SUGAR MARKETING PROBLEMS AND
THE EFFECT ON SUGAR BEET RETURNS

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I appreciate the opportunity to discuss with you this morning some of the problems encountered in the marketing of sugar, and the effect of these problems on the financial returns from sugar beets.

Most of you in this audience are not directly concerned with sugar marketing problems, but rather with agricultural and production problems. However, I think you will agree that it is good for all of us to be exposed to, or aware of some of the problems outside our own field of specialized interest. We are all a part of the beet sugar industry whether it be agricultural, production, or marketing and we can all benefit and probably do our own jobs a little better by having a broader understanding of some of the over-all problems of the industry.

The financial returns from sugar beets are affected by several factors:

a) Yield or tonnage
b) Sugar Content
c) Sugar extraction
d) Prices received for the sugar and by-products

The first three factors, yield, sugar content and extraction can be approached in a more or less scientific manner in an effort to make improvements and, thus, improve the financial return from sugar beets. That is the problem and work of your technologists. With your practical scientific approach I am sure you will find ways to increase yields, and find answers to some of the secrets about sugar content and what causes it to be good or bad, and develop processes for improving factory operations. When we consider the final factor which affects the financial return, namely, the price received for sugar, we are in a different world althgether. Here the scientific, technological, practical approach to achieve improvement goes right out the window. In the place of science and technology we have a Devil's mixture of government controls, politics, cut-throat price competition, product competition from corn and synthetic sweeteners, all of which affect the price of sugar. Each of these elements is constantly pulling and tugging at the old basic economic law of supply and demand which can't be repealed. When supply is greater than demand, prices go down. When demand is greater than supply, prices go up.

Government Controls

Let's look for a moment at the effect of government controls on the marketing of sugar. Over the years the Sugar Act of 1948, with its system of quotas, has worked reasonably well in stabilizing domestic sugar prices. However, the setting of quotas and

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marketing allotments present some very difficult marketing problems. For example, let us examine what has happened the past few years.

In 1963, when sugar prices reached their highest level in forty years, the Department of Agriculture urged the beet industry to expand production. The industry responded and increased production, only to find that they had not been provided with enough marketing quota to dispose of the increased production. This situation poses a severe marketing and financial problem for the entire industry. The problem as it exists today is that the estimated sugar production from 1964 crop beets will be 3,250,000 tons and the marketing quota granted to domestic beet area is only 2,650,000, leaving a surplus of several hundred thousand tons of sugar which cannot be sold under the present quota. Carrying this huge surplus in warehouses is a terribly expensive operation and, naturally, will affect the net return from sugar beets. Obviously, the industry will seek corrective legislative action to permit the surplus to be marketed. Both the growers and processors are being penalized financially for having responded to the government request to produce the sugar.

Governmental quota and allotment actions which cannot always be anticipated as to timing present some extremely difficult marketing problems. Last fall, for example, marketing allotments were imposed which severely restricted the marketing of beet sugar in the fourth quarter. We were in the frustrating position of producing ample supplies of sugar and putting it in expensive warehouse storage while at the same time, due to restricted sales allotment were turning down orders from customers who badly needed sugar to keep their plants operating and their store shelves supplied.

So much for government controls.

Vigorous competition among sugar sellers naturally has an effect on the price of sugar. Published price lists quite often are simply starting points from which competitive price allowances are granted to buyers. The extent and severity of price competition determines the final effect on the return on sugar beets.

Competition from other sweeteners is an important and growing factor which can effect the return on sugar beets.

Corn sweeteners and synthetic sweeteners are both making substantial inroads into the total sweetener market and displacing several hundred thousand tons of sucrose. These substitute sweeteners do not give the same quality results as sucrose but their price appeal and fad diet appeal make them competitors not to be taken lightly by the sucrose industry.

The sugar industry, both beet and cane, is combating this threat from substitute sweeteners with a hard hitting program of research and national advertising.

These are only some of the highlights which affect the return on sugar beets. At least they may provide you with some food for thought.