 5.8 million tons; the final quotas in effect for 1960 were approximately 6.8 million tons.

3. In 1959 Cuba exported approximately 5 million tons, the Philippines about 1 million tons; the Federation of West Indies, Brazil, the Dominican Republic, Taiwan and Australia exported some 600 - 700,000 tons, and Mauritius and Peru about 500,000 tons each. Other substantial exporters, with between 100-300,000 tons, were British Guiana, Guadeloupe, Mexico, Mozambique, Réunion, 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 in 1959 accounting together for about 8 million tons. Net imports into Europe (including Eastern Europe, Spec(61)91
but excluding the USSR) were on an increase until 1957, but since then have shown a downward trend. Among the other areas, net imports into Latin America, Africa, Asia and Oceania have changed little in volume over the past few years. Only in North America has a slight increase occurred.

III. Production, consumption and trade

4. During the period from 1950 to 1958, there was a considerable imbalance between sugar production and consumption. The increase in consumption did not keep pace with the increase in production, and wide price swings occurred in the world market. In the last two years, however, a lower rate of growth in consumption has been in evidence, than in production with the result that stocks have tended to rise. The increase in domestic production in the importing countries, many of which have become self-sufficient, was one of the main reasons why traditional sugar exporters were unable to benefit by increases in consumption.

5. The price factor is of great importance; there is a wide range of prices at which sugar is available to the consumer. Among 121 countries investigated by the FAO it was found that in seventeen of them retail prices (in 1957) were below 15 U3 cents per kg. and in eight 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 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.

6. Sugar production has been tending upwards in all regions. The production of beet sugar, which is substantially protected in the countries trying to become self-sufficient, appears to be rising faster than cane sugar, as output of the latter is controlled in many countries due to a
decline in the opportunities for selling to former import markets. For example, in the Federal Republic of Germany, production, expressed in millions of metric tons, rose from 0.56 in 1939 to 0.83 in 1952 and to 1.39 in 1959, while imports declined from 0.53 in 1952 to 0.27 in 1959, self-sufficiency being attained in 1959 when production, expressed as a percentage of domestic consumption, reached 103 per cent, by contrast with only 61 per cent in 1952. At the same time as expanding production, Germany has imported considerable quantities of sugar free from quantitative restrictions and under long-term contracts. In this connexion reference might be made to measures applied recently in certain countries, such as the United States, for extending the subsidized producing areas. At the same time, however, the United States Sugar Laws permit foreign suppliers to share in the growth in consumption in the United States market.

7. As regards prospects, in the highest income areas per capita consumption appears to be 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 1952-56 was 5.3 per cent, the figure for the period 1957-61 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. In 1961, the export quotas of the European industrialized countries, under the International Sugar Agreement, total 657,000 tons.

IV. Non-tariff devices

8. It would appear that certain traditional sugar importing countries are resorting to non-tariff devices to protect their sugar production: 63 per cent of sugar imports are subject to quantitative restrictions, 32 per cent
to deficiency payments and 26 per cent to import charges. Only 4 per cent of imports are not subject to non-tariff measures. So far as exports are concerned 78 per cent are not protected by any non-tariff devices and hence are subject to the normal rules of trade.

V. Effects of non-tariff devices on trade

9. While it is difficult to estimate to what extent non-tariff devices affect trade, sugar is perhaps one commodity well suited for an analysis of this kind, keeping in mind the principle of the most rational utilization of existing resources in the producing countries and the great disparity between the economic factors which influence the production of cane sugar and beet sugar.

10. Reasons of a political, social or strategic nature have been put forward to justify certain systems of protection. Certain recent developments may influence the traditional patterns of the sugar trade. For example, 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; and 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 Government of Cuba declared its intention to maintain the export price at a minimum of 3.25 cents probably staved off a collapse of the market. In December 1960 the International Sugar Council established provisional export quotes for 1961 at 85 per cent of basic tonnages; this figure was reduced in February 1961 to 82½ per cent.

11. In many countries, imports, in so far as authorized, are used, through import charges, as a source of revenue for programmes to promote home production. In many cases, the guaranteed minimum prices for national production are three or four times the commodity's price in the international market.
Frequently, in cases where domestic production is insufficient, sugar imports are charged with the difference between the domestic and the international market price, the profits so obtained being added to government revenue. If operations of this kind were translated into terms of normal tariff protection, the duty so charged would reach levels of more than 500 per cent.