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TO AMEND THE SUGAR ACT OF 1937,  
AS AMENDED

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HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

ON

**H. R. 5988**

AN ACT TO AMEND THE SUGAR ACT OF 1937,  
AS AMENDED, AND FOR OTHER PURPOSES

—  
**REVISED**  
—

DECEMBER 9, 1941  
—

Printed for the use of the Committee on Finance



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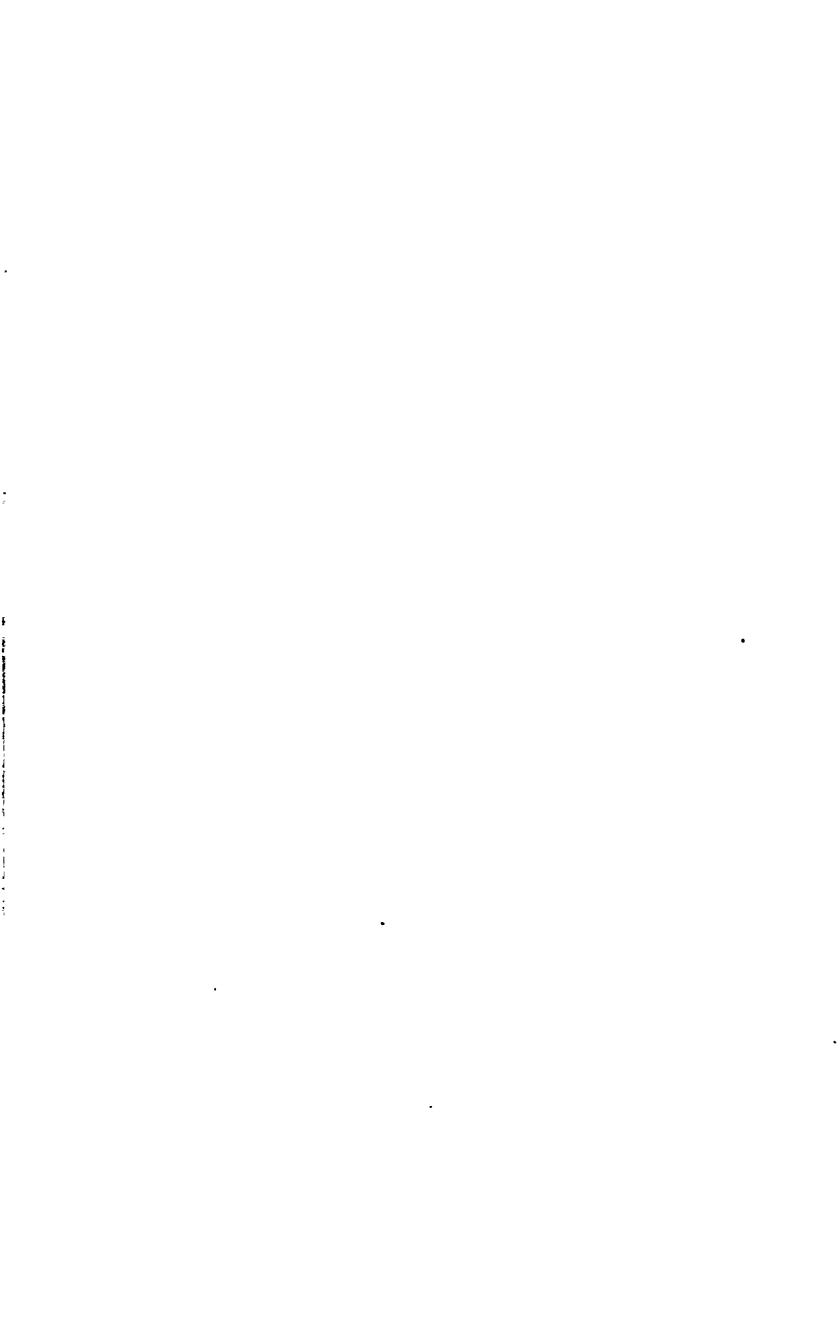
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# TO AMEND THE SUGAR ACT OF 1937, AS AMENDED

TUESDAY, DECEMBER 9, 1941

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to call, at 10:30 a. m., in room 312 Senate Office Building, Senator Walter F. George (chairman) presiding.

The CHAIRMAN. The committee will come to order.

This meeting has been called to consider S. 2041.

Since the introduction of S. 2041 and the fixing of hearings on it, H. R. 5988 has been passed by the House and referred to this committee.

(H. R. 5988 and the report are as follows:)

[H. R. 5988, 77th Cong., 1st sess.]

AN ACT To amend the Sugar Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 202 of the Sugar Act of 1937, as amended (relating to establishment and revision of quotas), is hereby amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) For domestic sugar-producing areas by prorating among such areas 56.77 per centum of such amount of sugar (but not less than 3,793,802 short tons) on the following basis:

"Area	Per centum
"Domestic beet sugar.....	42.49
Mainland cane sugar.....	11.52
Hawaii.....	24.72
Puerto Rico.....	21.03
Virgin Islands.....	.24

"(b) For foreign countries, and the Commonwealth of the Philippine Islands, by prorating 43.23 per centum of such amount of sugar (except, if such amount of sugar is less than 6,682,670 short tons, the excess of such amount over 3,793,802 short tons) on the following basis:

"Area	Per centum
"Commonwealth of the Philippine Islands.....	34.70
Cuba.....	64.41
Foreign countries other than Cuba.....	.89

In no case shall the quota for the Commonwealth of the Philippine Islands be less than the duty-free quota now established by the provisions of the Philippine Independence Act, as amended.

"The quota for foreign countries other than Cuba shall be prorated among such countries on the basis of the division of the quota for such countries made in General Sugar Quota Regulations, series 4, number 1, issued December 12, 1936, pursuant to the Agricultural Adjustment Act, as amended."

SEC. 2. That section 204 of the Sugar Act of 1937, as amended (relating to redistribution of deficits in area quotas), is amended to read as follows:

"SEC. 204. (a) The Secretary shall, as he deems necessary during the calendar year, determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugar beets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any domestic area, the Commonwealth of the Philippine Islands, or Cuba, will be unable to market the quota for such area. If the Secretary finds that any domestic area or Cuba will be unable to market the quota for such area for the calendar year then current, he shall revise the quotas for the domestic areas and Cuba by prorating an amount of sugar equal to the deficit so determined to the other areas, on the basis of the quotas, then in effect. Any portion of such sugar which the Secretary determines cannot be supplied by domestic areas and Cuba shall be prorated to foreign countries other than Cuba on the basis of the prorations of the quota then in effect for such foreign countries. If the Secretary finds that the Commonwealth of the Philippine Islands will be unable to market the quota for such area for the calendar year then current, he shall revise the quotas for domestic sugar-producing areas, for Cuba, and for foreign countries other than Cuba, by prorating an amount of sugar equal to the deficit so determined, as follows:

"(1) To the domestic beet-sugar area and to the mainland cane-sugar area, on the basis of the respective quotas for such areas then in effect, an amount equivalent to such part, if any, of such deficit as the Secretary determines is due to inability to market in continental United States the amount of refined sugar permitted to be brought into continental United States, duty free, under the provisions of the Philippine Independence Act, as amended;

"(2) To foreign countries other than Cuba, on the basis of the proration of the quotas for such foreign countries then in effect, an amount not in excess of 100,000 short tons of the remainder of such deficit, after giving effect to the foregoing subsection (a) (1);

"(3) To Hawaii, Puerto Rico, Virgin Islands, and Cuba, on the basis of the respective quotas for such areas then in effect, the remainder, if any, of the amount of such deficit in excess of 100,000 short tons, after giving effect to the foregoing subsection (a) (1): *Provided, however:* That no part of any such Philippine deficit so prorated may be filled by direct-consumption sugar except that part, if any, prorated pursuant to the foregoing subsection (a) (1).

"(b) If, on the 1st day of September in any calendar year, any part or all of the proration to any foreign country of the quota in effect on the 1st day of July in the same calendar year for foreign countries other than Cuba, has not been filled, the Secretary may revise the proration of such quota among such foreign countries, by prorating an amount of sugar equal to such unfilled proration to all other such foreign countries which have filled their prorations of such quota by such date, on the basis of the prorations then in effect.

"(c) If the Secretary finds that any foreign country other than Cuba will be unable to market any part or all of the proration to such foreign country for the calendar year then current, the Secretary may increase the quotas for other foreign countries, for the domestic sugar-producing areas and for Cuba, by prorating an amount of sugar, equal to the deficit so determined, as follows:

"(1) To such foreign countries other than Cuba, on the basis of the proration of the quotas for such foreign countries then in effect, such portion of such deficit as the Secretary finds they will be able to market in the calendar year then current;

"(2) To the domestic sugar-producing areas and Cuba, on the basis of the respective quotas for such areas then in effect, the remainder, if any, of such deficit.

"(d) The quota for any domestic area, the Commonwealth of the Philippine Islands, or Cuba, or other foreign countries, shall not be reduced by reason of any determination made pursuant to the provisions of subsection (a) or subsection (c) of this section 204."

SEC. 3. Section 207 (e) of the Sugar Act of 1937, as amended (relating to direct-consumption sugar from Cuba), is amended by striking out "three hundred and seventy-five thousand" and inserting in lieu thereof "three hundred thousand."

SEC. 4. (a) Subsection (a) of section 304 of the Sugar Act of 1937 is amended to read as follows:

"Sec. 304. (a) The amount of the base rate of payment shall be 80 cents per hundred pounds of sugar or liquid sugar, raw value."

(b) Subsection (c) of section 304 of the Sugar Act of 1937, is amended to read as follows:

"(c) The total payment with respect to a farm shall be the product of the base rate specified in subsection (a) of this section multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payment is to be made, except that reduction shall be made from such total payment in accordance with the following scale of reductions:

That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value	Reduction in the base rate of payment per hundred-weight of such portion
"350 to 700.....	\$0. 05
700 to 1,000.....	. 10
1,000 to 1,500.....	. 20
1,500 to 3,000.....	. 25
3,000 to 6,000.....	. 275
6,000 to 12,000.....	. 30
12,000 to 30,000.....	. 325
More than 30,000.....	. 50

Sec. 5. (a) Section 101 (f) of the Sugar Act of 1937, as amended (relating to the definition of liquid sugar), is amended by striking out "6 per centum" and inserting in lieu thereof "8 per centum".

(b) Section 401 (b) of the Sugar Act of 1937, as amended (relating to the definition of "manufactured sugar"), is amended by striking out "6 per centum" and inserting in lieu thereof "8 per centum".

Sec. 6. Section 513 of the Sugar Act of 1937, as amended (relating to termination of powers of the Secretary of Agriculture under the Sugar Act), is amended to read as follows:

"Sec. 513. The powers vested in the Secretary under this Act shall terminate on December 31, 1944, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1944 and previous crop years."

Sec. 7. Section 3508 of the Internal Revenue Code (relating to termination of taxes under the Sugar Act) is amended to read as follows:

#### "SEC. 3508. TERMINATION OF TAXES

"No tax shall be imposed under this chapter on the manufacture, use, or importation of sugar after June 30, 1945."

Sec. 8. Section 503 of the Sugar Act of 1937, as amended (relating to payments to the Commonwealth of the Philippine Islands), is amended by striking out "June 30, 1942" and inserting in lieu thereof "June 30, 1945".

Passed the House of Representatives December 1, 1941.

Attest:

SOUTH TRIMBLE, *Clerk.*

[H. Rept. No. 1430, 77th Cong., 1st sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 5988) to amend the Sugar Act of 1937, as amended, and for other purposes, having considered the same, report thereon with a recommendation that it do pass, without amendment.

#### GENERAL STATEMENT

Quota control of the sugar industry has been in effect since 1934. The presently controlling legislation, the Sugar Act of 1937, as amended, expires on December 31, 1941. The bill (H. R. 5988) provides that the Sugar Act be extended for 3 years, with certain adjustments which experience and conditions arising out of the national emergency make advisable. However, the bill does not depart from the principles underlying the basic legislation dealing with sugar, and it has the support of agriculture, labor, and management in far the greater part of the sugar industry.

In the 7 years in which it has been effective, sugar control has demonstrated its value. The industry has been stabilized, the income of farmers and workers has been improved, and the system has been a protection to consumers. Since the enactment of the Sugar Act of 1937 the retail price of sugar to consumers has been lower than in any 4-year period in our history as a nation. The program has been effective in time of peace, and during a period of almost world-wide war. It is to continue these gains that the bill proposes to reenact the legislation with certain modifications.

The bill provides a slight increase of 4 percent in the basic quotas for the domestic sugar-beet area and the mainland cane-sugar area. These increases are scarcely more than token recognition of the fact that in each of the years since the passage of the Sugar Act of 1937 the beet-sugar area has exceeded its quota from beets produced on acreage allotted by the Secretary of Agriculture, and that the mainland cane area has exceeded its quota in all but one of those years. In the case of beet sugar the increase in quota amounts to 62,088 tons, and for the mainland cane area the increase is 16,839 tons. To accommodate these increases, the total minimum quota of all domestic sugar-producing areas is increased from 3,715,000 tons to 3,793,802 tons. There are no appreciable changes in the quotas for Hawaii, Puerto Rico, or the Virgin Islands. The basic quotas for Cuba, the Philippine Islands, and foreign countries other than Cuba are reduced by 2.7 percent, which amounts to 50,791 tons for Cuba, 27,363 tons for the Philippines, and 702 tons for other foreign countries. The reduction in the quota of the Philippine Islands affects only the dutiable portion of that quota, does not involve the minimum duty-free quota provided in the Philippine Independence Act, and is a matter of no consequence to the Island producers since they have never availed themselves of that portion of their quota on which duty must be paid.

Under the present act, a deficit in the Philippine quota can be reallocated only to foreign countries other than Cuba, although in case these areas are unable to supply the deficit the law provides no way by which it can be allotted to areas that are in a position to market additional quantities of sugar. Increasing difficulties and dangers of ocean shipping make it more than ever important that these provisions be revised. Thus the bill provides that any deficits in the Philippine quota shall be reallocated in this manner: First, the continental producers of sugar beets and sugarcane shall share proportionately in any deficits in the Philippine duty-free quota of refined sugar; second, foreign countries other than Cuba shall share proportionately the first 100,000 tons of any deficit in raw sugar; and, third, the balance of any deficit shall be shared proportionately by Hawaii, Puerto Rico, the Virgin Islands, and Cuba. It should be noted that the allotment of 100,000 tons of a Philippine deficit to foreign countries other than Cuba is a greater amount of sugar than these countries have ever supplied to the United States in any year, with the exception of 1941.

The provision that only deficits in the Philippine duty-free refined-sugar quotas shall be allotted to continental areas has distinct potential advantages for insular producing areas and Cuba. Under the provisions of the bill, after the allotment of the first 100,000 tons to foreign countries other than Cuba, the balance of any deficit in Philippine raw sugar is to be allotted proportionately to Hawaii, Puerto Rico, the Virgin Islands, and Cuba. So long as the stringency in shipping continues, it is considered probable that substantial deficits will occur in the Philippine quota.

As a needed supplement to the present law, the bill provides that, if any foreign country other than Cuba is unable to fill its quota, the deficit shall first be allotted to those foreign countries which are able to market additional quantities of sugar, and any remainder to the domestic sugar-producing areas and Cuba on the basis of their effective quotas. The bill provides that any Philippine deficit so reallocated, excepting only that reallocated to the continental beet- and cane-sugar areas, shall not be marketed as refined sugar.

The bill amends section 207 (e) of the Sugar Act by reducing Cuba's direct-consumption sugar quota from 375,000 tons to 300,000 tons. This reduction has the practical effect of maintaining the present approximate quantity of raw cane sugar which can enter into continental United States each year for subsequent refining, and hence to maintain the present status of American workmen in the seaboard refining States of Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Louisiana, Texas, and California. The reduction in the direct-consumption quota does not reduce Cuba's total quota under the figure prescribed by the bill. It merely means that 75,000 tons more of Cuban sugar shall be imported in raw form, rather than as direct-consumption sugar. Traditionally, Cuba has marketed her major production in the United States in the form of raw sugar, and sugar refining has never been an important industry in the island. In comparison with the growing and milling of sugar-cane, sugar refining is an insignificant part of the economic life of the Cuban people.

On September 8 Secretary Wickard, in announcing his plans for the mobilization of agriculture for national defense, stated that no acreage limitations are contemplated for domestic sugar producers in 1942, thereby indicating the need for bringing about a larger production of sugar in these areas. Because of price increases in other crops competitive with sugar, the economic needs of sugar



producers, and the rising costs of sugar production, the bill provides that the base rate of the conditional payment be increased from 60 to 80 cents a hundred pounds, raw value.

A graduated scale of reductions is provided in the payments to be made to producers of more than 350 tons of sugar. In this connection, it is important to observe that the increase in payment is not a burden on the consumer because, as the Secretary of Agriculture has often pointed out, so long as a quota system remains in effect taxes on sugar and conditional payments are not reflected in average retail prices. Moreover, the conditional payment is the only payment now made by the Federal Government on sugar crops.

The Sugar Act of 1937 defines liquid sugar as a product in which the soluble nonsugar solids are equal to 6 percent or less of the total soluble solids. At the time of the approval of the act it was contended by certain importers of these products that liquid sugars containing more than 6 percent of soluble nonsugar solids could not be imported for use in human consumption. However, liquid sugar containing more than 6 percent soluble nonsugar solids has been imported, the volume of displacement of other sugar in 1941 being estimated at 40,000 tons. Liquid sugar which contains more than 6 percent of soluble nonsugar solids is charged against no quota and pays no tax, and clearly evades both the quota and tax provisions of sugar control. To prevent future evasion, the bill provides that liquid sugar include a product in which the soluble nonsugar solids are equal to 8 percent or less of the total soluble solids.

### EXPLANATION OF THE BILL

#### QUOTA PROVISIONS

Section 1 (a) of the bill provides that, in the establishment of quotas for the various producing areas, the Secretary of Agriculture shall allot to domestic sugar producing areas 56.77 percent (but not less than 3,793,802 short tons) of the total amount of sugar estimated to be needed to meet the requirements of consumers in continental United States. The participation of each area in the domestic quota is as follows:

	Percent
Domestic beet sugar.....	42.49
Mainland cane sugar.....	11.52
Hawaii.....	24.72
Puerto Rico.....	21.03
Virgin Islands.....	.24

Section 1 (b) of the bill provides that foreign countries and the Commonwealth of the Philippine Islands shall be allotted 43.23 percent of estimated consumption requirements (except that if the estimate of consumption is less than 6,682,670 short tons, these producing areas shall be allotted the amount by which the estimate of consumption exceeds 3,793,802 tons) on the following basis:

	Percent
Commonwealth of the Philippine Islands.....	34.70
Cuba.....	64.41
Foreign countries other than Cuba.....	.89

It is provided also that the quota for the Commonwealth of the Philippine Islands shall in no case be less than the duty-free quota established by the provisions of the Philippine Independence Act, and that the quota for foreign countries other than Cuba shall be prorated among such countries on the basis of the revision of the quotas for these countries made in General Sugar Quota Regulations, Series 4, No. 1, issued December 12, 1936, pursuant to the Agricultural Adjustment Act, as amended.

#### PRORATION OF DEFICITS

Section 2 of the bill directs that the proration of Philippine deficits shall be made as follows:

1. The domestic sugar-beet area and the mainland cane-sugar area shall be allotted, on the basis of their effective quotas, an amount of sugar equivalent to any deficit in the quota of refined sugar which may be brought into continental United States, duty-free, from the Philippine Islands under the provisions of the Philippine Independence Act, as amended.

2. Foreign countries other than Cuba shall be allotted, on the basis of their effective quotas, an amount of sugar not in excess of 100,000 short tons.

3. Hawaii, Puerto Rico, the Virgin Islands, and Cuba shall be allotted on the basis of their effective quotas, the amount of sugar by which the deficit exceeds 100,000 short tons. It is provided that no part of a Philippine deficit may be filled by direct-consumption sugar other than that allotted to the domestic beet-sugar area and the mainland cane-sugar area.

With respect to the proration of deficits in the quotas of foreign countries other than Cuba, the bill provides that if the Secretary of Agriculture finds that any foreign country other than Cuba is unable to market its quota for any calendar year, he shall prorate the deficit among such foreign countries, other than Cuba, as the Secretary determines are able to fill the same. The remainder, if any, is allotted proportionately to the domestic sugar-producing areas and Cuba.

Section 2 (d) continues the guaranty of the present law that the basic quota of a producing area shall not be reduced because of a proration of a deficit.

#### DIRECT-CONSUMPTION SUGAR QUOTAS

Section 3 of the bill establishes the Cuban direct-consumption sugar quota at 300,000 tons.

#### CONDITIONAL PAYMENTS

Section 4 of the bill provides that the base rate of conditional payments shall be 80 cents per 100 pounds to producers of less than 350 tons of sugar. A graduated scale of reductions in payments is provided for producers of more than 350 tons.

#### LIQUID SUGAR

Section 5 of the bill amends the definition of liquid sugar so that there will be included a product which contains up to 8 percent soluble nonsugar solids. This section similarly amends section 401 (b) of the Sugar Act, which relates to the definition of "manufactured sugar."

#### TERMINATION OF THE ACT

Section 6 provides that the powers vested in the Secretary of Agriculture under the act shall terminate on December 31, 1944, except that the Secretary shall have power to make payments under title III of the Sugar Act for programs applicable to the crop year 1944, and previous crop years.

#### TERMINATION OF TAXES

Section 7 provides that section 3508, Internal Revenue Code, be amended so that no tax shall be imposed on the manufacture, use, or importation of sugar after June 30, 1945.

#### PHILIPPINE PAYMENT

Section 8 provides that the period within which refunds may be made of taxes collected on Philippine sugar be extended from June 30, 1942, to June 30, 1945.

#### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman:

(Public, No. 414—75th Cong.)

SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

(a) For domestic sugar-producing areas by prorating among such areas **[55.59]** *56.77* per centum of such amount of sugar (but not less than **[3,715,000]** *3,793,802* short tons) on the following basis:

Area		Per centum
Domestic beet sugar.....	<b>[41.72]</b>	<i>42.49</i>
Mainland cane sugar.....	<b>[11.31]</b>	<i>11.62</i>
Hawaii.....	<b>[25.25]</b>	<i>24.72</i>
Puerto Rico.....	<b>[21.48]</b>	<i>21.03</i>
Virgin Islands.....	<b>[.24]</b>	<i>.24</i>

(b) For foreign countries, and the Commonwealth of the Philippine Islands, by prorating [44.41] 43.23 per centum of such amount of sugar (except, if such amount of sugar is less than 6,682,670 short tons, the excess of such amount over [3,715,000] 3,793,802 short tons) on the following basis:

Area	Per centum
Commonwealth of the Philippine Islands.....	34.70
Cuba.....	64.41
Foreign countries other than Cuba.....	89

In no case shall the quota for the Commonwealth of the Philippine Islands be less than the duty-free quota now established by the provisions of the Philippine Independence Act [ ], as amended.

The quota for foreign countries other than Cuba shall be prorated among such countries on the basis of the division of the quota for such countries made in General Sugar Quota Regulations, Series 4, Number 1, issued December 12, 1936, pursuant to the Agricultural Adjustment Act, as amended.

SEC. 204. (a) The Secretary shall, as he deems necessary during the calendar year, determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugar beets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any domestic area, the Commonwealth of the Philippine Islands, or Cuba, will be unable to market the quota for such area. If the Secretary finds that any domestic area or Cuba will be unable to market the quota for such area for the calendar year then current, he shall revise the quotas for the domestic areas and Cuba by prorating an amount of sugar equal to the deficit so determined to the other [such] areas, on the basis of the quotas then in effect. Any portion of such sugar which the Secretary determines cannot be supplied by domestic areas and Cuba shall be prorated to foreign countries other than Cuba on the basis of the prorations of the quota then in effect for such foreign countries. If the Secretary finds that the Commonwealth of the Philippine Islands will be unable to market the quota for such area for the calendar year then current, he shall revise [the quota for foreign countries other than Cuba by prorating an amount of sugar equal to the deficit so determined to such foreign countries, on the basis of the prorations of the quota then in effect for such countries: *Provided, however,* That the quota for any domestic area, the Commonwealth of the Philippine Islands, or Cuba or other foreign countries, shall not be reduced by reason of any determination made pursuant to the provisions of this subsection.] *the quotas for domestic sugar-producing areas, for Cuba, and for foreign countries other than Cuba, by prorating an amount of sugar equal to the deficit so determined, as follows:*

(1) *To the domestic beet-sugar area and to the mainland cane-sugar area, on the basis of the respective quotas for such areas then in effect, an amount equivalent to such part, if any, of such deficit as the Secretary determines is due to inability to market in continental United States the amount of refined sugar permitted to be brought into continental United States, duty free, under the provisions of the Philippine Independence Act, as amended;*

(2) *To foreign countries other than Cuba, on the basis of the proration of the quotas for such foreign countries then in effect, an amount not in excess of 100,000 short tons of the remainder of such deficit, after giving effect to the foregoing subsection (a) (1);*

(3) *To Hawaii, Puerto Rico, Virgin Islands, and Cuba, on the basis of the respective quotas for such areas then in effect, the remainder, if any, of the amount of such deficit in excess of 100,000 short tons, after giving effect to the foregoing subsection (a) (1): *Provided, however,* That no part of any such Philippine deficit so prorated may be filled by direct-consumption sugar except that part, if any, prorated pursuant to the foregoing subsection (a) (1).*

(b) If, on the 1st day of September in any calendar year, any part or all of the proration to any foreign country of the quota in effect on the 1st day of July in the same calendar year for foreign countries other than Cuba, has not been filled, the Secretary may revise the proration of such quota among such foreign countries, by prorating an amount of sugar equal to such unfilled proration to all other such foreign countries which have filled their prorations of such quota by such date, on the basis of the prorations then in effect.

(c) *If the Secretary finds that any foreign country other than Cuba will be unable to market any part or all of the proration to such foreign country for the calendar year then current, the Secretary may increase the quotas for other foreign countries, for the*

domestic sugar-producing areas and for Cuba, by prorating an amount of sugar, equal to the deficit so determined, as follows:

(1) To such foreign countries other than Cuba, on the basis of the proration of the quotas for such foreign countries then in effect, such portion of such deficit as the Secretary finds they will be able to market in the calendar year then current;

(2) To the domestic sugar-producing areas and Cuba, on the basis of the respective quotas for such areas then in effect, the remainder, if any, of such deficit.

(d) The quota for any domestic area, the Commonwealth of the Philippine Islands, or Cuba, or other foreign countries, shall not be reduced by reason of any determination made pursuant to the provisions of subsection (a) or subsection (c) of this section 204.

SEC. 207.

(e) Not more than [three hundred and seventy-five thousand] three hundred thousand short tons, raw value, of the quota for Cuba for any calendar year may be filled by direct-consumption sugar.

SEC. 304. (a) The amount of the base rate of payment shall be [60] 80 cents per hundred pounds of sugar or liquid sugar, raw value.

(c) The total payment with respect to a farm shall be the product of the base rate specified in subsection (a) of this section multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payment is to be made, except that [reductions] reduction from such total payment in accordance with the following scale of reductions:

[That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:	Reduction in the base rate of payment per hundred-weight of such portion
500 to 1,500.....	\$0. 050
1,500 to 6,000.....	. 075
6,000 to 12,000.....	. 100
12,000 to 30,000.....	. 125
More than 30,000.....	. 300]

That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:	Reduction in the base rate of payment per hundred-weight of such portion
550 to 700.....	\$0. 05
700 to 1,000.....	. 10
1,000 to 1,500.....	. 20
1,500 to 3,000.....	. 25
3,000 to 6,000.....	. 275
6,000 to 12,000.....	. 30
12,000 to 30,000.....	. 325
More than 30,000.....	. 60

SECTION 101. For the purposes of this Act, except title IV—

(f) The term "liquid sugar" means any sugars (exclusive of sirup of cane juice produced from sugarcane grown in continental United States) which are principally not of crystalline structure and which contain or which are to be used for the production of any sugars principally not of crystalline structure which contain soluble nonsugar solids (excluding any foreign substances that may have been added) equal to [6 per centum] 8 per centum or less of the total soluble solids.

SEC. 401. For the purposes of this title—

(b) The term "manufactured sugar" means any sugar derived from sugar beets or sugarcane, which is not to be, and which shall not be, further refined or otherwise improved in quality; except sugar in liquid form which contains nonsugar solids (excluding any foreign substance that may have been added) equal to more than [6 per centum] 8 per centum of the total soluble solids, and except also sirup of cane juice produced from sugarcane grown in continental United States.

The grades or types of sugar within the meaning of this definition shall include, but shall not be limited to, granulated sugar, lump sugar, cube sugar, powdered sugar, sugar in the form of blocks, cones, or molded shapes, confectioners' sugar, washed sugar, centrifugal sugar, clarified sugar, turbinado sugar, plantation white sugar, muscovado sugar, refiners' soft sugar, invert sugar mush, raw sugar, sirups, molasses, and sugar mixtures.

