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High Prices of Sugar

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NOTES AND MEMORANDA

HIGH PRICES OF SUGAR.

THE price of sugar in bond is now over double of what it was four years ago (say 14s. per cwt. against 6s. 6d. in 1901). As the Brussels Convention was put into force in the interval, many people, reasoning on the *post hoc ergo propter hoc* principle, stoutly maintain that this diplomatic instrument has deliberately sacrificed the interests of the sugar consumer to doctrinal whims and theories. This is a mistake.

The object of the Brussels Conference was to elaborate a system of international legislation under which sugar should be sold at what Adam Smith might have called its natural price, namely, at the price determined by its cost of production subject to the fluctuations of supply and demand. Now this object has been attained, for the present high price of sugar is its natural price under the present combined circumstances of, on one side, cost of production and, on the other, supply and demand.

The former state of things had been based on a lavish distribution of bounties on the Continent, generating over-production and an artificial depression of prices; in the long run, it must fatally have ended in a tremendous crash, sweeping away all small and most middling factories and leaving powerful and probably not over-scrupulous cartels and trusts masters of the field. One easily imagines to what height prices would have been pushed under their undisturbed control.

To return to the present aspect of the sugar question, nobody can deny this year's unexpected deficiency of more than one-fifth on the average beetroot crops in Europe entailing a reduction in the French, German, and Austrian production of more than 800,000 tons of sugar. Now sugar is a commodity which, if not yet quite an article of primary necessity, is still urgently in request for mass-consumption according to the modern standard of life. This startling deficiency is by far the pre-

dominant factor of the present dearness, as will be seen at once if we consult the quotations of the leading sugar markets. In Paris, we notice for a period of two years (from June 1902 to June 1904) a rise of about 6 francs per 100 kilogrammes, and then during last autumn a prodigious leap upwards of 15 francs. Exactly parallel and synchronous tendencies have prevailed in England, where we find beetroot sugar quoted 6*s.* 6*d.* towards the end of 1901, then rising to about 8*s.* during the course of 1902, remaining with secondary fluctuations about that level until the beginning of last winter, and then in a few months abruptly jumping from 8*s.* 4*d.* to 14*s.* per cwt. To the unprejudiced observer, it is obvious that out of this considerable difference of 7*s.* 6*d.* between the extreme figures, only 2*s.* can possibly be put to the account of the influence exercised by the Brussels Convention. The second and far more important movement is conspicuously a consequence of the excessive sunshine and exceptional absence of rain of last summer; it received its impulse from an exceptional meteorological phenomenon and not at all from a diplomatic blunder.

It is quite true that the effects of this deficiency of supply have perhaps been intensified by the previous reduction of stocks, caused by the growing consumption of sugar following the reduction of duties on the Continent to be mentioned later on. For many years it had everywhere been on the ascent, but in 1903-4, as shown by the following table, Germany, France, Austria, and Belgium have suddenly absorbed quantities from 30 to 50 per cent. larger than during the preceding annual period.

Germany.....	1,120,000 tons against	742,000 in 1902-3.
Austria	508,000 " "	381,000 " "
France	600,000 " "	371,000 " "
Belgium	85,000 " "	55,000 " "

As a consolation to persons who feel nervous about the recent tremendous rise of prices, we may add that under its influence the increase of consumption has not only experienced an interruption since the end of August, but that it has even already declined, at least on the Continent, for by a curious contrast in England consumption has been progressing.

