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Comments on Cuban Sugar Trade and the  
Soviet Sugar Beet Industry

1. Paragraph 2, (a). During 1960, when trade between Cuba and the Soviet Union first began to assume major proportions, the USSR purchased sugar at prevailing world market prices. Following 1960, however, the USSR agreed to pay a fixed price of 4 cents per pound, and this price was maintained through 1961, 1962, and the first five months of 1963. Through the 1961 and 1962 period, the Soviet price provided a premium of about one cent per pound since world prices during these years averaged about 3 cents per pound.

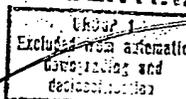
2. Paragraph 2, (b). Shortly after returning to Havana from his May 1963 visit to Moscow, Fidel Castro announced that the USSR had agreed to increase its buying price for Cuban sugar from 4 to 6 cents per pound. The evidence indicates that the new price probably went into effect about the first of June 1963. According to the announcements concerning the May agreement, the new price policy was intended to bring Soviet prices "into line with world prices." However, the agreed price of 6 cents per pound was only about half the world price prevailing at the time and it remained substantially below the world price for the rest of the year.

3. Paragraph 2, (c). Since 6 cents per pound was paid during the last half of 1963 and is also the price agreed to for the 1965-70 period it appears that it is also the price which the Soviets will pay during 1964.

4. Paragraph 3. As indicated above, world sugar prices since last May have remained above the USSR buying price. During the last seven months of 1963, the world price averaged about 9 cents per pound. Prices on the world futures market until recently had indicated that 1964 prices would remain close to this average. A recent break in the market has reduced 1964 futures and as of this writing (7 February) they average a little less than 8 cents per pound. It is too soon to tell whether prices will remain at this new level or not.

5. In general, the price outlook for 1964 has appeared to be quite favorable for exporting countries. It is expected that world consumption of sugar will be larger than production; this situation will lead to a further reduction of stocks and probably will provide continued support for high prices. Beyond 1964, however, this situation is expected to change gradually. Many countries that are important sugar producers are planning substantial increases in their production during the next several years. Starting in 1965, production should begin to

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increase relative to consumption and prices will tend to weaken. If Cuba is able to fulfill its present production plans, it will add substantially to this general trend. Cuba currently plans to produce 10 million tons annually by 1970. This would permit the export of about 3 million tons to the Free World, about three times the volume Cuba probably will export to this area in 1964.\*

6. Paragraph 4. Soviet sugar beet factories generally are in use for only a short period of several months each year. Processing the sugar beets as quickly as possible is advantageous because the longer the beets are stored, the greater the loss of sugar. Obviously, with more plants in operation, the quicker the beets will be processed. Therefore, it is advantageous for the Soviets to have an adequate number of plants to insure timely processing of the beets. This may in part have accounted for the planned increase in plant capacity which by the end of 1963 would be sufficient for processing 500,000 tons of beets daily. The Soviets are also refining the imported raw cane sugar at these plants and all future imports could undoubtedly be handled by these plants since the raw cane sugar is not refined during the same period of the year as raw beet sugar.

7. For some years the Soviets have been increasing their sugar beet acreage not only for the production of sugar, but also for livestock feed. This dual use of sugar beet output provides the Soviets with a hedge against any disruption of planned sugar imports from Cuba, although if diverted for this purpose this might result in some loss in meat production. It has been disclosed that the Soviets intended in 1963 to divert into livestock feed 10 million tons of beets, originally to be used for processing into sugar. The amount actually diverted may not have reached this figure. It is not believed that the Soviets intend to alter their goals for beet sugar production because of anticipated increases in cane sugar imports from Cuba as specified in the Long Term Trade Agreement. If the requirements for the processing of beets into sugar were reduced the plants could be operated at a lower level. In view of current practice of using beets for livestock feed, it is not believed that the Soviets would reduce sugar beet acreage, even if they felt assured that there would be no shortfall in the future planned deliveries of cane sugar from Cuba.

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\* An annual production of 10 million tons would probably be distributed as follows: 5 million tons to the USSR, 1.5 million to other Communist Bloc countries (principally Communist China), 3 million tons to the Free World, and .5 million tons for domestic consumption.

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