SEC. 513. The powers vested in the Secretary under this Act shall terminate on [December 31, 1941,] *December 31, 1944*, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year [1941] *1944* and previous crop years.

#### SEC. 3538. TERMINATION OF TAXES

No tax shall be imposed under this chapter on the manufacture, use, or importation of sugar after [June 30, 1942] *June 30, 1945*.

The CHAIRMAN. At this time I think we should enter in the record the reports from the Department of State, the Secretary of State, which is adverse to this bill.

Senator VANDENBERG. May I see that?

The CHAIRMAN. Yes. Also the report from the Department of Agriculture, and I believe there is a report from the Secretary of the Interior. There is also submitted for the information of the committee memoranda with reference to S. 2041 from the Tariff Commission which may be entered in the record.

(The reports referred to are as follows:)

THE SECRETARY OF THE INTERIOR,  
*Washington, D. C., December 6, 1941.*

HON. WALTER F. GEORGE,

*Chairman, Committee on Finance, United States Senate.*

MY DEAR SENATOR GEORGE: Your letter of November 21 requests a report on S. 2041, a bill to amend the Sugar Act of 1937, as amended, and for other purposes.

The proposed legislation would revise in certain particulars and extend for 3 years the Sugar Act of 1937, as amended. In effecting such extension the proposal not only would continue certain provisions of the existing law which discriminate unfairly against American citizens residing in the insular parts of the United States but also would introduce new and equally unjustified forms of such discrimination.

During the Seventy-sixth Congress several sugar bills were introduced which included various proposals to discriminate against the Territories and island possessions of the United States. In a letter of April 11, 1940, to the Honorable Marvin Jones, chairman of the House Committee on Agriculture, the President commented with reference to such proposals as follows:

"It is also clear that a reshuffling of domestic quotas so as to discriminate against producers in the domestic insular areas would, under the special circumstances, hardly be a conscionable procedure. The people of the Territory of Hawaii and the possessions of Puerto Rico and the Virgin Islands are American citizens who compose some of those minority groups in our population with local governments that lack the protection of statehood. If this circumstance were not given adequate consideration, it would be possible to destroy by legislation the livelihood of our citizens in the insular parts of the United States through the enactment of discriminatory prohibitions against their products; and they would possess no legal power to take counter measures in self-defense. Such a course of action, as I have pointed out on a previous occasion, would be tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy. Among the cases in point is the proposal to reinstate the former discrimination against the refining of sugar in the insular parts of the United States."

I believe that it is not possible to justify any further sugar legislation that conflicts with the policies expressed in the foregoing statement. I strongly urge therefore, that if the pending bill is to be enacted the following discriminatory aspects of the proposal be eliminated:

1. The extension of the restrictions against sugar refining which are contained in section 207 of the Sugar Act of 1937.

2. The exclusion of the Virgin Islands from participation in benefit payments while at the same time being subjected to the excise tax on sugar.

3. The exclusion of the Territories and island possessions from participation in the 4 percent increase allotted to the domestic areas. I suggest that if any increase in the percentage of the domestic allotment is determined upon, it be allocated in the proportion of the existing quotas.

4. The inclusion of the insular parts of the United States in the classification with foreign countries in connection with the provision for the distribution of any deficit in the Philippine quotas. In this provision and in the discrimination mentioned in the preceding paragraph are to be found the revival of the same form of discrimination that was contained in the 1934 Sugar Act but corrected in the Sugar Act of 1937. I refer to the classification of the insular parts of the United States in a category with foreign countries rather than as an integral part of the United States.

I am informed that your committee will hold hearings on the proposed legislation on December 10 and that you desire this report at that time. In view of the time element involved it has not been possible to clear this report with the Bureau of the Budget.

Sincerely yours,

HAROLD L. ICKES,  
*Secretary of the Interior.*

DEPARTMENT OF STATE,  
Washington, D. C., December 8, 1941.

The Honorable WALTER F. GEORGE,  
*Chairman, Committee on Finance, United States Senate.*

MY DEAR SENATOR GEORGE: I have received your letter of November 10, 1941, enclosing for my consideration a copy of a bill (S. 2041) to amend the Sugar Act of 1937 and requesting that I submit a report thereon at the earliest possible date. Since the bill has an important bearing on our foreign relations, I am glad to comment on it.

When viewed against the background of history of sugar legislation in the United States since 1934, and of the present highly critical international situation, legislation such as that proposed seems to be singularly inappropriate. The sugar legislation now in effect in the United States was enacted to afford relief from a distressing problem of sugar surpluses; that problem does not exist today. At a time when there does not appear to be any compelling reason for new sugar legislation the bill would, among other things, alter the present basic quotas at the expense of offshore areas. You will recall that the President, in a letter of April 11, 1940, to the chairman of the House Agricultural Committee commenting on a number of somewhat similar sugar bills which had been introduced in the Seventy-sixth Congress, stated:

"\* \* \* some of these bills would discard the established basis of distribution of quotas among the various sugar-producing areas that was carefully developed by the Congress in 1937, your committee stated that the quotas had been arrived at 'after careful consideration of the history of production in each area and its present and future capacity to market.' I believe that we all appreciate readily the natural desire of each producing area to enlarge its share of the market, but it would be most difficult to justify an abandonment of the existing distribution of quotas in favor of a new and arbitrary basis of allotments."

In that same letter to the chairman of the House Agricultural Committee the basic problem of good government inherent in sugar legislation was defined by the President as the balancing, practically and fairly, of the directly conflicting interests of the various groups of American citizens concerned—the producers of sugar and the producers of export commodities, the farmers and the processors, the employers and labor, and the industry as a whole, and consumers and taxpayers. Such a balance is of course extremely difficult to achieve even with the utmost good will on the part of all concerned. However, the inherent difficulty has been enhanced by the fact that sugar legislation introduced in Congress in recent years has almost invariably proposed concessions to certain groups of American citizens at the expense of other groups of American citizens and of hemispheric unit.

As has occurred on several occasions in the past, it is proposed to use this bill, which is an agricultural bill, for the purpose of granting increased protection to the mainland sugar-refining industry. When the Sugar Act of 1937 was being considered, I pointed out in a letter to the chairman of your committee the reasons

why limitation of the amount of direct-consumption sugar which may enter from Cuba is open to serious objection. Under present emergency conditions, it is even more questionable whether the continuation of such restrictions is wise. The bill under reference would not only continue the restrictions contained in the present law but would restrict still further the importation of direct-consumption sugar from Cuba and would embargo the importation of direct-consumption sugar from foreign countries under any reallocation they might receive as a result of deficiencies in the Philippine quota.

From the standpoint of our foreign relations, the chief objections to S. 2041 are the adverse effects it would have on Cuba, the British West Indies, and the full-duty countries. Cuba would be injured by provisions substantially reducing its direct-consumption quota, decreasing its basic quota and subjecting to quota restrictions certain grades of edible molasses not now subject to quota restrictions. These adverse changes, which would be effective at least until January 1, 1945, would constitute a violation of the spirit, if not the letter, of our existing trade agreement with Cuba. The provision in the bill creating the possibility that Cuba may supply additional sugar to the United States in the event deficiencies in the Philippine quota are unusually large would not justify a worsening of Cuba's position as a supplier of sugar to the United States in more normal times contrary to the basic principle on which the legislation now in effect was based.

The British West Indies are adversely affected because certain grades of edible molasses normally imported therefrom would apparently be subjected to an absolute embargo contrary to our trade agreement with the United Kingdom.

The full-duty countries would have their position worsened because under present circumstances they would receive much less favorable treatment in respect of reallocation of the deficiencies in the Philippine quota. In addition, they would suffer a reduction in their basic quotas. This reduction, although small, would constitute a violation of the International Sugar Agreement.

In view of the above-mentioned objectionable features contained in the bill and the adverse effects which its enactment could not fail to have on the efforts of this Government to promote the closest possible cooperation between the nations of this hemisphere, I strongly recommend that it be not enacted, regardless of whatever good features it may contain.

I trust that any sugar legislation which may be enacted will conform to the basic principles underlying existing sugar legislation, avoid violation of our international obligations, and help rather than hinder our efforts to strengthen the defense of this hemisphere.

This letter has been submitted to the Director of the Budget who states that the proposed legislation is not in accord with the program of the President.

Sincerely yours,

CORDELL HULL.

DEPARTMENT OF AGRICULTURE,  
December 6, 1941.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee.

DEAR SENATOR GEORGE: Reference is made to your request for the views of this Department on S. 2041, a bill to amend the Sugar Act of 1937, as amended, and for other purposes.

Section 513 of the Sugar Act of 1937 provides that the powers vested in the Secretary of Agriculture under that legislation shall terminate on December 31, 1941, except that title III of the act authorizes the Secretary to make payments under programs applicable to the crop year 1941 and previous crop years. However, the excise taxes with respect to sugar are continued until June 30, 1942.

The general effect of these varying termination dates, were no legislative action taken, would be to create an unbalanced situation in the sugar industry. The payments provided for under the Sugar Act would be made on varying portions of the sugar marketed by the respective areas during the calendar year 1942 while the excise tax on sugar would be collected on all direct-consumption sugar manufactured prior to June 30, 1942. Therefore, either the elimination of those inequalities or the accomplishment of the principal objective of the bill S. 2041 to continue the Sugar Act for a period of years would appear to be desirable. The bill, however, goes beyond continuation of the Sugar Act of 1937 and proposes to modify certain provisions of the legislation in a manner which does not accord with the policies of the Administration.

Those provisions of the bill which would reduce the quotas of neighboring countries, further restrict the importation of refined sugar, and exclude certain types of molasses from entry into the United States are in conflict with our policy of hemispheric cooperation. I believe that adherence to this policy is of the utmost importance for the consolidation of this hemisphere against the forces of aggression and totalitarianism. I am advised that the Secretary of State is furnishing the committee a complete analysis of these conflicts.

The bill also would alter the basic division of our sugar market among the various domestic areas in a manner which would be detrimental to Hawaii and Puerto Rico. Likewise, these areas of the United States which lack the protection of statehood would be treated differently than other domestic areas in the allotment of deficits. The Congress has charged the Department with the promotion of agriculture and of the welfare of farmers in all parts of the United States. The production of sugar is the most important source of farm income in Hawaii and Puerto Rico, areas which are among our most stable and dependable sources of supply. I am opposed to these provisions of the bill because I believe their enactment would be contrary to the principles of government and citizenship upon which this country was founded and which today are being challenged by forces which avow world conquest and the subjugation of minorities.

Certain transitory circumstances connected with the agricultural conditions in several of the sugar producing localities tend to justify an increase in the basic rate of payment to small producers for the 1942 and possibly subsequent crops as a part of an emergency policy. If made permanent, however, such an increase in view of the tax features of the bill would establish a discrimination against California, Florida, Hawaii, Louisiana, and Puerto Rico. It also would place some processors in a more advantageous position than others with respect to acquisition of raw material. I recommend, therefore, that the proposed increase in the basic rate of payment be made operative only so long as the present defense emergency continues. I also recommend that, since the increased payments proposed in the bill are not confined by the proposed scale to the level of production typical of small farms, the committee reexamine it with a view to further limiting its application.

The Department believes that it would be desirable in writing any sugar bill, for the committee to include certain noncontroversial amendments which would be valuable in meeting emergency situations that may arise in this industry as a result of the war effort, as well as in handling certain problems largely of an administrative character. Those proposals include provision for the suspension by executive order of the operation of any title or any section of any title should the continued operation of such provision impede the efficient use of marine and land transportation facilities or otherwise conflict with the national interest. The modifications proposed would also clarify and expand the existing provision with respect to allocations and make it possible to meet the adverse effects which may, in the case of sugar, flow out of the application of certain provisions of the proposed price-control legislation should it be made operative.

During the past few years it has been found that the penalty for employment of child labor, namely, complete forfeiture of the conditional payments, is sometimes excessive. The problem was handled as an emergency by a special amendment which was made retroactive as to certain crops but not made forward in its application. We suggest revision of section 301 (a) so that the payment otherwise due a producer shall be reduced at the rate of \$15 for each instance of noncompliance. A similar problem with respect to compliance with the proportionate share requirement, which was met by a discontinuing amendment in the case of the 1940 crop period, may again arise. It is recommended that a system of reduced payments be substituted in lieu of forfeiture of the total payment in those cases in which the proportionate share acreage or production is exceeded, and that as a complementary feature the phrase "to which proportionate shares determined pursuant to the provisions of subsection (b) of section 302, pertained" be deleted from section 205 (a) of the act and that provision be made for the consideration of inventories in arriving at allotments. It is further suggested that the provisions relative to public hearings with respect to determination of minimum wages and fair prices be made optional in their application. The attached drafts of proposed amendments give effect to the suggestions made above.

The Department recommends enactment of a bill to continue the program provided for under the Sugar Act of 1937 without controversial changes or features which are contrary to the policy of the administration.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

CLAUDE R. WICKARD, *Secretary.*



## SUGGESTED AMENDMENTS TO THE SUGAR ACT OF 1937, AS AMENDED

Section 101 (k) to be changed to read as follows:

"(k) The term 'producer' means a person who is the legal owner, at the time of harvest or abandonment, of a portion or all of a crop of sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar, or a person who is entitled to share in the proceeds from the sale of such crop."

Section 204 (b) to be changed to read as follows:

"(b) If the Secretary finds that any foreign country will be unable to market the proration to such country of the quota for foreign countries other than Cuba for the calendar year then current, the Secretary may increase the prorations of other such foreign countries by prorating an amount of sugar equal to the deficit so determined on the basis of the prorations then in effect: *Provided, however,* That the proration for any foreign country other than Cuba shall not be reduced by reason of any determination made pursuant to the provisions of this subsection."

The second sentence of section 205 (a) to be changed to read as follows:

"Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration ~~processings of sugar or liquid sugar from sugar beets or sugarcane;~~ inventories; the past marketings or importations of each such person; or the ability of such person to market or import sugar."

Section 209 (d) to be changed to read as follows:

"(d) From exceeding allotments of any kind made to them pursuant to the provisions of this act."

Section 301 to be changed to read as follows:

"Sec. 301. The Secretary is authorized to make payments on the following conditions with respect to sugar or liquid sugar commercially recoverable from the sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar:

(a) That no child under the age of 14 years shall have been employed or permitted to work on the farm; whether for gain to such child or any other person, in the production, cultivation, or harvesting of a crop of sugar beets or sugarcane with respect to which application for payment is made, except a member of the immediate family of a producer with not less than a 40-percent interest in the crop at the time such work was performed; and that no child between the ages of 14 and 16 years shall have been or permitted to do such work, whether for gain to such child or any other person, for a longer period than 8 hours in any 1 day, except a member of the immediate family of a producer with not less than a 40-percent interest in the crop at the time such work was performed: *Provided, however,* That the Secretary is authorized to make payments with respect to the 1940 and subsequent crops, notwithstanding a failure to comply with the provisions of this subsection; but the payments made with respect to any such crop shall be subject to a deduction of \$15 for each child for each such violation.

(b) That all persons employed on the farm in the production, cultivation, or harvesting of sugar beets or sugarcane with respect to which an application for payment is made shall have been paid in full for all such work, and shall have been paid wages therefor at rates not less than those that may be determined by the Secretary to be fair and reasonable after such inquiry or investigation as the Secretary deems necessary or proper; and in making such determinations the Secretary shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas: *Provided, however,* That a payment which would be payable except for the foregoing provisions of this subsection may be made, as the Secretary may determine, in such manner that the laborer will receive an amount, insofar as such payment will suffice, equal to the amount of the accrued unpaid wages for such work, and that the producer will receive the remainder, if any, of such payment.

(c) That the producer on the farm who is also, directly or indirectly, a processor of sugar beets or sugarcane, as may be determined by the Secretary, shall have paid, or contract to pay under either purchase or toll agreements, for any sugar beets or sugarcane grown by other producers and processed by him at rates not less than those that may be determined by the Secretary to be fair and

reasonable after such inquiry or investigation as the Secretary deems necessary or proper.

"(d) That there shall have been carried out on the farm such farming practices in connection with the production of sugarbeets and sugarcane during the year in which the crop was harvested with respect to which a payment is applied for, as the Secretary may determine, pursuant to this subsection, for preserving and improving fertility of the soil and for preventing soil erosion, such practices to be consistent with the reasonable standards of the farming community in which the farm is situated."

\* \* \* \* \*

Section 302 to be changed to read as follows:

"Sec. 302 (a). The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share (in terms of planted acreage, weight, or recoverable sugar content of sugar beets or sugarcane) for the farm, as determined by the Secretary, of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed: *Provided, however,* That in computing the amount of sugar or liquid sugar with respect to which payment is authorized, a deduction shall be made from such amount for sugar beets or sugarcane marketed (or processed) in excess of the proportionate share for the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect, interstate or foreign commerce, and such deduction shall be in accordance with the following scale:

That portion of the excess (in terms of percentage of the proportionate share) which is included within the following intervals:	<i>Deduction for each percent of excess (percent)</i>
0 to 10 percent.....	1
10 to 20 percent.....	3
More than 20 percent.....	5

"(b) In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugar beets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar and the ability to produce such sugar beets or sugarcane, and the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share tenants, adherent planters, or sharecroppers."

\* \* \* \* \*

Section 509 to be changed to read as follows:

"Sec. 509 (a). Whenever the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, or whenever the President finds and proclaims that the operation of title II or III of the act, or any part thereof, would not be in the public interest, he shall by proclamation suspend such title, or part thereof, which he determines on the basis of such finding should be suspended, and thereafter the operation of any such title, or part thereof, shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this subsection.

"(b) Notwithstanding any other provision of this act, during the period of a national emergency proclaimed by the President, the Secretary is authorized—

"(1) to consider the ocean shipping and inland transportation situation, including the necessity for economy in the use of freight facilities, and the dietetic needs of consumers, in determining the requirements of consumers under section 201;

"(2) to allocate an amount of sugar equal to any deficit determined under section 204 to any area or areas able to supply such sugar; and

"(3) in order to provide for the efficient distribution of sugar, to allot the total supply of sugar, or any portion thereof, made available under this act, after such inquiry or investigation as the Secretary deems necessary or proper, in such manner and to such extent as the Secretary shall deem necessary or appropriate to protect the interests of consumers. Any person knowingly violating any order or regulation issued pursuant to this paragraph shall, upon conviction, be punished

by a fine of not more than \$5,000 for each such violation and such person shall also be subject to the civil penalties provided in section 506 as to any sugar marketed in violation of any such order or regulation."

\* \* \* \* \*

Section 513 to be changed to read as follows:

"SEC. 513. The powers vested in the Secretary under this act shall terminate on December 31, 1944, except that the Secretary shall have power to make payments under title III with respect to sugar or liquid sugar commercially recoverable from sugar beets and sugarcane grown on a farm and which shall have been marketed (or processed by the producer) prior to July 1, 1945."

UNITED STATES TARIFF COMMISSION,  
Washington, D. C., December 9, 1941.

HON. WALTER F. GEORGE,  
Chairman, Senate Committee on Finance,  
Washington, D. C.

MY DEAR SENATOR GEORGE: In compliance with your request of November 10, there are enclosed herewith five copies of a memorandum with reference to S. 2041, which proposes to amend the Sugar Act of 1937.

Sincerely yours,

RAYMOND B. STEVENS, *Chairman.*

UNITED STATES TARIFF COMMISSION—MEMORANDUM ON SENATE BILL S. 2041  
WITH RESPECT TO SUGAR

S. 2041, which is identical with H. R. 5988 as passed by the House of Representatives on December 1, 1941, consists of eight sections, the provisions of which would amend eight sections or subsections of the Sugar Act of 1937 and one section of the Internal Revenue Code. The substantive amendments relate principally to (1) the establishment and revision of basic sugar quotas for domestic and foreign areas, (2) the redistribution of deficits in area quotas, (3) the portion of the Cuban quota which may enter as direct consumption sugar, (4) the definition of liquid sugar, and (5) the readjustment of conditional payment provisions.

Section 1 of the bill, amending section 202 of the Sugar Act, provides for certain modifications of the bases for establishing initial and revised quotas, in accordance with consumption requirements, for the domestic (continental and insular) areas, the Philippines, Cuba, and for foreign countries other than Cuba. The principal change is the increase in the percentage shares of the total basic quota that would be allotted to the continental areas and the corresponding decrease in the shares for the Philippines, Cuba, and other foreign countries. Thus, for the domestic beet sugar area the share would be increased from 23.19 to 24.12 percent of the total quota, and for the mainland cane sugar area from 6.29 to 6.54 percent. The shares of Hawaii, Puerto Rico, and the Virgin Islands would be practically the same. The aggregate share of the domestic areas would be increased from 53.59 percent of the total quota to 56.77 percent.

On the other hand, the share of the Philippines in the total quota would be decreased from 15.41 to 15 percent, that of Cuba from 28.60 to 27.84 percent, and for all other foreign countries from 0.40 to 0.39 percent. The specified shares of Cuba and other foreign countries might be subject to further decreases by reason of the change in the minimum aggregate quantity assured to the domestic areas. This minimum would be increased under the bill from 3,715,000 to 3,793,802 short tons. The bill continues the provision of the Sugar Act assuring the Philippines an allotment no less than the present duty-free quota.

Table 1 (p. 3) compares the final quotas for 1940 and 1941 (unadjusted for deficits) as established under the Sugar Act with the quotas that would have been established under S. 2041, and the percentage shares for the domestic sugar-producing areas, the Philippines, and for Cuba and other foreign countries.

Section 2 of the bill amends section 204 of the Sugar Act with respect to the redistribution of deficits in the Philippine quota and in the prorations of the quota for foreign countries other than Cuba. As amended, section 204 would consist of four subsections in place of the existing two. There were substantial deficits in the year 1941 on the part of the Philippines, the mainland cane area, Hawaii, and Puerto Rico. Table 2 (p. 4) shows the final quotas for 1941 allocated to each area after adjustments for deficits as provided for in the Sugar Act and the quotas which would have been allocated had S. 2041 been in effect during that year.

TABLE 1.—*Sugar quotas: Final quotas for 1940 and 1941 (unadjusted for deficits) under the Sugar Act of 1937 compared with the quotas that would have been established under S. 2041*

Area	Under Sugar Act of 1937		Under S. 2041	
	1940	1941	1940	1941
Quotas (short tons, raw value)				
Domestic beet sugar.....	1,549,898	2,087,983	1,611,986	2,171,659
Mainland cane sugar.....	420,167	566,038	437,046	588,786
Hawaii.....	938,037	1,263,700	937,828	1,263,437
Puerto Rico.....	797,982	1,075,021	797,837	1,074,841
Virgin Islands.....	8,916	12,012	9,105	12,266
Total, domestic.....	3,715,000	5,004,754	3,793,602	5,110,989
The Philippines.....	982,441	1,387,383	982,441	1,350,519
Cuba.....	1,749,744	2,575,255	1,672,016	2,508,829
Other foreign countries.....	24,177	35,584	23,103	34,639
Total, Philippines and foreign countries.....	2,756,362	3,998,222	2,677,560	3,891,987
Grand total, all areas.....	6,471,362	9,002,976	6,471,362	9,002,976
Percent of total				
Domestic beet sugar.....	23.95	23.19	24.91	24.12
Mainland cane sugar.....	6.49	6.29	6.75	6.54
Hawaii.....	14.50	14.04	14.49	14.03
Puerto Rico.....	12.33	11.94	12.33	11.94
Virgin Islands.....	.14	.13	.14	.14
Total, domestic.....	57.41	55.59	58.62	56.77
The Philippines.....	15.18	15.41	15.18	15.00
Cuba.....	27.04	28.63	25.84	27.84
Other foreign countries.....	.37	.40	.36	.39
Total, Philippines and foreign countries.....	42.59	41.41	41.38	43.23
Grand total, all areas.....	100.00	100.00	100.00	100.00

Source: Quotas under Sugar Act of 1937 by Secretary of Agriculture; quotas under S. 2041 prorated on the basis of proposed amendments.

TABLE 2.—*Sugar quotas: Final quotas for 1941 as adjusted for deficits under the Sugar Act of 1937 compared with the quotas similarly adjusted on the basis of S. 2041*

[Quotas in terms of short tons, raw value]

Area	Sugar Act of 1937		S. 2041		Change in adjusted quotas effected by S. 2041	
	Quotas, adjusted for deficits		Quotas, adjusted for deficits			
	Quantity	Percent of grand total	Quantity	Percent of grand total	Increase	Decrease
Domestic beet sugar.....	2,230,037	24.77	2,371,895	26.35	141,858	.....
Mainland cane sugar.....	445,000	4.94	445,000	4.94	.....	.....
Hawaii.....	993,572	11.04	993,572	11.04	.....	.....
Puerto Rico.....	1,011,192	11.23	1,011,192	11.23	.....	.....
Virgin Islands.....	12,829	.14	13,890	.15	1,061	.....
Total, domestic.....	4,692,580	52.12	4,835,499	3.971	.....	142,919
The Philippines.....	982,663	10.91	982,663	10.91	.....	.....
Cuba.....	2,887,429	32.08	3,050,175	33.83	162,746	.....
Other foreign countries.....	440,304	4.89	134,639	1.50	.....	305,665
Total, Philippines and foreign countries.....	4,310,396	47.88	4,167,477	46.29	.....	142,919
Grand total, all areas.....	9,002,976	100.00	9,002,976	100.00	.....	.....

Source: Quotas established under the Sugar Act of 1937 by the Secretary of Agriculture; quotas under S. 2041 prorated on the basis of proposed amendments.

Section 3 of the bill amends section 207 (e) of the Sugar Act by reducing the direct-consumption portion of the annual Cuban quota by one-fifth, that is, from 375,000 short tons to 300,000 short tons, raw value. Both under the Sugar Act and under the bill, this direct-consumption quota of Cuban sugar is included in terms of raw value in whatever quota may be established for the total imports of Cuban sugar.

Section 4 of the bill amends section 304 of the Sugar Act. It provides that the amount of the base rate of conditional payments with respect to sugar or liquid sugar from sugar beets or sugar cane grown in continental United States, Hawaii, and Puerto Rico, be increased from 60 cents to 80 cents per 100 pounds, raw value. Under the existing law, the basic payment of 60 cents on the production of less than 500 short tons scales downward to 30 cents on the production of more than 30,000 short tons. Under the bill, the graduated scale of reductions in payments begins with 350 short tons and continues with seven intervals up to 30,000 short tons. The net effect of the new scale of reductions would be to increase proportionately the rate of payment for producers of up to 3,000 short tons. For those producing more than 3,000 short tons there would be no change in the payment on the excess above 3,000 tons.

Section 5 of the bill amends section 101 (f) of the Sugar Act of 1937. This section defines liquid sugar (sirups and molasses), for quota purposes,<sup>1</sup> as any sugars (exclusive of sirup of cane juice produced from sugar cane grown in continental United States) which are principally not of crystalline structure and which contain soluble nonsugar solids equal to 6 per centum or less of the total soluble solids (hereafter referred to as testing not over 6 percent). The pending amendment, section 5 (a), by substituting 8 per centum for 6 per centum, would include, in the liquid sugar quota, sirups and molasses testing over 6 percent but not over 8 percent. In the Sugar Act of 1937, the imports of liquid sugar are subject to an annual absolute quota of 8,801,452 gallons, of which not in excess of 7,970,558 gallons may come from Cuba and the entire remainder, 830,894 gallons, from the Dominican Republic. In the amendment, the amount of the quota is unchanged, but it would apply to all imports testing not over 8 percent. From foreign countries other than Cuba, imports of liquid sugar (except the quantity assigned to the Dominican Republic under the quota) are permitted, under the existing law and under the bill, only in small amounts (up to 10 tons each), in consumer containers, and for specified minor uses. Neither the quota limitations in the Sugar Act nor in the bill apply to liquid sugar of any origin which is imported for the distillation of alcohol or for livestock feed.

The imports of liquid sugar (sirups and molasses) testing not over 6 percent have consisted almost exclusively of invert sirups made from high-grade raw sugar dissolved in water and treated with acids or other inverting agents in order to change some of the sucrose to invert sugars. These sirups are relatively clear in color and impart little flavor because of their low nonsugar solid content. They are used principally as a sweetening agent by ice cream manufacturers, confectioners, bakers, and at soda fountains. To this extent they are directly competitive with sugar and with the relatively large quantity of liquid sugar made by domestic refiners in the metropolitan areas.

The imports of edible sirups and molasses testing more than 6 percent consist principally of cane sirups from which no sugar has been extracted. These sirups are darker in color and have a distinct flavor. The imported sirups of this type are used chiefly in making blended sirups and molasses for table use or for use by bakers and confectioners in making products where the flavor of the sirups and molasses is desirable. To the extent that these sirups and molasses are colored, flavored, and contain a considerable percentage of mineral salts, they are not a direct substitute for sugar except to a limited extent.

