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Raw material markets: Pressure on sugar prices continuing

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Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1967			1968			
	June	September	December	March	June	June 21	July 5
HWWA-Index 1 (1952—1956 = 100)	92.2	90.9	97.0	99.1	94.7	95.0	94.3
Foodstuffs	86.8	84.9	90.3	90.3	87.8	87.7	86.5
Raw materials other than foodstuffs ...	94.8	93.8	100.2	103.4	98.0	98.5	98.1
Fuels	95.1	95.7	96.3	96.4	96.0	96.0	96.4
Raw materials for consumer goods ..	91.7	89.5	93.8	93.5	93.0	93.3	94.1
Raw materials for capital goods	96.6	94.7	108.2	117.1	103.4	104.6	102.5
Reuter's Index (18. 9. 1931) = 100	445.2	418.3	499.0	510.4	488.1	490.6	480.2
Moody's Index (31. 12. 1931 = 100)	373.8	363.9	364.3	362.3	366.6	366.6	366.6

¹ Index compiled by the Hamburg Institute for International Economics.

and new export and investment facilities.

Thus, in Western Europe as a whole, the good prospects for a continuation of the cyclical expansion are running the risk of troubles caused by two of the most important economies. Although it is not always unreserved, the other industrial countries' support of France and Britain is showing, however, that the former are realis-

ing the looming dangers. In view of the United States' limited ability to act in the field of foreign trade and payments, the burdens to be carried particularly by the European countries producing a surplus are increasing. But their international integration, i.e. their dependence on world economic developments, does hardly leave them another choice than to go ahead.

an expansion of production for several years. Since the producer countries do not take this line voluntarily, during the last years with the assistance of UNCTAD it has been repeatedly attempted to find an alternative solution, i.e. to negotiate an international sugar agreement limiting the total volume of sugar to be sold in the world market. However, also at the spring conference of 1968 a dispute started again about the allocation of export quotas to the individual countries. So the conclusion of a sugar agreement can hardly be expected till the end of the year.

Raw Material Markets

Pressure on Sugar Prices Continuing

On the international sugar markets the pressure on prices has been continuing as before during the past months. At the New York Exchange the quotations for World Contract No. 8 are fluctuating between 1.70 and 2.25 c/lb since mid-February 1968, after at the beginning of the year a price of 2.50 c/lb had been obtained still. These quite considerable fluctuations were caused by changing forecasts of the sugar production in the current season 1967/68, sales from old stocks by producers and traders, speculative purchases in connection with currency troubles and, finally, the course and resultless winding-up of the UNCTAD-Sugar Conference.

The continuously large supply surplus, which will decline but in-

considerably during the current season, forms the background of the constantly weak trend of sugar prices. According to F. O. Licht, 1967/68 production will probably grow by 2.1 per cent to 67.0 mn t, while consumption will rise by 3.6 per cent to 67.8 mn t. Although thus production will lag behind consumption for the first time in a number of years, a noticeable reduction of the price depressing stocks, that with 18.5 mn t nearly match the world import demand, will not be possible.

The most important prerequisite to a lasting recovery of sugar prices would be—together with a steady increase of consumption by 3 to 4 per cent annually—the reduction of production or, respectively, at least the abstention from

Growing difficulties obstructing the regulation of the free sugar market are resulting from certain efforts of a number of East-bloc states and industrial countries. Without any particular consideration for the developing countries they are aiming at self-sufficiency as regards sugar and, if possible at all, even at selling themselves sugar on the world market. Moreover, thus the scope for sugar deliveries to these countries within the framework of preferential agreements is reduced. These deliveries are carried through at higher prices and for many developing countries are an important source of foreign exchange.

Compiled by the Department for Business Trends Research of the Hamburg Institute for International Economics

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