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Economic Research Service

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## INTRODUCTION

The sweetener market has been radically transformed by the introduction of a continuous enzymatic process for mass-production of high fructose corn sirup (HFCS) a decade ago. From a clearly commanding position in the sweetener market, sugar has moved to a shared importance with HFCS.

Now, just short of the full maturation of HFCS within the sweeteners complex, a new presence is providing dramatic possibilities. Aspartame (APM), a low-caloric sweetener nearly 200-times as sweet as sucrose, was approved for dry products use in 1981. Its biggest potential, however, opened up just 4 months ago when the Food and Drug Administration approved APM use in carbonated soft drinks. Since then, all major soft drink companies have adopted APM in varying degrees, and all will have at least one reformulated diet drink using APM by year-end.

We are moving toward a new era of multiple sweetener use. More sweeteners will be used in combination for particular products to meet smaller, more specific markets. Note, for instance the market segmentation in soft drinks this past year--from full-caloric to no-cal, lo-cal, caffeine-free, and salt-free products!

Sugar, however, continues to be important. Sugar has a range of virtues for industrial use, apart from simple sweetening power. This year, sugar's share of caloric (let us also mean nutritive) sweeteners in the U.S. market is estimated at 58 percent; its share of all sweeteners, including no-cal and lo-cal, 53 percent.

If you have received the most recent issue of the Sugar and Sweetener report, you have seen the new dressed-up cover with a photo of a teaspoon of sugar being poured into a cup of coffee. Toward the end of this talk, I will outline market prospects for coffee, tea, and cocoa. U.S. imports of these three products this year could exceed \$3.7 billion.

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60 YEARS OF SERVICE TO AMERICAN AGRICULTURE

## THE SWEETENER SITUATION

### SUGAR

Prices: The domestic price of raw sugar (c.i.f., duty/fee-paid, New York) ranged between 20.1 and 22.8 cents a pound last fiscal year--3 percent below to 10 percent above the Market Stabilization Price (MSP). Prices for fiscal 1983 averaged 21.8 cents or 5 percent above the MSP of 20.73 cents a pound. In retrospect, the sugar import quota--the most important lever in determining U.S. market prices for raw sugar--worked rather well. This did not derive from the pure economic science for which Berkeley professor Gerard Debreau just won the Nobel Prize. Rather, the result came from a real world mix of economics and practical judgment with respect to supply and demand factors which continued to operate in the U.S. market, however insulated that market was from the turbulent world outside. In particular, to set the quota, estimates had to be made of likely sugar use, shifts in use among alternative sweeteners (especially in soft drinks), potential production (with assorted uncertainties from weather and grower-processor contractual problems), and existing stocks. Inevitably, good fortune played a role, as it does with even the best laid plans.

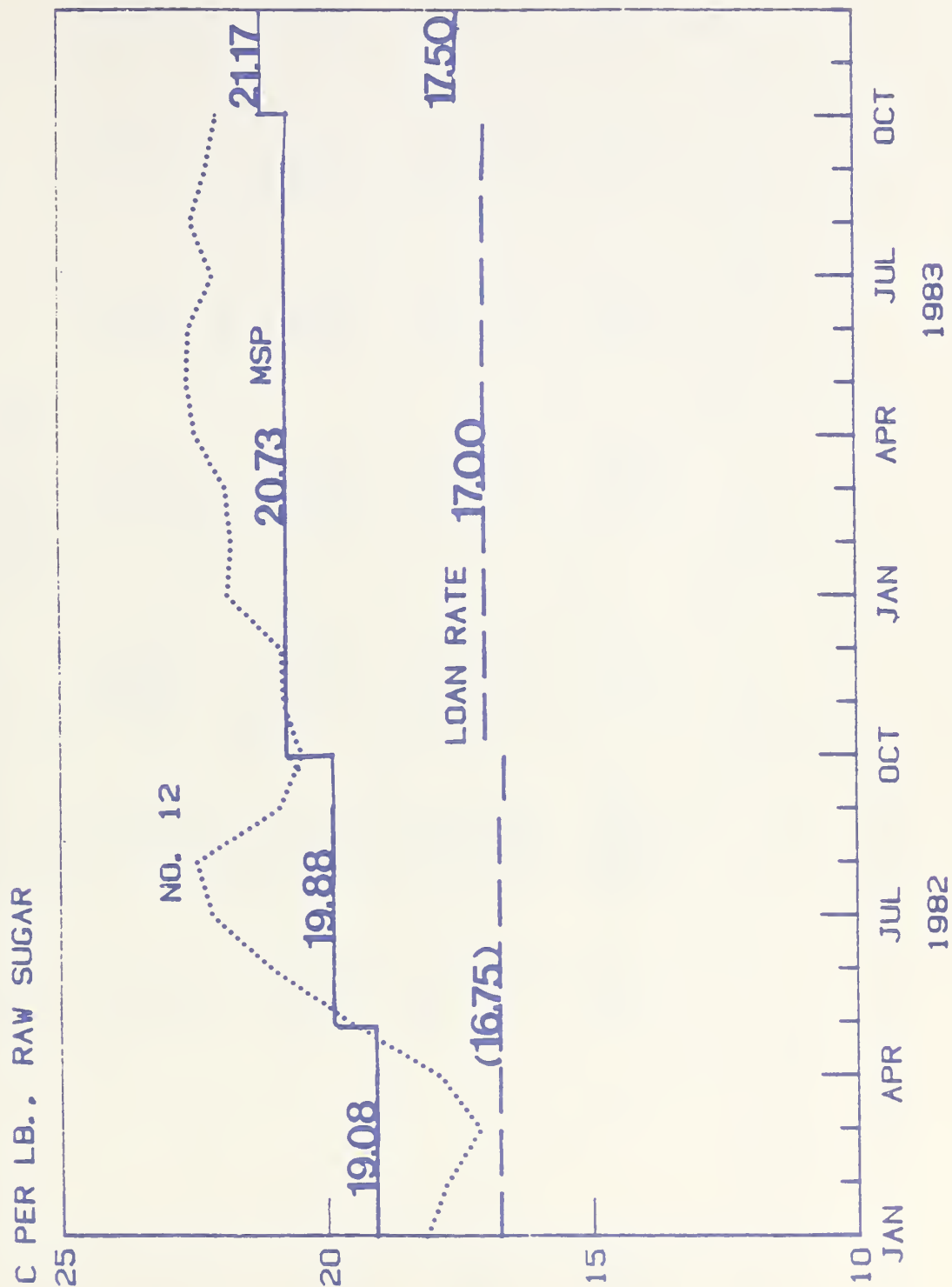
Effective October 1, an MSP of 21.17 cents a pound has been established for the 1983/84 crop. Spot prices are currently about 22 cents a pound compared with 20.4 cents in October last year. For the July-September quarter, domestic raw sugar prices averaged 22.3 cents, just a half-cent increase from third-quarter 1982. For the same period, the differential between the world price (f.o.b. Caribbean) and the U.S. raw price has dropped from 15 cents to 12.1 cents a pound as the world price rose from 6.8 cents to 10.2 cents a pound.