Statistics on United States imports of edible sirups and molasses, segregating those testing not over 6 percent and those testing over 6 percent, have been available only since 1939. Table 3 gives the data for 2 full years, 1939 and 1940, and for the first 6 months of 1940 and 1941. The total sugar content of the imports testing more than 6 percent was approximately 10,038 short tons in 1939, 16,577 short tons in 1940, and 11,892 short tons during the first half of 1941.

<sup>1</sup> Concerning the definition for purposes of the excise and import compensating tax, see p. 10.

TABLE 3.—*Molasses and sugar sirups, n. s. p. f.: United States imports for consumption, by nonsugar solids content, from Cuba and from other countries, 1939, 1940, and first 6 months of 1940 and 1941*

Year	Containing soluble nonsugar solids equal to more than 6 percent of total soluble solids			Containing soluble nonsugar solids equal to 6 percent or less of total soluble solids		
	Quantity	Value	Unit value	Quantity	Value	Unit value
<b>FROM CUBA</b>						
1939.....	<i>Gallons</i> 1,300,512	\$88,644	6.8	<i>Gallons</i> 7,739,106	\$1,257,678	16.3
1940.....	2,834,080	236,454	8.2	7,561,753	1,211,880	16.0
First 6 months—						
1940.....	2,541,141	191,041	7.5	4,336,644	715,644	16.5
1941.....	1,830,329	160,062	8.7	4,152,927	699,348	16.8
<b>FROM COUNTRIES OTHER THAN CUBA</b>						
1939.....	987,027	235,086	23.8	1,536,356	201,251	13.1
1940.....	944,066	263,306	27.9	920,560	137,785	15.0
First 6 months—						
1940.....	475,719	112,358	23.6	1,118,102	147,202	40.0
1941.....	880,189	254,883	29.0	71,167	14,619	19.7
<b>TOTAL, ALL COUNTRIES</b>						
1939.....	2,287,546	323,730	14.2	9,275,662	1,458,929	15.7
1940.....	3,778,166	499,760	13.2	8,482,333	1,319,665	15.9
First 6 months—						
1940.....	3,016,860	303,399	10.1	4,454,746	762,847	17.1
1941.....	2,710,518	414,945	15.3	4,227,091	713,967	16.9

<sup>1</sup> These data are subject to correction.

Source: Official statistics of the U. S. Department of Commerce.

The official import statistics do not show separately the quantity of edible sirups and molasses testing from 6 to 8 percent. In order to estimate the proportion of the total imports falling within this group, the Tariff Commission made an invoice analysis of the entry data of a representative quantity of the imports at New York of sirups and molasses testing over 6 percent. This analysis is assumed to be representative of total United States imports of these types of sirups and molasses, as the entries through the port of New York in 1940 constituted 72 percent of the United States entries through all ports. The entry papers studied covered the period January 1940 through June 1941, and the quantity covered was 2,483,000 gallons. The analysis indicated that for the period covered approximately 82 percent of the imports from all countries through the port of New York of sirups and molasses testing over 6 percent fell within the group testing over 6 percent but not over 8 percent. Of such imports from Barbados, 75 percent fell within these limits, and of the imports from Cuba, 80 percent.

In connection with section 5 (a) of this bill, consideration should be given to the provisions of the trade agreement with the United Kingdom, effective January 1, 1939. Under that agreement, of the total imports of edible molasses and sirups with a nonsugar solid content of more than 6 percent of total soluble solids, an annual global quota of 1,500,000 gallons is entitled to entry at reduced rates of duty. Imports in excess of this quota are subject to the rates of duty in effect before the agreement. This quota has been entirely filled in each of the 3 years, principally by entries of Cuban molasses, the remainder by imports from Barbados and other British West Indies. There were also considerable imports in excess of the tariff quota. Under the bill that part of the imports from Cuba testing over 6 but not over 8 percent would be transferred to the absolute quota for Cuban liquid sugar, but would continue, within the limits of the tariff quota of 1,500,000 gallons, to benefit by the reduced duty (with a preferential reduction of 20 percent). But the liquid sugar testing 6 to 8 percent from the British West Indies would not be permitted entry at all, since the Sugar Act provides no quota for any foreign country other than Cuba and the Dominican Republic.

Section 401 (b) of the Sugar Act of 1937, which is now covered by section 3507 (b) of the Internal Revenue Code, includes in the term "manufactured sugar," which is subject to tax, sugar in liquid form which contains soluble nonsugar solids equal to not more than 6 percent of the total soluble solids, except

sirup of cane juice produced from sugarcane produced in continental United States. Section 5 (b) of the pending bill proposes to modify the definition so as to subject to tax liquid sugar testing not more than 8 percent of nonsugar solids. This provision in the bill would subject to the compensating tax for the first time those imports of edible sirups and molasses testing 6 to 8 percent, which under the bill would also become subject for the first time to the quota for liquid sugar. This, in effect, would provide an additional duty on these imports of 6 to 8 percent test, since similar domestic sirups are exempt from the tax.

In this connection consideration should also be given to the provisions of articles XII and XIV of the trade agreement between the United States and the United Kingdom, effective January 1, 1939. Article XII provides that articles described in schedule IV (the list of concessions made by the United States) shall "be exempt from ordinary customs duties other or higher than those set forth and provided for in the said schedule" and "shall also be exempt from all other duties, taxes, fees, charges, or exactions of any kind, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this agreement or required to be imposed thereafter under laws of the United States of America in force on the day of the signature of this agreement."

Article XIV provides that article XII (as well as other articles referring to concessions by the United Kingdom)—"shall not prevent the imposition at any time on the importation of any article of a charge equivalent to an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been produced or manufactured in whole or in part."

Schedule IV of the agreement with the United Kingdom provides for the following reduced rates of duty on imports of molasses and sugar sirups testing more than 6 percent up to an aggregate quantity of 1,500,000 gallons per annum; "If testing not above 48 percent total sugars,  $\frac{1}{4}$  cent per gallon; testing above 48 percent total sugars,  $\frac{1}{10}$  cent additional for each percent, etc."

The schedule also provides that imports in excess of 1,500,000 gallons shall not be subject to higher rates than were in effect on the day of the signature to the agreement.

Molasses and sirups imported for industrial purposes are used principally in the manufacture of industrial alcohol and for livestock feed and when so used, are not subject to the quota. However, the import compensating tax is applicable to such molasses and sirups which test not over 6 percent. The proposed amendment would subject a greater proportion of such products to the import tax, by extending its application to all testing not over 8 percent. Consequently, it will become more difficult, if the amendment is enacted, to import molasses for the manufacture of alcohol, for which it is urgently needed at this time for national-defense purposes. Of the entries in 1940 of industrial molasses through the port of Philadelphia, the principal port of entry of such molasses, 27 percent tested between 6 and 8 percent. Under section 5 (b) of the bill, these imports would have been taxable. It may be observed, in this connection, that section 404 (b) of the Sugar Act of 1937, now section 3494 of the Internal Revenue Code, provides for the refunding of the excise tax paid on domestic sirups and molasses (and other "manufactured sugar") upon the use thereof for livestock feed or for the distillation of alcohol. But no such provision is made in the act for refunding the import compensating tax (the equivalent of the excise tax) on sirups and molasses testing not over 6 percent imported for the same purposes. To overcome this handicap, the practice has developed to manipulate such molasses and sirups otherwise testing less than 6 percent by adding, before entry, waste molasses or molasses products high in content of nonsugar solids.

The bill would raise to 8 percent the figure above which the tax does not apply, and thus would require an admixture. If it is desired to preclude the necessity of the manipulation practice, this could be done by amending the present law to provide for the refund of the import compensating tax on such molasses when used for the distillation of alcohol or for livestock feed.

Sections 6, 7, and 8 of the bill relate to the extended duration of the Sugar Act of 1937, continuing its provisions, as amended, in force for an additional 3 years. This would involve changing the specified date in sections 513 and 503 of the Sugar Act and in section 3508 of the Internal Revenue Code.

The CHAIRMAN. Senator O'Mahoney, as the author of S. 2041, do you desire to proceed with the House bill?

Senator O'MAHONEY. Yes, Mr. Chairman, I think that would be the desirable thing to do.

The CHAIRMAN. You may proceed.

Senator GUFFEY. Have we a copy of that bill available.

The CHAIRMAN. That is H. R. 5988.

Senator O'MAHONEY. The two bills are identical.

The CHAIRMAN. May I ask if it is substantially the same bill, Senator O'Mahoney?

Senator O'MAHONEY. The bills are identical.

Senator JOHNSON. Mr. Chairman, may I ask whether this is an executive session?

The CHAIRMAN. Not at this stage, Senator. If any representatives of the departments are called to the stand or desire to appear then we will resolve the session into a strict executive session. Dr. Bernhardt, that is satisfactory to you, I presume?

Mr. BERNHARDT. Yes.

The CHAIRMAN. Senator O'Mahoney, you may proceed.

### STATEMENT OF HON. JOSEPH C. O'MAHONEY, UNITED STATES SENATOR FROM WYOMING

Senator O'MAHONEY. Mr. Chairman, I think, as all members of the committee well know, the Senate bill was introduced by the late Senator Adams, Senator Ellender and myself. After the unfortunate death of Senator Adams, who was primarily interested in this problem of sugar development in the United States and who knew more about it than most of us, I and Senator Ellender went to Colorado to the funeral, and during our absence the reports to which you have just alluded were prepared. It was only this morning that Dr. Bernhardt of the Sugar Section advised me that the report was available before this committee. The chairman was good enough to send me a copy of the report filed by the Secretary of the Interior last week, but I have not as yet had an opportunity to examine the report of the Secretary of State, nor the report of the Secretary of Agriculture, and it may be that after I have read those reports and heard what is to be said on behalf of those two departments I might have something additional to add.

It is rather difficult to imagine that there is anything new to be said about sugar legislation, particularly to this committee, the members of which have been familiar with it since the Jones-Costigan bill was first introduced. You all know how perfectly successful this legislation has been, and you all know that we are now confronted by an utterly new situation due to the war. The authors of this bill long ago came to the conclusion that the disturbed state of international affairs made necessary a further development of the culture of sugar beets and sugarcane in the continental United States if the consumers of sugar in the United States were to be protected. We felt that an international war which threatened all of the sea lanes made it almost impossible to imagine that we could obtain in the United States the supplies of sugar upon which we have been dependent in the past from the insular areas. Of course we had no dream of the disaster that was to fall on Hawaii and upon the Philippine Islands, but that disaster only emphasizes the problem that confronts us, and, as I see it, only emphasizes the necessity for the adoption of this legislation, that is to say, if it is our purpose, by legislative action, to protect so far as possible the sugar supply of the people of the United States.



Now, there is another point that I want to call to the attention of this committee. It may seem a little bit far afield at the beginning, but I think it is intimately bound up with the issues here. This war in which we are now involved, this total war, is one which is carried on upon a national and international scale in such a way as to threaten the existence of our customary and habitually local enterprises. Already I have had occasion to call to the attention of the Senate the impact upon small business of national preparedness, and without in any way whatsoever intimating or suggesting that there should be any hesitation whatever in all-out preparedness for defense, and now for attack, I have pointed out that when this war is over, if little business is destroyed we shall have a terrible time restoring the system of free enterprise to which the country is wedded.

Now, this problem of agricultural production is a part of that problem. For a generation we have been building up the cultivation of sugar beets and sugarcane in continental United States particularly sugar beets because we came to the conclusion as a national policy long ago that sugar beets should be cultivated in order to develop a local supply, so as to protect our consumers when insular supplies were cut off.

Now, these farmers of sugar beets, these growers of sugarcane within the continental United States are now operating, they are now self-supporting units. They are now capable of paying taxes; they are now capable of making their contribution by the payment of taxes and the growing of sugar to the national defense, but if by a policy which emphasizes theoretical concessions to other areas we make it impossible for those people to produce their sugar beets and sugarcane or seriously impede them, then by that very act we destroy their self-supporting capacity, and we cut off their ability to make contributions to the revenue of the United States which is so necessary.

We all know that there has been a tremendous concentration of industrial effort. Last March I stood on the floor of the Senate filing the report of the T. N. E. C. and pointing out the fact that industrial concentration had taken place to such a degree that less than 10 percent of the States had more than 90 percent of the industrial production. The result of that has been that the population is being withdrawn from States like Colorado and Wyoming, Montana and Utah, and other States which are not equipped to take part in industrial production, and those States are thereby being stripped of what I call their local economic independence.

Now, if we are to add to that, Mr. Chairman, the destruction of the beet-growing industry in those areas it takes no argument upon my part to show you that there will be only a shell left.

I can see no reason for opposing the request which we make here, that this bill, this law, which everybody recognizes has been one of the most successful laws upon the statute books, one of the most successful attempts to deal with a very complicated agricultural problem, that this bill should be continued and that there should be embodied in it certain amendments which those of us who have been following the problem deem to be very essential. If we do not do this, Mr. Chairman, what is the alternative? The alternative is that we shall be dependent upon insular areas for our sugar. Our sugar farmers will not be able to produce what they can produce. Their economic status will be impaired, and then we shall be attempt-

ing to cultivate the development of the sugar industry in other areas which may not be able to supply it to us.

Now, Mr. Chairman, which are proposed in this bill I think ought to be clearly understood. There is the first amendment, one to which the greatest attention probably has been devoted in the press, that which deals with the basic quotas. Now, the sugar law has been so well drawn that the quotas depend upon the estimate of consumption made by the Secretary of Agriculture. The purpose of requiring an estimate of consumption as the basis of determining the quotas was to provide protection for the consumer so that there would always be a sufficient supply of sugar for the demand in the United States, that all those areas producing sugar would be permitted to bring it in, and the former Secretary of Agriculture in many of his statements pointed out that the reason that the processing tax which supports this legislation is not a burden upon the consumer is that the supply is kept in constant harmony with the demand. The price of any commodity is dependent upon supply and demand, and therefore, when under this law the supply is constant through the estimate of consumption the tax which finances the legislation does not constitute a burden upon the consumer. I shall not refer to the particular section. It is what was known as the La Follette amendment, requiring the Secretary to make his estimates in such a fashion that a constant per capita supply should be kept up.

Now, then, in the present crisis the Secretary has taken full advantage of that, and the estimate of consumption, the withdrawal of all the marketing quotas, has been such that every sugar-producing area, insular or otherwise, which can bring sugar into the United States is free to bring in every pound it can bring in. Cuba can bring in all the sugar it produces. The Philippines, Hawaii, the Virgin Islands, Puerto Rico, and all the rest can bring in all the sugar they produce. There is no limitation, and the quota does not constitute a limitation. The quota, Mr. Chairman, is a cushion upon which this industry may fall back when, please God, this emergency is over. The quotas established in this bill passed by the House do not restrain the importation of sugar from any area. The bill merely provides that when the emergency is past and the time is again upon us when there will be a world surplus of sugar we shall protect our domestic supply by this cushion which provides only a 4-percent increase over that which we formerly had.

Now, then, another amendment is that which provides for an increase of the benefit payments, so-called, the basic rate increase, so-called, from 60 to 80 cents, but the greatest care was observed in drawing that provision. The purpose was, Mr. Chairman, to guarantee to the small producer, the family-sized farm, that he would be able, if he increased his production of sugarcane or sugar beets, to meet the increased costs which unfortunate events are bringing upon him.

I am not the author for the statement that there has been an increased cost. The marketing service of the Department of Agriculture has given out its formal report that the cost of cultivating sugar beets today is more than 20 percent greater than it was at the time that the parity price of sugar was computed. So, Mr. Chairman, if it is desired, as it seems to me it ought to be desired, that we use our own facilities for the production of our own sugar to supply to

our own consumers here in the United States, then certainly we should make it possible for the small producer of sugar beets and sugarcane to come to the aid of the consumer.

Now, the schedule of payments was carefully cut down, carefully scaled down, so as to avoid, as far as possible, any danger of increased payments to the large producers of sugar.

Now, let me again emphasize the fact that the revenue derived from this law—now about \$80,000,000 this year, I think—is more than sufficient to pay for all of the benefit payments and all the cost of operation. The cost of administration, as I recall, is estimated at about \$48,000,000 or \$49,000,000 less than that. The normal revenue was over \$60,000,000, but owing to the great increase in sugar consumption during the past year the revenue, as I say, this year will be about \$80,000,000.

Senator DANAHER. What would be the effect, Senator, if the base rate of benefit payments were decreased from 60 to 40 cents?

Senator O'MAHONEY. It would make it utterly impossible, completely impossible, for the sugar farmer to operate.

Senator DANAHER. I expected that answer.

Senator O'MAHONEY. Let me say this, Senator, that one of the basic principles in this act was to increase the wages of the workers in the sugar industry, particularly those upon the farms, and to abolish child labor. The producers of sugar in the South and in the West, the producers of sugar in Hawaii and in Puerto Rico, in all of the areas under our flag, were very glad to cooperate in that respect, and they did cooperate, and the costs were thereby increased.

Senator DANAHER. My next question is: If the increase in the base rate from 60 to 80 cents will not be a burden on consumers, on whom will it be a burden?

Senator O'MAHONEY. I am glad that you asked that question because it opens up another one of the very interesting phases of our very complicated economic life.

Senator DANAHER. Well, it is fundamental in this bill.

Senator O'MAHONEY. It is fundamental, Senator.

The processing industry, both the refining of cane sugar and the processing of beet sugar is a concentrated industry. It is carried on by industrial corporations, and the industrial corporations, the big refineries on the east coast, the big processors in the Rocky Mountain region and in the Middle West, because they are able to work upon a national scale; have always been able to make a better profit out of the industry than the farmer has been making.

The processing tax has been a mechanism whereby the profits have, as it were, been divided. The processing tax is paid by the processor, because the prices control. It is not paid by the consumer. Witness the fact that the price of sugar today, even in this crisis and before the ceiling was placed by the O. P. M., the price of sugar is far lower in the United States than it had been during the crisis of the last World War. Then, the price of sugar, with no processing tax, with no sugar bill, with the United States dependent upon the insular areas, went up to 7, 8, and finally immediately after the war to more than 20 cents a pound.

Senator DAVIS. What is the price of sugar now?

Senator O'MAHONEY. A little over 5 cents. The retail price here is 5.2 cents, is it not, Dr. Bernhardt?

Mr. BERNHARDT. Six cents in the United States.

Senator O'MAHONEY. The retail price?

Mr. BERNHARDT. 6.0.

Senator DAVIS. When I last looked into the wages of the beet-sugar workers they were very low. Have they been increased in the last year?

Senator O'MAHONEY. Yes, indeed. They have been increased by the action of the Sugar Section.

Senator DAVIS. Have you got a schedule of the wages paid now?

Senator O'MAHONEY. No; I do not have that here. But it is available.

Senator DAVIS. I wonder if you can put that into the record?

Senator O'MAHONEY. Dr. Bernhardt, will you see that it is taken care of?

Mr. BERNHARDT. Yes.

Senator DANAHER. Senator O'Mahoney, I believe you have not concluded on this point.

Senator O'MAHONEY. I was going to say the result on this mechanism is that the sugar industry in itself pays the tax. The processor by and large pays half of it, and the producer pays half of it. The benefit payment is a mechanism, as I say, whereby there is a transfer of a portion of the income received through the processor to the farmer.

Senator DANAHER. Do you recall that some months ago the Senator from Virginia, Mr. Byrd, offered for the record a list of payments that had been made to large industrial sugar operators?

Senator O'MAHONEY. Yes.

Senator DANAHER. That list ran for two or three pages and included only payments at \$10,000, or more.

Senator O'MAHONEY. That is right.

Senator DANAHER. And to some such producers or industrial operators there were payments of over \$400,000.

Senator O'MAHONEY. I would not say "some," I would say to a few. Now, it would be possible—and I shall endeavor to do that, but I cannot do it at the moment—to show the tax that was paid by those very same units.

Senator DANAHER. If you increase the base rate, the payments back to such organizations would increase pro rata even though there was a division with the producer.

Senator O'MAHONEY. As I say, the scale-down here, the new scale-down is much more drastic than that in the present law and was drafted for the purpose of meeting exactly that situation. If the Senator will look at page 6 of the bill before him he will see that the proposed increase here from 60 to 80 cents, the total proposed increase is received only by those who produce less than 350 tons of sugar. Beginning at 350, from 350 to 700 tons, there is a scale-down of 5 cents, and so it goes on by ready stages until those who produce over 30,000 tons have a scale-down of 50 cents.

Senator DANAHER. One other question and I shall have rested—in peace, I hope. As I recall it, it was in June of this year that O. P. M. fixed a ceiling of 3½ cents on sugar.

Senator O'MAHONEY. Yes. That was the raw value.

Senator DANAHER. If there be price control which would freeze that price would there be a conflict between any such ceiling and the effect of this bill?

Senator O'MAHONEY. No; I do not think so. I think ceiling would only emphasize the effect of the bill by controlling the price of sugar. Now, understand we have no objection to controlling the price of sugar. We have felt that, because of the very large amounts of sugar which were coming in before the crisis exactly developed, the price of sugar was lower than it should have been. It had gone down to considerably less than 5 cents a pound paid by the consumer at retail, and as a result, the producer, the farmer, felt that in his contract with the processor, which was tied to the returns, don't you see, that the processor gets—he was not receiving as great a price as he should receive.

Senator DANAHER. Thank you.

Senator BARKLEY. May I ask you in what respect this bill differs from the present law?

Senator O'MAHONEY. Senator Barkley, I was just saying that probably just before you came in. In the first place, the bill extends the law for 3 years. It expires now on the 31st of December. In the second place, it increases the minimum continental quota by about 4 percent, and, as I pointed out, that quota does not become effective until the consumption estimates are restored. Under present conditions every area may send into the United States as much as it can produce. Now, this 4-percent increase is taken principally from Cuba.

Senator BARKLEY. That is the point that I wanted to get your reaction to.

Senator VANDENBERG. It does not affect them at the moment.

Senator O'MAHONEY. That is the point.

Senator BARKLEY. We are in a different situation now, internationally speaking. Cuba having just declared against Japan, lining herself up with us in this fight, what psychological effect will this bill, reducing the quota, have on Cuba?

Senator O'MAHONEY. The point, Senator, is that it does not affect the present status of Cuba at all.

Senator CLARK. It does not quite affect the present status of Cuba at all, but it would seem to me to be a very unfortunate time to more or less slap Cuba in the face the day after they declare war. I intended to vote for this bill before the war situation.

Senator O'MAHONEY. I do not think anybody supporting this bill would want to slap Cuba in the face, and I do not think this bill does slap Cuba in the face, because the fact is that Cuba, if this bill should become a law tomorrow, may continue to send in all that it is now sending in.

Senator BARKLEY. It may do that during the life of the act?

Senator O'MAHONEY. As long as the estimate of consumption is where it stands.

Senator BARKLEY. If the estimate of consumption comes down again, there would have to be a reshift of the quota and then Cuba would lose in proportion as the continental United States, is that true?

Senator O'MAHONEY. That is about 52,000 tons, as I recall.

Senator GUFFEY. Is that a reduction of refined sugar?

Senator O'MAHONEY. There is a reduction of 75,000 tons in the amount of refined sugar that Cuba may send into the United States, but that does not affect its total quota. It may send that 75,000 tons in in raw sugar. It is merely a transfer of refined to raw.

Senator BARKLEY. In addition to that possible increase in the domestic quota there is an increase from 60 to 80 cents in the provision here that you referred to a moment ago?

Senator O'MAHONEY. That is right, to meet the increased cost.

Senator BARKLEY. Are those the only changes under the present law?

Senator O'MAHONEY. There is a reallocation of the Philippine deficit, and then there was an amendment which deals with the definition of liquid sugar. There is a redefinition of liquid sugar. This new definition was prepared for the reason that we were advised that, under the present definition, a considerable quantity of sugar is coming into the United States in liquid form without being subject to the quota and without being subject to a tax. Now, I may say that this morning I learned from authoritative sources that perhaps this definition is not as accurate as it might be. I hoped that it was. I have no desire, and I am sure nobody who supports the bill has any desire, or any proponent of the bill, to do more than was intended, that is to say, to make certain that all sugar which comes into the United States is under the operation of the law, and I am going to look into that matter further.

Senator BARKLEY. You spoke of the Philippine deficit. What effect does this bill have upon that? Is there any reshifting or reallocation of that deficit?

Senator O'MAHONEY. Yes; there is a reshifting of that deficit.

Senator VANDENBERG. It still leaves a maximum permission there, does it not, equal to all the sugar these areas ever sent us?

Senator O'MAHONEY. That is my understanding. Under the present law the deficit of Philippine sugar goes only to foreign countries other than Cuba. This provision is to the effect that the domestic beet area and the mainland cane area shall receive proportionately any deficit of duty-free refined sugar from the Philippines. Then the first 100,000 tons of the remainder of any deficit would go to foreign countries other than Cuba, and the balance would be distributed proportionately to Hawaii, Puerto Rico, the Virgin Islands, and Cuba.

Senator VANDENBERG. Now let me ask you this question: Does not that 100,000 equal the maximum sugar that ever came to us in any one year from all of these areas?

Senator O'MAHONEY. That is my understanding. There was no intention to cut off or to cut down below the normal import from those areas.

Senator BARKLEY. Under the arrangement Cuba is eliminated from participation in the first 100,000; is that true?

Senator O'MAHONEY. Under the present law Cuba may not participate at all.

Senator BARKLEY. That is what I understand. I mean under the rearrangement, as I understand it, the first 100,000 is allocated to countries other than Cuba.

Senator O'MAHONEY. That is right.

Senator BARKLEY. Above that there is an allocation to certain countries including Cuba.

Senator O'MAHONEY. That is the next deficit. The first deficit of duty-free refined sugar goes to the continental areas, beet and cane. Then, secondly, the first 100,000 tons of the remainder of any deficit may go to foreign countries other than Cuba. That was following the

present law. The balance, that is, all after that 100,000 tons, would be distributed proportionately to Hawaii, Puerto Rico, the Virgin Islands, and Cuba.

Senator BARKLEY. So that Cuba and the Virgin Islands come in the third category?

Senator O'MAHONEY. That is right.

Senator VANDENBERG. Is not that a gain for Cuba?

Senator O'MAHONEY. As I see it, it certainly is, because there is likely to be a much greater deficit now than we imagine.

Senator TAFT. What is the allocation of the Philippine duty-free quota for the refined and unrefined sugar?

Senator O'MAHONEY. Dr. Bernhardt, may I ask you for those figures?

Mr. BERNHARDT. There is approximately 50,000 tons of refined sugar coming in from the Philippines. That is covered apparently by the first clause. If that would be divided, that quantity would be divided as between beet and cane areas.

Senator TAFT. Then there are 800,000 or 900,000 tons of raw sugar?

Mr. BERNHARDT. The quota is equivalent to about 982,000 short tons.

Senator TAFT. So that this provision would give 50,000 tons—

Senator O'MAHONEY (interposing). To the domestic beet and cane areas.

Senator TAFT. Unless there was a complete deficit. Why would there be any deficit in refined sugar at all? Why would not they ship all the refined sugar then can first?

Senator O'MAHONEY. As a matter of fact, the Philippines have not been shipping their dutiable sugar. They are not anxious to ship that. They want to ship the duty-free sugar. The quota to which Dr. Bernhardt referred is the quota which does not pay any duty.

Mr. BERNHARDT. I beg your pardon. The 50,000 tons is the duty-free.

Senator O'MAHONEY. That is what I say. I meant the 800,000.

Senator TAFT. Why would there be any deficit in that? I should think if there was any deficit, if there was a shortage, they would cut down on the raw sugar rather than the refined, so they could refine it themselves.

Senator O'MAHONEY. They do cut down on the dutiable refined.

Senator TAFT. I understand that.

Senator O'MAHONEY. This provision does not affect any sugar which is duty-free.

Senator TAFT. Yes; the maximum, as I understand it, would be 50,000 tons that might go to the beet and cane areas.

Senator O'MAHONEY. That is right.

Senator TAFT. Why would there be any shortage in the refined as opposed to the raw? Why would any shortage be in the raw sugar?

Senator O'MAHONEY. I am frank to say to you I have never investigated the motives that have actuated the Philippines in their conduct of this business.

Senator TAFT. I understand it as to the dutiable sugar, but I am wondering why they do not ship duty-free refined sugar first and use this quota up so there is no quota to reallocate, even under the terms of this bill.

Senator O'MAHONEY. This is the fact: If they do not ship, then we do not get it.

Senator TAFT. Now let me ask you one other question. Supposing that there is no Philippine shipment, there are no Philippine shipments at all—and I do not believe there will be any Philippine shipments for the next year—now, why cannot it be taken care of? Why cannot some part of that quota be allotted directly to the domestic areas instead of taking it away from Cuba? In fact, in order to get enough sugar, are not we going to have to increase the quotas for this year, 1942?

