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Raw material markets: Strong recovery of the sugar price

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

Index and commodity group	1967	1968					
	October	January	April	July	October	Nov. 1	Nov. 15
HWWA-Index 1 (1952-1956 = 100)	92.2	97.6	96.1	94.2	95.2	96.2	97.1
Foodstuffs	86.8	91.1	91.0	86.2	87.9	90.3	92.1
Raw materials other than foodstuffs ...	94.8	100.7	98.5	98.0	98.7	99.1	99.5
Fuels	96.2	96.2	96.0	96.4	96.6	96.7	96.7
Raw materials for consumer goods ..	89.2	92.8	93.1	93.8	94.5	95.2	94.8
Raw materials for capital goods	97.2	110.5	104.8	102.4	103.8	104.2	105.6
Reuter's Index (18. 9. 1931) = 100	426.6	503.2	491.5	481.5	489.2	498.3	501.9
Moody's Index (31. 12. 1931 = 100)	360.4	361.6	362.2	364.8	358.5	362.2	367.4

¹ Index compiled by the Hamburg Institute for International Economics.

were registered again in the rents, the transport sector and other services. Apparently, short economic setbacks have little effect on the development of the prices in these sectors.

The development of private consumption expenditures in Western Europe even after the turn of the year will continue to be determined by the upward economic trend. Consumption in real terms on the continent will therefore grow even stronger during 1969, than it did during 1968. This will

be true for the Federal Republic of Germany and for most of the smaller economies. In France the growth rate will be influenced by the increase in consumption, registered since the middle of 1968, although its current expansion should diminish. On the other hand, the newly introduced extensive restrictive measures in Great Britain will probably have an effect to the extent that the volume of private consumption in terms of real values will hardly reach the previous year's level.

prises practically only the eight part of world production. Moreover, the United States' imports, the deliveries within the Commonwealth, and Cuba's exports to the Soviet Union and the other East-bloc countries are wound up on the basis of preference agreements. The United States' joining the new sugar agreement is not expected for the next future, as the USA deprecates the unilateral preference given to Cuba. The same applies to the EEC countries which demanded a higher export rate for their surplus beet-root sugar, and which can now, being outsiders, have a disturbing effect with their sugar exports.

Moreover, the elimination of inflexions of the contractual regulations by members remains problematic. After all, the planned stabilisation prices are considerably above the market price now valid, so that some producers could be inclined to sell sugar below the contractually fixed prices.

The stabilisation of sugar prices on an adequate level, aimed at by UNCTAD for developing countries, could mainly have been promoted by a limitation of sugar production. An agreement on this has however not been reached.

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

Raw Material Markets

Strong Recovery of the Sugar Price

The conclusion of the new international sugar agreement at the UNCTAD Sugar Conference in Geneva, on October 24, 1968, has led to a strong rise in prices on the free world sugar market. Before the beginning of the conference, the price of World Contract No. 8 in New York with 1.33 c/lb for prompt products had fallen to a year's bottom. Meanwhile, it has risen to 2.72 c/lb and thus lies now about 10 per cent above the level registered one year ago.

The extraordinarily high sugar surpluses, which made the free world market price for sugar fall far below the production costs in

producer countries, formed the background of the wearisome negotiations about a new sugar agreement. This price pressure shall now be alleviated by a quota system for sugar exports. A total export rate of approximately 9 mn tons of sugar is planned, of which among others Cuba got 2.15 mn tons, Australia 1.1 mn tons and—mostly for the re-export of Cuba sugar—the Soviet Union 1.1 mn tons. The export rates of the individual countries can be increased or reduced, in case prices should rise above 5.25 c/lb or fall below 3.50 c/lb.

A major disadvantage of the agreement is the fact that it com-

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