Paralleling the stability in the U.S. raw price, wholesale list prices for refined sugar in the Northeast market averaged 32.5 cents a pound in the third-quarter, just slightly up from last year (see table). Most other markets showed about a 1-cent rise.

Retail prices have also been stable in fiscal 1983. The U.S. average (all-sizes of packages) was 36.5 cents a pound in the third quarter, up only 2.2 cents from third-quarter 1982. In the Northeast, the price spread between retail and wholesale has remained about 8 cents a pound.

Retail prices of sweetener-containing products rose 1.8 percent between January and September compared with 1.6 percent for the comparable period in 1982. The largest rise in price this year was for cereal products, up 5.6 percent. For seven cereal and bakery products, prices rose 2.6 percent. Prices were virtually unchanged for ice cream products, but hard competition stimulated some price reduction in beverages at both wholesale and retail levels.

# U. S. SUGAR LOAN RATE, MSP, AND MARKET PRICE FOR RAW SUGAR



# U. S. SUGAR PRICES

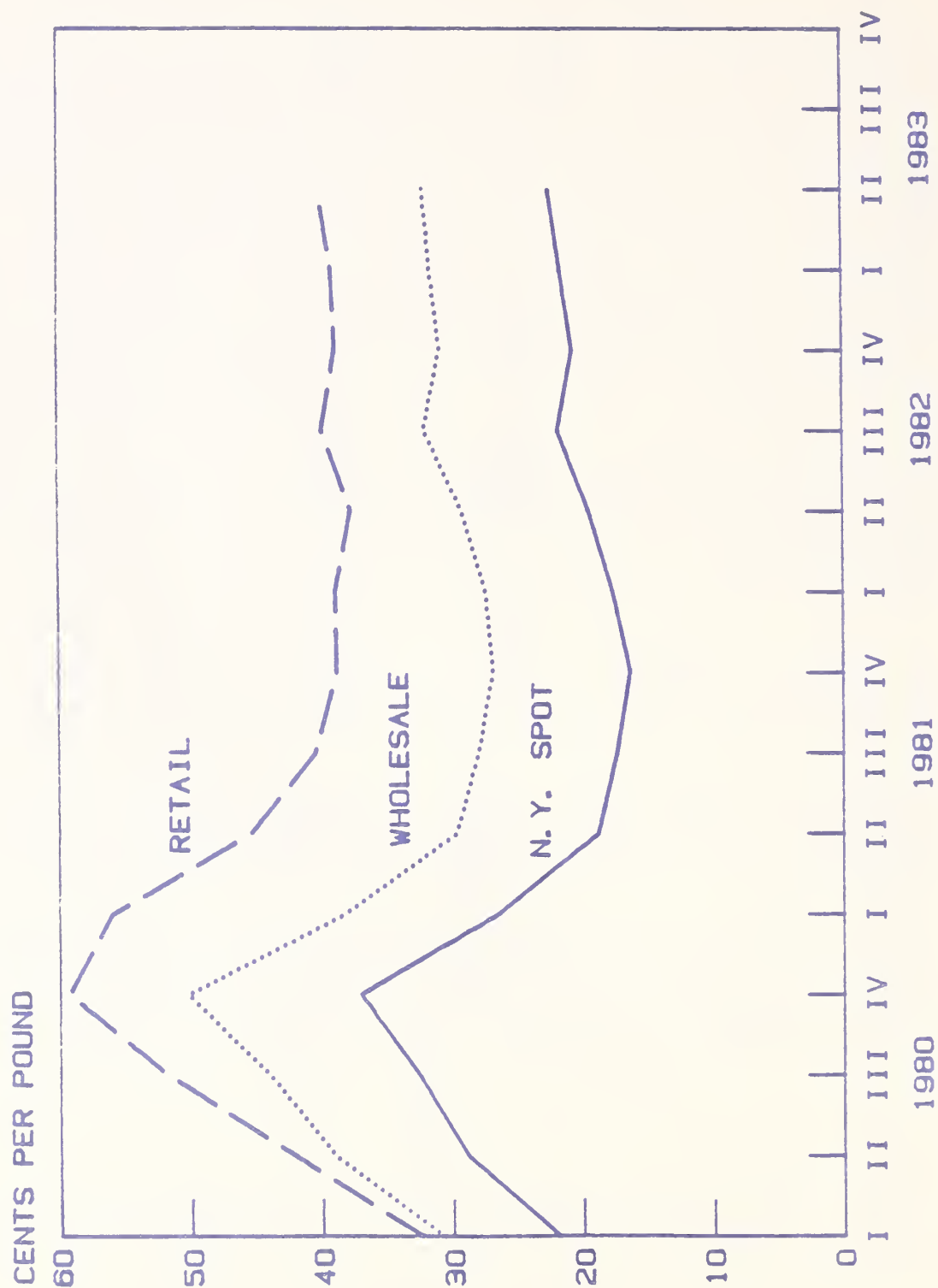




Table 1.--Price spreads for sugar

Calendar year and quarter	World		Difference :		New York		Difference :		Northeast		Difference :		Northeast	
	No. 11	No. 12	: between	: No. 11 and	spot	No. 12	: between	: No. 12 and	wholesale	wholesale	: between	: wholesale	retail	
<u>Cents per pound</u>														
1980														
I	20.13	1.71			21.84			8.86		30.7		1.7	32.4	
II	28.18	.71			28.89			10.11		39.0		3.2	42.2	
III	31.74	.90			32.64			11.36		44.0		7.8	51.8	
IV	36.01	1.08			37.09			13.21		50.3		9.0	59.3	
1981														
I	24.69	1.81			26.50			11.80		38.3		17.7	56.0	
II	16.44	2.32			18.76			10.94		29.7		15.7	45.4	
III	14.25	3.08			17.33			10.67		28.0		12.4	40.4	
IV	12.35	3.99			16.34			10.46		26.8		12.0	38.8	
1982														
I	12.43	5.26			17.69			9.71		27.4		11.5	38.9	
II	8.17	11.33			19.50			9.70		29.2		8.5	37.7	
III	6.84	14.99			21.83			10.27		32.1		7.8	39.9	