Senator O'MAHONEY. Of course I am talking about a bill that was drafted before the present condition developed on Sunday last. What you say is absolutely correct. The probability is that we will have a much greater deficit than was anticipated.

Senator TAFT. Then the entire deficit will go outside the United States? I mean, outside of the continental United States.

Senator O'MAHONEY. I can see that it might be desirable to make a further amendment of this provision. I can conceive that it might even be changed so that a part of this deficit, this Philippine deficit should go to Cuba and other foreign countries.

It would not be possible, under the present law, but the fact that confronts us is that the present law expires on the 31st of December, and I am anxious that we pass a law as rapidly as we can with as little change from the House bill as possible. It should be borne in mind that this bill, which is now before this committee was passed by more than a two-thirds vote of those who were present and voting in the House.

Senator BARKLEY. On what date did it pass the House?

Senator O'MAHONEY. On the 1st of December.

Senator BARKLEY. Yes. So the situation which we now face had not developed then.

Senator O'MAHONEY. That is right.

Senator BARKLEY. And if we should make any changes, as appear to be justified here under the new situation, likely the House would concur.

Senator O'MAHONEY. Well, I am very glad to have the leader say that. My hope would be that it would.

Senator BARKLEY. I am asking the Senator if he did not think the likelihood would be that it would concur?

Senator O'MAHONEY. I would like to have his opinion rather than mine.

Senator BARKLEY. I am not expressing an opinion; I am expressing a hope.

Senator O'MAHONEY. I share the Senator's hope.

Senator GUFFEY. He is a tobacco expert, not a sugar expert.

Senator VANDENBERG. He is a hope expert.

Senator O'MAHONEY. Now, Mr. Chairman, I do not want to burden the committee.

I think I have covered this subject generally, and to some extent, specifically, and, as I said, in opening, until I have read the statement of the Department of State, and of the Department of Agriculture, I do not know that there is anything more that I could say that would not be repetition.

The CHAIRMAN. Senator Johnson, did you wish to make a statement at this time?



Senator JOHNSON. I do not care to make a statement at this time.

The CHAIRMAN. Senator Pepper, did you wish to appear at this time?

Senator PEPPER. Senator, do you care to make any announcement? I have not seen the reports from the departments.

Do you care to make any announcement as to the substance of those reports?

The CHAIRMAN. They have been put in the record, Senator.

The reports are adverse from the Secretary of State and the Secretary of the Interior. They raise much the same questions as have heretofore been raised, with some additions.

The Department of Agriculture—the Secretary of Agriculture has made some suggested amendments and has concurred in the Secretary of State's objections substantially.

Senator GUFFEY. What dates were those reports written?

The CHAIRMAN. The Secretary of Agriculture reported on December 9; the Secretary of the Interior on December 5; and the Secretary of State sent over his report yesterday, the 9th.

Senator GUFFEY. Was it written before Sunday, do you think?

The CHAIRMAN. It is dated since Sunday, dated yesterday.

Senator VANDENBERG. The departments were all adverse in their reports to the House and the House concluded, in its wisdom, that the opposition at that time was unwarranted.

The CHAIRMAN. All right, Senator Pepper.

#### STATEMENT OF HON. CLAUDE PEPPER, UNITED STATES SENATOR FROM FLORIDA

Senator PEPPER. Mr. Chairman, and members of the committee, all of us realize that considerable benefits, particularly to the sugar industry, both the refiners and producers have been derived from the sugar legislation which began in 1934 with the Jones-Costigan Act.

There has been one unhappy aspect about this sugar-control legislation, however, particularly as respects States like Florida which were late in coming into the picture as sugar producers.

The quota system is based in principle upon the historical base, which means that the system was relatively frozen as it existed at the beginning of the sugar legislation, which was in 1934.

Well, now, at that time, our State had just gotten into production. It had one company which was in production in the Everglades of Florida, which had gone into a reorganization after earlier efforts to produce and to refine sugar, after a rather lengthy series of experiments in the right kind of cane and best method of production and the like.

So that, ever since that time, in spite of the fact that probably Florida is as uniquely fitted for the production of sugar, insofar as available acreage and the adaptability of that acreage for sugar production is concerned, as any State in the Union.

Senator CLARK. They say about Florida, that Florida could produce all the sugar needed in the United States.

Senator PEPPER. That is substantially true. We have hundreds of thousands of acres of land where sugarcane grows as high as 18 feet, sometimes 20 feet high, where they have worked out the kinds of sugarcane which are ideally adapted to the soil.

Consequently, here is an area which climatically and in respect to its soil is uniquely fitted for the production of sugarcane, and yet by reason of the sugar quota system, practically freezing the situation as it existed when this legislation was inaugurated, our ability to expand has been thwarted.

Now then, the existing sugar legislation provides in case of emergency, and so forth, the quota system may be lifted by Executive order, and that has been done, so that, at the present time, there is no quota system.

If I understand correctly the effect of the Executive order, there is no restraint against either the production of sugarcane on the farmer, or the refinement of sugar on the mill.

Senator TAFT. No limitation on acreage?

Senator PEPPER. No limitation on acreage, and if I am not incorrect, Senator, in my understanding, there is no existing limitation upon marketable sugar.

In other words, if you could get the materials from the priorities authorities, you could go and build another sugar mill in Florida for the first time.

Senator TAFT. Or in Ohio?

Senator PEPPER. Or in Ohio, or any other State, of course, and you could go out and put additional acreage into production if you cared to do so.

Now here is the position in which we find ourselves, which I want to lay before the committee. I feel it is my duty to do it as the Senator from Florida.

It is recognized now that in order to meet the existing emergency all of our domestic areas, as the Senator from Ohio indicated a moment ago, should go into increased sugar production, and even perhaps into increased sugar refining.

Now then, everybody is doing that, not only with lawful authority but with acknowledged merit in their course. It is desirable, in the public interest, that they do do it.

Now, those people who have come into the picture recently under this Executive Order which removed the quota system, or who shall come in between now and any subsequent restrictive legislation, I submit are just as bona fide sugar producers and sugar refiners as anybody else.

If you reenact this law, which on its own terms expires on December 31, if you reenact that law and reimpose the sugar quotas they will eventually go back into effect when the emergency is over and freeze the system back into what it was prior to the time of the lifting of these restrictions by executive order, so that all these people who have, in good faith and with merit in their course, come into production, or into the refining of sugar under existing situations and conditions, will be squeezed out, will be frozen out of the picture.

They will have to plow up their acreage and will have to stop their mills for they cannot sell the sugar that is refined in them.

Now, I realize that those who are engaged in the production of sugar with some reason, could say, "Well, there will be chaos in the sugar industry in that subsequent day when the emergency shall pass."

If we do not have some orderly arrangement about quotas, both in production and in refining of sugar, the price of sugar will drop

below the cost of production, and there will be confusion in the industry.

Now, I respectfully, Mr. Chairman and members of the committee, submit this:

We are perfectly willing to vest in the Secretary of Agriculture, or anybody else that the Congress might see fit to vest that power in, the power to impose quotas and to bring order and orderliness to the industry, but I do believe that it is fair for the quotas that might be imposed at that time to be imposed in view of the production at that time, the situation as it then exists rather than the situation as it existed prior to the time of the Executive order lifting the quotas imposed under existing law.

In that way, you will be dealing with the realities of the situation, and that these newer arrivals on the scene who, by that unhappy time, or happy time, may have been in the production of sugar for years for all we know, they will be treated with as much consideration and will be entitled to as much consideration as anybody else.

In other words, we all know that one of the rather unsalutary effects of the quota system is that it in substance, gives a certificate of public convenience and necessity to a producer or refiner to produce or refine sugar, and we give, in substance, a monopoly to that particular class of our people to engage in that particular kind of production.

Now, it is a pretty severe restraint to tell a person that he cannot grow sugarcane on his own land, and that he cannot refine the output of his own factory. None of us want to impose those restraints, except in response to an imperative command of the public interest.

Senator VANDENBERG. Do not we do that in connection with all acts of Congress?

Senator PEPPER. We do.

Senator CLARK. In connection with wheat, cotton, and everything else.

Senator PEPPER. I realize that, but I say none of us want to do it. I am sure the Senator will agree, except in response to the imperative command of the public interest.

Suppose now we were reenacting other systems and everybody that might begin to grow corn, let us say, for the next 5 years, would not get the right to continue to grow corn at the end of the 5 years but will be squeezed out and corn production limited to those who were growing corn 6 months ago?

Not because I am not sensible, Mr. Chairman, to the desire of the industry to keep up production, but if the quota that formerly existed is to be preserved in the extended law, from Florida's standpoint and from the viewpoint of all those who are directly interested, whether in Nebraska or anywhere else—we heard Senator Norris speak about the new areas out there that are coming into production by irrigation, that want to come into the sugar production picture—I say on behalf of all those new producers, new refiners, that come into the picture, if we have another quota system it ought to be based upon production and refining as it exists at the time the quota system is imposed, which is not possible if you renew this law in the terms in which it now exists.

Senator VANDENBERG. We had better give you notice now as to why the enactment of the law is proposed, had we not, if we are not going to do that?

Senator PEPPER. If we are not going to do that. Of course everybody that meets the national emergency now about production will be saying, "While my neighbor over here who got into production a few years ago can continue to produce, but I, who am coming up now to meet the national need, I am going to be squeezed out." Senator, I am not quite sure that we have the right to squeeze out one of those fellows who comes into production under lawful and encouraging circumstances and give a vested right to the other fellow, his neighbor, to continue to produce. Why is 1934 such a magical year that it forever fixes everybody's status and you cannot possibly get out of it hereafter?

Senator VANDENBERG. Is not that the indictment against the entire agricultural control?

Senator PEPPER. I do not think it necessarily is. I am not opposing the quota system, Senator, but I am simply pointing out that we freeze the existing situation in 1934 relatively. Now, I do not think 1934 ought forever to be considered the criterion. I see no reason why 1941, or 1943, or 1945 might not be considered, at least the Secretary of Agriculture might not be given discretion to take into consideration the picture as it then exists.

In Florida, for example, we have got this situation—and this is a statement that has been verified at the Department—approximately 85 percent of the sugarcane production of Florida is attributable to one firm, the United States Sugar Corporation, while 40 producers account for the remaining 15 percent.

Now, I said at one time here in this committee that I did not favor monopoly in my State any more than I favored it in any other State in the Union. Now, this one corporation started in the production of sugarcane in Florida. I attended the opening of its first mill in 1929. It got under way. It was able to experiment on a large scale and it had capital which was largely supplied by industrialists. One of the big corporations, the General Motors Corporation, is one of the principal stockholders in this company. Very few of them are Florida people. They have come in and established a great business, and I am proud for them, we want to encourage it, but the way this sugar bill operates in Florida, they are in fact granted a relative monopoly in the production and refinement of sugarcane in our State. That is not fair to the rest of the people of the State. As it exists now, the more quota we get they keep on getting 85 percent of it. Last year, for example—the figures have been slightly changed but the percentages I do not think are changed—Florida had 24,000 acres. That was its acreage quota. The United States Sugar Corporation had 20,000 of those acres. Another corporation called Fellsmere had 3,000 acres, while the other farmers, the actual owners of the soil, the actual farmers in the Everglades altogether had 1,000 acres.

Now, they have got a tract of land in the Everglades where they have got 5,000 acres for the tenant farmers that they have put on there, the underprivileged farmers, and they want those people—I have talked to them about it—they want them to grow a little cane, and under the existing law they cannot grow but 5 acres; I say if the Farm Security Administration wants to build another sugar mill and let these fellows market their production, they ought to have a chance to do it and not say to every citizen of Florida forever, "Because you were not producing in 1934, you will never be able to get into this

picture"; that is the reason it comes very acutely home to the majority of our people.

Senator TAFT. Mr. Chairman, may I ask before the Senator ends, whether the departments are opposed to any reenactment, or do they want the law reenacted exactly as it was? What is the position of the Department of Agriculture? Do they want to reenact the law exactly as it was, or do they want to leave it wide open for the present?

The CHAIRMAN. Senator O'Mahoney has the report there.

Senator O'MAHONEY. I was just reading the report of the Secretary of Agriculture. I gather from this that the Secretary of Agriculture is not opposed to the continuance of the law as it is. I have not finished the whole letter. It has proposed certain administration amendments which I have not had an opportunity to read as yet, and then argues that the Department of Agriculture desires to continue a sugar act.

Senator PEPPER. I say, Mr. Chairman, and members of the committee, if the bill is to be reenacted—and I have no objection to it except what I have said here—at least then, so far as the status is concerned in any of those areas, I submit there ought to be a discretion in the Secretary to allot the acreage within a State if not within an area, so that fairness may be done to these new people who have come into the picture to meet the needs of the national emergency.

Now, one of the Congressmen from my State, Congressman Peterson, has suggested to me a couple of amendments which I would like to leave with the committee.

The first one says:

Section 301 of the Sugar Act of 1937 is amended by adding to section 301 at the end thereof the following:

*"Provided, That in order that no regulation or determination may be made hereunder which would result in the plowing out or destruction of sugarbeets or sugarcane now planted, the proportionate share for each farm shall not be less than the acreage planted to sugar beets or sugar cane on the date this amendment becomes effective."*

That would simply mean that no future quota limitation may reduce any quota below what it is now, or at the time this bill might be enacted. The other amendment is:

Section 301 of the Sugar Act of 1937 is amended by adding to section 301 at the end thereof the following:

*"Provided, That nothing herein contained shall permit the Secretary to fix the proportionate share for any farm at less than the acreage planted to sugarbeets or sugarcane at the date this amendment becomes effective."*

Senator VANDENBERG. How would those amendments help you if you are going to freeze the thing on the basis of now?

Senator PEPPER. They do not really solve the problem, Senator. I was getting to the heart of it.

Senator VANDENBERG. They do not reach your problem at all.

Senator PEPPER. No; they do not.

Senator TAFT. They do not reach sugar beets, because there are no sugar beets planted in Florida.

Senator PEPPER. Dr. Bernhardt, when was the Executive order made? About a month ago, was it not?

Mr. BERNHARDT. About a month ago the Secretary of Agriculture announced there would probably be no limitation on the 1942 crop.

Senator PEPPER. Then, there was removal of restrictions last year for a while.

Mr. BERNHARDT. That was by Executive order in 1939, at the outbreak of the war. That was by Presidential order. The present situation, however, arises from the fact that the 1942 crop would, of course, be unrestricted in any event, if there is no legislation, and if there should be legislation in the form in which it is now the provisions of that act would require no limitation. That has not been by Executive decree, it automatically follows from the language of the act as it now stands or the probable continuance of the act.

Senator PEPPER. I think what Mr. Peterson was getting at was this: For example, I think the sugar company in Florida has probably planted, due to the advantage of one of these Executive orders, that of the President or that of the Secretary, has planted perhaps more than it technically might be allowed under the quota system and it would have some advantage by not being required to plow up the planting that it so far had made. I have no quarrel with that. If it is a fair principle I commend it.

Mr. Chairman, do you think the committee is likely to pass on this matter finally this morning?

The CHAIRMAN. I do not think so. There are several witnesses here.

Senator PEPPER. I would like to ask leave, Mr. Chairman, to submit a couple of amendments to the committee for consideration. The first amendment, in substance, would be that the Sugar bill shall be reenacted but there shall be a discretion fairly vested in the Secretary of Agriculture to make such adjustment in the quotas as now exist in the law as might be fair to the situation as it should exist when the quota system is actually reimposed.

That is perhaps clumsily stated, but that is the substance of it.

The CHAIRMAN. You may prepare an amendment.

Senator PEPPER. The second amendment I would like to suggest and leave with the committee later in true form is this:

That at least not more than three-fourths—and I shall suggest not more than one-half—of the total quota of any one State shall be had and enjoyed by any one person, firm, association, or corporation if there are other bona fide citizens who are ready, willing, able, and desirous of enjoying the quota advantage.

The CHAIRMAN. You may prepare the amendments.

Senator PEPPER. I will prepare them.

(The amendments referred to are as follows:)

Mr. Pepper of Florida offered the following amendments to H. R. 5988:

Insert at the end of section 1:

*"Provided, however,* That the Secretary shall be authorized to so redistribute the amount of sugar needed to meet the requirements of consumers so as to give effect to any modifications or changes in production facilities which may come into existence during the period covering this act in the respective areas: *Provided, further, however,* That the modifications to be made by the Secretary in such case shall not exceed one per centum of total consumption requirements."

To amend section 302 (b) by dropping off the period replacing it by a colon and adding the following proviso:

*"Provided, however,* That the proportionate share for any farm shall not exceed 50 per centum of the total proportionate shares for all farms within a State, so long as there are applicants for proportionate shares within such State with ability to produce."

The CHAIRMAN. Senator Taft, the Secretary of Agriculture concludes his statement with this language:

The Department recommends enactment of a bill to continue the program provided for under the Sugar Act of 1937 without controversial changes or features which are contrary to the policy of the administration.

It states that if there is to be a continuation of the Sugar Act of 1937, as I understand it, or the bill before the committee is to be approved, it then suggests several administrative amendments.

Senator Ellender.

### STATEMENT OF HON. ALLEN J. ELLENDER, UNITED STATES SENATOR FROM LOUISIANA

Senator ELLENDER, Mr. Chairman and gentlemen of the committee, I am not desirous of taking up any of the time of the committee. I think the distinguished Senator from Wyoming has fully outlined the contents of the bill.

With respect to the statement made by the Senator from Florida about the conditions in his State, I might say that the reverse is true in Louisiana. As I recall, only 3 corporations in Louisiana control 12 percent of the sugar production and the rest of it is distributed among 11,000 to 12,000 farmers.

Now, at the proper time, I would like to present to the committee an amendment to the Sugar Act that was adopted by the Senate last year at my request, with respect to the prohibition against the use of child labor. As the law now reads, no matter how innocent a farmer may be in employing a child under 14 he is denied his benefit payments. I presented to the Senate last year quite a few cases showing that the farmers had done all they could in avoiding the employment of child labor, but it was found after some research by agents of the Government that, as a matter of fact, some of the children employed were under age. Accordingly, the farmers were penalized to the extent of complete forfeiture of their benefit payments and it was necessary for me to present to the Congress a bill, which was adopted, granting relief from the rigorous penalty imposed under the terms of the original Sugar Act. At the proper time, if the chairman permits, I should like to offer an amendment similar to the one that was adopted by the Senate with respect to crops of 1938, 1939, and 1940.

The CHAIRMAN. You may do so, Senator Ellender.

Senator O'MAHONEY. Mr. Chairman, may I say I have had the advantage of reading the letter of the Secretary of Agriculture now and Senator Ellender has not. It is my understanding that the Secretary of Agriculture recommends such an amendment as Senator Ellender suggests.

Senator ELLENDER. I was not aware of that fact, Senator.

The CHAIRMAN. Is Senator Andrews present?

There is request by him to be heard.

(No response.)

The CHAIRMAN. Are there any other Senators from any of the sugar-producing States that desire to be heard at this time on the matter?

Senator Murray.

**STATEMENT OF HON. JAMES E. MURRAY, UNITED STATES SENATOR  
FROM MONTANA**

Senator MURRAY. Mr. Chairman, I represent the sugar growers of Montana and have already submitted an amendment, which is now before the committee here, I believe. My amendment calls for a very slight increase in the quotas for the domestic producers. It seems to me that in face of the conditions which have developed as the result of the war serious consideration should be given to this proposed amendment of mine.

As we all know, the production of beet sugar in the Western States is a very vital industry out there. We have great sections of the West where it is impossible to raise any other crop except sugar, unless we go into the production of crops which create a surplus in the country. Therefore it is very vital to some of these Western States that we should get some slight increase in the production of sugar.

My understanding is that during 1941 and 1942 there will be an abnormal demand for sugar and that the sugar deliveries today are running well over 1,000,000 tons annually beyond the basic quota, which would seem to justify a reasonable expansion.

I understand that the Department is figuring on receiving sugar from the Philippines and from Hawaii, which may not materialize, it may not be possible to get the amount of sugar that is expected to come from the Philippines and from Hawaii, and the amount which we are asking, which has the approval of the beet-sugar growers of the West, is approximately 200,000 tons above what had been the usual quota.

This will add an additional 200,000 tons of sugar to the domestic beet and cane quotas. The increase will be divided between the beet growers and cane growers on the ratio fixed in the sugar bill, namely, 42.49 percent for the domestic beet sugar and 11.52 percent for domestic cane.

It seems to me, in view of the conditions which have been brought about as the result of the war, that very slight increase in the production of sugar in the country should be recognized as necessary at this time.

I will not take the time of the committee. I realize you are more familiar with this subject than I am. I am here merely to represent the Western Beet Growers Association which approves this amendment that I am submitting. Unless we can get an average increase in Montana it is going to result in great distress to the farmers there who have the land, who have the water and are able to produce this sugar and are not allowed to produce it. I submit that this amendment of mine is very reasonable. It is an expansion which I am sure will be found to be absolutely necessary as the result of war conditions.

The CHAIRMAN. Thank you very much, Senator Murray.

Your amendment has been printed and is before the committee.

(The amendment referred to is as follows:)

[H. R. 5968, 77th Cong., 1st sess.]

**AMENDMENTS**

Intended to be proposed by Mr. MURRAY to the bill (H. R. 5988) to amend the Sugar Act of 1937, as amended, and for other purposes, viz:

On page 1, line 10, after "(a)" insert "(1)".



On page 2, following the table between lines 2 and 3, insert the following new paragraph:

"(2) For domestic beet-sugar and mainland cane-sugar areas by prorating among such areas 200,000 short tons (in addition to the amount prorated under paragraph (1), on the following basis:

"Area	Percentage
"Domestic beet sugar.....	78.67
Mainland cane sugar.....	21.33"

On page 2, line 6, strike out "6,682,670" and insert "6,882,670"; and in line 7, strike out "3,793,802" and insert "3,993,802".

Senator JOHNSON. May I ask Senator Murray a question?

Senator MURRAY. Yes.

Senator JOHNSON. I would like to ask whether the Western Beet Growers Association, whom you represent, is affiliated with the National Beet Growers Association?

Senator MURRAY. No; it is an association working for grower interests in close cooperation with other grower associations.

Senator JOHNSON: The National Beet Growers Association, I might say, are heartily in accord with the provisions of the pending measure.

Senator MURRAY. The Western Beet Growers Association is heartily in accord with the sugar legislation also. They have no quarrel whatever to make with the quota system as it has been a great benefit to the producers as well as to the Nation as a whole, but we are merely asking for this slight increase in production due to the condition which has developed in the Pacific. It seems to me we are not going to be able to get the sugar that we need from the Philippines or from Hawaii, and under those circumstances this slight increase, which will be very beneficial to the western beet growers and arid sections of the country, will be found to be absolutely necessary.

#### STATEMENT OF SENATOR CHARLES O. ANDREWS, OF FLORIDA, BEFORE THE SENATE FINANCE COMMITTEE

Senator ANDREWS. H. R. 5988, which is to amend the Sugar Act of 1937 and to continue its provisions as amended for an additional period of 3 years, was considered by the House Committee on Agriculture and passed by the House before what happened to us on Sunday last.

In view of the fact that we have now been drawn into the Second World War, I believe it is important to reconsider the provisions of this bill. I seriously doubt the advisability of enacting legislation of this character at this time.

All of us recall the sugar shortage that developed during the last World War, and it is my opinion that we are going to be faced with another such shortage before this war is won by us and our allies.

As many of you know, the State of Florida is well adapted for the production of sugarcane, but the Sugar Act has never let this business be developed, except in the most limited way. We can, without delay, produce in my State many times the sugar now being produced, and in view of the existing emergency, I believe we should be encouraged to produce to the utmost. I urge the matter be reconsidered in the light of the present emergency.

The CHAIRMAN. We will recess until 2 o'clock.

(Whereupon, at the hour of 11:55 a. m., the committee recessed until 2 p. m., of the same day.)

AFTERNOON SESSION

(Pursuant to the adjournment for the noon recess, the hearing was resumed at 2 p. m.)

The CHAIRMAN. The committee will come to order.

We are going to have a very meager attendance on the part of the committee this afternoon because of a conflict with two or three other important meetings as well as the Senate session.

The Honorable Pat Cannon, Member of the House of Representatives, has submitted a brief on this bill, on the pending legislation, and desires it to go in the record. It will be placed in the record.

(The statement referred to is as follows:)

**STATEMENT OF HON. PAT CANNON, M. C., TO SENATE FINANCE COMMITTEE RELATIVE TO THE SUGAR BILL (H. R. 5988)**

Mr. Chairman and members of the committee, my opposition and Florida's opposition to this legislation is well known. We are opposed to a continuation of the restrictive quota provisions of the Sugar Act of 1937, which allows us to produce only less than 1 percent of the sugar requirements of the Nation, when we could quickly and easily produce manyfold that amount at prices to the American consumer lower than the sugar produced in any other area supplying the American market.

We object to the 33½ percent increase in benefit payments which this bill carries and feel that the American housewife should have definite consideration at this time of rising prices.

We object to the manner in which this bill was put through the House, without hearings and under the gag rule.

We urge that the position of the President, Secretary Hull, and Secretary Wickard be taken into consideration and the bill not enacted.

By reason of the fact that the consumptive estimate for the Nation has been so increased as to amount to a suspension of quotas, and by reason of the fact that benefit payments will be continued until June 30, 1942, there is no earthly reason for haste in consideration of this bill. No one will be harmed if the bill is not enacted at all.

We ask, therefore, that the matter be put over until next year when more mature consideration can be given to the bill and the general situation.

If the bill interferes with international relations, certainly it should not be enacted until approved by the State Department and the President. These are the most critical days in American history—no action should be taken on the bill at this time.

The CHAIRMAN. Mr. Alexander Walker, president of the Hawaiian Sugar Planters Association, has sent to the chairman of the committee a telegram in which he vigorously opposes and protests certain provisions of H. R. 5988 and Senate 2041, of course being the same, on the ground that these provisions discriminate against the Territory

of Hawaii. Specifically, there is a protest against section 1 which would reduce Hawaii's percentage share from 25.25 of the domestic area's portion as provided in the Sugar Act of 1937 to 24.72 percent. and asking for certain amendments to this bill. The telegram will be placed in the record.

(The telegram referred to is as follows:)

[Telegram]

HONOLULU, December 9, 1941.

Senator WALTER F. GEORGE,  
*United States Senate, Washington, D. C.*

The Hawaii Sugar Planters Association, membership of which produces over 95 percent of sugar produced here and employs approximately 40,000 persons, vigorously protests certain provisions of H. R. 5988 (S. 2401), which discriminate against Territory of Hawaii. Specifically we protest against section 1, which would reduce Hawaii percentage share from 25.25 percent of the domestic areas portion as provided in Sugar Act of 1937 to 24.72 percent. Section 2 should be amended so as to permit Hawaii to obtain its proportionate share as other domestic areas of any deficits in the Philippine Islands quota. Furthermore the bill extends the provisions of the Sugar Act of 1937 for a period of 3 years, but it does not correct the original—discrimination against Hawaii contained in the act limiting the quantity of refined sugar that Hawaii may market in continental United States. In this connection attention is recalled to the President's statement made on signing the Sugar Act of 1937 when he said that he had been given "assurances by Senators representing the great majority of continental sugar producers" that among other things "that they would recognize the fact that Hawaii and Puerto Rico and the Virgin Islands are integral parts of the United States and should not be discriminated against." We in Hawaii are not seeking special privileges but are simply asking that we be treated equally with other domestic areas.

It would be unfair and un-American to discriminate against Hawaii merely because its citizens have neither vote nor representation in the Senate and H. R. 5988 (S. 2401) does contain sections which are both discriminatory and unjust. The enactment of this bill certainly will constitute a breach of the faith established at the time the President signed the Sugar Act of 1937 and announced the gentlemen's agreement that would govern future sugar legislation.

H. ALEXANDER WALKER, *President.*

The CHAIRMAN. A letter from Senator Tydings enclosing a letter from Governor Harwood of the Virgin Islands, asking that the Virgin Islands be included in the participation of benefit payments as provided under title 3, section 307, of the Sugar Act of 1937, and accompanying the letters and recommendation is a proposed amendment to accomplish the purpose asked.

(The letters and proposed amendment referred to are as follows:)

UNITED STATES SENATE,  
*Washington, December 9, 1941.*

HON. WALTER F. GEORGE,  
*United States Senate, Washington, D. C.*

DEAR GEORGE: I wish you would note the enclosed letter from Governor Harwood of the Virgin Islands, asking that the Virgin Islands be included in the participation of benefit payments as provided under title 3, section 307, of the Sugar Act of 1937.

He has proposed an amendment to be included in H. R. 5988 which, I understand, your committee is considering tomorrow.

I sincerely hope that your committee will consider this amendment for it does seem only just and fair that the people of the Virgin Islands be given equal treatment in regard to this matter.

Thanking you, and with kind regards, I am,

Sincerely yours,

M. E. TYDINGS.

## UNITED STATES DEPARTMENT OF THE INTERIOR,

Washington, December 5, 1941.