	Sept. 1—Dec. 31, 1904.	Sept. 1—Dec. 31, 1903.	Increase or decrease.
France.....Tons	220,000	317,000	- 97,000
Germany....."	361,000	438,000	- 77,000
Austria-Hungary	148,000	183,000	- 35,000
Belgium	28,000	37,000	- 9,000
England	539,000	406,000	+ 133,000

At the time of the introduction of the new system, most Continental governments have liberally reduced the existing duties on

consumption; in Germany from 20 marks to 14, in France from 60 francs to 25, and in Belgium from 45 to 20 per 100 kilogrammes. Besides, a clause of the Brussels Convention had determined that the surtax on sugars imported from one of the contracting countries might no longer exceed the maximum rate of 6 francs per 100 kilogrammes (2*s.* 6*d.* per cwt.); this clause deprived the German and Austrian cartels of the Protectionist stronghold, under the cover of which they had extorted artificially inflated prices from the pockets of their defenceless countrymen. These measures have no doubt stimulated consumption, but sooner or later they would have been enacted under the pressure of public opinion, even if the members of the Conference had left Brussels without being able to come to a positive understanding. In France, white refined sugar, the price of which was about 105 francs a few years ago, is now at 77, notwithstanding the scarcity. On the whole, no complaints are heard on the Continent; the French *fabricants* have made up their minds to submit to the abolition of their long-cherished bounties, and the consumer, who gets his sugar cheaper, feels elated when he reflects that he is no longer directly or indirectly taxed in order to provide England with sugar under the cost of production.

It is conceivable that the impression should not be quite the same on the western side of the Channel, and that in many quarters people should wonder why the British Government engaged to repel bounty-fed sugar by countervailing duties or prohibition; many are loud in their discontent at what they consider as a display of uncalled-for doctrinal quixotism. It is not remarked, however, that, as we have just shown, the only elevation of price which can fairly be imputed to the Convention does not exceed 1*s.* 6*d.* or 2*s.* per cwt.; in fact, and notwithstanding the increase of consumption, prices have not—until this winter—exceeded what seemed to be their natural level during the decade 1890–1900. No one can exactly tell what, after a period of glut, would have occurred when the import into Europe of Colonial sugar would have been rendered utterly impossible, and when even the competition by small and middling beet-factories would have given way to the undisturbed sway of a combination of their more powerful rivals; still it seems highly probable that something like the present prices would have been exacted, not for a brief space of seven or eight months, but for a period of several years. If, according to the dictum of a French statesman belonging to the last century, *gouverner, c'est prévoir*, the British Government acted wisely when it resolved to assist in averting

this danger. But we must confess that this perfectly legitimate object might have been reached without enacting actual prohibition of bounty-fed sugar. On this point we entirely endorse the opinions expressed by Mr. Martineau at the end of the luminous article he published in the *JOURNAL* of March, 1904.

Respecting the confectioners, it may be said that their grievances are founded on the suppression of an anomalous state of things : experience shows that it is sometimes deceptive to embark in a branch of industry based on *national* protection ; to the extent it had expanded, their branch of industry was based on the existence of *foreign* protection. However respectable their interests, those of British refiners, and especially of British Colonies, were also entitled to be considered, the more so that what the latter required was simply the return to a sound and normal organisation of production.

E. CASTELOT

THE GERMAN COMMERCIAL TREATIES

AFTER many months of difficult and anxious negotiation, interrupted again and again in the case of two States in particular by periods of acute suspense, the German Government were able at the beginning of the year to announce the conclusion of new Commercial Treaties, on the basis of the Tariff of 1902, with Russia, Austria-Hungary, Roumania, Servia, Italy, Switzerland, and Belgium, and these treaties have duly been ratified by the Reichstag. Count von Bülow has not hesitated to assert that the treaties are intended in a special manner to protect the interests of agriculture, and in introducing them to the Reichstag on February 1st he challenged their acceptance in that sense. To make this still more clear he attended a banquet of the Agricultural Council on February 8th in order to celebrate with it the imminent introduction of the higher corn duties. "Now is the time of harvest," he said. "I have never expected that the harvest from the commercial treaties would quite satisfy the farmers. I will even confess that I should have been glad if much of the harvest had been better, both in quantity and quality. Yet I think I may say with a good conscience : 'If we have not been able to achieve everything, we have at any rate achieved the essential thing : we have worked agriculture out of the rough.' " With isolated exceptions Germany has succeeded in imposing upon all her neighbours the whole of the minimum