IV	6.23	14.46			20.69			10.21		30.9		8.0	38.9	
1982														
I	6.19	15.43			21.62			9.98		31.6		7.5	39.1	
II	8.93	13.59			22.52			9.58		32.1		8.0	40.1	
III	10.17	12.11			22.28			10.22		32.5		7.7	40.2	
IV														

Table 2.--Percentage change (January to September) in the price of sugar and sugar-containing products, 1979-83

Year	Average price of 7 cereal and bakery items	Average price of 7 other items	Average price of the 14 items	Average retail sugar price
			Percent	
1979	7.8	5.6	6.7	2.4
80	7.3	8.8	8.0	63.8
81	4.6	4.4	4.5	-26.8
82	1.9	1.3	1.6	7.6
83	2.6	1.0	1.8	2.0

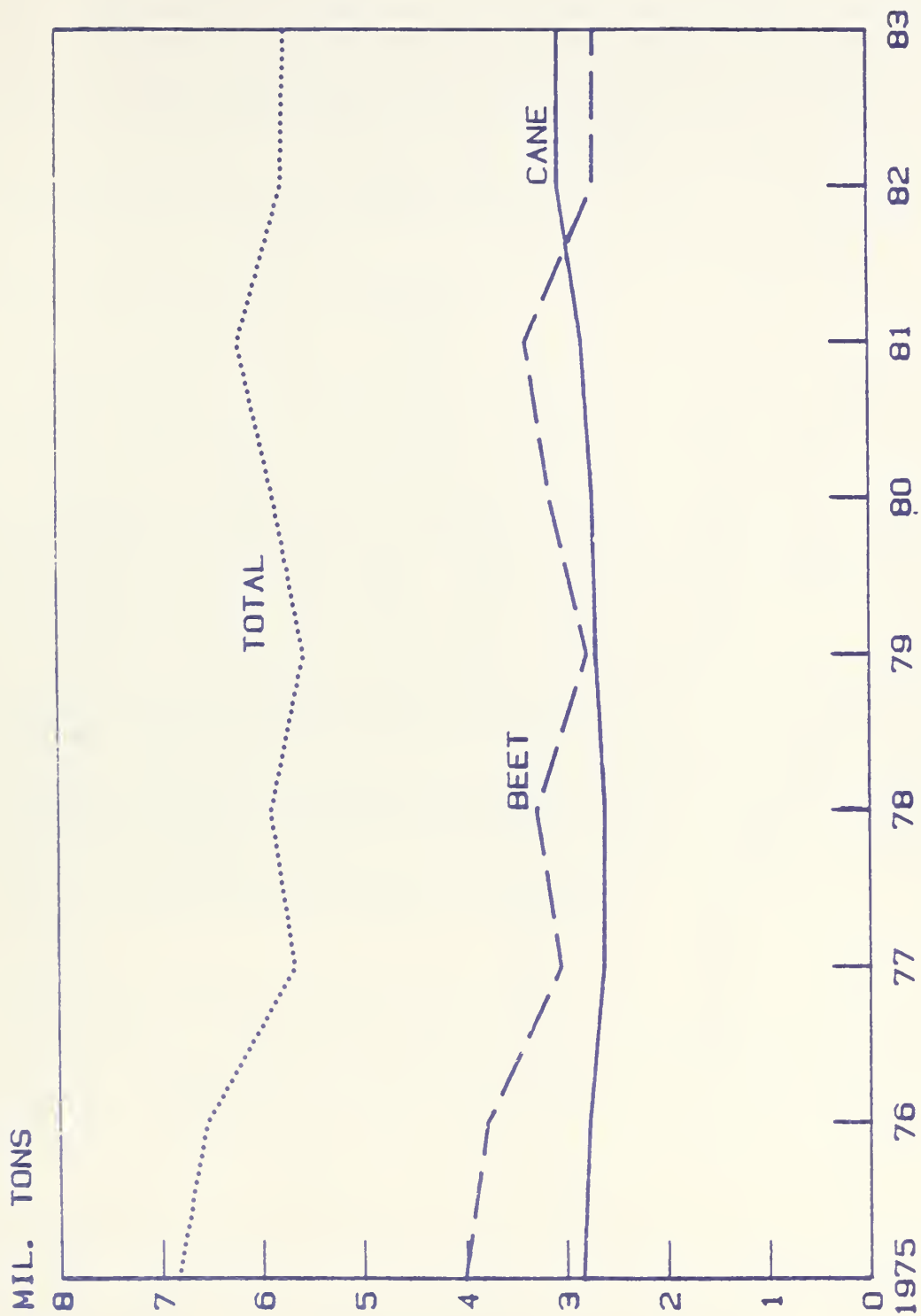
Production: U.S. sugarbeet harvested area in 1983/84 , estimated at 1.05 million acres is up less than 2 percent from the much-reduced crop last season. Acreage increased in the Idaho-Oregon and Michigan-Ohio areas, and in California, Minnesota, and the Great Plains states of Nebraska and Texas. Among the seven states with lower acreage, five are in the Great Plains (Colorado, Kansas, Montana, New Mexico, Wyoming), and two (Arizona and New Mexico) will have no sugarbeet acreage at all. North Dakota has slightly lower acreage, but the Red River Valley area is up overall because of higher acreage in Minnesota. The prospective U.S. sugarbeet yield of 20.2 tons an acre is down slightly from last year's 20.6 and considerably below the previous year's 22.4 tons. Factors lowering yield were late planting in several areas because of a late spring, less than ideal summer growing conditions in several States, and delayed planting because of contract negotiations problems in Colorado and Kansas. The production estimate of 21.2 million tons of sugarbeets is close to last year's outturn. However, recoverable sucrose is reported down in California because of the wet weather which delayed harvesting, and in some of the Great Plains States because of early frosts. Thus, U.S. beet sugar production may not reach 1982/83's 2.72 million tons, raw value.