HON. MILLARD E. TYDINGS,  
*United States Senate.*

MY DEAR SENATOR TYDINGS: Referring to my conversation with your secretary, Miss Barger, regarding the Sugar Act of 1937, as amended, and which recently has been extended again by H. R. 5988, passed by the House within the past few days, I respectfully request that you urge the Finance Committee to include the Virgin Islands in the participation of benefit payments as provided under title 3, section 307, of the Sugar Act of 1937. For some unknown reason the Virgin Islands have not for the past 4 years participated in the benefit payments provided for in the act although such benefits were extended to the continental United States, the Territory of Hawaii, and Puerto Rico. Under the same act, however, the Virgin Islands were included in the sections providing for quotas and the refiners are incumbent to pay the processing tax on sugar coming from the Virgin Islands.

As you in all probability know, the many small growers of sugarcane in the Virgin Islands undoubtedly need the benefit payments as provided for other sugarcane areas under the American flag more than the continental United States, the Territory of Hawaii or Puerto Rico, but have been discriminated against during the past 4 years because we were not included in the original act.

I would, therefore, deeply appreciate your interesting the Finance Committee in the present act by having section 307 of the Sugar Act of 1937 amended to include the Virgin Islands of the United States. I am attaching hereto a copy of a suggested amendment which would accomplish the purpose herein requested.

Thanking you in advance for your courtesy in this matter, and with personal regards, I remain

Sincerely yours,

CHARLES HARWOOD,  
*Governor of the Virgin Islands.*

That section 307 of the Sugar Act of 1937 is amended by striking out the word "and" before "Puerto Rico" and the period after Puerto Rico and adding the words "and the Virgin Islands of the United States," so that this section, as amended, would read as follows: "Section 307. This title shall apply to the continental United States, the Territory of Hawaii, Puerto Rico, and the Virgin Islands of the United States."

The CHAIRMAN. A letter from Marguerite M. Wells, Minneapolis, Minn., president of the National League of Women Voters, accompanied by a resolution expressing the views of the National League of Women Voters as opposed to certain provisions of the bill before the committee.

(The letter and resolution referred to are as follows:)

NATIONAL LEAGUE OF WOMEN VOTERS,  
Washington, D. C., December 9, 1941.

Senator WALTER F. GEORGE,  
*Chairman, Committee on Finance,  
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR GEORGE: You will recall that the League of Women Voters has appeared before the Senate Finance Committee on several occasions in support of the Reciprocal Trade Agreements Act. Certain provisions of the bill amending the Sugar Act of 1937, to be considered by the committee tomorrow, would interfere with the prosecution of the reciprocal trade agreements program. These provisions are also inimical to the United States' good-neighbor policy. I am attaching a statement which I hope you will file with the committee.

Very sincerely yours,

MARGUERITE M. WELLS, *President.*

STATEMENT TO SENATE FINANCE COMMITTEE RE REVISIONS OF H. R. 5988  
REVISING THE SUGAR ACT OF 1937

The onslaught of war emphasizes anew the importance of developing and maintaining the closest and most friendly relations possible with the other Americas. Certain provisions of H. R. 5988 revising the Sugar Act of 1937 would

be a serious blow to sugar-producing Latin-American countries. These provisions of the bill should be eliminated.

Although the provisions of the bill might not react to the immediate disadvantage of Cuba, its long-term effect would be adverse, since it would decrease the basic percentage share of Cuba in the United States sugar market.

The redefinition of liquid sugar would result in placing a virtual embargo on sirups from the British West Indies. This result would be a violation of the trade agreement with the United Kingdom.

The provisions of the bill affecting the "full duty" countries of Peru, Haiti, and the Dominican Republic have new significance because of the attack on the Philippines and Hawaii. It would seem wise to assure citizens of the United States an adequate sugar supply at this time, but under the terms of the bill it is anticipated that only 125,000 tons of sugar could be shipped from these "full duty" countries into the United States in 1942, although some 400,000 tons have come into the United States during 1941 from these same countries.

The League of Women Voters urges the Senate Finance Committee to revise H. R. 5988 to remove discriminations against Latin-American countries.

**THE CHAIRMAN.** Is Mr. King present, the Delegate from Hawaii?

**MR. GREENE.** Mr. Chairman, I know that the Delegate from Hawaii intends to be present and wants to be heard; unfortunately he is not present at the moment.

**THE CHAIRMAN.** That is all right. We have some others present who desire to be heard.

**MR. STAPLES,** president of the Hershey Corporation?

**MR. STAPLES.** No, Mr. Chairman; the Central Hershey, Cuba.

**THE CHAIRMAN.** All right. Do you have a prepared statement?

**MR. STAPLES.** Yes; a short one.

**STATEMENT OF P. A. STAPLES, PRESIDENT AND GENERAL MANAGER OF THE HERSHEY CORPORATION, CENTRAL HERSHEY, CUBA, AT THE HEARING ON SUGAR LEGISLATION BEFORE THE SENATE FINANCE COMMITTEE, DECEMBER 10, 1941**

**MR. STAPLES:** The atmosphere in which we are now considering sugar legislation is quite different from that which we expected when this hearing was planned. The time has come for deeds, not words. Hence I shall be brief.

The Pacific has suddenly been eliminated as a source of the sugar which the United States so urgently needs. Cuba is becoming more and more our main reliance. It is in the national defense interest that we encourage her to a maximum productive effort, and we know that this can result in a crop next year of 4,200,000 short tons. Furthermore, this production will not necessitate the diversion of defense materials into plant construction. All that is necessary for even greater production in future years is capital for the planting of additional cane in the fields.

Gentlemen, the sugar bill now before you will not increase by a single ton the amount of sugar which the United States can count on this year, next year or throughout the present emergency when our mainland manpower will be needed, not on its hands and knees in the beet fields, but in the military services and in production where skilled American labor can really count.

On the other hand, the O'Mahoney-Fulmer bill puts the United States on record that, once this emergency is over, Cuba can expect further reductions in her raw-sugar quota. It also penalizes Cuba with an immediate reduction of 20 percent in her direct-consumption quota.

But Cuba is not alone in being penalized by this provision. It hits directly at the American war effort for these reasons:

1. Refined sugar is more compact than raw, thus reducing the strain on marine transportation.

2. Refined sugar is ready for immediate use. It therefore can be shipped to the American port nearest to the point of consumption. Thus it can make use of the smaller and less congested ports along our seaboard, and it will require shorter hauls by train and truck from these ports.

3. All our mainland refineries are located in the largest ports which already are congested with the traffic in war materials. The more raw sugar shipped to them the greater will be this congestion.

4. Sugar received in the United States in raw form cannot be used until it has been reprocessed. Then there is the further delay and the greater strain on land transportation facilities in getting the sugar to the ultimate consumer.

5. Raw sugar has to be shipped in jute bags, and the jute has to be brought here from India across the Pacific. Refined sugar is shipped in cotton bags, a product of our own South.

This bill will have the immediate effect of discouraging Cuba whom we need to encourage to all-out effort. Enactment of this bill—or of any legislation of its spirit and purpose—would put Cuba on notice that our friendship for her is born of our present emergency and will die with a return to peace.

I do not believe I need to elaborate this point. I ask you, in the name of national defense, Latin-American relations, and democratic solidarity to kill this bill. If any sugar legislation is enacted, I also ask you to eliminate once and for all the direct consumption quota.

With your permission I am filing a short brief which analyzes further the undesirability of this bill from other angles. To the brief are attached recent clippings from Time Magazine of December 8, 1941, and the New York Times of December 4, which I think you will find of interest.

The other brief I have prepared is only five pages long but is more or less factual.

The CHAIRMAN. You may include it; it will be copied in the record. (The brief referred to is as follows:)

**BRIEF SUBMITTED BY P. A. STAPLES, PRESIDENT AND GENERAL MANAGER OF THE HERSHEY CORPORATION, CENTRAL HERSHEY, CUBA, AT THE HEARING ON SUGAR LEGISLATION BEFORE THE SENATE COMMITTEE ON FINANCE, DECEMBER 10, 1941**

I am the president and general manager of the Hershey Corporation, a Delaware Corporation, which owns and operates the largest sugar mill in western Cuba and the largest and most modern sugar refinery in that island.

The Island of Cuba is recognized as an essential link in the defense of continental United States. And sugar, as the outstanding factor in the Cuban economy, is the key to its political and economic stability.

This corporation stands as an example of America's sugar policy toward Cuba during the last 20 years. It was started during World War No. I, which demonstrated that Cuba is our only natural and dependable source of supply for the great bulk of sugar we need, and to the consequent recognition that this source should be developed in the interest of the American people. The United States apparently forgot during the last score of years its World War experience, repudiated the encouragement which had been given to Cuban, as well as American capital to build up sugar production, drove Cuba's share in the American market down to less than half its previous position, and then froze its participation at that point by the introduction of quota control.

Under the conditions of World War No. II with the supply from the Pacific areas threatened and now probably eliminated for some time, Cuba was called on again, and has increased its shipments to the United States from 1,750,000 short tons in 1940 to over 2,800,000 short tons in 1941. For the year 1942 and possibly for several years to come, Cuba will be called on to produce to its maximum possibilities and with timely encouragement can expand its production, without the necessity of any further investment except in cane planting, at least a million tons more than the 4,200,000 short tons estimated available for 1942.

The O'Mahoney bill, S. 2041, certainly by its provisions to take away from Cuba 50,000 tons of raw quota to Cuba's future and permanent disadvantage is not "timely encouragement." This raw reduction may be currently academic but the really important thing is that this bill reflects hostility when and where friendly feelings are essential to national defense.

The O'Mahoney bill also contains provisions which affect the people of the United States as consumers, as taxpayers and as citizens, and furthermore, raises an issue as to the good faith of our Government in its Latin-American relations. In these connections I am simply asking the privilege of filing two short articles which appeared December 8, 1941, in Time (appendix A) and in The New York Times of December 4, 1941 (appendix B).

There is however one provision of this bill, section 3, section 207 (e) which reduces by 75,000 tons or a full 20 percent of the present restricted allotment, the quota for "direct consumption" sugars entering the United States from Cuba, on which I would like to comment further.

This is not the first cut to which the Cuban sugar-refining industry has been subjected. Before the Jones-Costigan law was enacted in 1934, Cuba shipped to this country some 529,072 tons of refined sugar, plus a certain amount of raw which were used without refining and therefore came under the definition of "direct consumption." The 1934 act cut this to 425,120 short tons; the 1937 act again cut that to 375,000 short tons, and now this bill contemplates cutting it to 300,000 short tons.

Meantime, other so-called offshore refiners than Cuban have not been similarly cut. I give you below a table showing the maximum shipments and the refined quotas of Cuba, Puerto Rico, Hawaii, etc., under the various acts:

	Short tons raw value before quotas established		1934 act	1937 act	O'Mahoney bill
	Maximum	Year			
Cuba .....	529,072	1933	425,120	375,000	300,000
Hawaii .....	26,500	1933	28,422	29,616	( <sup>1</sup> )
Puerto Rico .....	116,972	1933	128,374	126,033	( <sup>1</sup> )
Philippines .....	60,587	1932 <sup>2</sup>	80,214	80,214	( <sup>1</sup> )
Peru, Santo Domingo, etc .....			( <sup>3</sup> )	( <sup>4</sup> )	( <sup>1</sup> )

<sup>1</sup> This was fixed at 22% of the total sugar quota and therefore varied somewhat from year to year. Since 1937 the Cuba "D. C." quota has been a fixed number of tons.

<sup>2</sup> Unchanged.

<sup>3</sup> The year before quota set by Independence Act.

<sup>4</sup> Unlimited.

The present direct-consumption quota of 375,000 tons allotted to Cuba we believe is less than the tonnage of sugar refined each year by any one of three mainland refiners; but, in the case of Cuba, it must be distributed among some 14 refineries. This means that the allotment to each is already so far below efficient production rates as to jeopardize the entire refining industry in Cuba. The proposed reduction by another 75,000 tons may seem small and insignificant to the whole sugar problem, but the fact is that it spells disaster to an established industry in a sister republic.

It is hardly necessary to call your attention to how inconsistent this policy of ruining one industry with one hand while with the other hand the United States Government is loaning Cuba some \$25,000,000 with the specific idea of improving its economy by diversifying its industry. Insofar as the sugar refining industry in Cuba is concerned, no one is asking the United States Government to advance a single dime. Private capital is the backbone of the Cuban development.

At this time when we have need of all the friends we can have, it seems unfortunate to aim this blow at friendly Cuba, but it not only is a blow to our friendship

with that near and important defense-wise neighbor, but it is a matter of advantage to the United States defense effort that the largest possible part of the Cuban crop should be imported in the form of refined. I emphasize this because among other reasons the importation of refined sugar instead of raws to be refined—

First. Saves a large amount of railroad and truck transportation in the United States, as sugar refined in Cuba can be put into the nearest port to the place where it can be consumed.

Second. It saves port facilities by spreading the importation of sugar into a number of smaller and less-used ports instead of still further congesting the refining ports, which, generally speaking, are those to which and from which our defense materials are being transported.

Third. It saves labor which can be diverted into other fields, but this is merely mentioned, as it is a negligible item, the total labor in the refining industry in the whole United States being less than 14,000 persons, and the probable saving in this respect would be only a matter of a few hundred persons.

Fourth. A saving of 7 percent in freight tonnage, inasmuch as it takes only slightly under 107 pounds of raws to make 100 pounds of refined.

Fifth. It saves bringing in jute bags via the Pacific Ocean from India to Cuba, which are necessary for the transportation of raw sugar. Refined sugar is shipped in cotton bags which are a United States product and, as you know, we have a goodly supply of cotton. It also saves paper, as in large part the American refiners are packing in paper and cartons instead of cotton, which repacking is completely saved when the sugar comes right through from Cuba to the consumer in its original cotton bag.

It is obvious that any limitation of the amount of Cuba's quota that may come in in the form of direct-consumption sugar, and certainly any increased limitation is against the defense interests of the United States as well as our policy of aiding Cuba in building up a diversified agriculture and industry.

In conclusion: It would seem to be evident that the O'Mahoney bill as a whole is contrary to the national-defense effort and, furthermore, is contrary to the United States' Latin-American policy. By no stretch of the imagination can the principles established in this bill be construed as furthering either of these aims or the aims of democratic solidarity.

**APPENDIX A. DEPOSITED WITH STATEMENT BY P. A. STAPLES ON DECEMBER 10, 1941, AT THE HEARING ON SUGAR LEGISLATION BEFORE THE SENATE FINANCE COMMITTEE**

(Time, December 8, 1941)

**AGRICULTURE—GANG-UP IN THE LOBBY**

Mixed with either potash or Congressmen, sugar is a potent explosive. This week the annual congressional blow-off made all good neighbors wince and hold their ears.

Good neighbors want to continue the quotas of the 1937 Sugar Act—which permits Cuba to supply 29 percent of United States demand; domestic beet growers, 23 percent; the Philippines, 15 percent; Hawaii, 14 percent; Puerto Rico, 12 percent; domestic cane growers, 6 percent.

Instead the House this week rushed through a bill which is a sugar lobbyist's dreamboat. Often the various United States interests (beet growers, cane growers, eastern refiners) snipe at each other as well as the public weal in the running fight over raw-sugar quotas. But this year they ganged up solidly on their offshore rivals. Their weapon: the House bill, introduced by South Carolina's Hampton P. Fulmer, and a companion Senate bill introduced by beet-growing Wyoming's Joseph C. O'Mahoney.

These bills would shift the quota percentages to give the uneconomic United States beet growers 65,000 more tons a year, cane growers 17,000 more tons. Cuba's quota would be cut 50,000 tons, the Philippine quota by 27,000 tons; Puerto Rico and Hawaii would suffer minor curtailments. For the benefit of United States refiners, Cuba's quota of refined sugar would also be cut—from 375,000 to 300,000 tons.

Also in the bills is a mysterious gimmick which redefines the dividing line between liquid sugar, which comes under quotas, and edible molasses, which does not. Effect of this highly technical clause would be to classify molasses as liquid sugar, thereby putting an end to molasses imports from the British West Indies, which now supply nearly half of United States demand.



For the administration this sugar lobby steal would have bitter consequences. It would sabotage United States reciprocal trade treaties with Cuba and Britain. It would offend Hawaii and the Philippines.

Yet the House passed the Fulmer bill without blushing or even drawing a deep breath. The House Agriculture Committee had reported it without holding hearings. The vote was taken after only a few minutes of debate. Texas Congressman Richard M. Kleberg read a letter from Secretary of State Cordell Hull blasting the scheme. Puerto Rico's Commissioner Bolivar Pagán read a letter from President Roosevelt strongly implying imposition. The House ignored them (134 to 32). Shorted angry Richard Kleberg. "A sell-out against the wishes of 130,000,000 people." All good neighbors could hope for was better consideration in the Senate.

APPENDIX B. DEPOSITED WITH STATEMENT BY P. A. STAPLES ON DECEMBER 10, 1941. AT THE HEARING ON SUGAR LEGISLATION BEFORE THE SENATE FINANCE COMMITTEE

[The New York Times, Thursday, December 4, 1941]

SUGAR GRAB

Under a suspension of the rules there has been jammed through the House of Representatives new sugar legislation which provides among other things for (1) increased acreage for domestic cane and beet growers at the expense of decreased quotas for Cuba, Puerto Rico, Hawaii, and the Philippines; (2) a 33½-percent rise in benefit payments to domestic growers; (3) a reduction in the quota of refined sugar imports from Cuba from 375,000 tons to 300,000 tons. The bill was passed in 40 minutes without any public hearings having been permitted and without having been referred to any department of the Government for comment.

Pointing out that all the sugar growers and refinery workers in the country total only 78,000, Representative Kleberg of Texas declared that the bill would give \$16,000,000 additional to those 78,000 persons at the cost of antagonizing 130,000,000 people in South and Central America and in the Philippines and Hawaii, and at the injury of all but a small remnant of the 130,000,000 people in the United States who eat and buy but do not raise sugar. What that injury has been in the past is shown by a study of the Temporary National Economic Committee, which found that in 5 years of sugar quotas the cost to the consumers of the protection given to domestic sugar production had averaged \$274,329,031 annually. What the injury has been is shown too by a statement of Vice President Wallace when he was Secretary of Agriculture. He calculated that the loss of export markets resulting from reduced imports was such that each additional acre of Louisiana cane involves a reduction in our export market equal to the product of 3 acres of cotton, and each additional average acre of sugar beets involves a loss in export market equal to 3 acres of corn or 6 acres of wheat.

These facts are all known, yet in the face of them the House has chosen to approve another grab for the sugar interests against the judgment of the Secretary of Agriculture, the Secretary of State and the President himself. Without even the courage to hold hearings on the subject, it has sold out the American consumer, the cause of hemisphere good will, sound economics, and plain common sense. And all this at a time when there is grave danger of excessive rises in the cost of living and grave need of Government economies in nonessential spending.

Mr. STAPLES. If there is anything further you want me to read, I will be glad to do so.

The CHAIRMAN. No further questions, unless you desire to add something.

Mr. STAPLES. Under this present emergency, I think the less said the better.

The CHAIRMAN. Mr. H. H. Pike. Mr. Pike, you have a prepared statement?

Mr. PIKE. I have, sir. I have given part of it to the clerk.

**STATEMENT OF H. H. PIKE, JR., REPRESENTING THE NATIONAL FOREIGN TRADE COUNCIL, INC., AS A GOVERNING MEMBER**

Mr. PIKE. My name is H. H. Pike, Jr., and I appear on behalf of the National Foreign Trade Council, Inc., as a governing member, and as chairman of its Cuban committee.

The National Foreign Trade Council was formed in 1914 for the purpose of coordinating national activities directed toward the promotion of American foreign trade. Its membership is Nation-wide and comprises manufacturers, merchants, exporters and importers, railroad, shipping and air-line services, banking, insurance, education, and so forth, representing the diverse interests concerned directly or indirectly in the promotion of the Nation's foreign commerce. Since its formation, the council has organized annually the National Foreign Trade Convention, with an average attendance of 1,200 delegates from all sections of the country.

The interest of the council in the sugar program is confined to its effect on our international trade and relationships. It is with this in mind that I have asked for a hearing and would like to present certain data with regard to the O'Mahoney sugar bill, S. 2041. Broadly speaking, it is so timed and so written as to impair our Government's foreign-relations program and as to controvert the basic principles for which the National Foreign Trade Council stands.

We of the council, and almost everyone else who has studied international relations from a national angle, have come to the conclusion that arbitrary and unwarranted trade barriers constitute one of the principal sources of war. In their joint declaration, which has now become famous as the Atlantic Charter, our President and the Prime Minister of Great Britain stressed this point. I particularly refer to the fifth principle of that declaration, which reads:

Fifth. They desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic adjustment, and social security.

The question arises: Do we mean it or do we not? Are we merely going to give this principle lip service, or are we prepared to accept it as a guide in our national legislative program?

Gentlemen, will you pause a moment and consider what I say to you in all sincerity? The question before you may seem like a small thread in our national economic fabric. This bill ignores the interest of other countries in working out one of our national problems. Just this attitude, repeated over and over again both here and abroad, is precisely what has caused the situation now being fought out on a world-wide front. Unless stopped, it may well consume civilization.

I pass over the matters of purely domestic interest in the bill, although I feel confident that you will give them due consideration. In the items of domestic consideration I include the discrimination of this bill between various parts of our Nation on a basis of whether they are offshore or part of the mainland. I also am not stressing the fact that this bill continues for 3 more years the sugar-processing tax amounting to some \$75,000,000 a year, or that it requires the United States Treasury to make an increase of 33 percent in benefit payments out of that tax.

I am sure that you will give these matters your careful consideration and that you have before you the rather complete data which

have been published—such as the figures given by the T. N. E. C. in its 1940 report of the cost of current sugar legislation both to the consumer and to the taxpayer. I simply confine myself to the jolt this bill gives to certain of our neighbors without compensatory benefit to us as a nation.

This bill reduces the amount of quota going to foreign areas by some 78,000 tons. Of this, the Philippines' decrease is somewhat academic, as they have never filled their full-duty quota above the Independence Act duty-free quota. However, the Cuban quota is reduced by at least 50,756 tons. That reduction is made in the face of the fact that at this very moment our dependence on Cuba for our sugar supplies is so very obvious. At the very time when we are asking Cuba to give us all the sugar she can possibly make, this bill warns Cuba that, as soon as the emergency is over, we will cut her basic quota by 50,000 tons from its present figure. We are putting her on notice that she can look for no future with us and that the good-neighbor policy and the inter-Americas' cooperation, so much discussed now, will end with our emergency.

Senator VANDENBERG. How much is that 50,000 tons compared with their quota? How much will that leave them?

Mr. PIKE. That depends on how much the quota established is.

Senator VANDENBERG. Well, how much would that be proportionately to their basic quota?

Mr. PIKE. But that is not the point; you are calling on them now for all they can make, and you tell them that when you are through with this emergency that basic quota will be cut by 50,000 tons from its present figure.

Senator VANDENBERG. The point I am trying to make is this: You say that if we take 50,000 tons away from them they are going to discuss the sincerity of the good-neighbor policy. Now, if that is true, I confess that makes me worried, because I think we are doing a lot for them.

Mr. PIKE. What I am saying is that we are doing, what might be called chiseling. The amount you propose to cut is small, but it is a situation where after the war is over when we don't need all they can give us, we are going to take some away from what they now have. It is the principle of the thing and apparently the beet people don't like that principle, because they are taking more.

Senator VANDENBERG. Go ahead. Your statement was that just because they were going to lose some of this, assuming that they did, that meant we were treating them unfairly and it meant the end of our good-neighbor relations.

The point is that assuming they do lose this, they will still have a very large amount. I want appreciation for what they get as well as condemnation for what is taken away from them.

Mr. PIKE. Yes, sir; but, Senator, the beets are at the maximum they have ever had; and they are getting more with these countries getting less. The principle of it is what I have been discussing. We give beets their maximum and take a little more from Cuba after we cut half from what she built up in the last emergency.

The bill reduces from 375,000 tons to 300,000 tons, or 20 percent, the portion of the Cuban quota that can enter the United States in refined form. The effect of such further reduction is to whittle away the most natural foundation for the diversification of Cuban industry,

which we are committed to build up. Our Export-Import Bank, for instance, is lending money to that island republic, as to other Central and South American countries, in order to strengthen their industrial economy. Mr. Warren L. Pierson has stated that such building of sound diversification abroad does not reduce but actually increases our foreign trade. Our exports are greatest to those countries with the greatest industrial development. In the interest of our farmers and of our highly specialized and efficient labor, this industrialization is desirable, not hurtful. Cane sugar refining in this country is a very small employer of labor; therefore, the maximum potential effect of competition from Cuban refining is a specious labor issue.

The bill concocts a new definition of liquid sugar to include edible molasses. By so doing it establishes a practical embargo on Barbados molasses, thus cutting off a trade of considerable importance and writing legislation in contravention of our trade agreement with Great Britain. Such treatment of a Caribbean neighbor by a trick definition would be vigorously protested by us if we were the victims. Interestingly enough, the National Geographic Society tells me that Barbados is the only foreign territory ever visited by George Washington.

The CHAIRMAN. Pardon me, I think it is agreed that that was not the purpose or intent of this legislation and that the proponents themselves intend to propose an amendment to make that clear.

Mr. PIKE: Thank you, Senator George, this I wrote before the statement of the Senator. I think it indicates after all that this bill does need more careful thought and consideration than has been given to it up to the present time.

The O'Mahoney bill amends section 204 of the Sugar Act of 1937 with regard to the distribution of any unfilled Philippine quota. The latter bill gave such unfilled quota to foreign countries other than Cuba—some 15 or 20 countries benefiting—but principally Peru and Santo Domingo. 1941 is the first year when those countries benefited materially by this clause of the sugar quota law, and this year they have so far contributed to us about 181,000 tons which, as a matter of fact, we badly need and on which full duty was paid. This action cannot help but cause resentment in those countries when the law as enacted is changed the moment it seems to be working to their advantage. We urge that this discrimination be not put into effect against the interests of our good neighbors.

Finally, what I ask you to consider is whether it is in the national interest to deal these blows which may look small and isolated but which will severely twist the fabric of the increasing understanding and cooperation among the American republics. There is a growing belief to the south of us that we mean to live and let live; that we desire for them prosperity, diversification, high standards of living, and social security; that we are prepared to share with them even our priority materials, so that we can all stick together now and advance together in the future. Is not this broader statesmanship the controlling factor in any legislation affecting any part of Latin America?

Thank you very much, Senator.

The CHAIRMAN. Thank you, Mr. Pike.

Is there any additional documents you wish to incorporate in the record?

Mr. PIKE. No, sir.

The CHAIRMAN. Thank you very much.

Mr. Pagán, you are the Resident Commissioner from Puerto Rico in the United States; do you wish to make a statement?

Mr. PAGÁN. Yes, sir.

### STATEMENT OF BOLIVAR PAGÁN, RESIDENT COMMISSIONER FROM PUERTO RICO IN CONGRESS

Mr. PAGÁN. My name is Bolivar Pagán. I am the Resident Commissioner from Puerto Rico in Congress. I appear to oppose certain of the principles established by this bill, particularly those which set Puerto Rico apart from other domestic areas and exclude it from benefits accorded to the mainland sugar-producing States.

The people of Puerto Rico cannot understand why Congress repeatedly insists on classing this Territory with foreign countries, to be given the left-overs not needed by the States. Just 43 years ago, in the course of another war, the United States of its own volition and by force of arms took possession of our island. I do not mean to say that the United States flag was unwelcome, for that most decidedly was not the case. Nevertheless, the United States troops took possession, and assumed and recognized complete responsibility for the future welfare of our people.

In the intervening years, Puerto Rico has played a part in national affairs of which it can be duly proud. In the last World War, the Territory's people oversubscribed their Liberty Loan quotas. Thousands of the island's young men were sent to Panama to guard the Canal, as units of the Regular Army, and others were sent overseas and fought and fell in France.

When the present conflict arose, Puerto Rico was proud to be selected as the site for huge defense bases, urgently needed for the protection of the Western Hemisphere. The people and their government have cooperated wholeheartedly and patriotically toward the success of the defense effort, making all sacrifices that have been found necessary. When the selective service program was announced, Puerto Rico's quota was 10,000 men. The response of the island's youth can be judged by the fact that more than 9,000 of those places were filled with volunteers, making it necessary to draft fewer than 100 men out of 10,000.

In every emergency, Puerto Rico has willingly and enthusiastically lived up to the obligations imposed on it as a part of the United States. Every request for the national good has been filled. Having met its obligations as a part of the United States, it is only natural that Puerto Rico expects to share at least some of the benefits and privileges which accrue to the various parts of this country. It is hardly fair to expect Puerto Rico to make all of the sacrifices and then deny it the right to share equally in the privileges.