The domestic sugarcane area (including seed cane) for harvest is expected to total 778 thousand acres in 1983/84, 2.5 percent more than in the previous campaign. Acreage was up in Florida, Louisiana, and Hawaii, but decreased slightly in Texas. The prospective U.S. average cane yield of 38.9 tons per acre is down marginally from last year. Yields are up in all States, except Florida where yields are forecast to fall 5 percent. U.S. cane sugar output is estimated at 3.05 million tons, raw value, almost even with 1982/83's 3.06 million. Production is expected up in Hawaii and Texas, remain the same in Louisiana, and ease slightly in Florida.

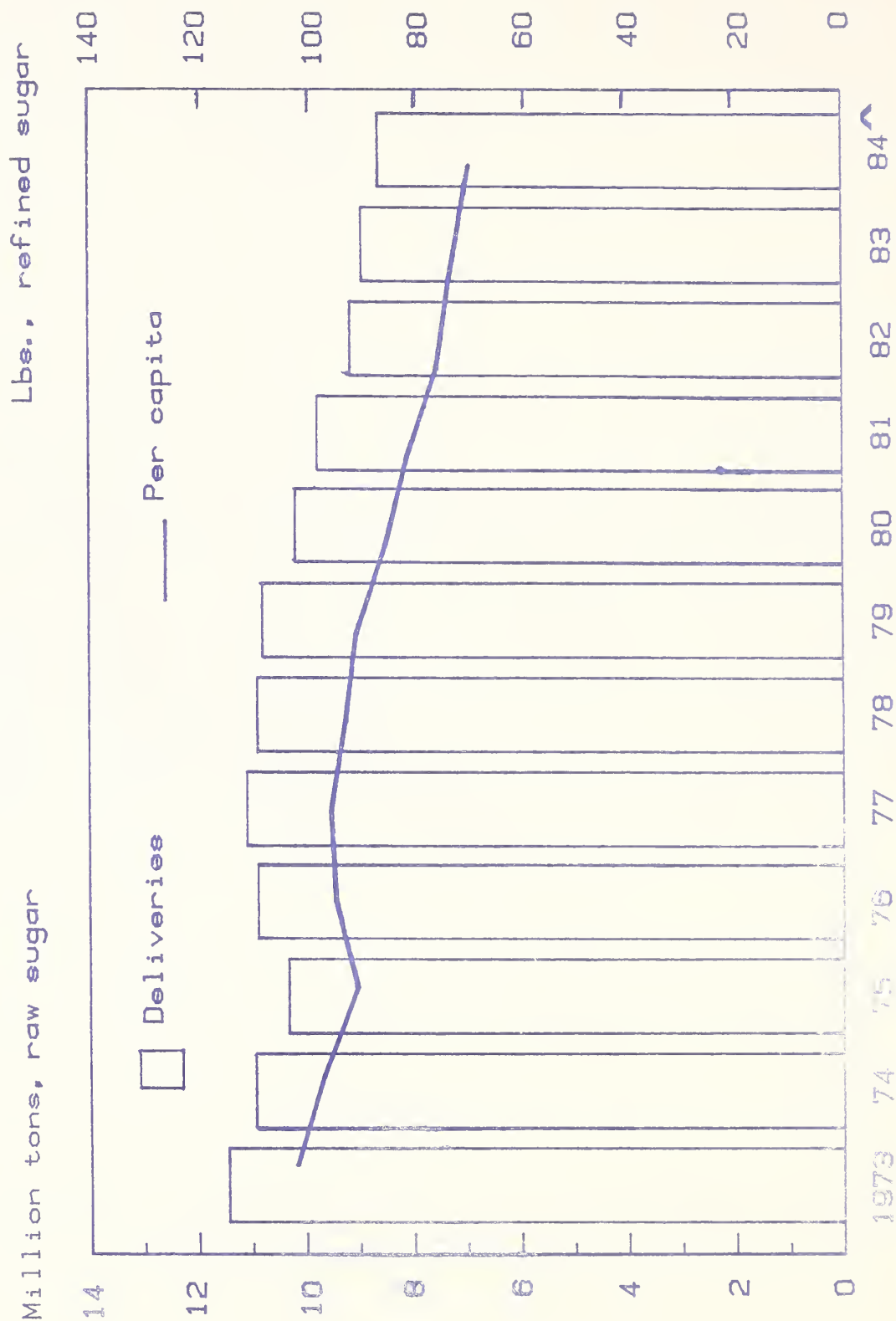
The estimated production of 1983/84 beet and cane sugar totaled 5.75 million tons, almost equal the previous season's output. On a calendar-year basis, 1983 U.S. sugar production is estimated at 5.8 million tons, about 130,000 tons below 1982.



# U. S. SUGAR PRODUCTION



# U. S. Sugar Deliveries and Per Capita Consumption



^ Estimate.

Utilization: Sugar deliveries data through September 1983 will be available in the November 15 Sugar Market Statistics. Deliveries by type of buyer (beverages, confectionery, bakery, and other users) will also be available then. Indications are that July-September sugar sales were strong, about equal to last year, and that fiscal 1983 deliveries could total 8.9 million tons, raw value, compared with 9.2 million in fiscal 1982. Consumption in fiscal 1983 is estimated at 9 million tons, based on deliveries plus 91,000 tons raw sugar equivalent of sugar blends and mixtures. The blends, with a sucrose content of less than 94 percent (the rest mainly high fructose corn sirup) had been able to circumvent the sugar quota because they fell outside the tariff classification for sugar. In late June the President imposed a zero quota on such near-sugars, pending investigation by the U.S. International Trade Commission. The ITC held hearings October 25.

U.S. per capita consumption of refined sugar in 1983 is estimated at 71.4 pounds, 2.4 pounds below 1982 and 12.3 pounds down from 1980.

Trade: Sugar imports in fiscal 1983 totaled 3.154 million tons, raw value, about 370,000 tons below fiscal 1982 (excluding receipts from Puerto Rico). That total consists of 2.889 million entered under quota, 174,000 tons quota-exempt raw sugar for re-export in refined form (permitted since June 28) and 91,000 tons sugar blends sugar-equivalent. The 2.889 million differs from the quota of 2.8 million designated in October, 1982 because of the net 90,600 tons allowed for minimum shipments from small countries, 2,000 tons specialty sugars (permitted since June 23), and about 4,000 tons unfilled quota. Final determination with respect to polarization and bookkeeping could change the final import figures.

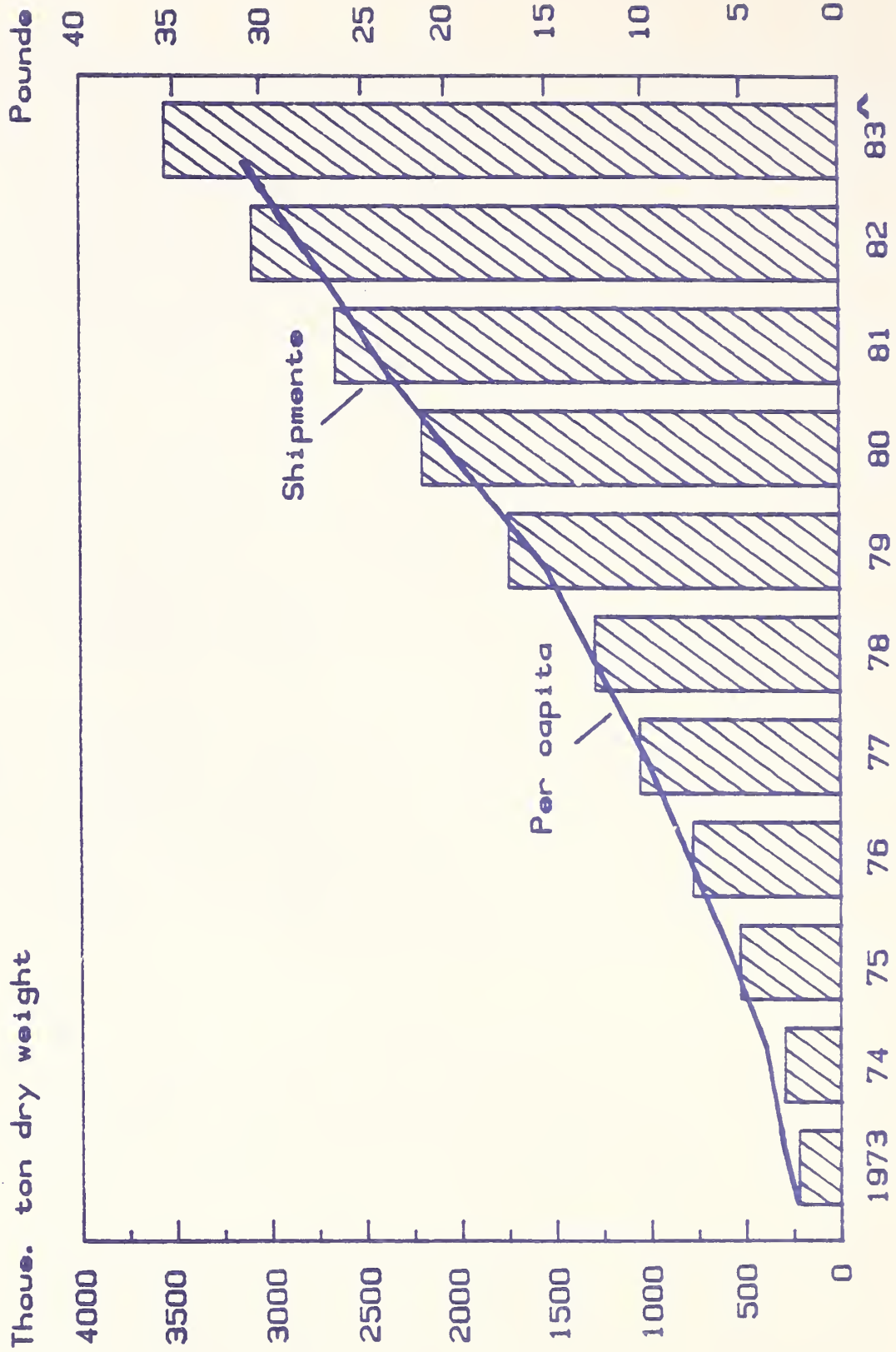
For the 174,000 tons of quota-exempt sugar, about 104,000 tons were re-exported in refined form by September 30 as refiners made use of the "drawback" privilege (U.S. government rebate on duties and fees paid on previously imported raw sugar). The dollar amount of drawback per ton re-exported was based on U.S. raw sugar tonnage imports in fiscal 1982 when combined duties and fees were high, reaching almost 6.9 cents a pound in some months. Total exports, including shipments of about 35,000 tons to Puerto Rico, are 140,000 tons, about half that in fiscal 1982. Except for Puerto Rico, re-exports were not profitable under the quota program until an exemption was provided in late June.