The bill under discussion treats Puerto Rico, not as a part of the United States, but as a foreign country. Unlike other parts of the Nation, we are allowed to refine only a small part of our own sugar. Unlike other parts of the United States, we are not included among the areas to which increased quotas are given. Unlike other parts of the United States, we are not permitted to share deficits from foreign countries until the preferred parts of the Nation have been satisfied.

This discriminatory treatment would not hurt so much were it not for the fact that Puerto Rico is far more dependent on sugar than any other area serving this domestic market. Two-thirds of our income and employment and insular revenues are directly or indirectly dependent on the sugar industry. Every restriction placed on our sugar industry hurts two or three or five times worse than similar restrictions would hurt other sugar-producing areas. As the island's Resident Commissioner, I ask that the discrimination referred to be removed before this bill is passed by the Senate.

The CHAIRMAN. The same discrimination appeared in the '37 act, did it not?

Mr. PAGÁN. In this act it increases the discrimination.

Mr. Chairman, may I incorporate a letter from the President sent recently to me about this sugar legislation?

The CHAIRMAN. You may make it part of the record.

(The letter referred to is as follows:)

THE WHITE HOUSE,

Washington, D. C., December 1, 1941.

HON. BOLIVAR PAGÁN,  
Resident Commissioner of Puerto Rico.

MY DEAR MR. PAGÁN: I wish to acknowledge your letter of November 5, and the memorandum accompanying it, in both of which you gave your views on sugar legislation. You have expressed the fear that certain bills about to be introduced in the Congress would discriminate against Puerto Rico and other offshore sugar-producing areas.

I recommend sugar-quota legislation in 1934, which took form in the Jones-Costigan Act of 1934 and subsequent legislation, primarily because the sugar-tariff rates of the 1920-30 decade, contrary to the expectations of their advocates, had resulted in accumulation of surpluses of sugar, price depression, and general demoralization of the sugar industry. Domestic sugar-beet and sugar-cane producers then complained of poor returns, wage rates were low, and Cuba suffered financial and economic chaos. To meet the economic and social problems resulting from low incomes and large surplus supplies, a sugar program was recommended.

The administration has not recommended sugar legislation at this session of Congress, for today we are no longer confronted with the price-depressing surpluses which in prior years were so burdensome and difficult to manage. On the contrary, a balance between supply and demand has been created as the result of stimulation of consumption of sugar growing out of a wider distribution of a larger national income, some building of up stocks, and the diversion of large quantities of sugarcane in Cuba to the production of high-test molasses for making industrial alcohol. In fact it was found necessary in August to establish a ceiling price on sugar to prevent excessive speculation. I am advised that it is not expected that any available price-depressing surpluses will reappear, at least as long as the war continues. As you know, the Department of Agriculture has recently announced that it will not be necessary to limit the 1942 Puerto Rican crop.

It must also be recognized that a quota and allotment structure may, under the conditions now current, conflict with the national welfare and defense requirements to the extent that such provisions have a limiting effect upon the free flow of goods and the efficient use of the land and water transportation facilities of the Nation.

The principal purpose to be served by the continuation of the sugar-quota system is to be found in the protection it will provide the industry after the termination of the war. For it is reasonable to suppose that when usage of sugarcane for industrial alcohol returns to normal levels, the large stocks of sugar in certain distant areas again move freely, and holders of accumulated stocks in the United States begin to reduce their inventories to the level of prior years, the price of sugar in the domestic market may again become disastrously low within a quota system. Consequently, if the various parts of the domestic sugar industry can agree on sugar legislation which does not conflict with the public interest, conforms to defense requirements, and is noncontroversial in character, it may be

advisable to continue the sugar-quota system and its necessary complementary features to serve as a protection to the industry in the post-war period, even if it be found necessary to suspend the quota provisions of the act during the emergency.

Please be assured that I am glad to have your views on sugar legislation. As you know, this administration has repeatedly stated its objections to any provisions in sugar legislation which discriminate against Puerto Rico and the Territory of Hawaii. I am advised that you have already brought your views to the attention of the various Federal departments which are primarily concerned with sugar legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

The CHAIRMAN. Mr. King, the Delegate from Hawaii?

Mr. KING. I apologize for not being here at 2 o'clock. I understood it was 2:30.

The CHAIRMAN. It is all right; we had other witnesses here.

### STATEMENT OF SAMUEL W. KING, DELEGATE TO CONGRESS FROM HAWAII

Mr. KING. Mr. Chairman, of course, the war has affected the whole situation of our national economy, but not to the extent that the quotas from Hawaii or Puerto Rico or even perhaps from Cuba could justly be reduced because of that. I cannot conceive of our accepting any situation that would impair the transportation between the west coast of the North American Continent and the Territory of Hawaii. If we are to assume that no such transportation is going to be available, then we are accepting a defeatist attitude.

Our economy in Hawaii depends on sugar and the sugar industry to a very great extent. We have been shipping sugar to the United States since 1875, before we became a part of the United States, first under the treaty of reciprocity between the United States and the then Kingdom of Hawaii. After we had been annexed to the United States, and incorporated as a territory, of course, we continued to ship our sugar into the American market. For the past many years, at least 40 years, our proportionate share of the American market has been approximately 15 percent. It has not varied greatly from that share of the total amount of sugar consumed by the American public. That represents approximately 25 percent of the domestic production of sugar. Under the former system of protective tariff and free competition between sugar-producing units, we had this position in the sugar market.

Now, the whole background of this sugar-quota system was based, as Senator Pepper said, and others may have called to the attention of the committee, on this past production. When the Jones-Costigan Act was considered by the Congress, it was accepted as a basic principle of the proposed quota system that the average production of each unit would be fixed as its quota. In other words, an historic basis was adopted as the vital principle of the quota system. Nevertheless, the Jones-Costigan Act, in disregard of the President's recommendation, did not comply with that principle; it fixed the quotas for the mainland producers, both the beet sugar producer and the mainland cane producer at a figure higher than their average for the base years 1931-33. On the other hand, Hawaii was reduced from this average to the extent of approximately 70,000 tons. If you will refer to table 4, Mr. Chairman, of the set of tables I have delivered to the clerk of the committee with the request that he supply them to

the members, you will note that the average for the beet industry for the years 1931-33 was 1,481,950 tons. The Jones-Costigan Act gave that industry a quota of 1,556,166 tons, an increase of seventy-four thousand-odd tons more than the historic basis justified. The mainland sugarcane industry was similarly favored. However, Hawaii, with an average of 1,046,318 tons, was cut down to 948,264 tons. This latter figure included, in addition to our marketing quota, the amount allocated for local consumption. This represented a reduction of 69,554 tons. The Sugar Act of 1937 similarly further reduced our quota below our previous historic average production.

I was not in Congress at the time, but this legislation was deeply resented in Hawaii. It is only recently that legislation has begun to make a distinction as between Americans because of geography. The terms "continental" and "noncontinental" are coming into use. There is an invidious comparison being drawn between those Americans who happen not to live on the mainland as distinguished from those who do. We are called insular possessions or offshore areas and find ourselves considered to be somewhat less than American because of geography than our fellow citizens who are producing sugar in any one of the several States. We were placed in the same class with the Philippines, a country then in preparation for its separation from the United States, and Cuba, a foreign country, and other foreign countries, and if I may be pardoned for mentioning it, it was partly on that issue that I was elected to Congress, to oppose and fight against this, as we call it, discrimination. I do not like this term "discrimination"; we have used it so often it is stale, but it is a fact we were discriminated against in favor of the beet industry of the continental United States. Then when the Sugar Act of 1937 was again proposed, my hardest job in the House was to convince the members of the committee, and later the House itself, that we were entitled to better treatment and should not be awarded arbitrarily under this quota system a quota less than our historic average, and, as a result, we were permitted to retain the share in the market to which we had a historic right, which amounted to 25.25 percent of the total domestic sugar quota or allotment. We have operated under that law since then, for the last 4 years. That represented a substantial loss to Hawaii's historical position, and the present bill, H. R. 5988, increases that reduction, so that we will be denied the opportunity of selling approximately 71,426 tons in the domestic market.

Senator VANDENBERG. You have the same quota under this bill you now have?

Mr. KING. A difference of 210 tons. Now, the argument is made pertaining to that, Senator, that because the proposed bill does not take everything away from us in effect—you can't argue over 210 tons in a quota of a million tons—we should be satisfied, but it does more than that; it takes away from us the share of the increase which as a domestic producer we would be entitled to, amounting to about 20,000 tons. No other sugar-producing unit is so penalized. In order to make the quota system work, and to allocate quota shares to each producing unit, we have acquiesced in the percentages prescribed in the Sugar Act of 1937; but I do wish to oppose as inequitable any further reduction in our quota.

It is now proposed, as you will see from table 1, of the tables I have submitted to the committee, that the total domestic quota shall be



increased 79,159 tons, taking twenty-seven-thousand-odd tons from the Philippine Islands and taking fifty-thousand-odd tons from Cuba. The entire increase is to be allocated to the beet-sugar industry and the mainland cane producers; that is, sixty-two-thousand-odd to the former and sixteen thousand plus to the latter. It is argued that we should accept this bill because our quota is not reduced except by 210 tons, a nominal amount; but the proponents of the bill do not point out that if the percentages now incorporated in existing law were retained our proportionate share of the proposed increase would amount to 19,898 tons.

Now, may I call your attention to table 5 which shows that the proposed 79,000 tons increase would be divided between the mainland producers and Hawaii and Puerto Rico in a very different manner from the provisions of H. R. 5988; the beet industry would get an increase of 32,000 tons; the mainland cane eight thousand nine hundred-odd tons; Hawaii would receive 19,898 tons increase, and Puerto Rico 16,927 tons.

It is obvious that these are substantially the amounts of sugar which should be allocated to Puerto Rico and Hawaii unless the principles of the Sugar Act of 1937 and the historical basis on which the quota system rests are to be repudiated. In other words, it is not much justification for this legislation to say that they are not cutting our quota when the bill denies us our proportionate share in the quota by just slightly changing the basic quotas that now exist in the present law. They have cut the proportionate share of Hawaii from 25.25 percent to 24.72 percent. Now, that is getting into the ten-thousandths in decimals but it amounts to nearly 20,000 tons of sugar a year. The historical basis, which is the whole justification for the quota system, is entirely disregarded and an arbitrary system is set up that would benefit our continental producers, beet and cane, to the detriment of Hawaii, Puerto Rico, and Cuba. A further change in existing law is the disposition of the deficit in the Philippine quota.

If you will refer to table 2 you will note it is proposed to reserve to the mainland producers the 50,000 tons of the Philippine quota which the Philippine Islands are permitted to ship into the United States in refined form. Then, the first deficit of 100,000 tons, being in effect the difference between the duty free quota and the full quota, according to the Sugar Act of 1937, is reserved to foreign countries other than Cuba. Then, Hawaii, Puerto Rico, the Virgin Islands, and Cuba share in the remaining deficit.

It has been argued we should accept this provision because it may bring us very substantial material benefits if the Philippine deficit is large. Regardless of any such material benefit I oppose this provision very strongly because it nullifies the principle of the Sugar Act of 1937, and places Hawaii and Puerto Rico in the category of a foreign country, to share certain deficits along with Cuba. One of my strongest fights in 1937 was to have the classification of Hawaii established as an American community and a part of the domestic-sugar-producing industry. The Jones-Costigan Act had put us in a category with the Philippine Islands and Cuba. The Sugar Act of 1937 corrected this situation and included us as a unit of the domestic production unit. This bill proposes to reverse that action and put us back in a semi-foreign category. There is absolutely no justification for this action.

Our total maximum production, Mr. Chairman, is probably limited to approximately 1,250,000 tons of sugar per year. I don't know what the maximum production of the beet-sugar industry would be nor that of the mainland cane-sugar industry, but certainly it would appear to be fair to allow us to retain our proportionate share of the domestic sugar production until we had reached our maximum production. After that we might be retained at that figure while other producing units continued to expand. I submit there can be no argument that would justify allowing domestic producing units to expand now at our expense or while freezing our production to a quantity less than our historical average and less than our capacity to produce.

Mr. Chairman, no hearings were held on this bill in the House, and I should like to correct the statement made by Senator Vandenberg this morning that any reports were considered by the House Committee on Agriculture. Mr. Kleberg read a portion of a letter from the Secretary of State in opposition to the bill which, however, was not addressed to the chairman of the committee and was not formally before the committee.

The bill was considered in committee but no report had been requested from the departments concerned, and no witnesses other than the members of the committee were heard. I will state that I opposed the bill in committee, and offered two amendments, one that would restore to the pending bill the existing percentages which was defeated by a tie vote, and the other intended to rectify the preferential manner in which the Philippine deficit is to be allocated, lost by a larger majority. The Rules Committee granted a liberal rule on the bill after it was reported out of the House Committee on Agriculture, but instead of bringing it up under the rule, when those who opposed this measure might have had an opportunity to be heard and offer amendments which could be discussed and an opportunity afforded for argument to be presented to the membership of the House in their favor, the bill was brought up under a suspension of the rules. This precluded consideration of any amendment and drastically restricted debate.

I submit, Mr. Chairman, that no necessity for such haste exists and that a more orderly consideration of legislation of this importance would have been better.

Now, whatever may come in this present national emergency, Hawaii will continue to remain an incorporated Territory of the United States. Its people depend on agriculture almost exclusively. Sugar accounts for possibly 60 percent or more of the revenues of the Territory; pineapples may be 30 to 35 percent; all the rest put together about 5 percent; so that sugar is representative of more than half, three-fifths, of the Territory's revenues.

I am not in the sugar industry; I haven't a single cent in it, but I realize, as every citizen does, that whatever hurts sugar hurts Hawaii; and we are going to continue to produce sugar, of necessity; and if we are frozen out and year after year our quotas are reduced, our entire economy is threatened. Possibly 100,000 people are dependent on the sugar industry for their livelihood; possibly another 50,000 in an indirect way. Pineapples take the remainder of those gainfully employed. The Department of Agriculture has complete control over the operations of the sugar industry under existing law. Many people earn their living in the sugar industry, not seasonally but

permanently. We frequently have been criticized because of the large compliance payments made to our sugar producers. I am sorry that Senator Byrd is not present, because he has raised that point on several occasions.

There is no justice in such criticism as to those payments as the revenues used in making such compliance payments are derived in the first instance, as Senator O'Mahoney pointed out very clearly, from the sugar industry itself, and the excise taxes levied on the industry are not paid by the consumer because the total production of sugar is geared to our needs and the price paid by the consumer is dependent on that balance between supply and demand rather than the arbitrary levying of an excise tax and the paying of additional compliance payments. As an illustration, I should like to mention one plantation producer which markets approximately 80,000 tons of sugar a year. The Government collects \$800,000 from the sugar produced by this plantation. The plantation gets back, on a severely scaled down payment, something in excess of \$500,000, leaving about a quarter of a million dollars net revenue to the Government from which payments are made to beet producers who, incidentally, receive a larger payment, in the aggregate, than the amount of the taxes collected on the sugar they produce. It should be noted also that such a plantation will carry a pay roll of from 3,000 to 3,500 persons who, together with their families, would constitute a substantial number of people forming a community entirely dependent on that plantation pay roll for their livelihood. If the total number of these people were divided into the amount of the conditional compliance payments, the pro rata per working member would be a very modest sum.

These payments are made to the sugar producers in order to help them maintain the high standards required by the Sugar Act not only as regards pay but conditions of labor generally, and if these payments were further reduced or eliminated the plantations could not survive and maintain their present position as efficient producers.

It has been said that this legislation should be adopted quickly because the Sugar Act of 1937, the existing law, expires on December 31, 1941.

Although that is true the marketing quotas and the conditional payments continue until June 30, 1942. Practically there is no need for haste in considering equitable sugar legislation. Even if the present law expires without being replaced immediately, there will be ample time early next session to consider a much better bill than the one now before the committee. In fact, with the limitations on acreage and marketing quotas entirely removed, there is no necessity for sugar legislation in the immediate future. The argument was put forth by Senator O'Mahoney that the sugar industry needs a cushion to save it from the chaos likely to occur when the present situation terminates and the sugar industry is again placed on a quota system, which will represent severe restrictions on its total productive capacity. This bill provides such a cushion for the continental producers but reduces the protection of the cushion insofar as Hawaii and Puerto Rico are concerned.

We need in Hawaii the same protection that mainland producers need. We are no more able to compete with sugar produced in Cuba

or Java or the Philippines than are the producers on the mainland. It cannot be argued that this bill should provide such a cushion in an increased quota for mainland producers to the detriment of Hawaii and reduce the quotas of those two producers in order to make this cushion serve only two of the domestic producing units out of five sugar producing units under the American flag. For that reason, I hope, Mr. Chairman, this committee will not report out this bill and that the legislation will be taken up with an opportunity for those most deeply concerned to be heard. If the bill is reported out, I wish to propose two amendments that would remove part of my objection to it. One would be on page 2 of the bill, to restore the percentages now in the Sugar Act of 1937; to strike out the table following the word "basis" on line 3 of page 2, and reinsert the percentages incorporated in the Sugar Act of 1937. My second amendment would apply to the distribution of the Philippine deficit on page 3 in line 21, striking out all the language following on that page and on page 4 down to line 20, inclusive, and reinserting the provisions of the Coffee bill. This measure would allocate the Philippine deficit by first reserving 100,000 tons to foreign countries other than Cuba, being in effect the difference between the duty-free quota and the total quota in the Sugar Act of 1937. This provision should meet the objections of the State Department and preserve to such foreign countries the same amount they have heretofore received. This measure is practically the same as the one introduced in the Senate by Senator O'Mahoney, I believe. Any deficit beyond the 100,000 tons reserved to foreign countries, other than Cuba—in other words, any deficit in duty-free quota would be shared proportionately between all domestic sugar producers in accordance with the percentages established in the existing law. I would like to read the language of that bill; it was reported out of the House committee and is pending on the House calendar.

(Delegate King's proposed amendments are as follows:)

PROPOSED AMENDMENT TO H. R. 5988

On page 3 strike out all language commencing with line 21 down to and including line 20 on page 4, and insert in lieu thereof the following:

"(1) revise the quota for domestic areas by prorating among such areas, on the basis of the prorations of the quota then in effect for such areas, an amount of sugar equal to so much of the deficit so determined as constitutes a deficit in the duty-free quota, and (2) revise the quota for foreign countries other than Cuba by prorating to such foreign countries, on the basis of the prorations of the quota then in effect for such countries, an amount of sugar equal to the remainder of the deficit so determined."

On page 2 line 2, strike out table and after "basis" insert:

"Area	Percent
"Domestic beet sugar.....	41.72
Mainland cane sugar.....	11.31
Hawaii.....	25.25
Puerto Rico.....	21.48
Virgin Islands.....	.24"

Mr. Chairman, S. 2041-H. R. 5988 is not good legislation and I hope this committee will not report it out.

The CHAIRMAN. Thank you very much.

Mr. KING. May I have permission to incorporate in the record the tables which I submitted as part of my statement?

The CHAIRMAN. They will be incorporated, copied in the record.

(The tables submitted by Mr. King are as follows:)

TABLE I.—Comparison of Sugar Act of 1937 with H. R. 5988 and S. 2401—Quotas

Area	Basic quotas							
	Sugar Act of 1937			H. R. 5988 and S. 2401			In-crease	De-crease
	Per-cent of total	Per-cent of group	Tons	Per-cent of total	Per-cent of group	Tons		
Domestic beet sugar.....		41.72	1,549,898		42.49	1,611,986	62,088	
Mainland cane.....		11.31	420,167		11.52	437,016	16,879	
Hawaii.....		25.25	938,037		24.72	937,827		210
Puerto Rico.....		21.45	797,982		21.03	797,837		145
Virgin Islands.....		.24	8,916		.24	9,106	190	
Total domestic.....	53.59	100.00	3,715,000	56.77	100.00	3,793,802	79,157	355
Commonwealth of the Philip-pine Islands.....		34.70	11,029,782		34.70	11,002,437		27,345
Cuba.....		64.41	1,911,476		64.41	1,860,720		50,756
Foreign countries other than Cuba.....		.89	26,412		.89	25,711		701
Total Philippine Islands and foreign.....	44.41		2,967,670	43.23	100.00	2,888,868		78,802
Grand total.....	100.00		6,682,670	100.00		6,682,670	79,157	79,157

<sup>1</sup> Minimum quota for domestic areas.

<sup>2</sup> In no event less than the duty free quotas (approximately 982,663 tons).

## Portion of total quota which may be direct consumption sugar:

	Tons raw value equivalent			Tons raw value equivalent	
	Sugar Act of 1937	H. R. 5988 and S. 2401		Sugar Act of 1937	H. R. 5988 and S. 2401
Beet.....	All	All	Virgin Islands.....	None	None
Mainland cane.....	All	All	Philippine Islands.....	80,214	80,214
Hawaii.....	29,616	29,616	Cuba.....	375,000	300,000
Puerto Rico.....	126,033	126,033	Other foreign.....	All	All

TABLE II.—Comparison of Sugar Act of 1937 with H. R. 5988 and S-2401  
Dec. 204 (a). REDISTRIBUTION OF DEFICITS IN AREA QUOTAS

*Sugar Act of 1937*

*H. R. 5988 and S-2401*

DEFICIENCY IN ANY DOMESTIC AREA OR CUBA

Prorated to other domestic areas and Cuba, and any portion such areas cannot supply is to be prorated to "Other foreign."

Prorated to other domestic areas and Cuba, and any portion such areas cannot supply is to be prorated to "Other foreign."

DEFICIENCY IN PHILIPPINE ISLANDS

Prorated to "Other foreign."

Prorated as follows:

(1) To beet area and mainland cane area an amount equivalent to the deficiency in duty-free refined sugar as per Philippine Islands Independence Act (50,000 long tons refined).

(2) To "Other foreign" not in excess of 100,000 tons of the remainder of such deficit after effect of (1) hereof.

(3) To Hawaii, Puerto Rico, Virgin Islands, and Cuba, prorata, the remainder, if any, of such deficit in excess of 100,000 tons, after effect of (1) hereof;

Provided: Except for (1) hereof, no such proration of deficiency may be filled by direct-consumption sugar.

DEFICIENCY IN "OTHER FOREIGN" FOR CALENDAR YEAR

To remaining "Other foreign."

Prorated as follows:

(1) To "Other foreign" to extent of ability to fill.

(2) Remainder, if any, after (1) hereof, prorata to domestic areas and Cuba.

TABLE III.—Comparison of Sugar Act of 1937 with H. R. 5988 and S. 2401—  
Conditional Compliance Payments

Sugar Act of 1937				H. R. 5988 and S. 2401			
Tons	Rate per hundred-weight in cents	Payment		Tons	Rate per hundred-weight in cents	Payment	
		This tonnage increment	Total to this tonnage			This tonnage increment	Total to this tonnage
0 to 500	60.0	\$6,000	\$6,000	0 to 350	80.0	\$5,600	\$5,600
500 to 1,500	55.0	11,000	17,000	350 to 700	75.0	5,250	10,850
1,500 to 6,000	52.5	47,250	64,250	700 to 1,000	70.0	4,200	15,050
6,000 to 12,000	50.0	60,000	124,250	1,000 to 1,500	60.0	6,000	21,050
12,000 to 30,000	47.5	171,000	295,250	1,500 to 3,000	55.0	16,500	37,550
Above 30,000	30.0			3,000 to 6,000	52.5	31,500	69,050
Example, 50,000	30.0	120,000	415,250	6,000 to 12,000	50.0	60,000	129,050
				12,000 to 30,000	47.5	171,000	300,050
				Above 30,000	30.0		
				Example, 50,000	30.0	120,000	420,050

## Amounts of payments at various tonnages produced:

Tons	1937 act	H. R. 5988 and S. 2401	Tons	1937 act	H. R. 5988 and S. 2401
350.....	\$4, 200	\$5, 600	6,000.....	\$64, 250	\$69, 050
700.....	8, 200	10, 550	12,000.....	124, 250	129, 050
1,000.....	11, 500	15, 050	30,000.....	295, 250	300, 050
1,500.....	17, 000	21, 050	50,000.....	415, 250	420, 050
3,000.....	32, 750	37, 550			

TABLE IV.—Comparison of domestic sugar production in years 1931-33 with domestic quotas under sugar acts

Area	Average production years 1931-33	Final quota, 1 year, 1934, Jones-Costigan Act	Final quota compared with average production		Initial quota for year 1937 Jones-Costigan Act	Basic quota Sugar Act of 1937	Basic quota H. R. 5988 and S. 2401	Basic quota H. R. 5988 and S. 2401 compared with average production years 1931-33	
			Increase	Decrease				Increase	Decrease
Beet.....	1, 451, 950	1, 556, 166	74, 216		1, 613, 576	1, 549, 898	1, 611, 066	130, 036	
Mainland cane.....	234, 144	261, 034	26, 890		270, 664	420, 167	437, 045	203, 902	
Hawaii.....	1, 046, 318	948, 264		169, 554	976, 635	938, 037	937, 827		39, 808
Puerto Rico.....	878, 308	807, 312		4, 870	831, 508	797, 982	797, 837		3, 671
Virgin Islands.....	5, 300	5, 304	4		5, 462	8, 916	9, 105		3, 643
Total domestic.....	3, 645, 020	3, 578, 080			3, 697, 895	3, 715, 000	3, 793, 802		78, 802

<sup>1</sup> After including local consumption, 28,500 tons, raw value.

<sup>2</sup> After including local consumption, 66,126 tons, raw value.

<sup>3</sup> After including local consumption, 37,065 tons, raw value.

<sup>4</sup> After including local consumption, 80,315 tons, raw value.

Compiled from official sources (all in short tons raw value).

TABLE V.—Comparison of Sugar Act of 1937 with H. R. 5988, if amended to domestic percentages of quota in 1937 Act

Area	Basic quotas					
	Sugar Act of 1937		H. R. 5988 and S. 2401 if amended to percentages division as in 1937 Act		Increase	Decrease
	Percent of total	Tons	Percent of total	Tons		
Beet sugar.....	41.72	1, 549, 898	41.72	1, 562, 774	32, 876	
Mainland cane.....	11.31	420, 167	11.31	429, 079	8, 912	
Hawaii.....	25.25	938, 037	25.25	957, 935	19, 898	
Puerto Rico.....	21.45	797, 982	21.45	814, 909	16, 927	
Virgin Islands.....	.24	8, 916	.24	9, 105	189	
Total domestic.....	100.00	3, 715, 000	100.00	3, 793, 802	78, 802	

The CHAIRMAN. Mr. Dickey.

**STATEMENT OF J. A. DICKEY, REPRESENTING ASSOCIATION OF SUGAR PRODUCERS OF PUERTO RICO**

Mr. DICKEY. Mr. Chairman, there are four provisions of this bill, S. 2041, H. R. 5988, which we think are unnecessary and are unfair to us. Before taking up those specific provisions I do feel it is necessary just to give a little bit of background of our situation in Puerto Rico because, in general, the Members of Congress and the members of this committee have little opportunity to acquaint themselves with conditions existing there.

Quite different from other sugar-producing areas, Puerto Rico's existence depends almost entirely upon sugar. There is no alternative. When the price of other products is higher than sugar, Puerto Rico must produce sugar. The island's soil and climate do not permit of any other commercial type of agriculture that would provide more than a fraction of the income per acre of land provided by sugar. There is not even a county in the sugar-beet areas where sugar forms as large a proportion of the acreage of harvested crops as sugar does for the entire Island of Puerto Rico.

Sugar provides two-thirds of the income of the island from products sold. Sugar pays approximately 40 percent of all taxes paid into insular trade. Sugar provides the bulk of employment of the island's wage earners, and nourishes all the arteries of every commercial and industrial organism of Puerto Rico.

While the island is more dependent upon sugar for a livelihood than any other area supplying the mainland, yet the sugar sold in the mainland market represents only 10 to 12 percent of the mainland's consumption requirements. This 10 to 12 percent of the mainland sugar market is more important and more necessary to the existence of Puerto Rico than is any other area's portion of the mainland sugar market to that particular area.

It is for these reasons that legislation affecting sugar is extremely important to Puerto Rico.

The quota system has penalized Puerto Rico. When the quota system was first inaugurated through the Jones-Costigan Act, Congress, in the preparation of that act, spent several months in hearings and went carefully into all the questions as to any particular area's share in the domestic market. At that time, Puerto Rico was given a share in the domestic market based on the island's previous record of marketings. It was extremely unfortunate that the 3 years chosen as a base included 2 years in which the island's crop of sugarcane was seriously damaged by reason of drought and hurricanes. That it was unfortunate is shown by the fact that in the year following the base period the island harvested 30 percent more sugar than its quota under the Jones-Costigan Act.

In other words, the base period chosen consisted of 2 bad years together so it is not a fair index of Puerto Rico's ability to produce and is not representative for any purpose. Thus, while Puerto Rico's quota under the original Jones-Costigan Act was below the island's demonstrated ability to produce, and far below the amount necessary to even maintain, to say nothing of improving the economic and social conditions of the island, the island accepted this quota in the belief



that out of the experience gained from the operation of the act this condition would be corrected in the future.