#### CORN SWEETENERS

At this time last year, the corn wet milling industry was starting to feel the effects of overcapacity. As operating rates fell, prices dropped to 11.7 cents for HFCS-42 and 16.3 cents for HFCS-55 in the Chicago-West market. Today, the picture is much different. HFCS-42 list prices averaged 20.9 cents a pound, dry basis, in September and HFCS-55 averaged 24.5 cents a pound--up 32 percent and over 32 percent respectively, from September 1982.

The turnaround was not unexpected, as the potential for further HFCS use in soft drinks seemed persuasive even before HFCS prices declined in the winter of 1982. The Coca Cola company's announcement in early March to allow 75 percent HFCS-55 in Coke fountain sirup re-generated the corn wet milling industry. The biggest impact, however, came in April when PepsiCo approved 50 percent HFCS in bottled and canned Pepsi. In September, PepsiCo added a little more demand for HFCS when the company approved 80 percent HFCS for Pepsi fountain cola. All these approvals boosted potential demand for HFCS by a total of over 400,000 tons, not all of which will be fully realized in 1983.

# High Fructose Corn Sirup: U.S. Shipments and Per Capita Consumption



^ Preliminary.

Counting all food and beverage uses, HFCS consumption in 1983 could total 3.55 million tons, dry basis, up from 3.1 million in 1982. Glucose corn sirup use is estimated at marginally above last year's 2.11 million tons while dextrose use is tracking at about last year's level of 0.41 million tons. List prices for glucose in various markets in September ranged between 15 and 16 cents a pound, dry basis, up 2-1/2 to 3 cents from a year earlier. Dextrose prices, at 26 to 28 cents a pound, are up less than 1-cent from September last year.

Table 3.--High fructose corn sirup prices relative to sugar,  
Chicago-West market, 1978-83

Calendar year and quarter	High fructose corn sirup		Beet sugar	Price discount to sugar	
	HFCS-42	HFCS-55		HFCS-42	HFCS-55
	Dollars per 100 lbs.			Percent	
1978	12.1	NA	18.7	35.3	NA
79	13.2	NA	19.7	33.0	NA
80	23.6	NA	38.3	38.4	NA
81	21.5	23.6	28.3	24.0	16.6
1982					
I	14.1	20.0	27.5	48.7	27.3
II	14.5	19.5	26.8	45.9	27.2
III	15.8	18.5	28.2	44.0	34.4
IV	12.8	17.2	28.0	54.3	38.6
1983					
I	11.7	16.3	28.0	58.2	41.8
II	17.6	19.9	28.9	39.1	31.1
III	20.9	24.2	29.5	29.2	18.0

#### OTHER SWEETENERS

Honey production in 1983 could total 200 million pounds, down from 230 million in 1982. Earlier prospects for a crop equal to last year faded with the severe drought in the Midwest this year. Imports for the year are expected to be a record 100 million pounds, up from last year's 92 million. Exports are lagging last year's pace and without a significant pickup in the last quarter will fall slightly short of 1982's 8.5 million. Domestic disappearance of honey is estimated at 240 million pounds, down from 251 million in 1982.



The support price for 1983-crop white honey (April 1983-March 1984) is 62.2 cents a pound, while the current U.S. market price is around 51 cents. About 45 million pounds of the 1983 crop have been placed under loan. About 75 million pounds of the 1982 honey crop were forfeited to the Commodity Credit Corporation (CCC). Total forfeitures for 1983 may match or slightly exceed 1982's level. Lower-priced imports have undercut domestic honey and encouraged forfeiture of honey to the CCC. U.S. honey imports are expected to continue high in 1984, possibly setting another record.

U.S. pure maple sirup output is estimated at 1.15 million gallons in 1983, down 11 percent from 1982. An early warm spell in Massachusetts and Southern New York in February 1983, severely reduced production. Vermont continues as the leading state, producing 495 thousand gallons in 1983 compared with 500 thousand the previous year. New York produced only 235 thousand gallons, down sharply from 320 thousand in 1982. Pure maple sirup has been selling this year for around \$21 a gallon in Maine and New Hampshire, and \$17 (sold mostly in bulk) in Vermont. Prices are about the same as in 1982, despite lower production, because stocks carried over into 1983 were large, and also imports (through August) were up substantially. Virtually all imports (about half of U.S. consumption) comes from Canada.

## THE SWEETENER OUTLOOK

### SUGAR

The outlines of U.S. sugar policy through the 1985/86 crop are spelled out by the 1981 Farm Act. For the sugar industry, a major consideration through 1985/86 is the operation of the sugar programs to support the loan rates established by the Farm Act. We have seen in 1982 and 1983, adjustments in program fees, quotas, and dutiable imports. A major leakage in the quota system--sugar blends--has been fixed. Allowances have also been made for certain sugars to be quota-exempt. In the coming months, other operational aspects will be considered, including: the continued use of 98-degree polarization as a standard for making preliminary charges to quota; requirement for earlier advance notice of import quota shortfalls; and how much overquota sugar, if any, the "last ship of the year" should be permitted to enter (to be charged against the next year's quota) without having the sugar go into bond.

There is much interest, too, in the Section 22 (Agricultural Adjustment Act of 1933, as amended) "final fee proclamation." This refers to the President's emergency proclamation of December 1981 implementing the Farm Act, and the investigation and hearings held by the U.S. International Trade Commission. The emergency action set a 1-cent import fee differential between raw and refined sugar. However, an increasing quantity of refined sugar is reportedly being imported and, thus, is undercutting U.S. refined sales.

Regulations are also pending with respect to quota exemptions for sugar to be used for production of polyhydric alcohols for non-food use, and for sugar to be re-exported in sugar-containing products.



The Secretary of Agriculture has the authority to revise the sugar quota as circumstances warrant. However, a quarterly review process has been formalized to evaluate supply/demand factors that affect the relation of market prices to the MSP and therefore require import quota review. The final fee proclamation is also expected to contain a provision for periodic review of the MSP, to evaluate such MSP-related matters as adjustment in interest rates and shipping charges.

Turning to the supply/use balance for 1983/84 (see table), note that beginning stocks were drawn down from the previous season, as anticipated, but that the quota is such as to keep 1983/84 ending stocks at about the level of beginning stocks. Quota-exempt imports will about double, but could be higher depending on the world market price for refined sugar.

Domestic use of sugar is estimated to fall 200,000 to 400,000 tons. The higher estimate assumes either PepsiCo or the Coca Cola company approves 75 percent HFCS in canned and bottled Coke.

Table 4.--U.S. sugar supply and use, fiscal years 1982/83 and 1983/84

Item	FY-1982/83	FY-1983/84
	1,000 short tons, raw value	
Beginning stocks	1,649	1,353
Production	5,780	5,750
Receipts from Puerto Rico	35	35
Imports, total	3,154	3,425
(Sugar blends)	(91)	(--)
(Quota exempt)	(174)	(350)
(Quota)	(2,889)	(3,075)
Total supply	11,320	10,020
Exports	140	454
Domestic use	9,025	8,600-8,880
Refiner loss and statistical adjustment	100	100
Total use	9,265	9,154-9,354
Ending stocks	1,353	1,209-1,409

Looking to the 1984/85 crop, U.S. growers and processors can anticipate relative price stability to continue, with a loan rate of 17.75 cents a pound for raw cane sugar (about 21.3 cents for refined beet sugar) and an MSP price of 21-22 cents a pound. Also important are cost expectations for sugar crops, net returns from alternative crops, and grower-processor relations. The first official USDA indication of 1984 sugarcane acreage will be in the mid-January Crop Production-Annual report which has estimates of sugarcane harvested for seed in 1983/84. The first official estimate for sugarbeet plantings will be reported in the mid-February Prospective Plantings report.

With support levels not likely to keep up with inflation and production cost increases, and with recent changes in some contracts that in effect shift dollar returns toward beet processors relative to growers, sugarbeet acreage seems more likely to decline than to increase. There is also some question regarding how many of the six factories, which a Great Plains beet processing company has offered to sell to its growers, will operate in 1984/85. However, rainfall has been adequate to abundant in most sugarbeet areas and with relatively wet fields normal spring weather would provide the potential for higher yields and sucrose recovery. Overall, domestic beet sugar production in 1984/85 seems likely to drop about 100,000 tons to around 2.6 million tons, raw value.

Domestic sugarcane acreage in 1984/85 could decline slightly, and with cane yields not likely to increase much over 1983/84's high 39 tons of cane an acre, 1984/85's domestic cane sugar output could be marginally lower in 1984/85. Beet and cane sugar production together would total 5.6 million tons, down about 3 percent from 1983/84.

#### ALTERNATIVE SWEETENERS

Mr. Alan Greditor of Drexel, Burnham, Lambert will be presenting us an outlook for corn sweeteners and the corn wet milling industry. Our own estimate is that, in 2 or 3 years, HFCS could reach per capita saturation at about 36 pounds compared with 66-67 pounds for sugar. In 1985 or 1986, HFCS use could be 4.3 million tons, dry basis, or about 29 percent of caloric sweetener consumption compared with 53 percent for sugar. HFCS would complete its incursion into the sugar market and, beyond that, growth of both HFCS and sugar would be at a slow rate tied largely to population growth. That scenario is largely still on the mark, but only through 1985/86. The July 1983 FDA approval of APM has changed the scenario for all sweeteners in the post-1985/86 period.

Through 1985/86, the major impact of APM will be on saccharin, in soft drinks use. The market for lo-cal soft drinks, expanding rapidly, is estimated at 15-20 percent of all soft drinks consumption in 1983. In 1984, boosted by APM, lo-cal is expected to account for 20-25 percent of all soft drinks. APM will be used in soft drinks mostly in combination with saccharin, at a ratio of 20-30 percent APM. Saccharin will lose to APM for several years until the market for lo-cal soft drinks expands to the point where the joint demand for saccharin and APM overrides the initial loss of saccharin.

In 1984, APM consumption in all uses could reach 1,700 short tons or 2.9 pounds per capita in sugar-sweetness-equivalent. By 1985, APM use could rise to 5 pounds per capita.

Beyond 1985, APM appears likely to have an important impact on sugar and HFCS. However, APM's growth is not going to be on a 1-for-1 displacement of caloric sweeteners. Instead, APM's advance will be accommodated partly by growth in the use of overall sweeteners (caloric and low-caloric) as well as by losses on the part of sugar and HFCS.

## COFFEE, TEA, AND COCOA

World supplies of coffee and cocoa are expected to continue to be relatively abundant permitting reasonable prices to U.S. buyers for the next several months. Tea supplies are relatively tighter. A very small crop of coffee is produced in Hawaii; no tea or cocoa is commercially grown in the United States. Imports and exports of coffee, tea, and cocoa are reported monthly by the Bureau of the Census. Trade associations and private companies attempt to provide data on coffee roastings and stocks, tea use, and cocoa bean grindings. Data on stocks are not available for cocoa and tea.

### COFFEE

U.S. imports of coffee (including the green equivalent of processed products) for the first eight months of 1983 totaled 1.52 billion pounds, off marginally from a year ago. At this rate, calendar 1983 imports would about equal 1982's 2.35 billion pounds. By year-end, the dollar value of coffee imports exceed last year's \$2.9 billion because price are rising. Still, imports would be down substantially from 1980's \$4.2 billion.