Puerto Rico's record justifies an increased quota: Now, let us examine the record under the sugar-control program to date. The record shows that Puerto Rico is the only domestic area that produced its quota in every year under the sugar-control program. The island's record of production and marketing justifies the island's claim that its original quota was too low, and furthermore justifies an increase, if any increase is to be granted to any area.

When we further examine the record, we find that the 1937 Sugar Act not only failed to correct the injustice of the Jones-Costigan Act, but further reduced the island's quota by approximately 30,000 tons. Moreover, S. 2041, which is now before the committee, and is a duplicate of H. R. 5988, passed by the House without hearings of any kind, not only does not propose to remedy the injustices of the Jones-Costigan Act and the Sugar Act of 1937, by increasing the island's quota, but proposes to again reduce Puerto Rico's quota. The amount of the reduction is small, it is true, but how can anyone in the face of the record defend the failure to eliminate inequalities established in the original Sugar Act and perpetuated in the 1937 act, which reduces the island's quota below the amount necessary to enable the island to be self-sufficient, and below the island's demonstrated ability to produce.

The reasons for giving the island an increase of quota are self-evident, while there appears to be absolutely no reason for further reducing the island's quota. Careful consideration of the facts indicates that the only reason for again reducing Puerto Rico's quota is simply to demonstrate that the island does not have any vote in the Congress. This would appear to be an extremely un-American way of solving any problem. It is merely the strong taking advantage of the weak politically.

Puerto Rico penalized without justification: Such a procedure has no economic justification. The 130,000,000 sugar consumers will not be benefited, and the taxpayer will not be benefited. In effect, there is no economic justification for not increasing the quota of Puerto Rico.

The fact that the bill is not based upon any fair and reasonable consideration of the situation is also seen in the fact that it proposes to consider Puerto Rico and Hawaii along with foreign areas in the matter of distribution of any Philippine deficit. Certainly there is no advantage to the consumer, taxpayer, or any other phase of our national life by taking Puerto Rico and Hawaii out of the domestic group and including them in the foreign group in the reallocation of any Philippine deficit.

In the first place, it is obvious to anyone at all familiar with the sugar situation that the Philippine deficit is of no importance to any area so long as the war lasts. Every area in the Western Hemisphere will be urged to produce all the sugar that it can produce so long as the war lasts. Then we might ask ourselves, what could possibly be the justification for including Puerto Rico and Hawaii in with foreign areas in this connection. The answer is: There is none.

That there is no justification is further indicated by the fact that it is apparent to anyone that if there had been any advantage in the

reallocation of any Philippine deficit that advantage would never have accrued to Puerto Rico and Hawaii, as evidenced by the fact that it is proposed to reduce the basic quota of these two areas. Thus, it is obvious that while all areas will have a chance to produce about all the sugar they can produce for the next years—certainly so long as the war continues, to take this means of writing into the law that which, on the face of it, only results in discrimination, is not justified by any type of reasoning we can think of at this time, and it is for that reason, for those two things in the bill, that we have asked for relief. The least that can be done would be to give us back the percentage share we had in the 1937 act, and restore to us the position we had in the reallocation of any Philippine deficit. This would not injure anyone and would show a high degree of fairness, an effort to deal with all areas regardless of their position geographically in a fair and American way which the present condition of the world indicates is the least that can be done.

Mr. Chairman, there are two other points I would like to cover. May I submit this for the record and have it copied in?

The CHAIRMAN. It will be inserted in the record.

(The extension of Mr. Dickey's remarks is as follows:)

Mr. DICKEY. Continues injustice in the matter of refined sugar quota: S. 2041 continues the discrimination against Puerto Rico and Hawaii in the matter of refined sugar. There is no more justification today for denying American citizens in Puerto Rico and Hawaii the right to market their sugar in any form that they see fit than there was when the 1937 Sugar Act was written. Certainly the main-mainland consumer, the taxpayer, nor any other group would be penalized in any way by according Puerto Rico and Hawaii fair treatment in this respect.

In addition to these discriminations against Puerto Rico, the 1937 Sugar Act established a scale-down of refund payments which falls heaviest upon Puerto Rico and Hawaii. The scale-down is based on the size of the producer. The payment for large producers is about half the amount of the tax. In view of the fact that a large portion of the sugarcane in Puerto Rico can only be produced under large-scale operations, this is a penalty against large operations. It is no more possible to grow sugarcane in certain areas of Puerto Rico on small scale farming operations than it is to maintain a successful sheep ranch in Wyoming on 10 acres of land.

Under the operation of the Sugar Act in which the quota has over most of the period been sufficiently large to result in passing the tax back to the producer of sugar, the tax on the sugar of large producers is more than the refund payment. In the areas in Puerto Rico in which sugar is produced on large farms, either expensive drainage or irrigation facilities is essential. These facilities cannot be maintained efficiently under small-scale operations. The lands which have been drained or irrigated are lands that would not be cultivated at all except in large scale units. Thus, a scale-down in benefit payment discourages an efficient utilization of lands requiring irrigation or drainage. In view of the fact that much of the land in Puerto Rico must be irrigated or drained, the scale-down of payments puts a penalty on efficient use of the island's only resources; namely, its agricultural lands. Moreover, under normal market conditions this would give areas where large-scale operations are practiced, such as

Cuba, an unfair competitive advantage, and might easily upset the entire economy of the island.

Puerto Rico is an organized territory, an indivisible part of the United States, subject equally with the 48 States to all Federal selective service acts, immigration laws, tariff measures, and labor legislation. The National Labor Relations Act, the Social Security Act, and the wages and hours bill, S. 2475, all apply equally to Puerto Rico and the several States. Puerto Rico accepts its share of the burdens and responsibilities of the Nation just as does any other one of the many units that make up the Nation. Nevertheless, when it comes to sugar legislation it is forced to accept treatment that only some imperialistic form of government would enforce upon its subjects.

S. 2041 in no way proposes to rectify any of the disadvantages and discriminations against Puerto Rico and Hawaii, which now exist and for which there is no justification, economic or otherwise.

It is urgently requested that the table on page 2, beginning on line 2 of S. 2041, be so amended as to give Puerto Rico the same percentage share, namely, 21.48, as provided in the 1937 act. Furthermore, it is requested that on page 3, beginning with line 21, all on that page be stricken out and all on page 4 through line 19 be stricken out, and the following substituted:

(1) Revise the quota for domestic areas by prorating among such areas, on the basis of the prorations of the quota then in effect for such areas, an amount of sugar equal to so much of the deficit so determined as constitutes a deficit in the duty-free quota; and

(2) Revise the quota for foreign countries other than Cuba by prorating to such foreign countries, on the basis of the prorations of the quota then in effect for such countries, an amount of sugar equal to the remainder of the deficit so determined.

Likewise, it is proposed that the table on page 6 be changed so as to eliminate the last three categories beginning with 6,000 tons, and the following substituted to read "more than 6,000 tons, \$0.275."

Senator DAVIS. Did I understand you to say there were no hearings held on this bill in the House?

Mr. DICKEY. None. The Delegate from Hawaii just said—before you came in Senator—there were no hearings held or reports asked from any of the departments.

The CHAIRMAN. Mr. Greene, Hawaiian Sugar Planters' Association.

#### STATEMENT OF ERNEST W. GREENE, REPRESENTING HAWAIIAN SUGAR PLANTERS' ASSOCIATION

Mr. GREENE. My name is Ernest Greene. I appear on behalf of the sugar producers in the Territory of Hawaii.

Hawaii is an incorporated Territory of the United States. Its sugar production is a part of domestic sugar production and is entitled to equal treatment with any one of the sugar-producing States.

Mr. Chairman, it is desirable that the quota system should continue. It has been aptly characterized as a cushion in event of disorderly conditions in the sugar market, sugar production, and in the distribution of sugar in this country if after the present emergency such conditions might tend to arise. It is desirable to have a quota system on the statute books to provide such cushion. Our objection is that H. R. 5988 has two sharp pins in that part of the cushion provided for the Territory of Hawaii.

**The CHAIRMAN. And Puerto Rico?**

**Mr. GREENE. And Puerto Rico.** And its sharp pins are that notwithstanding the fact that during this emergency the terms of the existing act are sufficiently flexible to provide for the transfer of deficits so that if the demand for sugar exists as it does today and as it probably will during the remainder of this emergency, every producer able to do so can grow and market as much sugar as he can produce. The pins are when we sit on our part of the cushion and find—No. 1—that which would be established by the enactment of 5988, that certain other domestic areas are to have increases in their quotas while we are held rigidly at what in its basic form represents a very considerable restriction upon our capacity; and pin No. 2 is that we would find ourselves with respect to the distribution of deficiencies facing a precedent in H. R. 5988 whereby we had been removed from the equal status with respect to quotas where Hawaii is now, in the 1937 act, and relegated to a second and third category as compared with the sugar-beet area and sugar-cane area of the mainland in a distribution of the deficiency.

The Sugar Act of 1937 provided a schedule of percentage distribution, among the several domestic areas, of that part of the total sugar consumption of the United States allocated to domestic areas. The percentages in that act were determined after lengthy hearings and a careful study of the entire sugar situation. Section 202 of the Sugar Act of 1937 allocated to Hawaii 25.25 percent of the total quota allocated to all domestic areas.

We protest the percentage division among domestic areas which is incorporated in section 202, as amended by H. R. 5988, and which reduces the share of Hawaii to 24.72 percent in order to provide shares larger than those allocated by the 1937 act to certain other areas.

Tables and comparisons previously presented to this committee by the Delegate from Hawaii show that sugar producers in Hawaii were compelled by the original sugar-quota legislation in 1934 to reduce their actual production at that time. This basic restriction has persisted up to the present time. It is now proposed, by the terms of H. R. 5988, to limit Hawaii to this restricted production while permitting further expansion in other areas. We protest discriminatory treatment.

Section 2 of H. R. 5988 would amend section 204 of the Sugar Act of 1937 by changing the disposition of any deficiency in the quota of the Philippine Islands. It would provide a first category for the beet-sugar area and mainland sugar-cane area and relegate Hawaii to a third category. Hawaii should be on a parity with the other domestic areas with respect to any Philippine deficiency, as well as in all other matters, and should have its proportionate share in terms accorded to other domestic producers in any domestic area.

We believe that the variations proposed by H. R. 5988 from basic principles established in the Sugar Act of 1937, are important and far reaching in their effects. If any of them are intended to meet conditions of the present emergency the language of the bill does not disclose such intent. The changes are made parts of permanent legislation and will undoubtedly be cited as precedents if enacted.

We protest the continuation of the discrimination contained in section 207 (a) of the Sugar Act of 1937, which, upon a basis different

from that applied to other areas, restricts that portion of the sugar quota of Hawaii which may be shipped in the form of direct-consumption sugar.

It is true that the extension of sugar-quota legislation, as embodied in the Sugar Act of 1937, is desirable. We protest, however, the important and far-reaching changes proposed by H. R. 5988 in certain of the basic principles in the Sugar Act of 1937.

The CHAIRMAN. Mr. Quinn.

#### STATEMENT OF ARTHUR L. QUINN, REPRESENTING REFINED SUGAR INDUSTRY OF PUERTO RICO

Mr. QUINN. I just want to speak for about 1 minute in behalf of the refined sugar industry of Puerto Rico.

As you know this bill continues the restriction on the manufacture of refined sugar from Puerto Rico to the United States. I want to leave this thought with the committee: Ordinarily, the United States today is dependent upon facilities located between Boston and Baltimore for over 50 percent of the refined sugar we consume, and I want to raise the question as to whether or not that is a healthy situation in view of this emergency situation which confronts us now, and to request this committee—

The CHAIRMAN (interposing). You are speaking of cane sugar?

Mr. QUINN. Yes; over 50 percent of the facilities for refining cane sugar are located within a 500-mile radius, between Boston and Baltimore, and it is on that basis I want to leave the thought with this committee to request the removal of the restriction on the manufacture of refined sugar from Puerto Rico for shipment to the mainland.

Senator DAVIS. How many employees are there in the refinery business between Baltimore and Boston?

Mr. QUINN. It would be just a guess, Senator, but I would imagine it would be about 10,000.

Senator DAVIS. What is the difference between wages here and Puerto Rico, here and there, where they do their own refining?

Mr. QUINN. As you know there is a differential in this country between the North and the South, and our wage scale would compare very favorably with the wage scale in the South.

The CHAIRMAN. Mr. Ferris, Florida producers.

#### STATEMENT OF JOSIAH FERRIS, JR., REPRESENTING PRODUCERS OF CANE SUGAR IN FLORIDA

Mr. FERRIS. My name is Josiah Ferris, Jr. I am an officer of the United States Sugar Corporation and speak for and on behalf of the producers of cane sugar in Florida.

Florida sugar producers are opposed to the companion bills H. R. 5988 and S. 2041 because they serve no useful purpose at this time. Existing legislation which these companion bills propose to extend for 3 years is, in effect, suspended "for the duration." Although it is not officially designated as "suspension," nevertheless the existing quotas because of their huge size, far in excess of actual consumption, are in reality a suspension of current restrictions. We have been informed, through public announcements, that the Secretary of Agriculture, under the powers vested in him by current and proposed legislation,

intends to continue present excessive quotas, or no quotas. It is thus clear that any continuation of existing sugar legislation, or any new legislation at this time, can only result in continuing the existing non-existence of quotas.

We are today facing a situation which requires all-out effort on the part of all of us—we should not attempt to find ways and means of restricting the much needed output of a nonsurplus crop.

Florida producers sincerely believe that the passage of any sugar legislation would be ill-advised.

Senator DAVIS. How many acres of sugar-producing land are there in Florida?

Mr. FERRIS. Approximately 30,000.

The CHAIRMAN. Mr. Bunker.

### STATEMENT OF ELLSWORTH BUNKER, REPRESENTING UNITED STATES CANE SUGAR REFINERS' ASSOCIATION

Mr. BUNKER. Mr. Chairman, I have a short letter which summarizes our viewpoint on the bill which I would like to present and make a brief statement for the record.

The CHAIRMAN. Do you wish it to go in the record?

Mr. BUNKER. Yes; if I may.

The CHAIRMAN. All right.

Mr. BUNKER. I don't want to make any lengthy statement about the bill except to say that I think that as far as our industry is concerned, it maintains about the present status quo on the volume of business available to us.

The CHAIRMAN. You are the refiners?

Mr. BUNKER. Yes; I represent the United States Cane Sugar Refiners' Association, and we feel, both labor and management in the industry, that this represents a fair method of approach to a problem which has been controversial for a good many years, and it has the merit of providing stability in the extension of the act for a period of 3 years. We feel it deserves support on that basis.

The CHAIRMAN. It maintains the status of the domestic cane producers?

Mr. BUNKER. It leaves the cane refiners in about their present status which, I have pointed out at past hearings, was established pretty close to the minimum when the '34 act was passed and has not been changed; but we are satisfied to go along for the present on that basis.

The CHAIRMAN. Any questions, Senator?

Senator VANDENBERG. No.

(The letter referred to by Mr. Bunker is as follows:)

DECEMBER 9, 1941.

Hon. WALTER F. GEORGE,

*Chairman, Senate Finance Committee, Washington, D. C.*

DEAR SENATOR GEORGE: The bill, S. 2041, which is now being considered before the Senate Finance Committee, has the principal purpose of extending the Sugar Act of 1937 for 3 years. Although the bill is not completely satisfactory to all elements in the American sugar system, and although it may be advisable to amend it in certain minor particulars, nevertheless we believe that on the whole the bill is satisfactory and we recommend that it be enacted by Congress.

The most important question raised by any sugar legislation from our point of view is naturally this, "Does the proposed legislation maintain the volume of business which is now assigned by the quotas to the continental cane sugar refining industry?" S. 2041 neither increases nor decreases the volume of refining

done by our industry. The bill does decrease the quota now assigned to the refining industry in Cuba, but this reduction in Cuban refining does not inure to our benefit because it is largely offset by an expansion of the refined beet-sugar quota.

In any sugar legislation a second point arises, "Does the bill in question raise the price of sugar to consumers?" Our industry is opposed to high prices. S. 2041 does not increase the excise tax on sugar nor does it reduce the total quantities of sugar made available to the market. Consumers are not affected in one way or another.

We have read the bill with the third consideration in mind, "Does this bill prejudice the long-run position of sugar producers in the American islands, in Cuba, and in other Latin-American countries?" We are opposed to any sugar legislation which would hurt the sugar-producing islands primarily because we are a processor of raw material produced by those islands. The bill does not modify the present quota assigned to Puerto Rico, and the sugar industry in that island is now in a boom.

From the point of view of Cuba, the most important feature of the proposed bill is that it extends the present sugar plant for 3 years. Cuba is to continue to have a guaranteed share of the American market. In addition, under the contemplated revision of the Cuban reciprocal trade agreement, Cuba is to obtain a reduction in the duty of her raw sugar to 75 cents per hundred pounds, the lowest on record. The quota system under the Sugar Act and the reduced duty under the Cuban reciprocal trade agreement are integral parts of one general American sugar policy.

It is true that the proposed bill provides for reduction of some 53,000 tons in Cuba's basic quota. The value of this sugar, at current price levels, is less than one-half of the increase in income which Cuba will obtain from the contemplated reduction in her duty.

S. 2041 also promises Cuba an additional \$16,000,000 income because the bill would assign her a substantial portion of the so-called Philippine deficit.

During the present emergency Cuba's sugar income will be larger than it has been in any period since the prosperity years of the 1920's. Cuba's position after the emergency will be greatly helped by the passage of the bill before us. Under its provisions she will obtain a quota not substantially different from that which she has received in recent years, and in addition, she will continue to receive a protected price behind the American quota wall.

We must oppose any legislation in sugar which would be patently harmful to the future of Cuba. We sincerely believe that the present bill will not be contrary to her interests in the long run.

We emphasize that the extension of the Sugar Act for 3 years is one of the most salutary features of the bill. It will be a distinct advantage to labor, agriculture, and management in the American sugar system, including Cuba, to know that the stabilizing effect of the quota system will be in existence after the present emergency is over.

In summary, this bill, S. 2041, at least maintains the present annual volume of the cane sugar refining industry. It holds no provisions to raise the price of sugar to the detriment of consumers. On balance, the bill does not prejudice the long-range outlook for sugar growers and processors in Cuba and other Latin-American countries and finally, the bill by extending the Sugar Act for 3 years will bring assurances to consumers and to all sugar groups—domestic and foreign. A 3-year extension of the quota system is a constructive step. We see no reason why the various branches of the sugar industry should not give S. 2041 their support.

Respectfully yours,

ELLSWORTH BUNKER,

*Chairman of the United States Cane Sugar Refiners Association.*

(Extension of remarks by Mr. Bunker is as follows:)

Mr. BUNKER. My name is Ellsworth Bunker and I appear before you as chairman of the United States Cane Sugar Refiners' Association. Our association has as its members those companies in continental United States which are engaged principally in the refining and distribution of cane sugar. The plants in our industry, which produce about two-thirds of all the refined sugar consumed in this country, are located in California, Texas, Louisiana, Georgia, New York, Maryland, Pennsylvania, New Jersey, and Massachusetts. To a limited extent cane-sugar refining is done in Indiana and Wisconsin.

The cane-sugar refining industry, standing between the producer of raw sugar and the consumer of refined sugar, is an integral and indispensable part of the American sugar system. When any sugar legislation is proposed in Congress, we, of course, must appraise that legislation from the point of view of its effect upon our employees, our stockholders, and our customers. The question foremost in our minds is this: What effect will the legislation in question have upon the volume of business; that is, the amount of refining, which can be done by us?

The amount of refining determines how much work can be made available to our employees; it is an important factor in determining the returns to stockholders and, of course, it determines whether or not we are able to furnish sugar in normal quantities to our customers.

As the members of your committee well appreciate, the present sugar quota law, which has been in effect since 1934, regulates the marketing of raw and refined sugar by all groups. For our industry, this means essentially that the quotas regulate the quantity of raw cane sugar which we may purchase. Because the quotas limit our purchase of raw sugar, they necessarily place a ceiling upon the amount of sugar which we can melt, refine, and market. It is for this reason that our industry has consistently opposed any modification in the Sugar Act which would change the quotas on raw or refined sugar in such a way as to reduce our permissible volume of business. Any other position on our part regarding quotas would be a violation of our trust to the 18,000 men and women who work in the industry and to the thousands of persons who have an investment in it.

A second question which we, as managers of the industry, must raise with reference to any sugar legislation is this: Will the legislation tend to raise sugar prices to the consumers of our product?

Our industry always is harmed by unduly high prices. As a matter of fact, our economic interests are best served when prices are moderate and reasonably steady. Excessively high prices bring an unfavorable reaction from household and industrial consumers of sugar with a subsequent decrease in consumption. Unstable and fluctuating prices, on the other hand, increase the financial risk inherent in our industry and, I might add, that those risks are considerable. The earnings which have accrued to our industry since the Sugar Act has been in effect have been extremely moderate and much lower, as a percentage of investment, than any other branch of the American sugar system. High sugar prices, with erratic fluctuations, would tend to further depress our earnings.

A third question which we must raise regarding any sugar legislation is this: Does it prejudice the economic and financial position of the raw cane-sugar producers from whom we obtain the great bulk of our raw materials?

Obviously, if the growers and processors of raw sugar in the American insular areas, in Cuba, and in other Latin-American countries, are harmed by sugar legislation, the effect will be, in the long run, that they will produce and ship less sugar to us. If the economic future of these tropical areas is depressed or hampered by sugar legislation, our supply of raw material would be placed in jeopardy. We must have raw sugar to operate our plants and to furnish consumers with their requirements.

Furthermore, I must point out that our industry is located on the seaboard of the United States and there are many businesses and



thousands of workers outside of the sugar-refining industry, whose economic interests are vitally affected by the quantity and value of the trade of the United States with the sugar-producing islands. We believe that that trade should be maintained in normal volume for the mutual benefit of the tropical islands on the one hand and of the United States on the other. It is especially important at this time that nothing should be done in sugar legislation which would be patently harmful to Latin America.

And lastly, there is one feature of any sugar legislation which is of fundamental interest to us, and that is:

How long is the legislation going to be in effect?

Our industry, along with any other American business, seeks to have a maximum degree of permanency in any Federal legislation under which it operates. The members of this committee will recall that sugar legislation has been before Congress almost every year since 1934. In the spring and summer of 1941, the representatives of the sugar industry testified at great length before Congress with respect to a revision of the Sugar Act. No legislation was put into effect.

We recognize that the sugar problem is a difficult one. Any legislation relating to the industry must of necessity be difficult to evolve. Controversies are certain to arise. The inevitable conflict of economic interests means that considerable time must be spent in the legislative process. On the other hand, I know that you appreciate that no group of businessmen, organized labor, or American agriculture, desires to spend any more time in Washington on this problem than is absolutely necessary. We wish to see the problem solved.

But we seek permanent legislation for a more fundamental and important reason. An extension of the Sugar Act merely from 1 year to the next necessarily makes it difficult for us, as well as for any sugar group, to plan for the future. We would like to know as far in advance as possible what the quotas are to be, what the sugar tax is to be, and what the prices are to be. This is particularly true during the present emergency. At this time all businessmen, whether in sugar or in any other industry, find it difficult to plan ahead because of the inevitable uncertainties arising out of our national-defense program.

It is for these general reasons that we are extremely hopeful that legislation can be worked out in this session of Congress which will extend the quota system for a maximum number of years.

I should like to consider, at this time, the particular bill, S. 2041, now before this committee. I should like to examine to what extent that bill meets the general requirements of legislation which we deem to be fair and equitable to our employees, to our customers, and to our stockholders. The first question is: Does the proposed legislation maintain the volume of business which is now assigned by the quotas to the continental cane sugar refining industry? The answer, in short, is yes.

Under the present act, assuming a basic level of consumption of 6,683,000 tons a year, the continental refiners are permitted to purchase approximately 4,437,000 tons of raw sugar. As I have explained before, we are able to obtain this approximate quantity of sugar as our raw material and consequently we are able to sustain a given amount of employment and sales. Under the provisions of S. 2041,

the beet-sugar industry's basic quota is increased by about 62,000 tons. But this additional sugar for the beet-sugar industry is obtained largely by a reduction in the direct-consumption sugar quota now assigned to Cuba. The net effect of this is a shifting of refined sugar quotas from Cuba to the beet-sugar industry without changing the present status of our industry. For all practical purposes, our position remains unchanged. Approximately the same amount of raw sugar will be made available to us.

The second question is: How does this bill affect the price of sugar to consumers? The bill extends the Sugar Act for 3 years. With sugar supplies under control by the Government, it can be anticipated that sugar prices will tend to be steadier than they would be in the absence of such control. I believe that all of the sugar groups affected by this bill are in agreement with me on this point. A wiping out of the quota system, at this time, certainly will not tend to make prices more stable.

As to the level of prices, this bill establishes the means to maintain a reasonable price of sugar to consumers, rather than a high one. I recognize that the future of sugar prices, just as the future of all prices in the United States, is extremely difficult to forecast. I am not making a forecast of sugar prices at this time. I merely point out that this bill promises to provide the means by which sugar supplies can be maintained during this emergency without unduly burdening consumers.

There is some doubt that the beet-sugar crop, during the coming year (1942) may be smaller than normal because of the desire of farmers to raise other competitive crops, now advancing in price. The production costs of the farmer are also rising. Broadly speaking, there are two alternative methods of raising the beet farmer's income in order to maintain normal production; the first is to raise the price of sugar which in turn would increase the market price of sugar beets, and the second is to increase the cash subsidies paid directly to farmers under the present Sugar Act. The statistical evidence appears to indicate that during this emergency it is more economical for the Nation to offset the higher costs of producing sugar beets and sugarcane by slightly increasing sugar subsidies, as proposed in S. 2041, rather than by offsetting higher costs by increasing the price of sugar.

It is my understanding that the increase in benefit payments, as contemplated by this bill, can be financed without increasing the present tax on sugar—a tax, of course, which is reflected in the consumer's price. A lower level of payments should be reestablished at the time that the Secretary of Agriculture finds that the additional payments are not necessary to maintain a normal volume of domestic sugar consumption.

We have read the bill S. 2041 with our third question in mind:

Does this bill prejudice the long-run position of sugar producers in the American islands, in Cuba, and in other Latin-American countries? We sincerely believe that it does not.

S. 2041 would expand slightly the sugar quotas for both Hawaii and Puerto Rico and it would grant them slightly higher benefit payments to offset their increase in cost which may arise during this emergency. All of the evidence indicates that in the coming year the economic and financial position of the sugar industry in Puerto Rico and Hawaii will be better than at any time since 1934. Prices are

remunerative, benefit payments are substantial and crops are not to be limited by quotas.

The position that Cuba would occupy under the proposed legislation cannot be understood without a short review of Cuba's position since 1934 under our new sugar policy. As the members of this committee well know, the Sugar Act of 1934 gave Cuba an assured volume of business in the American sugar market, and by reason of the fact that the duty on her raw sugar was substantially reduced under the Cuban reciprocal trade agreement, Cuba received a much higher price for her sugar here than she did previously. The net result of the larger volume of sales and a higher price was that Cuba received an income from the sale of her major commodity which was large enough to provide a reasonable degree of stability to her national economy.

From the point of view of Cuba, the most important feature of the proposed bill is that it extends the present sugar plan for 3 years. Cuba is to continue to have a guaranteed share of the American market. In addition, under the contemplated revisions of the Cuban Reciprocal Trade Agreement, Cuba is to obtain a reduction in the duty on her raw sugar to 75 cents per hundred pounds, the lowest on record. In a normal quota year the value of the contemplated reduction in duty is about \$6,000,000. It is true that this bill, S. 2041, does not provide directly for the duty reduction. But it is equally true that a duty reduction of this magnitude could not well be seriously considered unless the assumption was made that the quota system was to continue. It is also true that the continuation of the act assures Cuba that her present reduced duty will remain in effect. The quota system under the Sugar Act and the reduced duty under the Cuban Reciprocal Trade Agreement are integral parts of one general American sugar policy.

It is true that the proposed bill provides for a reduction of 53,000 tons in Cuba's basic quota. The value of this sugar at current levels is about \$2,400,000, which is less than one-half of the increase in income which Cuba will obtain from the contemplated reduction in her duty.

And there is a further possible compensation for the reduction in the Cuban quota. Under the present Sugar Act, Cuba has no guaranteed right to participate in any deficit which may arise in the Philippine quota. I call your attention to the fact that under the Philippine Independence Act there is a progressive export tax beginning this year on the so-called duty-free portion of the Philippine quota. The practical effect of this tax on Philippine sugar, which becomes 100 percent of the full duty rate by 1946, will be to reduce greatly the shipments of Philippine sugar to this country. The bill before us provides that any deficit in the duty-free Philippine quota of raw sugar is assigned to Puerto Rico, Hawaii, and Cuba. It is doubtful whether Hawaii has the power to produce any substantial amount of sugar in excess of her normal amount of shipments. As a result, the Philippine deficit will accrue largely to Puerto Rico and Cuba. If there should be in the future a 500,000-ton deficit in the Philippine quota, Cuba will receive about 70 percent, or 350,000 tons. The current value of this quantity of sugar which could be shipped from Cuba is estimated to be about \$16,000,000.

As spokesman for the continental cane sugar refining industry, I testified before a congressional committee at an earlier date this year that Cuba should obtain her fair share of the Philippine deficit.

Because of circumstances arising out of the war, Cuba in 1941 has obtained a gross sugar income substantially in excess of that on the average in recent years. In 1942 Cuba stands in a position to harvest a large crop at remunerative prices, and her gross sugar income for that crop promises to be about 50 percent higher than it was in recent quota years. Current prosperity in Cuba, arising from the war, gives her an opportunity to strengthen her position economically and financially for the reaction which will probably follow in her economy after this emergency. But Cuba's position after the emergency will be greatly improved by the passage of the bill before us. Under its provisions she will obtain a quota not substantially different from that which she has received in recent years, and Cuba will receive a protected price behind the American quota wall.

Adding all of these facts together, we are convinced that during the next 3 years, on the whole, the Cuban sugar industry will experience a period of relative prosperity. This, in turn, will have a beneficial effect upon our national policy of strengthening our economic and financial ties with Latin America. Cuba's income and trade will increase, and our trade with that island will reflect this increase. This is as it should be.

We must oppose any legislation which would be definitely harmful to the future of Cuba. I sincerely believe that the present bill will not be contrary to her interests in the long run.

The last and final question is this: Does this bill promise to inject some degree of certainty into the sugar industry generally? I believe that it does. This bill would continue the present quotas for 3 years. If the war should terminate suddenly to bring about a condition wherein there is an excess of sugar available to the American market, the quotas can be adjusted in such a way as to give an adequate price protection to domestic producers and to Cuba. On the other hand, if the war should continue, there is nothing in this bill which could prove to be contrary to the interests of producers or consumers. A continuation of the quota system, in short, offers the Government an opportunity to play a constructive role in the inevitable reaction which will occur in the sugar industry after the war without slowing down or obstructing, in any way, the Government's action during the emergency.

We emphasize that the extension of the Sugar Act for 3 years is one of the most salutary features of the bill. It will be a distinct advantage to labor, agriculture, and management in the American sugar system, including Cuba. All sugar groups should set aside their differences for this period in order to gain a maximum benefit for all.

Fourth. In summary, this bill, S. 2041, at least maintains the present volume of the cane sugar refining industry. It holds no provisions to raise the price of sugar to the detriment of consumers. On balance, the bill does not prejudice the long-range outlook for sugar growers and processors in Cuba and other Latin-American countries. And finally, the bill by extending the Sugar Act for 3 years will bring assurances to consumers and to all sugar groups—domestic and foreign. A 3-year extension of the quota system is a constructive step.

We see no reason why the various branches of the sugar industry should not give S. 2041 their support.

The CHAIRMAN. Mr. Patchin.

**STATEMENT OF ROBERT H. PATCHIN, VICE PRESIDENT, W. R. GRACE & CO., NEW YORK CITY**

Mr. PATCHIN. My name is Robert H. Patchin. I am vice president of W. R. Grace & Co., New York, and I appear here on behalf of that firm and on behalf of the Peruvian-American Association, an organization of American business interests doing business with and having interests in Peru.

My interest and the interest of this association in this bill derives from the provisions of the act to the effect that deficiencies in the Philippine quota shall be reallocated to full-duty countries other than Cuba. These full-duty countries have under the basic quotas of the Sugar Act only about two-fifths of 1 percent of the total consumption of the continental United States, which works out in practice when the consumption ranges from six to seven million tons annually, to something like from twenty-four to twenty-seven thousand tons for all full-duty countries other than Cuba, and until about 1937 they had no means of increasing their share in our market except proportionately.

At that time the Sugar Act was amended to provide that Philippine deficits when incurred would be reallocated among the full-duty countries other than Cuba, and that corrected a feeling on their part that they were being discriminated against, and they hoped as consumption grew and the Philippine deficit grew they would get a larger share. In 3 of the 4 years since that time these foreign countries, other than Cuba, have shipped more sugar into the United States, chiefly Peru, San Domingo, and Haiti. The Fulmer bill provides that the amount of the Philippine deficit allocable to full-duty countries hereafter should be limited to 100,000 tons—it puts a ceiling on what they may get from the Philippines. The statement was made here today indicating the belief that this 100,000 tons is about as much as the full-duty countries other than Cuba have ever shipped in. We say that is not the case. For instance, this year the Department of Agriculture figures show that for 11 months ending December 1, the foreign countries other than Cuba have shipped into the United States 181,806 short tons of sugar, and there is still more to come afloat from some of those countries which might well bring it up close to 200,000 tons.

Senator VANDENBERG. Wasn't that 100,000-ton figure based on the total prior to any participation in the Philippine deficit? Wouldn't that be true?

Mr. PATCHIN. I don't think the foreign countries have ever been shipping in any more than twenty-six or twenty-seven thousand tons without the aid of sugar reallocated from the Philippine deficit.

Senator VANDENBERG. That was the point.

Mr. PATCHIN. The effect of the Fulmer bill is it freezes their part of the Philippine deficit to very much less than they would get if the law remained unchanged. Of course, there is an indication that there will be a much larger deficit during next year and these foreign countries will certainly feel very much disappointed that they cannot participate to a larger extent. They will feel, I am sure, that just as soon as this law, existing law, has begun to yield something to their benefit, it is curtailed. That is a very bad situation to have at this time when our defense policy calls for close cooperation with countries like Peru and

San Domingo and other countries who are supplying sugar. It also would seem that to limit to 100,000 tons the sugar which the United States can obtain from foreign countries other than at a time when a sugar shortage threatens here would be poor policy.

The Peruvian-American Association, whose members are engaged in a wide pursuit of trade, commerce, and industry in Peru, presents this letter addressed to the committee:

Peru is traditionally one of the best friends the United States has in the Western Hemisphere. It is probably safe to say that no country has shown, over the course of the years, a greater disposition than Peru to cooperate with the United States on international affairs, or a more favorable treatment to American economic interests.

Yet, Peru has been, for the last several years, one of the Latin-American countries least favored by the United States. In the financial field, for instance, Peru has not to date participated in the credits that are being extended to other countries for the stabilization of exchange, the development of new industries, or the construction of public works. In the economic sphere, Peru has for years awaited, and is still awaiting, the conclusion of a trade treaty with the United States which might permit a mutually desired and mutually beneficial increase in the export and import trade of both countries with each other.

A source of profound disappointment to Peru in her economic relations with the United States, has been the treatment accorded to Peruvian sugar under the United States Sugar Act of 1937, which in effect allotted to that country a basic participation of less than one-tenth of 1 percent of the total quota. The insignificance of this allotment may best be appreciated from the fact that, out of the total initial quota of 6,616,817 tons for 1941, the basic participation of Peru, with an annual production in excess of 400,000 tons, was only 5,748 tons.

The unfortunate impression created by the above limitation was alleviated, however, by the partial redress promised by section 204 of the act. This section in substance provided that (a) in the event of failure of the Philippine Islands to fill their quota for any one year, their deficiency should be prorated to foreign countries other than Cuba, and that (b) in the event of failure of any countries other than Cuba to fill the quotas or deficiencies prorated to them, their deficiencies should in turn be prorated to foreign full-duty countries having filled their own quotas and prorations.

Peru was thus led to expect that, notwithstanding the insignificance of her initial yearly quotas, her position would be remedied whenever the Philippine Islands should fail to fill their quota. So long as the operation of this provision seemed far removed, the provision was allowed to remain unchanged, and Peruvian producers were allowed to nurse their hopes for their eventual redress under the terms thereof, and this turned out to be the case.

This year, through the development of a substantial gap in the Philippine quota, and through the failure of other full-duty countries to fill the Philippine deficiencies reallocated to them, Peru has had the long-awaited opportunity to increase substantially her participation in the world's sales of sugar to the United States, and her total shipments this year will be over 150,000 tons, her full quota as revised.

I should, at this time, point out that last year there was no Philippine deficit, so she got nothing additional from the Philippines only what some of the full-duty countries couldn't supply.

This has come, indeed, at a time to benefit not only Peru but the United States as well. On the one hand, Peru was faced by a severe economic crisis as a result of the loss of her European markets. On the other, the United States was not only in need of sugar, but was also anxious, for reasons of hemisphere defense, to relieve the dependency of Peru and other Latin-American countries upon the markets of Europe.

Just at this time, however, Peru is threatened by the Fulmer bill which, like the Adams-O'Mahoney bill introduced earlier this year, would, if enacted, be tantamount to a repudiation of the promise which, under the terms of the Sugar Act of 1937, has been held out to Peru and other full-duty countries during all

these years. Under the provisions of the Fulmer bill, Peru and the other full-duty countries, which are subject to a duty of 1.87½ cents per pound and which, in the aggregate, are already limited to an initial quota of less than two-fifths of 1 percent of the total initial quota, would be further limited to a participation of not more than 100,000 tons in the reallocation of future Philippine deficiencies, and this only after a prior allocation of a portion of this deficiency to domestic producers who already enjoy a participation of almost 30 percent of the total quota. And any Philippine deficiencies in excess of these allocations would be reallocated to Hawaii, Puerto Rico, the Virgin Islands, and Cuba, who already enjoy in the aggregate a participation of nearly 55 percent of the total quota and who further enjoy duty exemption or preferences.

What this would mean to Peru is that, even assuming a total failure in the Philippine quotas, her participation in the respective reallocations would be limited to approximately 22,000 tons, since Peru's share of the initial quota allotted to full-duty countries is roughly 22 percent. Thus, assuming that the other full-duty countries should fill their respective reallocations aggregating 78,000 tons, the doors of the United States would, in effect, be closed to all but 25,000 to 30,000 tons of Peruvian sugar (22,000 tons as above plus Peru's initial quota, which for 1941 was 5,748 tons), representing barely 7½ percent of Peru's sugar production. All of the good that has been done by the operation of the reallocation provisions of the Sugar Act of 1937, would thus be destroyed at one stroke by the Fulmer bill, to say nothing of the confusion that would surely be created in Peru by what to our good neighbors would be the incomprehensible act of taking away when its value has been proved a privilege that was granted when its value was problematical.

At the time of the Adams-O'Mahoney bill, considerable resentment was aroused in Peru, and opponents of our country's policy did not lose the opportunity to endeavor to promote ill-feeling, a similar reaction may very well occur if the Fulmer bill were enacted.

Entirely apart, however, from the hemisphere-defense phase of the good-neighbor policy, we must consider the detrimental effect that the enactment of this bill would have upon the future development of our foreign trade with Peru. We cannot expect to sell to Peru more than we will buy from her, especially at a time when her European markets are closed and she cannot depend on triangular balances to settle adverse bilateral balances in her trade with us. For the last 5 years, Peru's visible trade with the United States has been adverse to her, to say nothing of equally adverse invisible balances. This situation cannot be expected to continue indefinitely. Unless we give Peru a chance to sell us more of her products, our own sales to Peru must of necessity be curtailed. Following are figures of our visible trade with Peru during each of the last 5 years, as published by the United States Department of Commerce:

1940, United States exports to Peru, \$23,123,000; United States imports from Peru, \$17,943,000.

1939, United States exports to Peru, \$19,246,000; United States imports from Peru, \$13,959,000.

1938, United States exports to Peru, \$16,892,000; United States imports from Peru, \$12,813,000.

1937, United States exports to Peru, \$19,001,000; United States imports from Peru, \$16,525,000.

1936, United States exports to Peru, \$13,439,000; United States imports from Peru, \$9,023,000.

We respectfully submit that due regard for the situation and for the feelings of friendly Peru suggests that no action should be taken which would adversely affect her existing participation in our sugar market. The measure under consideration should therefore be defeated.

Respectfully,

PERUVIAN-AMERICAN ASSOCIATION, INC.  
WADE H. EVERHART, *Secretary*.

I want to add at this point that our export trade to Peru consists of a wide range of articles of practically every kind and description and not solely manufactured articles. The point has often been made in discussions concerning trade with Latin-American countries that they

sacrificed some American agricultural interest and that the benefits are solely for the manufacturing interests. Well, a calculation made this morning of the total exports to Peru showed that upward of 16 per cent over a period have consisted of foodstuffs, agricultural products, to say nothing of natural products, which enter into processed articles, so that in this export trade not only the manufacturer and the manufactured things of the United States are benefited, but the agricultural interests to a smaller extent.

Now, I would like to add briefly to that some other comment.

Peruvian sugar is grown in areas of limited space and within limited weather conditions; large expansion of Peruvian sugar is not practicable, and, therefore, Peru cannot be regarded as even a potential menace to the sugar-producing world at large.

I mention that because in the past there has been in some areas a tremendous expansion of sugar production which has hung over the whole sugar situation for years afterward.

The Fulmer bill, it seems to me, gives something to most of the important elements but it takes away something from the foreign countries other than Cuba.

I have been told, but have not had time to verify it, that the basic quota which the bill would provide for the foreign countries other than Cuba is reduced below even the meager percentages provided for other countries other than Cuba, in the International Sugar Agreement to which the United States is a party and which is a treaty. The Secretary of State and the Secretary of Agriculture expressed their opposition to the bill when it was pending in the House, and I believe here. The solicitude of the Secretary of State for the good-neighbor policy has been referred to elsewhere as a love affair with South America; the relationship of the United States to its sister republic is serious and important and at this time it is a grave matter.

There is a very little profit in this business for a full-duty sugar country like Peru, for when it has paid duty of 1.87½ cents per pound there is very little margin of profit left, and the chief benefit to date, prices here being what they are, has been as an outlet for sugar which could not be sold in the accustomed markets in Europe.

Peru produces 440,000 tons; consumes domestically about 100,000; sells 80,000 tons to Chile, her neighbor; 20,000 tons to Bolivia, another neighbor, and then an amount approximately 30 percent ordinarily goes to Europe, chiefly to England, and the balance is scattered here and there and recently substantial amounts have come to the United States.

Now, she is in this position: She has lost her English market on account of the war and also on account of the disposition of the British to buy from the overseas dominions preferentially.

There is another thing the full-duty countries always feel constitutes a just grievance on their part, and that is they have to pay 1.87 cents a pound and Cuba now only pays 0.9 cent per pound, less than half the full duty. In this bill the foreign countries other than Cuba are limited to 100,000 tons and no more of the Philippine deficit. Cuba gets in on the top of that ceiling with Hawaii, Puerto Rico, and the Virgin Islands. Cuba's ratio in anything she shares with those countries is nearly half. Assume there might be a deficit of five or six hundred thousand tons in the Philippine quota next year. The domestic interests get the first 59,000 tons; then, the foreign



countries get a hundred thousand tons, and then the rest goes to Hawaii, Puerto Rico, Virgin Islands, and Cuba, but none to other foreign countries.

Cuba gets a preferred status and her sugar enters at a lower rate of duty; so, however, the proposed amendments are considered, they are disadvantageous to the full-duty countries other than Cuba and many of them are feeling and cannot but feel that the proposed restriction of the share that they have been led to expect will be a disappointment and possibly have a clouding effect on otherwise fairly happy relations with these other nations.

Senator VANDENBERG. I am wondering whether we are creating a ceiling of vested right by permitting this participation in the Philippine deficit? In other words, I wonder for the sake of argument whether 5 years from now if there wasn't any Philippine deficit and these countries had to drop down to twenty-seven or twenty-eight thousand tons, I wonder if they would feel they had been discriminated against for that reason and would consider us poor neighbors; or, to put it the other way around, whether we are now creating here a feeling that those countries have a certain expanded right to our sugar consumption and which must not be taken away, and we would be bad neighbors if we did it?

Mr. PATCHIN. Well, last year there was no deficit; and I don't recall there was any demand for making up to them what they failed to get. I think they are quite willing to take their chances on the deficit. Of course, there has always been the prospect that that Philippine duty-free quota would gradually be reduced.

Senator VANDENBERG. It has been my observation that whenever we extend our beneficence, we are supposed to maintain that extension indefinitely or we immediately become bad neighbors.

Mr. PATCHIN. They don't regard it as beneficence at all; they regard it as in the nature of reciprocal trade. It gives them an opportunity to buy. They regard it as a fair shake in the world, and we never have had to worry any in Peru about any unfriendliness, but unless they can find a better market here, in view of the fact they have their dependence on the European markets, the situation remains very acute.

I went to Lima, capital of Peru, in 1937 when the Pan American Conference was being held, which drafted the resolutions which are now holding the Western Hemisphere nations together. At that time German commercial houses were offering to better any offers that American interests were making of American products in Peru. The Germans were offering to buy Peruvian products at a premium. They were forcing barter on that country. They would say "We are buying this and that from you; you ought to buy quite a little from us." The British would say: "We are one of your principal markets for copper, you ought to do something for us." Our own business people there, representing large American exporters, were confronted with the same situation. We got people like General Electric to sharpen their pencils and go right down to the cost of labor and material to meet that competition. That kind of competition will come back as sure as I have the privilege of addressing you here. Peru has fared very badly at our hands. Practically all of her major products are subject to a rate of duty which in ordinary times is just prohibitive. On long staple cotton, of which we produce very little in this country, the duty

of 7 cents per pound prevails. Petroleum is subject to a duty sufficiently high to keep it out at practically all times. Copper is subject to a duty of 4 cents a pound, which normally keeps it out entirely. Of course, just now we are now buying plentifully of most of these things; we have to have them.

Fully one-third of our current copper requirements comes from Chile and Peru, 500,000 tons a year of their copper is moving this way, produced, I might say, by mining companies American-owned. The duty on wool is sufficient to keep it out; and alpaca, a variety of wool which is derived from the animal known as the alpaca and has no existence anywhere else in the world, bears a duty of 12 cents a pound, although no alpaca is grown in the United States. All those things are kept out except sugar which we do not have enough of and have to import it subject to a duty of 1.87½ cents a pound.

Senator VANDENBERG. You understand I sympathize with the situation there. I was simply trying to indicate that I wouldn't want the record to suggest that participation in what is a temporary emergency by reason of the deficit should not be construed as a creation of a floor below which subsequent sales cannot go without inviting prejudice against us.

Mr. PATCHIN. I do not think prejudice would be created if the present bill was allowed to continue. I hope I haven't talked too long. Thank you very much.

The CHAIRMAN. Are there any representatives here representing Puerto Rican business that desire to be heard?

(No response.)

The CHAIRMAN. Anybody else in the room who wishes to be heard at this time?

Mr. RISING. Mr. Chairman, I am vice president of the Western Beet Growers' Association, and I want to make inquiry: I have been in the city all the time for the last 2 or 3 weeks and have made inquiry of the secretary if there would be any hearing here, and I have been informed that there would not be and didn't get any notice that there would be a hearing until 1 o'clock today; therefore, I have no statement prepared, and I want to know, on behalf of the growers of nine western States whom I represent, if there will be an opportunity to be heard for about 6 or 3 minutes?

The CHAIRMAN. Could you be heard this afternoon? I don't know whether we will again meet in open session.

Mr. RISING. Well, if there is a further hearing, I should like to know if I may be heard for a few minutes.

The CHAIRMAN. We will be glad to hear you or to have you file any statement or brief you desire as part of the record.

Mr. RISING. And if there is no opportunity to be heard orally, I desire to file a brief on behalf of the growers of these nine western States in support of the pending bill, 5988; also in support of the Murray amendment, which would permit continental beet and cane growers to participate more liberally in supplying the consumption requirements that appear have developed in the past 2 years. I also want to speak on another point, and that is on the question of plant capacity. It is very evident that our consumptive requirements are going to be greater than the supply during the next few years of this emergency. And while restrictions in regard to allotments may be removed, the bottleneck will be plant capacity; unless some encourage-

ment is given through increased quotas to domestic growers and producers. Unless that is done, it will be difficult to build and have available sufficient capacity to handle the beet and cane that would be available for processing.

Also there is one other point I wish to bring up, and that is this: We, in the West—those whom I represent—have large acreages of irrigated land. That land acreage is being increased continuously through the development of the Federal reclamation policy. No opportunity is being given to these owners and users, water users on those new lands, to participate in the sugar program, because there is no marketing allotment for those new areas, which compel the farmers on those areas to devote their ability to supplying crops that are now surplus. We contend that those farmers should have an opportunity to engage in the production of sugar beets and any other crop they might desire.

Those would be principally the points I would like to cover in the brief.

The CHAIRMAN. You may do so.

(Mr. Rising's brief is as follows:)

STATEMENT OF E. W. RISING, EXECUTIVE VICE PRESIDENT, WESTERN BEET GROWERS' ASSOCIATION

(Hearings before the Committee on Finance, United States Senate on H. R. 5988)

Mr. CHAIRMAN: Twenty-one years ago in June, the average retail price of sugar in this country was 26.7 cents per pound and little could be had at that price. War is bringing another sugar crisis to this country. Shortage in supply for 1942 and other years during the emergency is already evident. The Philippine quota will not be delivered. The acute shortage of ships available for transportation of sugar from other off-shore areas is well known. Sugar rationing will certainly be with us again regardless of whether the Administration is able to control prices.

The Secretary of Agriculture has indicated that there will be no acreage limitation for next year. Increased mainland production will soon be urged to save the day, however, production cannot be increased overnight. Even though a heavy increase in beet acreage could be secured, processing facilities are only adequate to handle a small increase over present quotas. In order to obtain the construction of additional manufacturing facilities, basic quotas must be stepped up in the law in order to assure a return on the investment after the emergency has passed. The Murray amendment will at least make a start in this direction.

OUR CONSUMPTIVE REQUIREMENTS

The annual consumptive sugar requirements of continental United States are nearly 7,000,000 tons. Under the provisions of the 1937 Sugar Act as amended, the first 6,682,670 tons are allocated, as to source of supply, as follows:

	<i>Short tons</i>
Philippine Islands.....	1, 029, 782
Cuba.....	1, 911, 476
Foreign, other than Cuba.....	26, 412
<b>Total.....</b>	<b>2, 967, 670</b>
Domestic beet.....	1, 549, 898
Mainland cane.....	420, 167
Hawaii.....	938, 037
Puerto Rico.....	797, 982
Virgin Islands.....	8, 916
<b>Total.....</b>	<b>3, 715, 000</b>
<b>Grand total.....</b>	<b>6, 682, 670</b>

Actual deliveries of sugar expressed in short tons for the calendar years 1939 and 1940 were: 6,867,533 and 6,890,792 respectively. Deliveries of sugar for the first 11 months of 1941 exceed deliveries for the same period of last year by over 1,000,000 tons. Conceding that this is an abnormal year, we can safely say that our consumptive requirements for 1942 will be at least equal to the average for years 1939 and 1940, or approximately 200,000 tons in excess of basic quotas.

## WHAT SUPPLY IS AVAILABLE

The quota allotments from domestic beet and mainland cane areas. There is little hope of securing delivery of any of the million tons Philippine quota during 1942. Demand for shipping may even curtail deliveries from Hawaii and other off-shore points.

Announcement has been made that the manufacture of alcohol for war purposes will require a very large amount of sugar, probably not less than 1,000,000 tons. Taking the most hopeful view of the situation, we may summarize our new requirements as follows:

Summary:	Tons
To offset the Philippine deficit.....	1,029,782
For production of alcohol for war purposes.....	1,000,000
Normal consumptive requirements in excess of basic quotas.....	200,000
<b>Total.....</b>	<b>2,229,782</b>
It has been estimated that under favorable conditions we may be able to secure from Cuba approximately 3,000,000 tons. Cuba's normal quota is 1,911,476 tons. Excess delivery of.....	1,088,524
Net deficit.....	1,140,258
Should foreign countries other than Cuba be able to increase their deliveries to 5 times normal quotas, we would secure another.....	104,648
<b>Net shortage of.....</b>	<b>1,035,610</b>

## WE "RECAP" AS FOLLOWS

Requirements:	
Normal.....	6,882,670
War (probable).....	1,000,000
<b>Total.....</b>	<b>7,882,670</b>
Available:	
Domestic area production.....	3,715,000
Estimated Cuban deliveries.....	3,000,000
Foreign, other than Cuba (5 times 1937 quota).....	132,060
<b>Total.....</b>	<b>6,847,060</b>
<b>Net deficit.....</b>	<b>1,035,610</b>

## IS SUGAR LEGISLATION NEEDED NOW?

The answer to the question as to whether sugar legislation is needed is, yes, urgently needed, in order to stimulate domestic production and encourage construction of additional processing plants.

Sugar beets are now produced in 17 States. Sugarcane in 2 States. Many other States have lands suitable for growing sugar beets and cane. Thousands of our present growers wish to increase their acreage. Farmers who are now not growers of beets and cane are asking for the opportunity to share in the production of a nonsurplus crop.

Processing-plant capacity will, however, be the limiting feature governing increase in domestic production of sugar.

Enactment of H. R. 5988 with the Murray amendment, with its modest provision for an increase of 200,000 tons in the basic quotas for domestic beet and mainland cane areas will provide the necessary incentive that will encourage new investment in processing facilities—facilities that will not be idle when the

emergency is over. Old growers may then increase their acreage and new areas will be permitted to participate in the sugar program, thus reducing to a minimum our sugar shortage.

Dr. Bernhardt, have you anything to say at this time or would you prefer to wait until the executive session? We might need your advice. I would suggest, Doctor, you come back Friday morning. I don't believe we will be able to meet in the morning on account of a meeting that has been arranged, a caucus Senator McNary desires to hold and several members of this committee will be anxious to attend; but we may be able to get the record in shape by Friday, and if you will be here Friday morning at 10 o'clock.

There is a letter received from Leon Henderson, Office of Price Administration, which is to go in the record.

(The letter referred to is as follows:)

OFFICE OF PRICE ADMINISTRATION,  
December 10, 1941.

The Honorable WALTER F. GEORGE,  
*Chairman, the Finance Committee, United States Senate.*

MY DEAR SENATOR GEORGE: I should like to call to your attention the adverse effect which the enactment of H. R. 5988, amending the Sugar Act of 1937, as amended, will have upon our war-production program.

Developments of the past few days have substantially altered the 1942 supply situation with respect to sugar. Naval operations in the Pacific Ocean are certain to curtail seriously the shipments of sugar from the Philippine Islands. It is also likely that the quantity of Hawaiian island sugar shipped to this country will be reduced. Furthermore, our active participation in the war will increase the demand for alcohol, which is derived in large part from cane sugar products. Thus, the country faces both a reduced supply and an increased demand for sugar. Under such circumstances it would appear desirable to avoid any action which threatens to interfere with supplies from those areas still accessible to the United States.

The proposed amendment to the Sugar Act of 1937, by cutting down the quota allotments of Cuba and other foreign countries, instead of inducing the cooperative assistance of the sugar-producing countries promises to engender discord and friction. As such, the bill may be considered detrimental to the best interests of this country's war program.

Sincerely yours,

LEON HENDERSON, *Administrator.*

The CHAIRMAN. The committee has received several communications for the record, and they will be inserted at this point.

GREELEY, COLO., December 8, 1941.

Senator EDWIN C. JOHNSON,  
*Member, Senate Finance Committee, Washington, D. C.*

Our association, representing 7,000 sugar-beet growers, is backing to the limit the new sugar bill, H. R. 5988. We cannot urge too strongly the passage of this bill without amendments. Since December 7 it is emphasized even more than ever the need for additional sugar next year. This bill if and when enacted will, we feel sure, assure consumers of a very material increase in sugar production in Colorado next year.

MOUNTAIN STATES BEET GROWERS MARKETING ASSOCIATION.  
HARRY CLARK, *President.*

TWIN FALLS, IDAHO, December 7, 1941.

HON. WALTER F. GEORGE,  
*Chairman, Senate Finance Committee,*  
*Washington, D. C.:*

Sugar-beet farmers in the nine Western States represented by the National Beet Growers Association in annual convention now assembled are very deeply concerned about S. 2041 and H. R. 5988. They need this legislation, they

approve it without reservation, and respectfully urge its prompt enactment by the Congress.

Senator Joseph C. O'Mahoney is closely conversant with the situation of our western producers and this bill, prepared by him and our late beloved friend Senator Alva Adams, if promptly enacted into law will help bring that much-needed relief and stability for our splendid sugar-beet industry throughout the West.

We sincerely hope you and the Senate Finance will give prompt and friendly consideration to the measure and help secure its prompt passage by the Senate and approval by the President.

Respectfully,

NATIONAL BEET GROWERS ASSOCIATION.  
By CHARLES M. KEARNEY, *President*.

The CHAIRMAN. We will recess until Friday morning at 10 o'clock. (Whereupon, at 4 p. m., a recess was taken until 10 a. m., Friday, December 12, 1941.)

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