Domestic coffee roastings have been estimated at 1.43 billion pounds for the first eight months of 1983, down 2.8 percent from a year ago. Annual roastings are also expected to decline slightly from 1982's 2.29 million and 1981's 2.32 million pounds.

The composite indicator price for Other Milds and Robusta coffees, 1976 International Coffee Agreement (ICA) basis, to measure green coffee price levels averaged \$1.24 a pound during the first 9 months of 1983, the same as a year earlier. The indicator price averages slightly higher when Colombian Milds and Unwashed Arabicas are included in the composite. The newly ratified Agreement aims at keeping the composite price within \$1.20 to \$1.40 per pound, by adjusting quotas when necessary. The President recently signed into law a bill allowing U.S. participation in the ICA for 3-years beginning October 1, 1983.

U.S. wholesale prices of roasted coffee have been relatively stable since October 1982, averaging \$2.44 a pound. With cooler weather approaching, wholesale prices are expected to rise slightly from \$2.43 cents a pound in August. Retail prices for roasted coffee have also been relatively stable since June 1981. Prices averaged \$2.48 a pound for the first 8 months of 1983, down from \$2.54 for the same period a year ago. Even if retail prices rise slightly this fall, the U.S. average retail price in calendar 1983 will fall short of 1981's \$2.53 and 1982's \$2.52 a pound.

Unless coffee roastings pick up in the last part of 1983, U.S. per capita consumption this calendar year seems likely to slip slightly from 1982's 10.1 pounds (green bean equivalent). However, the long-term downtrend in per capita use, which began about two decades ago when per capita use was about 16 pounds, could be slowing. Changes in lifestyles and technical factors such as obtaining more cups of coffee per pound of processed coffee, or drinking weaker coffee help explain the long-term decline.



## TEA

U.S. tea imports totaled 110 million pounds during the first 8 months of 1983, down 7 percent from a year ago. Imports for the year could fall 5 to 10 million pounds short of calendar 1982's 183 million pounds. Per capita tea consumption is expected to decline a little from 1982's 0.76 pounds. The dollar value of imports this year may total only slightly less than 1982's \$129 million, reflecting higher average prices.

Over the years, domestic tea use has held its own. Prior to 1975, U.S. consumption was growing, reflecting increasing use of tea bags, instant tea, and tea mix. Per capita tea use increased from 0.58 pounds in 1960 to 0.71 in 1970 and 0.80 pounds in 1975. Since 1980 tea consumption has declined from 0.78 pounds to an estimated 0.76 for 1983, reflecting competition from herbal teas, and to some extent soft drinks. The tea industry continues to innovate with products such as liquid tea beverage marketed in six-packs, and flavored teas such as orange, cinnamon, spice, etc. Tea is being consumed in more different forms, flavors, and containers than ever before.

Retail tea prices increased somewhat in 1983. A package of 48 tea-bags cost \$1.70 in September, up from \$1.65 a year earlier. Reflecting a larger world crop, wholesale tea prices in 1983 declined from a high of 98.5 cents a pound in January to 87 cents in July and then increased slightly to 91 cents in August (average London Auction prices converted to U.S. dollars--latest month available). Even so, the wholesale price was slightly higher this year, averaging 91 cents a pound during January-August, up from 86 cents for the first eight months of 1982. The strong U.S. dollar has shielded domestic tea prices from increases in world prices expressed in English currency. With world tea production increasing, but less than consumption, tea prices at wholesale will likely face some slight upward pressure in the near future.

## COCOA AND CHOCOLATE

Total imports of cocoa and chocolate totaled nearly 770 million pounds (bean equivalent) for the first eight months of 1983, up almost 50 percent from a year ago as manufacturers moved to replenish stocks that had been reduced by the drop in 1982 imports. Cocoa bean imports of 418 million pounds were up nearly 40 percent from last year. Imports of semiprocessed cocoa and chocolate products totaled 339 million pounds, a rise of over 55 percent. Imports of consumer products of 12 million pounds, while relatively small, were up considerably from 8 million. Among semiprocessed cocoa products, imports of unsweetened chocolate at 87 million pounds, were up 65 percent; cocoa butter, at 102 million, rose 50 percent; and imports of unsweetened cocoa powder, at 143 million, were also up 50 percent. Imports of semiprocessed and consumer products together continue to grow and in 1983 could account for over 40 percent of U.S. consumption, with the domestic corn grind supplying the remainder.

Based on the trend in domestic consumption so far this year, total use of cocoa and chocolate products will probably increase slightly from 1982's 877 million pounds. Per capita consumption is likely to increase to 4 pounds or more (bean equivalent) from 1982's 3.8 pounds. The cocoa bean grind totaled 310 million pounds for the first 9 months, down only 5 percent from a year ago despite the sharp increase in imports of semiprocessed and consumer products. Two national companies are promoting new products including their own brands of chocolate milk. Advertising, promotion, and relatively stable retail prices of various cocoa and chocolate products seem to have stimulated chocolate consumption this year, though U.S. stocks are apparently increasing as well.

New York cocoa bean prices (the average of the nearest-three active futures trading months on the Coffee, Sugar & Cocoa Exchange) increased from 78 cents a pound in January average to nearly a dollar a pound during June-August. Since then prices have declined somewhat because of prospects for a 7 percent larger world cocoa crop. Cocoa prices which had been declining yearly since 1977, turned around in 1983 as the 1982/83 crop was below consumption levels. Cocoa prices are expected to range between 90 cents and \$1.00 a pound over the next few months and average around 90 cents in 1983. Cocoa bean prices averaged 74 cents a pound in calendar 1982.

U.S. imports of cocoa and products in the first 8 months of 1983 totaled about \$590 million, up from \$460 million the previous year. The value of cocoa beans increased from \$235 million to nearly \$300 million while imports of semiprocessed and consumer products rose from \$225 million to \$290 million. U.S. imports of cocoa and products could total over \$850 million this year, nearly 25 percent over 1982's \$684 million.